NEW ISSUE-BOOK-ENTRY ONLY

In the opinion of Foley & Lardner LLP, Bond Counsel, based upon an analysis of existing laws, regulations, rulings, and court decisions and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Series 2011A Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended. In the further opinion of Bond Counsel, interest on the Series 2011A Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings in calculating the federal alternative minimum taxable income of certain corporations. Interest on the Series 2011B Bonds is not excluded from gross income for federal income tax purposes. In the opinion of Bond Counsel, the Series 2011 Bonds, their transfer and the income therefrom (including any profit made from their sale) will be exempt from taxation within The Commonwealth of Massachusetts. Bond Counsel expresses no opinion as to whether the Series 2011 Bonds or the interest thereon will be included in the measure of Massachusetts estate and inheritance taxes and certain Massachusetts corporate excise and franchise taxes. Bond Counsel expresses no opinion regarding any other federal or Massachusetts tax consequences arising with respect to the Series 2011 Bonds, or regarding the tax consequences of states other than The Commonwealth of Massachusetts. See "TAX MATTERS" herein.

massport

$214,060,000
MASSACHUSETTS PORT AUTHORITY
$58,030,000 Special Facilities Revenue Bonds (ConRAC Project), Series 2011A (Non-AMT)
$156,030,000 Special Facilities Revenue Bonds (ConRAC Project), Series 2011B (Federally Taxable)

Dated: Date of Delivery **Due: July 1, as shown on page (i) hereof**

The Massachusetts Port Authority (the "Authority") is issuing its Special Facilities Revenue Bonds (ConRAC Project), Series 2011A (the "Series 2011A Bonds"), and its Special Facilities Revenue Bonds (ConRAC Project), Series 2011B (Federally Taxable) (the "Series 2011B Bonds," and together with the Series 2011A Bonds, the "Series 2011 Bonds") pursuant to a Trust Agreement dated as of May 18, 2011 (the "CFC Trust Agreement"), between the Authority and U.S. Bank National Association, as trustee (the "Trustee"). 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 consolidated rental car facility (the "ConRAC Facility") and related improvements (collectively, as further described herein, the "Project") at Boston-Logan International Airport (the "Airport"), fund certain deposits to the Debt Service Reserve Fund and the Supplemental Reserve Fund, pay a portion of the interest on the Series 2011A Bonds 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 a parity with the Series 2011 Bonds are secured by a pledge of the CFC Pledged Receipts (as defined herein) derived by the Authority from Customer Facility Charges and Contingent Rent (each as defined herein), if any, and other funds, as described herein. 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 as described herein. The Authority has no taxing power. The Series 2011 Bonds will not constitute a general obligation of the Authority or a debt or a pledge of the faith and credit of The Commonwealth of Massachusetts or of any political subdivision thereof.**

The Series 2011 Bonds will be issued as fully registered bonds and, when issued, will be registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company, New York, New York ("DTC"). Purchasers will acquire beneficial ownership interests in the Series 2011 Bonds in denominations of $5,000 or integral multiples thereof and will not receive physical delivery of bond certificates. So long as Cede & Co. is the registered owner of the Series 2011 Bonds, principal and interest will be payable by the Trustee to Cede & Co., as nominee for DTC. See "Book-Entry Only Method."

The Series 2011 Bonds will bear interest from their date of delivery, payable each January 1 and July 1, commencing January 1, 2012.

The Series 2011 Bonds are subject to optional and mandatory redemption prior to maturity as described herein.

See page (i) hereof for maturities, principal amounts, interest rates, and prices or yields.

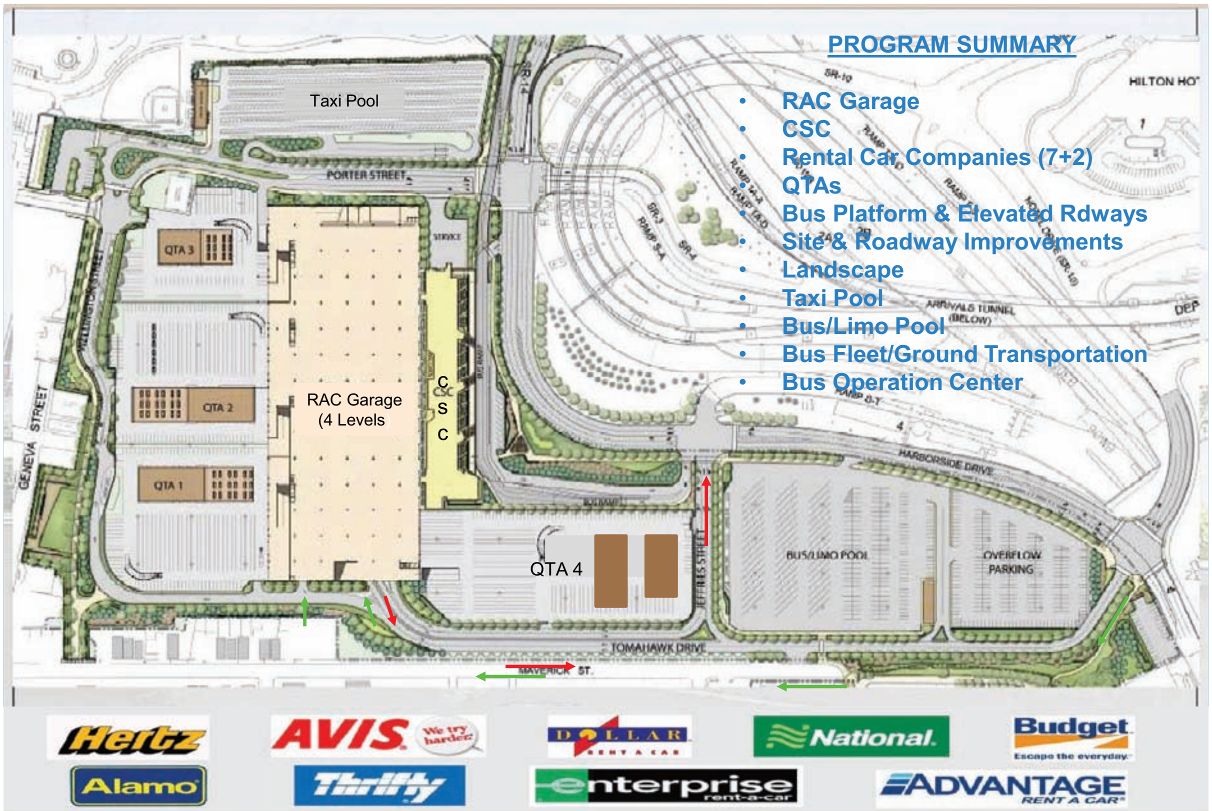
The Series 2011 Bonds are offered when, as and if issued by the Authority and received by the Underwriters, subject to the receipt of an unqualified approving opinion as to legality of Foley & Lardner LLP, Boston, Massachusetts, Bond Counsel, and certain other conditions. Certain legal matters will be passed upon for the Authority by its Disclosure Counsel, Edwards Angell Palmer & Dodge LLP, Boston, Massachusetts, and for the Underwriters by their counsel, Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., Boston, Massachusetts. Government Finance Associates, Inc., New York, New York, serves as Financial Advisor to the Authority. Delivery of the Series 2011 Bonds to DTC or its custodial agent is expected in New York, New York on or about June 15, 2011.

Citi **Morgan Keegan**

Barclays Capital **Fidelity Capital Markets** **Jefferies & Company**

June 8, 2011

Schematic and Photos of Project and Site



Massachusetts Port Authority

$58,030,000
Special Facilities Revenue Bonds (ConRAC Project), Series 2011A (Non-AMT)

$58,030,000 5.125% Term Bonds maturing July 1, 2041, at a Yield of 5.30% - CUSIP Number† - 575898 CU3

$156,030,000
Special Facilities Revenue Bonds (ConRAC Project), Series 2011B (Federally Taxable)

$35,775,000 Serial Bonds

Maturity (July 1)	Amount	Interest Rate	Price	CUSIP†	Maturity (July 1)	Amount	Interest Rate	Price	CUSIP†
2012	$2,575,000	0.90%	100%	575898 CG4	2017	$3,620,000	4.139%	100%	575898 CM1
2013	3,185,000	1.30	100	575898 CH2	2018	3,780,000	4.439	100	575898 CN9
2014	3,260,000	1.91	100	575898 CJ8	2019	3,960,000	4.855	100	575898 CP4
2015	3,360,000	3.23	100	575898 CK5	2020	4,165,000	5.005	100	575898 CQ2
2016	3,485,000	3.53	100	575898 CL3	2021	4,385,000	5.105	100	575898 CR0

$62,415,000 6.202% Term Bonds maturing July 1, 2031, at a Price of 100% - CUSIP Number† - 575898 CS8
$57,840,000 6.352% Term Bonds maturing July 1, 2037, at a Price of 100% - CUSIP Number† - 575898 CT6

No dealer, broker, salesperson or other person has been authorized by the Authority or any of its agents or the Underwriters to give any information or to make any representations other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Series 2011 Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth herein has been furnished by the Authority and The Depository Trust Company and includes information from other sources which are believed to be reliable but, as to information from sources other than the Authority, is not to be construed as a representation of the Authority. The information and expressions of opinion contained herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Authority since the date hereof.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

This Official Statement contains forecasts, projections and estimates that are based on current expectations. In light of the important factors that may materially affect the financial condition of the Authority and the aviation industry generally and other economic and financial matters, the inclusion in this Official Statement of such forecasts, projections and estimates should not be regarded as a representation by the Authority or the Underwriters that such forecasts, projections and estimates will occur. Such forecasts, projections and estimates are not intended as representations of fact or guarantees of results.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2011 BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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MASSACHUSETTS PORT AUTHORITY

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Michael P. Angelini

Douglas M. Husid

Ranch C. Kimball

Paul J. McNally

Frederic Mulligan

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David S. Mackey, *Acting Chief Executive Officer and Executive Director and Chief Legal Counsel**

George K. Hertz, *Chief of Staff*

John P. Pranckevicius, *Director of Administration & Finance/Secretary-Treasurer*

Edward C. Freni, *Director of Aviation*
Michael A. Leone, *Port Director*
Joseph F. McCann, *Comptroller*
Lowell L. Richards, III, *Chief Development Officer*
Houssam H. Sleiman, *Director of Capital Programs & Environmental Affairs*
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Disclosure Counsel
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Boston, Massachusetts

Airport Consultants
LeighFisher Inc.
Burlingame, California

Independent Accountants
PricewaterhouseCoopers LLP
Boston, Massachusetts

* Thomas J. Kinton, Jr. retired as Chief Executive Officer and Executive Director effective June 1, 2011. David S. Mackey is serving as Acting Chief Executive Officer and Executive Director and Chief Legal Counsel until a permanent successor is appointed.

OFFICIAL STATEMENT
of the
MASSACHUSETTS PORT AUTHORITY

Relating to its

$58,030,000 Special Facilities Revenue Bonds (ConRAC Project), Series 2011A (Non-AMT)
$156,030,000 Special Facilities Revenue Bonds (ConRAC Project), Series 2011B (Federally Taxable)

INTRODUCTION

General

This Official Statement of the Massachusetts Port Authority (the "*Authority*") sets forth certain information concerning the Authority and its $58,030,000 Special Facilities Revenue Bonds (ConRAC Project), Series 2011A (the "*Series 2011A Bonds*") and its $156,030,000 Special Facilities Revenue Bonds (ConRAC Project), Series 2011B (Federally Taxable) (the "*Series 2011B Bonds*," and collectively with the Series 2011A Bonds, the "*Series 2011 Bonds*") in connection with the sale of the Series 2011 Bonds by the Authority.

Purpose of the Financing

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 consolidated rental car facility (the "*ConRAC Facility*") and related improvements (collectively, as further described herein, the "*Project*") at Boston-Logan International Airport (the "*Airport*"), fund certain deposits to the Debt Service Reserve Fund and the Supplemental Reserve Fund, pay a portion of the interest on the Series 2011A Bonds and pay certain costs of issuance of the Series 2011 Bonds.

The Authority

The Authority, created pursuant to Chapter 465 of the Massachusetts Acts of 1956 (as amended to date, the "*Enabling Act*"), is a body politic and corporate and a public instrumentality of The Commonwealth of Massachusetts (the "*Commonwealth*" or *"Massachusetts"*). The Authority owns, operates and manages the "*Airport Properties*," consisting of the Airport, Laurence G. Hanscom Field and Worcester Regional Airport; and the "*Port Properties*," consisting of certain facilities in the Port of Boston and other properties. For more information about the Authority, see APPENDIX E - Information Statement of the Authority.

The Series 2011 Bonds

The Series 2011 Bonds are to be issued under and pursuant to the Enabling Act, the Trust Agreement dated as of May 18, 2011 (the "*CFC Trust Agreement*"), by and between the Authority and U.S. Bank National Association, as trustee (the "*Trustee*"), and a resolution of the Authority pertaining to the issuance of the Series 2011 Bonds, adopted by the Authority on May 18, 2011.

The Series 2011 Bonds are limited obligations of the Authority, payable solely from and secured by a pledge of the "*CFC Pledged Receipts*" (as defined herein) derived from customer facility charges ("*Customer Facility Charges*" or "*CFCs*") paid by customers of the rental car companies operating at the Airport (each, a "*RAC*" and collectively, the "*RACs*"), Contingent Rent (as defined herein), if any, payable by the RACs, and other funds as described herein. See "SECURITY AND SOURCES OF PAYMENT FOR THE CFC BONDS – CFC Pledged Receipts" and "CUSTOMER FACILITY CHARGES AND RENTAL CAR OPERATIONS" herein. The pledge and lien of the Series 2011 Bonds is on a parity as to payment with any Additional Bonds (other than Subordinate Bonds) hereafter issued under the CFC Trust Agreement. See "SECURITY AND SOURCES OF PAYMENT FOR THE CFC BONDS – Additional Bonds." The Series 2011 Bonds and any Additional Bonds (other than Subordinate Bonds) hereafter issued under the CFC Trust Agreement are collectively referred to as the "*CFC Bonds*." The CFC Bonds and any Subordinate Bonds hereafter issued under the CFC Trust Agreement are collectively referred to herein as the "*Bonds*."

Except to the extent payable from Series 2011 Bond proceeds and investment income, the Series 2011 Bonds are payable solely from CFC Pledged Receipts. No other revenues of the Authority are currently pledged to the payment of the Series 2011 Bonds. The Authority has no taxing power. The Series 2011 Bonds will not constitute a debt, or a pledge of the faith and credit, of the Commonwealth or any political subdivision thereof. The Series 2011 Bonds are not secured by a lien on any properties or improvements at any Airport Properties or Port Properties or by a pledge of any revenues (other than CFC Pledged Receipts) derived by the Authority from the operation of the Airport Properties or Port Properties generally. The Bonds, including the Series 2011 Bonds, will be secured separately from all of the Authority's other outstanding indebtedness. For a brief description of such indebtedness, see APPENDIX E – Information Statement of the Authority – Other Obligations; and APPENDIX F – Financial Statements.

Additional Information

This Official Statement includes a description of the Authority, the Project and certain financial and operational factors relating to the Authority and the RACs operating at the Airport as of the date hereof, and a description of the Series 2011 Bonds and the security therefor. Except where noted, all information presented in this Official Statement has been provided by the Authority. The following appendices are included as part of this Official Statement: APPENDIX A – Report of the Airport Consultant dated May 23, 2011 (the "*Consultant's Report*"), delivered by LeighFisher Inc., Burlingame, California; APPENDIX B – Summary of Certain Provisions of the CFC Trust Agreement; APPENDIX C – Summary of Certain Provisions of the ConRAC Lease Agreements and Concession Agreements; APPENDIX D – Form of CFC Continuing Disclosure Certificate; APPENDIX E – Information Statement of the Authority; APPENDIX F – Financial Statements of the Authority for the fiscal year ended June 30, 2010 and comparative information for the fiscal year ended June 30, 2009; and APPENDIX G – Form of Opinion of Bond Counsel. APPENDICES B, C and G have been prepared by Foley & Lardner LLP, Bond Counsel to the Authority. APPENDIX D has been prepared by Edwards Angell Palmer & Dodge LLP, Disclosure Counsel to the Authority. APPENDIX E has been provided by the Authority. **Note that while APPENDIX F includes the financial statements for all of the Authority's operations, the Series 2011 Bonds are payable solely from CFC Pledged Receipts and other funds as described herein.**

Certain capitalized terms that are not defined herein are defined in the CFC Trust Agreement. See APPENDIX B – Summary of Certain Provisions of the CFC Trust Agreement – Definitions. All references in this Official Statement to the CFC Trust Agreement, the Series 2011 Bonds, the CFC Continuing Disclosure Certificate and all other agreements, statutes and instruments are qualified by reference to the complete document. A copy of the CFC Trust Agreement is available for examination at the offices of the Authority.

The Authority's principal office is located at One Harborside Drive, Suite 200S, East Boston, Massachusetts 02128-2909. Its telephone number is (617) 568-5000. Copies of certain documents, including the Authority's Comprehensive Annual Financial Report for fiscal year 2010, which has been awarded the Certificate of Achievement for Excellence in Financial Reporting by the Government Finance Officers Association, are available electronically at the investors' page of the Authority's website at http://www.massport.com/about/about_inves.html. However, no information on the Authority's website is a part of or incorporated into this Official Statement.

THE SERIES 2011 BONDS

General Provisions

The Series 2011 Bonds will be issued as fully registered bonds in the aggregate principal amounts as set forth on page (i) hereof, will be dated their date of initial delivery and will bear interest from that date to their respective maturities as set forth on page (i) hereof. Ownership interests in the Series 2011 Bonds will be available in denominations of $5,000 and integral multiples thereof. Interest on the Series 2011 Bonds will be payable on January 1, 2012 and on each January 1 and July 1 thereafter until maturity.

So long as Cede & Co. is the registered owner of the Series 2011 Bonds, all payments of principal and interest on the Series 2011 Bonds are payable by wire transfer by the Trustee to Cede & Co. as nominee for DTC (as defined herein), which will, in turn, remit such amounts to the DTC Participants (as defined herein) for subsequent disposition to Beneficial Owners (as defined herein). See "BOOK-ENTRY ONLY METHOD" herein.

Sinking Fund Redemption

Series 2011A Bonds. The Series 2011A Bonds shall be redeemed in part on July 1 in each year listed below, at a redemption price equal to 100% of the principal amount redeemed plus accrued interest thereon to the redemption date, without premium, in the principal amount set forth below next to such year:

Year	Principal Amount
2037	$4,265,000
2038	12,450,000
2039	13,090,000
2040	13,760,000
2041†	14,465,000

† Final Maturity

Series 2011B Bonds. The Series 2011B Bonds maturing July 1, 2031 and July 1, 2037 shall be redeemed in part on July 1 in each year listed below, at a redemption price equal to 100% of the principal amount redeemed plus accrued interest thereon to the redemption date, without premium, in the principal amount set forth below next to such year:

$62,415,000 Term Bonds Due July 1, 2031

Year	Principal Amount	Year	Principal Amount
2022	$4,620,000	2027	$6,335,000
2023	4,920,000	2028	6,750,000
2024	5,245,000	2029	7,190,000
2025	5,585,000	2030	7,660,000
2026	5,950,000	2031†	8,160,000

† Final Maturity

$57,840,000 Term Bonds Due July 1, 2037

Year	Principal Amount	Year	Principal Amount
2032	$8,690,000	2035	$10,550,000
2033	9,270,000	2036	11,250,000
2034	9,890,000	2037†	8,190,000

† Final Maturity

At its option, to be exercised on or before the 45th day next preceding any mandatory sinking fund redemption date for any maturity of any Series of Series 2011 Bonds, the Authority may deliver to the Trustee for cancellation Series 2011 Bonds of the appropriate maturity of such Series in any aggregate principal amount which have been purchased by the Authority in the open market. Each Series 2011 Bond so delivered shall be credited by the Trustee at 100% of the principal amount thereof against the mandatory scheduled redemption requirement for such Series of Series 2011 Bonds on such mandatory redemption date; and any excess of such amount shall be credited against future mandatory scheduled redemption requirements in chronological order.

Optional Redemption

Series 2011A Bonds. The Series 2011A Bonds shall be subject to redemption prior to stated maturity on and after July 1, 2021 by the Authority, in whole or in part, on any date at a redemption price equal to 100% of the principal amount to be redeemed, plus accrued interest to the redemption date.

Series 2011B Bonds. The Series 2011B Bonds shall be subject to optional redemption prior to stated maturity by the Authority, in whole or in part, on any date at a redemption price equal to the Make-Whole Redemption Price (defined below), plus accrued and unpaid interest on the Series 2011B Bonds to be redeemed on the date fixed for redemption.

The "*Make Whole Redemption Price*" is the greater of (x) 100% of the principal amount of the Series 2011B Bonds to be redeemed and (y) the sum of the present value of the remaining scheduled payments of principal of and interest on the Series 2011B Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which such Series 2011B Bonds are to be redeemed, discounted to the date on which the Series 2011B Bonds are to be redeemed on a semi-annual basis, assuming a 360 day year consisting of twelve 30-day months, at the Treasury Rate (defined below), plus 40 basis points.

"*Treasury Rate*" means, with respect to any redemption date for a particular Series 2011B Bond, the rate per annum, expressed as a percentage of the principal amount, equal to the semi-annual equivalent yield to maturity or interpolated maturity of the Comparable Treasury Issue, assuming that the Comparable Treasury Issue is purchased on the redemption date for a price equal to the Comparable Treasury Price.

"*Comparable Treasury Issue*" means, with respect to any redemption date for a particular Series 2011B Bond, the United States Treasury security or securities selected by the Designated Investment Banker which has an actual or interpolated maturity comparable to the remaining average life of the Series 2011B Bond to be redeemed, and that would be utilized in accordance with customary financial practice in pricing new issues of debt securities of comparable maturity to the remaining average life of the Series 2011B Bond to be redeemed.

"*Comparable Treasury Price*" means, with respect to any redemption date for a particular Series 2011B Bond, (A) the most recent yield data for the applicable U.S. Treasury maturity index from the Federal Reserve Statistical Release H.15 Daily Update (or any comparable successor publication) reported, as of 11:00 a.m. New York City time, on the Valuation Date; or (B) if the yield described in (A) above is not reported as of such time or the yield reported as of such time is not ascertainable, the average of four Reference Treasury Dealer Quotations for that redemption date, after excluding the highest and lowest of such Reference Treasury Dealer Quotations, or if the Designated Investment Banker obtains fewer than four Reference Treasury Dealer Quotations, the average of all quotations obtained by the Designated Investment Banker.

"*Designated Investment Banker*" means one of the Reference Treasury Dealers appointed by the Authority.

"*Reference Treasury Dealer*" means each of not less than four firms, specified by the Authority from time to time, that are primary United States Government securities dealers in the City of New York (each, a "Primary Treasury Dealer"); provided, that if any of them ceases to be a Primary Treasury Dealer, the Authority will substitute another Primary Treasury Dealer.

"*Reference Treasury Dealer Quotation*" means, with respect to each Reference Treasury Dealer and any redemption date for a particular Series 2011B Bond, the average, as determined by the Designated Investment

Banker, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Designated Investment Banker by such Reference Treasury Dealer at 3:30 p.m., New York City time, on the Valuation Date.

"*Valuation Date*" means the third Business Day preceding the redemption date.

Selection of Series 2011 Bonds to Be Redeemed

Series 2011A Bonds. In the case of any redemption in part of the Series 2011A Bonds, the maturities (or sinking fund maturities within a term bond) of such Series 2011A Bonds to be optionally redeemed shall be selected by the Authority. If less than all the Series 2011A Bonds of a particular maturity (or sinking fund maturity within a term bond) shall be called by the Authority for redemption, the particular Series 2011A Bonds of such maturity (or sinking fund maturity) to be redeemed shall be selected by the Trustee, in such manner as the Trustee in its discretion may deem fair and appropriate; provided, however (a) that the portion of any Series 2011A Bond to be redeemed shall be in the principal amount of the Authorized Denomination applicable to the Series 2011A Bonds or any multiple thereof, (b) that, in selecting Series 2011A Bonds for redemption, the Trustee shall treat each Series 2011A Bond as representing that number of Series 2011A Bonds that is obtained by dividing the principal amount of such Series 2011A Bond by the Authorized Denomination applicable to the Series 2011A Bonds, and (c) that, to the extent practicable, the Trustee will not select any Series 2011A Bond for partial redemption if the amount of such Series 2011A Bond remaining Outstanding would be reduced by such partial redemption to less than the Authorized Denomination applicable to the Series 2011A Bonds.

Notwithstanding the foregoing, for so long as the Series 2011A Bonds are registered in book-entry only form, if less than all of the Series 2011A Bonds of a particular maturity are called for prior redemption, such Series 2011A Bonds will be selected for redemption, in accordance with DTC procedures, by lot.

Series 2011B Bonds. In the event of a partial optional redemption of Series 2011B Bonds, the Trustee shall allocate the principal amount of the Series 2011B Bonds to be redeemed as nearly as feasible pro rata among the maturities of the Series 2011B Bonds and mandatory sinking fund redemptions (including the final payment) so as to change as little as possible the remaining weighted average life of the Outstanding Series 2011B Bonds, as determined by the Financial Advisor or an Underwriter.

If the Series 2011B Bonds are registered in book-entry only form and so long as DTC or a successor securities depository is the sole registered owner of the Series 2011B Bonds, if less than all of the Series 2011B Bonds of a maturity are called for prior redemption, the particular Series 2011B Bonds or portions thereof to be redeemed shall be selected on a pro rata pass-through distribution of principal basis in accordance with DTC procedures, provided that, so long as such Series 2011B Bonds are held in book-entry form, the selection for redemption of such Series 2011B Bonds shall be made in accordance with the operational arrangements of DTC then in effect, and, if the DTC operational arrangements do not allow for redemption on a pro rata pass-through distribution of principal basis, such Series 2011B Bonds will be selected for redemption, in accordance with DTC procedures, by lot. If the Series 2011B Bonds are not registered in book-entry only form, any redemption of less than all of a maturity of the Series 2011B Bonds shall be allocated among the registered owners of such Series 2011B Bonds on a pro-rata basis.

If there shall be called for redemption less than all of a Series 2011 Bond, the Authority shall execute and deliver and the Trustee shall authenticate, upon surrender of such Series 2011 Bond, and at the expense of the Authority and without charge to the owner thereof, a replacement Series 2011 Bond in the principal amount of the unredeemed balance of the Series 2011 Bond so surrendered.

Notice of Redemption

In the event any of the Series 2011 Bonds are called for redemption, the Trustee shall give notice, in the name of the Authority, of the redemption of such Series 2011 Bonds, which notice shall (i) specify the Series 2011 Bonds to be redeemed, the redemption date, the redemption price, and the place or places where amounts due upon such redemption will be payable (which shall be the principal corporate trust office of the Trustee) and, if less than all of the Series 2011 Bonds of a Series are to be redeemed, the numbers of the Series 2011 Bonds of such Series, and the portions of the Series 2011 Bonds of such Series, so to be redeemed, (ii) state any condition to such redemption, and (iii) state that on the redemption date, and upon the satisfaction of any such condition, the Series 2011 Bonds to be redeemed shall cease to bear interest. Such notice may set forth any additional information relating to such redemption. Such notice shall be given by mail, postage prepaid, at least 30 days but not more than 60 days prior to the date fixed for redemption to each holder of Series 2011 Bonds (DTC or DTC's partnership nominee, as long as the Series 2011 Bonds are so registered) to be redeemed at its address shown on the Registration Books; provided, however, that failure to give such notice to any Bondholder or any defect in such notice shall not affect the validity of the proceedings for the redemption of any of the other Series 2011 Bonds. Any Series 2011 Bonds and portions of Series 2011 Bonds that have been duly selected for redemption and that are paid in accordance with the CFC Trust Agreement shall cease to bear interest on the specified redemption date.

During the period that DTC or DTC's partnership nominee is the registered owner of the Series 2011 Bonds, the Trustee shall not be responsible for mailing notices of redemption to the Beneficial Owners (as defined herein) of the Series 2011 Bonds. See "BOOK-ENTRY ONLY METHOD" herein.

DEBT SERVICE REQUIREMENTS

The following table sets forth debt service on the Series 2011 Bonds for each Bond Year in which such Series 2011 Bonds will be Outstanding. This table does not include debt service on obligations of the Authority not secured on a parity with the Series 2011 Bonds under the CFC Trust Agreement, such as the Authority's general airport revenue bonds issued under the trust agreement by and between the Authority and U.S. Bank National Association, as trustee, dated as of August 1, 1978, as amended and supplemented (the "*1978 Trust Agreement*"), the Airport's PFC revenue bonds issued under the PFC Trust Agreement by and between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee, dated as of May 6, 1999 (the "*PFC Trust Agreement*"), and other special facilities revenue bonds.

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DEBT SERVICE REQUIREMENTS
SERIES 2011 BONDS[1]

	Series 2011A Bonds			Series 2011B Bonds			
Year Ending July 1	Principal	Interest	Total	Principal	Interest	Total	Total Debt Service
2012	-	$3,106,217	$3,106,217	$2,575,000	$9,238,702	$11,813,702	$14,919,919
2013	-	2,974,038	2,974,038	3,185,000	8,822,391	12,007,391	14,981,429
2014	-	2,974,038	2,974,038	3,260,000	8,780,986	12,040,986	15,015,024
2015	-	2,974,038	2,974,038	3,360,000	8,718,720	12,078,720	15,052,758
2016	-	2,974,038	2,974,038	3,485,000	8,610,192	12,095,192	15,069,230
2017	-	2,974,038	2,974,038	3,620,000	8,487,172	12,107,172	15,081,209
2018	-	2,974,038	2,974,038	3,780,000	8,337,340	12,117,340	15,091,377
2019	-	2,974,038	2,974,038	3,960,000	8,169,546	12,129,546	15,103,583
2020	-	2,974,038	2,974,038	4,165,000	7,977,288	12,142,288	15,116,325
2021	-	2,974,038	2,974,038	4,385,000	7,768,829	12,153,829	15,127,867
2022	-	2,974,038	2,974,038	4,620,000	7,544,975	12,164,975	15,139,013
2023	-	2,974,038	2,974,038	4,920,000	7,258,443	12,178,443	15,152,480
2024	-	2,974,038	2,974,038	5,245,000	6,953,304	12,198,304	15,172,342
2025	-	2,974,038	2,974,038	5,585,000	6,628,009	12,213,009	15,187,047
2026	-	2,974,038	2,974,038	5,950,000	6,281,628	12,231,628	15,205,665
2027	-	2,974,038	2,974,038	6,335,000	5,912,609	12,247,609	15,221,646
2028	-	2,974,038	2,974,038	6,750,000	5,519,712	12,269,712	15,243,750
2029	-	2,974,038	2,974,038	7,190,000	5,101,077	12,291,077	15,265,115
2030	-	2,974,038	2,974,038	7,660,000	4,655,153	12,315,153	15,289,191
2031	-	2,974,038	2,974,038	8,160,000	4,180,080	12,340,080	15,314,118
2032	-	2,974,038	2,974,038	8,690,000	3,673,997	12,363,997	15,338,034
2033	-	2,974,038	2,974,038	9,270,000	3,122,008	12,392,008	15,366,046
2034	-	2,974,038	2,974,038	9,890,000	2,533,178	12,423,178	15,397,215
2035	-	2,974,038	2,974,038	10,550,000	1,904,965	12,454,965	15,429,002
2036	-	2,974,038	2,974,038	11,250,000	1,234,829	12,484,829	15,458,866
2037	$4,265,000	2,974,038	7,239,038	8,190,000	520,229	8,710,229	15,949,266
2038	12,450,000	2,755,456	15,205,456	-	-	-	15,205,456
2039	13,090,000	2,117,394	15,207,394	-	-	-	15,207,394
2040	13,760,000	1,446,531	15,206,531	-	-	-	15,206,531
2041	14,465,000	741,331	15,206,331	-	-	-	15,206,331

[1] Totals may not add due to rounding.

PLAN OF FINANCE

The Authority intends to finance the Project through a combination of (i) proceeds of the Series 2011 Bonds, (ii) previously-collected CFCs, (iii) the internally generated funds of the Authority, (iv) a Voluntary Airport Low Emission (VALE) grant to be used to acquire a portion of the shuttle bus fleet for the Unified Bus System (as defined herein), and (v) a loan from the Authority. In addition, certain reserve funds, including the Debt Service Reserve Fund, the Rolling Coverage Fund and the Supplemental Reserve Fund will be funded at issuance from a combination of proceeds of the Series 2011 Bonds and previously-collected CFCs. The total cost of the Project is estimated to be $300,000,000. See “THE PROJECT” herein for a further discussion of the Project costs.

Project Funding Sources

	Amount
Series 2011 Bond Proceeds	$180,109,000
Accumulated CFC Collections[(1)]	78,290,000
Authority Funds	20,790,000
VALE Grant	4,811,000
Authority Loan	16,000,000
Total Sources	**$300,000,000**

(1) CFCs collected as of this date, plus CFCs expected to be collected (net of debt service payments on the Series 2011 Bonds and Debt Management Fees) through completion of the ConRAC Facility.

Under the Consolidated Rental Car Facility Lease Agreements, each dated as of March 17, 2011 (collectively, the "*ConRAC Lease Agreements*"), each between the Authority and one of the nine RACs currently operating at the Airport, the Authority agreed to provide a loan (the "*Authority Loan*") of up to $35 million from its own funds, if needed to pay costs of the Project. As reflected above, currently it is expected that the Authority Loan will be made in the approximate amount of $16 million. The Authority Loan shall be repaid from CFC Revenues on a subordinated basis to the Series 2011 Bonds, as provided in the CFC Trust Agreement, a First Supplemental Agreement, dated as of May 18, 2011, between the Authority and the Trustee, and the ConRAC Lease Agreements. In addition, the Authority may, in it sole discretion, but subject to certain provisions of the ConRAC Lease Agreements, provide one or more additional Authority Loans (the "*Additional Authority Loans*") to fund the costs of (i) additional improvements to the ConRAC Facility during construction of the Project that constitute material changes to the Project and/or that result in costs that will exceed the Project budget by $5,000,000 or more, or (ii) any improvements to the ConRAC Facility after completion of the Project. Any Additional Authority Loans shall be repaid from CFCs as provided in the ConRAC Lease Agreements.

ESTIMATED SOURCES AND USES OF FUNDS

The proceeds of the Series 2011 Bonds are expected to be used as set forth in the following table (rounded to the nearest dollar):

Sources of Funds	
Principal Amount of the Series 2011 Bonds	$214,060,000
Less Original Issue Discount	(1,519,806)
Total	$212,540,194
Use of Funds	
Deposit to Project Fund	$180,108,694
Deposit to Supplemental Reserve Fund	7,974,633
Deposit to Debt Service Reserve Fund	15,949,266
Capitalized Interest	6,080,255
Costs of Issuance*	2,427,346
Total	$212,540,194

* Includes Underwriters' discount, Trustee fees, legal fees, rating agency fees, printing expenses and other miscellaneous fees and expenses.

SECURITY AND SOURCES OF PAYMENT FOR THE CFC BONDS

General

The Series 2011 Bonds are issued under the CFC Trust Agreement. Under the CFC Trust Agreement the Authority may issue additional bonds on a parity with the Series 2011 Bonds (collectively referred to herein as "*CFC Bonds*") upon the satisfaction of certain conditions. See "Additional Bonds" and "Refunding Bonds" below.

All CFC Bonds are equally and ratably secured by a first lien on and pledge of the Trust Estate (as defined below). See "CFC Pledged Receipts" below. The CFC Trust Agreement also permits the issuance of Subordinate Bonds, none of which have been issued; however, the obligation to repay the Authority Loan will constitute a Subordinate Bond, and will be subordinated to the Series 2011 Bonds and any other Bonds that may be issued under the CFC Trust Agreement. All CFC Bonds and Subordinate Bonds issued under the CFC Trust Agreement are referred to collectively herein as "*Bonds*." Neither the Enabling Act nor the CFC Trust Agreement limits the total amount of the Bonds that may be outstanding at any time. For a table showing the debt service on the Series 2011 Bonds, see "DEBT SERVICE REQUIREMENTS" herein.

The summary of the security and sources of payment for the Series 2011 Bonds set forth herein is qualified in its entirety by and reference is hereby made to APPENDIX B hereto and to the CFC Trust Agreement, which set forth in further detail provisions relating to the security for the Series 2011 Bonds. For definitions of certain capitalized terms used but not defined herein, see APPENDIX B – Summary of Certain Provisions of the CFC Trust Agreement – Definitions.

Limited Obligations

The Series 2011 Bonds are limited obligations of the Authority. Payment of the principal of and premium, if any, and interest on the Series 2011 Bonds is secured by and payable solely from the revenues from time to time pledged to secure such payment under the CFC Trust Agreement. See "CFC Pledged Receipts" below.

The Series 2011 Bonds do not constitute a general obligation of the Authority, and the full faith and credit of the Authority are not pledged to the payment of the principal or redemption price of or interest on the Series 2011 Bonds. Neither the Commonwealth nor any political subdivision thereof shall be obligated to pay the principal or redemption price of or interest on any Series 2011 Bond, and neither the faith and credit nor the taxing power of the Commonwealth or any political subdivision thereof is pledged to such payment.

CFC Pledged Receipts

Pursuant to the CFC Trust Agreement, the CFC Bonds, including the Series 2011 Bonds, and the interest and the premium, if any, thereon, will be payable from and secured by a pledge of, and first lien on, all rights, title and interest of the Authority in and to the CFC Pledged Receipts and other rights assigned by the Trustee to the Authority under the CFC Trust Agreement (collectively, the "*Trust Estate*"). Under the CFC Trust Agreement, the term "*CFC Pledged Receipts*" means the aggregate of (i) all CFCs received or receivable by the Trustee for the account of the Authority, (ii) all Contingent Rent (as defined herein) payable by the RACs, (iii) all casualty insurance proceeds and condemnation awards required to be applied to the redemption of Bonds pursuant to the CFC Trust Agreement, and (iv) all moneys, investments and proceeds on deposit in the Project Fund, the Debt Service Fund, the Reserve Funds, the Subordinate Debt Service Fund, a Subordinate Reserve Fund, if any, and interest and investments earnings thereon (except to the extent such earnings are required to be deposited into the Rebate Fund). See "Flow of Funds" below.

Customer Facility Charges

The Authority has imposed a CFC to be paid by customers of the RACs (the "*Airport RAC Customers*"), as such CFC may be changed from time to time by resolution of the Authority, in order to finance the Project, among other purposes. Airport RAC Customers pay the CFC to the RACs. Currently, the RACs are required to collect CFCs and remit them to the Authority (or to the Trustee for the benefit of the Authority, as directed by the Authority) pursuant to a Rental Auto Company Concession Agreement Logan International Airport, dated as of October 1, 2007 (the "*Existing Concession Agreement*") between the Authority and each RAC. Upon issuance of the Series 2011 Bonds, the Authority will direct each RAC to pay all CFCs remitted from and after the date of issuance of the Series 2011 Bonds to the Trustee. On the date of beneficial occupancy of the ConRAC Facility, the Existing Concession Agreements will automatically terminate and be replaced with the new Rental Auto Company Concession Agreements dated as of March 17, 2011 (the "*Related Concession Agreements*," and collectively with the Existing Concession Agreements, the "*Concession Agreements*") that have been executed by and between the Authority and each RAC (see "CUSTOMER FACILITY CHARGES AND RENTAL CAR OPERATIONS –

Concession Agreements"). The Related Concession Agreements do not provide for the collection or remittance of CFCs; rather, upon the issuance of the Series 2011 Bonds, the RACs will be required to collect the CFCs and remit the same to the Trustee monthly for the benefit of the Authority pursuant to the ConRAC Lease Agreements. See APPENDIX C – Summary of Certain Provisions of the ConRAC Lease Agreements and Concession Agreements. **The Series 2011 Bonds are not an indebtedness or other liability of the RACs, and the RACs are not liable for any payments relating to the Series 2011 Bonds, other than timely remittance of the CFC proceeds collected by such operators from their respective Airport RAC Customers to the Trustee for the benefit of the Authority and, under certain circumstances, the payment of Contingent Rent (as defined below).**

In each of the ConRAC Lease Agreements, the RACs have acknowledged that the CFCs collected by the RACs prior to remittance to the Trustee shall be subject at all times to a first lien for the repayment of the Bonds, and that the RACs shall not grant to any third party any liens or encumbrances on CFCs, and that any lien or encumbrance on CFCs granted by a RAC to a third party or otherwise purported to be obtained by a third party shall be void and of no force or effect. In each of the ConRAC Lease Agreements, the RACs have agreed that all CFCs collected by the RACs are not income, revenue or any other asset of the RACs, that the RACs have no legal or equitable ownership or property interest in the CFCs, and the RACs have waived any claim to a possessory or legal or equitable ownership interest in the CFCs. Prior to remittance to the Trustee, CFCs shall be held by the RACs as funds in trust for the benefit of the Authority, and the Trustee on the Authority's behalf shall have complete possessory and legal and equitable ownership rights to the CFCs.

A CFC of $6.00 per twenty-four hour period (or fraction thereof) (each a "*Transaction Day*") is currently charged to Airport RAC Customers for the total time period that a car is rented by an Airport RAC Customer. Prior to December 1, 2009, the CFC was $4.00 per Transaction Day. The number of rental car Transaction Days at the Airport is the basis for CFC collections at the Airport and is related to passenger levels and rental car demand at the Airport. See "CUSTOMER FACILITY CHARGES AND RENTAL CAR OPERATIONS." The number of Transaction Days and the level of the CFC together form the basis for the payments paid by the RACs to the Trustee for the benefit of the Authority in respect to the Project, as described below and in APPENDIX A – REPORT OF THE AIRPORT CONSULTANT. The Existing Concession Agreements and ConRAC Lease Agreements provide that the RACs are to make monthly payments of CFCs and other amounts due thereunder, as further described below.

The Authority has sole authority to require the collection of the CFC, to establish the amount of the CFC and to change the amount of the CFC from time to time. Other than the rate covenant set forth in the CFC Trust Agreement, there are no legal constraints on the Authority's ability to set, charge and collect CFCs or to change the amount of the CFC from time to time. See "Rate Covenant" below. Pursuant to the ConRAC Lease Agreements, no destruction of or damage to the ConRAC Facility or any part thereof by fire or any other casualty whether or not insured shall permit any RAC to surrender its ConRAC Lease Agreement or relieve it from its liability to collect and remit CFCs or to pay Rent (including without limitation Contingent Rent, if applicable) or from any of its other obligations under its ConRAC Lease Agreement, and each RAC has waived any rights it may have to quit or surrender its ConRAC Lease Agreement or its premises within the ConRAC Facility on account of any such destruction or damage.

Pursuant to the CFC Trust Agreement, the Authority has covenanted that so long as any Bonds remain Outstanding, it will require all RACs operating at the Airport (other than Off-Airport RACs) to collect and remit CFCs and to pay Contingent Rent (as defined below), and to take all actions legally permitted to enforce compliance by the RACs with the ConRAC Lease Agreements and of their obligations thereunder, including specifically seeking specific performance by each of the RACs, to charge, collect and remit CFCs and to pay Contingent Rent (as applicable) to the Trustee for the benefit of the Authority. The Authority has also covenanted that so long as any of the Bonds remain Outstanding it will not consent to an amendment to the ConRAC Lease Agreements or Concession Agreements that permits direct access to the terminals at the Airport by any courtesy vehicle of a RAC or Off-Airport RAC or that otherwise materially adversely affects the rights of the Bondowners without consent of a majority in principal amount of the Owners of the Bonds then Outstanding.

Contingent Rent

Under the ConRAC Lease Agreements, each RAC has agreed to pay to the Trustee for the benefit of the Authority an allocable share of "Contingent Rent" from their available funds if total CFCs are insufficient (or are projected to be insufficient) to meet the Authority's payment obligations under the CFC Trust Agreement. "*Contingent Rent*" is defined to be a temporary fee levied by the Authority on the RACs in order to respond to an unexpected actual or forecasted decrease in Transaction Days. The amount of Contingent Rent shall be determined by the Authority and shall be an amount projected to be sufficient, together with CFCs projected to be collected in such Fiscal Year or portion thereof, to enable the Authority to meet the Minimum Annual Requirement for a given Fiscal Year and provide additional funds equal to the difference between (i) CFCs and Contingent Rent (if any) received in the prior Fiscal Year and (ii) the Minimum Annual Requirement for such prior Fiscal Year. Contingent Rent may be levied by the Authority only for the period necessary to generate sufficient revenues to respond to the projected decrease in Transaction Days.

The Authority shall impose Contingent Rent only after six (6) months prior written notice to the RACs. Contingent Rent charged under the ConRAC Lease Agreements shall be payable in twelve (12) equal, consecutive monthly installments on the first day of each month. See APPENDIX C – Summary of Certain Provisions of the ConRAC Lease Agreements and Concession Agreements.

Contingent Rent shall be used only for the specified purposes for which it is collected and shall not be used for general Airport purposes.

Flow of Funds

The CFC Trust Agreement provides that all CFCs, Contingent Rent and other sums paid to the Trustee for deposit in the CFC Revenue Fund (collectively, "*CFC Revenues*") shall be deposited by the Trustee in the CFC Revenue Fund upon receipt. The funds on deposit in the CFC Revenue Fund shall be transferred by the Trustee on the twenty-fifth (25^{th}) day of each month (the "*Draw Down Date*"), or if such day is not a Business Day, the next succeeding Business Day, to the following funds and accounts in the following order:

(1) *First*, to the Debt Service Fund and the accounts therein, the amount required to make payments of one-twelfth of the principal amount of the CFC Bonds coming due on the next succeeding Principal Payment Date (including sinking fund installments) and one-sixth of the interest due on the CFC Bonds on the next succeeding Interest Payment Date, net of interest earnings on deposit in such Account;

(2) *Second*, if required, to the Rolling Coverage Fund, in substantially equal monthly installments over a period determined by the Authority of up to 24 months, the amount necessary to cause the amount on deposit therein to equal the Rolling Coverage Fund Requirement for the CFC Bonds Outstanding;

(3) *Third*, if required, to the Supplemental Reserve Fund, in substantially equal monthly installments over a period determined by the Authority of up to 24 months, the amount necessary to cause the amount on deposit therein to equal the Supplemental Reserve Fund Requirement for the CFC Bonds Outstanding;

(4) *Fourth*, if required, to the Debt Service Reserve Fund, in substantially equal monthly installments over a period determined by the Authority of up to 24 months, the amount necessary to cause the amount on deposit therein to equal the DSRF Requirement for the CFC Bonds Outstanding;

(5) *Fifth*, if required, to the Subordinate Debt Service Fund, the amount required to pay one-twelfth of the principal amount of the Subordinate Bonds coming due on the next succeeding Principal Payment Date (including sinking fund installments) and one-sixth of the interest due on the Subordinate Bonds on the next succeeding Interest Payment Date, net of interest earnings on deposit in such Account;

(6) *Sixth*, if required, to any Reserve Funds established for Subordinate Bonds, in substantially equal monthly installments over a period determined by the Authority of up to 24 months, the amount necessary to cause the amounts on deposit therein to equal the applicable required reserve amounts;

(7) *Seventh*, if required, with respect to any Series of Tax-Exempt Bonds, including the Series 2011A Bonds, to the Rebate Fund, any amounts calculated to be due to the Internal Revenue Service as arbitrage rebate for such Series of Tax-Exempt Bonds; and

(8) *Eighth*, after making the deposits and credits described above, any moneys remaining on deposit in the CFC Revenue Fund shall be transferred to the Authority for application in accordance with the terms of the ConRAC Lease Agreements.

A schematic of the foregoing flow of funds is set forth on the following page.

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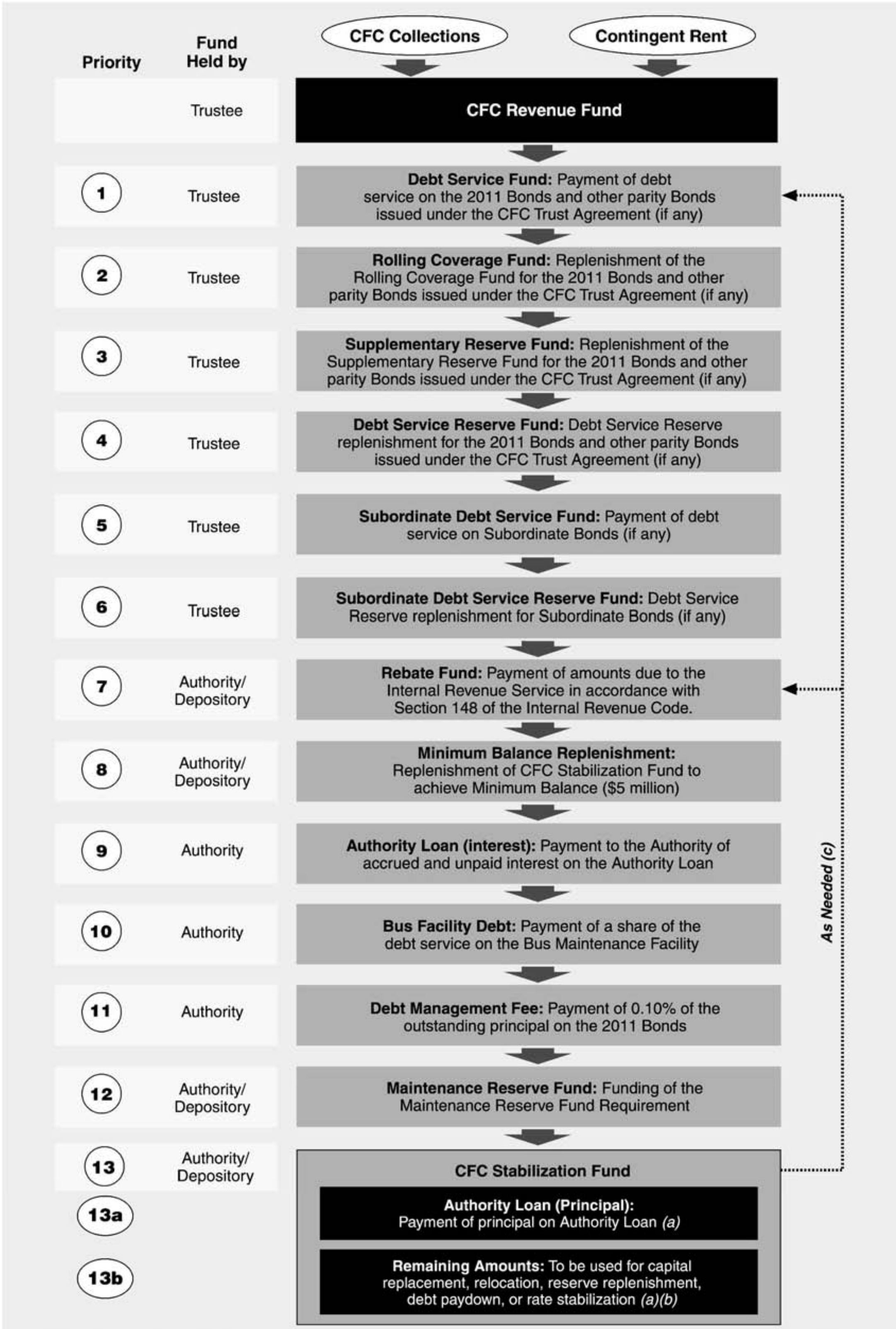
Flow of Funds Under the CFC Trust Agreement and the ConRAC Lease Agreements



Note: In accordance with the terms of (1) the CFC Trust Agreement between the Authority and U.S. Bank National Association, as Trustee, May 18, 2011, and (2) the Leases between the Authority and the rental car companies, March 17, 2011.

(a) Amounts held in excess of the CFC Stabilization Fund Minimum Requirement ($5 million).
(b) Subsequent to the full repayment of the Authority Loan.
(c) Notwithstanding the CFC Stabilization Fund Minimum Requirement ($5 million).

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Reserve Funds. The CFC Trust Agreement creates the following funds (collectively, the "*Reserve Funds*") to be held by the Trustee:

(1) Rolling Coverage Fund. The CFC Trust Agreement requires that the Authority maintain in the Rolling Coverage Fund an amount equal to 25% of the Maximum Annual Debt Service on the Outstanding CFC Bonds (the "*Rolling Coverage Fund Requirement*"). The Rolling Coverage Fund Requirement upon issuance of the Series 2011 Bonds is $3,987,316.58 and will be funded with CFCs currently held by the Authority.

(2) Supplemental Reserve Fund. The CFC Trust Agreement requires that the Authority maintain in the Supplemental Reserve Fund an amount equal to 50% of the Maximum Annual Debt Service on the Outstanding CFC Bonds (the "*Supplemental Reserve Fund Requirement*"). The Supplemental Reserve Fund Requirement upon issuance of the Series 2011 Bonds is $7,974,633.15 and will be funded with proceeds of the Series 2011B Bonds.

(3) Debt Service Reserve Fund. The CFC Trust Agreement requires that the Authority maintain in the Debt Service Reserve Fund an amount equal to 100% of the Maximum Annual Debt Service on the Outstanding CFC Bonds (the "*DSRF Requirement*," and together with the Rolling Coverage Fund Requirement and the Supplemental Reserve Fund Requirement, the "*Reserve Fund Requirements*"). The DSRF Requirement upon issuance of the Series 2011 Bonds is $15,949,266.30, of which $5,651,019.43 (which amount equals the lesser of (x) ten percent of the proceeds of the Series 2011A Bonds, (y) 125% of average annual debt service on the Series 2011A Bonds, or (z) 100% of Maximum Annual Debt Service on the Series 2011A Bonds) will be funded with proceeds of the Series 2011A Bonds, and the remainder ($10,298,246.87) will be funded with proceeds of the Series 2011B Bonds.

Pursuant to the CFC Trust Agreement, the Trustee shall transfer amounts on deposit in the Reserve Funds to the Debt Service Fund, to the extent required to make up any deficiency in such Fund, to pay principal and/or interest on the CFC Bonds as the same become due and payable; provided, however, the Trustee must make transfers to the Debt Service Fund in the following order: first, from the CFC Stabilization Fund described below; second, from the Rolling Coverage Fund; third, from the Supplemental Reserve Fund; and fourth, from the Debt Service Reserve Fund, all in accordance with the CFC Trust Agreement.

If at any time the moneys on deposit in a Reserve Fund are less than the applicable Reserve Fund Requirement, the Authority shall satisfy such deficiency by increasing the CFC charged each customer renting motor vehicles at the Airport for each Transaction Day and/or charging each RAC additional Contingent Rent in an amount that will permit the transfer of CFC Revenues (after making all prior required transfers from the CFC Revenue Fund as provided in the CFC Trust Agreement) in substantially equal installments over a period determined by the Authority of up to 24 months for deposit to such Reserve Fund or Funds, so that at the end of such period, the amount on deposit in each such Fund equals the applicable Reserve Fund Requirement.

CFC Stabilization Fund. The CFC Trust Agreement creates the CFC Stabilization Fund to be held by the Authority and requires that the Authority satisfy the CFC Stabilization Fund Minimum Requirement at the time of the issuance of the Series 2011 Bonds. The CFC Trust Agreement defines the "*CFC Stabilization Fund Minimum Requirement*" as $5,000,000; provided, however, that pursuant to a Supplemental Agreement, the Authority may increase (but not decrease) the minimum requirement to an amount in excess of $5,000,000. Upon issuance of the Series 2011 Bonds, the CFC Stabilization Fund Minimum Requirement will be funded with CFCs currently held by the Authority. After making the deposits and transfers described in (1) through (7) of "*Flow of Funds*" above, the Trustee shall transfer all remaining CFC Revenues to the Authority. The Authority will deposit such amounts into the CFC Stabilization Fund after making the deposits and transfers from such amounts required by the ConRAC Lease Agreements (including payment of interest due on the Authority Loan (if outstanding), payment of a portion of the debt service on the Authority's Revenue Bonds, Series 2010-A (the "*Bus Facility Debt*"), payment of an Authority debt management fee equal to 0.10% of the principal amount of the aggregate principal amount of the Bonds then Outstanding (the "*Debt Management Fee*"), and payment of any amounts due to the Maintenance Reserve Fund established under the ConRAC Lease Agreements (the "*Maintenance Reserve Fund*")). The CFC Stabilization Fund is for the sole benefit of the Authority and is not subject to the lien of the CFC Trust Agreement or to the claim of any other Person, including without limitation the Bondholders, and monies in such Fund shall not be commingled with moneys in any other Fund or Account established under the CFC Trust Agreement.

Amounts on deposit in the CFC Stabilization Fund in excess of the CFC Stabilization Fund Minimum Requirement shall be applied by the Authority (i) until completion of the Project, to pay costs of the Project and (ii) following completion of the Project, (1) first, to pay principal on the Authority Loan, if any, and (2) second, in the sole discretion of the Authority, to pay capital replacement costs of the ConRAC Facility or the share of the Unified Bus System (as defined herein) allocable to the ConRAC Facility, to pay capital costs of relocating RACs during the term of the ConRAC Lease Agreements, to add funds to the Maintenance Reserve Fund in excess of the Maintenance Reserve Fund Requirement (as defined in the ConRAC Lease Agreements) or to redeem or purchase any Series of Bonds in advance of the date such payments are due. See "PLAN OF FINANCE" herein for more information on the Authority Loan, and "THE PROJECT – Consolidated Car Rental Facility" herein for more information on the Unified Bus System.

Notwithstanding the foregoing, however, if (x) on any day that is two (2) days before any Rebate Installment Date (as defined in the CFC Trust Agreement), the amount on deposit in the Rebate Fund is insufficient to pay the amount then due to the United States, or (y) on any Draw Down Date the amount to be deposited to the Debt Service Fund is insufficient to pay one-twelfth (1/12) of the principal of or one sixth (1/6) of the interest on the CFC Bonds coming due on the next succeeding Principal Payment Date or Interest Payment Date, or (z) on any day that is two (2) days before any date on which principal of, premium, if any, or interest on any CFC Bond is due and payable, the amount on deposit in the Debt Service Fund is insufficient to pay the principal of or interest on any CFC Bond coming due on such date, then the Authority shall pay to the Trustee from the funds on deposit in the CFC Stabilization Fund, notwithstanding the CFC Stabilization Fund Minimum Requirement, the amount of such shortfall up to the full amount on deposit in the CFC Stabilization Fund.

Rate Covenant

The Authority has covenanted in the CFC Trust Agreement to determine the amount of the CFC at least once each Fiscal Year. Under the CFC Trust Agreement, the Authority has covenanted that, so long as any of the Bonds remain Outstanding, the aggregate amount of CFCs and Contingent Rent (if any) required to be remitted by the RACs in each Fiscal Year shall be no less than the Aggregate Debt Service coming due in such Fiscal Year and, in the event that the amount of CFCs and Contingent Rent (if any) for any Fiscal Year is less than the Aggregate Debt Service for such Fiscal Year, the Authority has covenanted to increase either the CFC or the Contingent Rent, or both, for the next succeeding Fiscal Year to no less than an amount, in the aggregate, that the Authority projects to be sufficient, based upon projected Transaction Days for such Fiscal Year, to pay Aggregate Debt Service coming due in such Fiscal Year.

"*Aggregate Debt Service*" is defined in the CFC Trust Agreement to mean, with respect to one or more designated Series of Outstanding Bonds or, if no Bonds are designated, all Bonds Outstanding under the CFC Trust Agreement, for any period, the amount of all interest accrued in such period plus the amount required to pay principal coming due in such period on such Bonds; provided, however, that if the stated period is a Fiscal Year, the amount of principal shall be the principal payable on any date commencing with July 2 in such Fiscal Year and ending with July 1 in the following Fiscal Year, both inclusive, net of interest earned on any Fund or Account and deposited to the Debt Service Fund and Subordinate Debt Service Fund (as applicable) during such period and available for payment of principal of or interest on such Bonds.

Prior to the commencement of each Fiscal Year as long as any Bond is Outstanding, the Authority shall review and may adjust, effective on the first day of each Fiscal Year, the level of the CFC, based upon factors including the projected Aggregate Debt Service for the coming Fiscal Year, amounts necessary to fund the other accounts provided for in the CFC Trust Agreement, shortfalls in CFC Revenue that may have occurred in the then-current Fiscal Year, projections of the level of demand for rental car services at the Airport in the next Fiscal Year, and such other factors as the Authority may determine in its sole discretion. Notwithstanding the foregoing, the Authority may make an unscheduled adjustment to the level of the CFC in any Fiscal Year in the event that the Authority determines in its sole discretion that there has been a material change in any of the assumptions utilized in the Authority's calculation of the CFC, and that such change should not be addressed solely through withdrawals from the CFC Stabilization Fund or the imposition of Contingent Rent. The Authority must provide no less than sixty (60) days advance, written notice of the adjusted amount of the CFC for the coming Fiscal Year or of any unscheduled adjustment to the CFC to each RAC and to the Trustee. The Authority has covenanted in the CFC Trust agreement, for so long as any Bonds remain Outstanding, to set the amount of the CFC (when multiplied by the total number of projected Transaction Days) plus projected Contingent Rent (if any) at an annual level so that CFC Revenues shall be sufficient:

(1) to pay the principal of and interest on the CFC Bonds and Subordinate Bonds due in such Fiscal Year;

(2) to reimburse each of the Reserve Funds and, if established, any reserve fund established for Subordinate Bonds, over a period of no more than twenty-four (24) months, or such lesser period as may be established by the Authority, for any drawings upon such Reserve Funds or subordinate reserve funds;

(3) to provide funds necessary to pay any "yield reduction payments" or rebate amounts due to the United States for which funds in the Rebate Fund or CFC Stabilization Fund are not otherwise available;

(4) to provide funds necessary to maintain the balance of the CFC Stabilization Fund in an amount of no less than the CFC Stabilization Fund Minimum Requirement and to reimburse any drawings below the CFC Stabilization Fund Minimum Balance over a period not to exceed twelve (12) months, as determined by the Authority;

(5) to pay interest on the Authority Loan, if any, due in that Fiscal Year;

(6) to pay the ConRAC Facility's share of the debt service due on the Bus Facility Debt in that Fiscal Year pursuant to the ConRAC Lease Agreements;

(7) to pay the Debt Management Fee due to the Authority in that Fiscal Year pursuant to the ConRAC Lease Agreements;

(8) to make the deposit to the Maintenance Reserve Fund required in that Fiscal Year under the ConRAC Lease Agreements (collectively, the sum of the amounts required by (1) through (8) above, the "*Minimum Annual Requirement*"); and

(9) to provide additional funds equal to the difference between the CFCs and Contingent Rent (if any) received in the prior Fiscal Year and the Minimum Annual Requirement for such prior Fiscal Year.

In addition to the foregoing, if the aggregate amount of CFCs and Contingent Rent (if any) paid by the RACs in each Fiscal Year, plus the amount on deposit in the Rolling Coverage Fund (up to an amount not to exceed 25% of the Aggregate Debt Service on the CFC Bonds in such Fiscal Year), plus amounts on deposit in the Supplemental Reserve Fund, if any, at the beginning of such Fiscal Year (up to an amount not to exceed 5% of the Aggregate Debt Service on the CFC Bonds in such Fiscal Year) is less than 1.30 times the Aggregate Debt Service on the CFC Bonds plus 1.0 times the Aggregate Debt Service on the Subordinate Bonds, if any, for such Fiscal Year, the Authority has covenanted in the CFC Trust Agreement to increase either the CFC or the Contingent Rent, or both, for the next succeeding Fiscal Year to no less than an amount, in the aggregate, that the Authority projects to be sufficient, based upon projected Transaction Days for such Fiscal Year, plus the amount on deposit in the Rolling Coverage Fund (up to an amount not to exceed 25% of the Aggregate Debt Service on the CFC Bonds in such Fiscal Year), plus amounts on deposit in the Supplemental Reserve Fund, if any, at the beginning of such Fiscal Year (up to an amount not to exceed 5% of the Aggregate Debt Service on the CFC Bonds in such Fiscal Year) to provide no less than 1.30 times the Aggregate Debt Service on the CFC Bonds plus 1.0 times the Aggregate Debt Service on the Subordinate Bonds, if any, coming due in such Fiscal Year.

For forecasts of compliance with the rate covenant, see "REPORT OF THE AIRPORT CONSULTANT AND RATE COVENANT FORECAST" and APPENDIX A – Report of the Airport Consultant. The Consultant's Report should be read in its entirety for an understanding of all of the assumptions used to prepare the forecasts included therein.

Additional Bonds

The CFC Trust Agreement permits the Authority to issue one or more series of Additional Bonds (other than Subordinate Bonds) payable from, and secured by a first lien on and pledge of, the Trust Estate, on a parity with the Series 2011 Bonds and any other CFC Bonds from time to time hereafter issued, to (i) finance the acquisition, construction, equipping and furnishing of any improvement or expansion of the Project (or any other facility related to the Project approved by the Authority), (ii) finance repairs or extraordinary maintenance with respect to the Project, (iii) refund all or any Outstanding Bonds, (iv) to complete construction of the Project, and (v) in each case, pay capitalized interest and costs of issuance of such Additional Bonds and to provide for any contribution to the Reserve Funds required with respect thereto.

Together with certain other requirement under the CFC Trust Agreement, to provide for the issuance of Additional Bonds (other than Subordinate Bonds), the Authority shall deliver to the Trustee either:

(a) a report of a Consultant to the effect that the CFCs projected to be remitted to the Trustee (together with investment earnings on the Funds held under the CFC Trust Agreement and amounts on deposit in the Rolling Coverage Fund, if any, at the beginning of such Fiscal Year up to an amount not to exceed 25% of the Aggregate Debt Service on the CFC Bonds in any Fiscal Year plus amounts on deposit in the Supplemental Coverage Fund, if any, at the beginning of such Fiscal Year up to an amount not to exceed 5% of the Aggregate Debt Service on the CFC Bonds in any Fiscal Year) for the three Fiscal Years following the date of issuance of such Additional Bonds or the date of final expenditure of capitalized interest funded from such Additional Bonds, whichever is later, are expected, as of the end of each such Fiscal Year, to be at least equal to 1.30 times the Maximum Annual Debt Service due on all CFC Bonds Outstanding (including such Additional Bonds), and also to be at least sufficient, after the payment of such annual debt service on all Outstanding CFC Bonds, to fund Aggregate Debt Service on any Subordinate Bonds then Outstanding and any other amounts required to be deposited from CFC Revenues to the Funds maintained under the CFC Trust Agreement, including the Rolling Coverage Fund, the Supplemental Reserve Fund, the Debt Service Reserve Fund and any reserve fund for Subordinate Bonds; OR

(b) a certificate of the Authority to the effect that the CFCs received by the Trustee for any consecutive 12 months out of the immediately preceding 18 months (together with investment earnings on the Funds held under the CFC Trust Agreement and amounts on deposit in the Rolling Coverage Fund, if any, at the beginning of the last full Fiscal Year during such period up to an amount not to exceed 25% of the Aggregate Debt Service on the CFC Bonds in such 12 month period plus amounts on deposit in the Supplemental Coverage Fund, if any, at the beginning of such Fiscal Year up to an amount not to exceed 5% of the Aggregate Debt Service on the CFC Bonds in such 12 month period) were at least equal to 1.30 times the Maximum Annual Debt Service due on all CFC Bonds Outstanding (including such Additional Bonds), and also will be at least sufficient, after the payment of such Aggregate Debt Service on all Outstanding CFC Bonds, to fund Aggregate Debt Service on any Subordinate Bonds then Outstanding and any other amounts required to be deposited from CFC Revenues to the Funds maintained under the CFC Trust Agreement, including the Rolling Coverage Fund, the Supplemental Reserve Fund, the Debt Service Reserve Fund and any reserve fund for Subordinate Bonds;

The Authority may issue Additional Bonds (other than Subordinate Bonds) without complying with the foregoing, in an amount not to exceed 10% of the original par amount of the Series 2011 Bonds, for the purpose of completing the Project.

For additional information regarding these requirements, see APPENDIX B – Summary of Certain Provisions of the CFC Trust Agreement – Additional Bonds.

Refunding Bonds

In addition to the Additional Bonds discussed above, the CFC Trust Agreement permits the Authority to issue one or more series of Refunding Bonds to refund all or any part of any CFC Bonds then Outstanding. Together with certain other requirement under the CFC Trust Agreement, to provide for the issuance of Refunding Bonds, the Authority shall deliver to the Trustee:

(a) a certificate of the Authority substantially to the effect that either (i) after the issuance of the proposed Refunding Bonds, the Aggregate Debt Service on all Outstanding Bonds (including the proposed Refunding Bonds) will be less than that for each Bond Year within which any of the refunded Bonds would have been Outstanding but for their having been refunded or (ii) that the refunding will reduce the total debt service payments on the refunded Bonds on a present value basis; or

(b) satisfaction of the requirements for the issuance of Additional Bonds as set forth above under "Additional Bonds."

For additional information regarding these requirements, see APPENDIX B – Summary of Certain Provisions of the CFC Trust Agreement – Refunding Bonds.

Consequences of Events of Default

Upon an Event of Default under the CFC Trust Agreement, the stated maturity of the CFC Bonds is <u>not</u> subject to acceleration. See APPENDIX B – Summary of Certain Provisions of the CFC Trust Agreement – Events of Default. Under current law the Authority is not authorized to seek protection from creditors under Chapter 9 of the federal Bankruptcy Code.

Permitted Investments

Moneys held for the credit of the Funds and Accounts established under the CFC Trust Agreement may, with certain exceptions, be invested only in "Permitted Investments" as defined in the CFC Trust Agreement. See APPENDIX B – Summary of Certain Provisions of the CFC Trust Agreement – Definitions.

Modifications to the CFC Trust Agreement

The provisions in the CFC Trust Agreement are subject to modification in certain cases without the consent of the holders of the Bonds and in other cases if and when approved by the holders of the requisite percentages of the Bonds Outstanding. See APPENDIX B – Summary of Certain Provisions of the CFC Trust Agreement – Supplemental Agreements, – Amendments and – Modifications by Unanimous Consent.

BOOK-ENTRY ONLY METHOD

The Depository Trust Company ("*DTC*"), New York, NY, will act as securities depository for the Series 2011 Bonds. The Series 2011 Bonds will be issued in fully-registered form registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One-fully registered certificate will be issued for each maturity of each Series of the Series 2011 Bonds, each in the aggregate principal amount of such maturity, and each such certificate will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial

Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("*Direct Participants*") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("*DTCC*"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("*Indirect Participants*"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of Series 2011 Bonds deposited with DTC must be made by or through Direct Participants, which will receive a credit for such Series 2011 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2011 Bond deposited with DTC ("*Beneficial Owner*") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2011 Bonds deposited with DTC are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Series 2011 Bonds deposited with DTC, except in the event that use of the book-entry system for such Series 2011 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2011 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2011 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2011 Bonds deposited with it; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2011 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of a maturity of a Series is being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to Series 2011 Bonds deposited with it unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority or the Trustee as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2011 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on Series 2011 Bonds deposited with DTC will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct

Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Authority or the Trustee, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with Series 2011 Bonds held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC (nor its nominee), the Authority or the Trustee, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to Series 2011 Bonds held by it at any time by giving reasonable notice to the Authority or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, physical certificates are required to be printed and delivered to Beneficial Owners.

The Authority may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Series 2011 Bond certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Authority believes to be reliable, but the Authority takes no responsibility for the accuracy thereof.

So long as Cede & Co. is the registered owner of the Series 2011 Bonds as nominee of DTC, references herein to the holders or registered owners of the Series 2011 Bonds shall mean Cede & Co. and shall not mean the Beneficial Owners of the Series 2011 Bonds.

Neither of the Authority or the Trustee will have any responsibility or obligation to the Participants of DTC or the persons for whom they act as nominees with respect to (i) the accuracy of any records maintained by DTC or by any Participant of DTC, (ii) payments or the providing of notice to the Direct Participants, the Indirect Participants or the Beneficial Owners, (iii) the selection by DTC or by any Participant of DTC of any Beneficial Owner to receive payment in the event of a partial redemption of the Series 2011 Bonds or (iv) any other action taken by DTC or its partnership nominee as owner of the Series 2011 Bonds.

Transfer of Series 2011 Bonds

So long as Cede & Co., as nominee for DTC (or other nominee of DTC), is the Bondholder of record of the Series 2011 Bonds, beneficial ownership interests in the Series 2011 Bonds may be transferred only through a Direct Participant or Indirect Participant and recorded on the book-entry system operated by DTC. In the event the book-entry-only system is discontinued, Series 2011 Bond certificates will be delivered to the Beneficial Owners as described in the CFC Trust Agreement. Thereafter, the Series 2011 Bonds, upon surrender thereof at the principal office of the Trustee with a written instrument of transfer satisfactory to the Trustee, duly executed by the holder thereof or such holder's duly authorized attorney, may be exchanged for an equal aggregate principal amount of Series 2011 Bonds of the same maturity and of any Authorized Denominations.

In all cases in which the privilege of exchanging or transferring Series 2011 Bonds is exercised, the Authority shall execute and the Trustee shall authenticate and deliver the Series 2011 Bonds in accordance with the provisions of the CFC Trust Agreement. For every such exchange or transfer of Series 2011 Bonds, the Authority or the Trustee may make a charge sufficient to reimburse it for any tax, fee or other governmental charge required to be paid with respect to such exchange or transfer but may impose no other charge therefor. Neither the Authority nor the Trustee shall be required to make any such exchange or transfer of Series 2011 Bonds during the 15 days next preceding an Interest Payment Date or, in the case of any proposed redemption, during the 15 days next preceding the first publication or mailing of notice of redemption.

THE PROJECT

Existing Rental Car Facilities

Currently, nine RACs serve the Airport. Seven RACs (Hertz, Avis, Budget, Alamo, Dollar, National and Enterprise) are located on-Airport in the approximately 49-acre Southwest Service Area (the "*SWSA*"). Two RACs (Thrifty and Advantage) operate off-Airport and will relocate to the Airport when the ConRAC Facility is completed. All RACs maintain separate offices and light maintenance facilities that include washing, cleaning, and fueling. Each RAC owns, operates, and maintains its own individual bus fleet that shuttles customers to and from the Airport terminals.

The Project

The main component of the Project is the ConRAC Facility, which will consist of a four-story garage (the "*Garage Structure*"), an attached Customer Service Center ("*CSC*"), and four at-grade quick turnaround facilities ("*QTA*"), which include vehicle fueling, washing, service and storage areas. The ConRAC Facility will be serviced by a unified clean-fueled rental car shuttle bus system (the "*Unified Bus System*") that will connect the ConRAC Facility to the Airport terminals and the Massachusetts Bay Transportation Authority ("*MBTA*") Blue Line Airport Station. Roadway modifications, landscaping, pedestrian walkways and bicycle facilities are also included as part of the Project.

The four-story, approximately 301,000 gross square foot (consisting of 1.2 million square feet of floor area) Garage Structure consists of two main components: 2,500 rental car "ready/return" parking spaces for customer pick-up (Levels 1-3), and 700 rental car storage spaces with no public access (rooftop Level 4), for a total of 3,200 spaces. Entry to and primary exit from the Garage Structure will be via ramps along the south side. Separate and dedicated rental car employee access and rental car customer vertical circulation ramps will be stacked along the west side of the Garage Structure. Vehicle access to the structure will be provided via the same regional roadway network used to leave the Airport, thereby avoiding the terminal areas.

The approximately 113,000 gross square foot CSC, which will be located adjacent to the Garage Structure, is designed to accommodate all of the current RACs. The CSC will contain customer service counters, waiting areas, back-office and storage space for each RAC, as well as space reserved for use by the Authority. Rental car customers will enter and exit on the east side of the building facing the Airport, closest to the terminal area and access roadway, by way of the Unified Bus System (described below). Customer access to the Garage Structure (Levels 1-3) from the CSC will occur via enclosed pedestrian passages along the west side of the CSC. The CSC will also include a Ground Transportation Unit Operations Center to support active management of the Unified Bus System.

The four QTAs, totaling approximately 112,000 gross square feet in building area and approximately 1,250 surface parking spaces, will occupy an approximately 10.9-acre site adjacent to the Garage Structure. The QTAs will serve as limited service areas for RACs to perform fueling, cleaning and light service activities as well as vehicle storage.

The ConRAC Facility will be serviced by the Unified Bus System, which will connect the ConRAC Facility to the Airport terminals and the MBTA Blue Line Airport Station. The shuttle bus fleet will be composed of clean fuel, low-emitting vehicles. It is anticipated that the Unified Bus System will result in a 70% reduction in size of the current rental car shuttle bus fleet (from 94 to 28 buses), as it will replace several existing Authority bus routes that service the MBTA Blue Line Airport Station, as well as all of the RACs' individual diesel-fueled shuttle bus fleets, thereby improving vehicular congestion, emissions and traffic safety.

In order to provide access to the ConRAC Facility, roadway modifications and improvements will be made to the existing Airport roadway infrastructure. Also part of the Project are facilities in support of the ConRAC Facility, including utility infrastructure, modifications to existing taxi pool, bus and limousine pool and long-term overflow commercial surface parking lots, signal system and pedestrian improvements, lighting, signage and landscaping.

The ConRAC Facility will be constructed in the SWSA, which currently serves as the Airport's ground transportation hub. Construction of the ConRAC Facility constitutes part of a larger SWSA redevelopment program, which has as its goal the replacement and consolidation of all transportation service facilities that currently exist at the SWSA, elsewhere on-Airport, or in the East Boston community, in order to provide more efficient rental car, taxi, bus and limousine facilities and services to Airport RAC Customers. The ConRAC Facility will accommodate all nine RACs currently serving the Airport. See Section 1 of APPENDIX A – Report of the Airport Consultant. Design of the ConRAC Facility began in 2009, and as of April 21, 2011 (the date of the Board's adoption of the guaranteed maximum price for the Project, as described below) the design for the various project elements, weighted by construction cost, was 76% complete. Only the taxi pool and the limousine lot had designs that were less than 60% complete. Construction of the ConRAC Facility is anticipated to begin in June 2011, with completion and opening of the ConRAC Facility anticipated to be by the Fall of 2013.

Project Budget

The Authority has entered into a construction manager at-risk contract (the "*Construction Contract*") with Suffolk Construction Company, Inc. ("*Suffolk*") for construction of the Project, as described below. After a value-engineering process, the Authority and Suffolk have agreed to a guaranteed maximum construction price of $234 million, an amount that the Authority's Board approved at its April 21, 2011 Board meeting. The total cost of the Project, including funds spent to date, is estimated at $300 million, as more particularly described below.

Estimated Costs of the Project

	Estimated Project Costs
ConRAC Garage	$92,384,000
Customer Service Center	57,414,000
Quick Turnaround (QTA) Facilities	42,107,000
Site Work/ Temporary Facilities	26,442,000
Circulating Roads and Airport Buffer*	44,113,000
Authority Roads and Contaminated Soil Allowance	12,540,000
Bus Fleet**	25,000,000
Total Estimated Project Costs	**$300,000,000**

* To be funded with the proceeds of the Series 2011A Bonds.

** Bus costs will be funded 2/3 from CFCs and 1/3 from Authority funds.

For a further description of the Project, see Section 1 of APPENDIX A – Report of the Airport Consultant. In addition to the net proceeds of the Series 2011 Bonds, the Authority will apply CFCs collected prior to issuance of the Series 2011 Bonds as described in "PLAN OF FINANCE" herein. Furthermore, the Authority has applied for a loan from the United States Department of Transportation pursuant to the Transportation Infrastructure Finance and Innovation Act of 1998 (the "*TIFIA Loan*") in the amount of $75 million to fund additional costs of construction of the ConRAC Facility and related improvements. The TIFIA Loan, if received, shall replace the Authority Loan, shall constitute a Subordinate Bond under the CFC Trust Agreement and shall be repaid from CFC Revenues as such, as provided in the CFC Trust Agreement.

Project Manager and Construction Contractor

Parsons Brinckeroff. PB Americas, Inc. ("*PB*") is serving as the designer, project manager and owner's representative for the Project. PB is a consulting group specializing in airport-related work and professional services for all types of infrastructure projects, including planning, consulting, engineering, architecture, construction/program management and owner representative services. PB's past, relevant experience at airports on complex projects includes (i) at the Airport, the West Garage, the Central Garage Expansion (award winning), the Terminal A Replacement (award winning), the Terminal B Repairs, and the ConRAC Facility, and (ii) at T.F. Green

Airport in Rhode Island, the Intermodal ConRAC project. As a result of this experience, PB has developed expertise in the design, construction and management of parking structures and complex facilities, and its particular work with the Authority on prior infrastructure projects has allowed PB to become familiar with the Authority's standards and procedures and to develop a good working relationship with the Authority. The majority of the aforementioned projects at the Airport and at T.F. Green Airport were based on a Guaranteed Maximum Price contract delivery method, as is the Project, and were completed below budget and ahead of schedule.

PB will have full-time field staff assigned to the Project to oversee construction on a daily basis, to ensure the Project is constructed in accordance with the plans and specifications and to implement quality assurance testing and inspection in accordance with the requirements of the Massachusetts Building Code. In addition, PB will provide full-time project controls staff assigned to the Project to ensure monthly requisitions accurately reflect the percent completion status of work and the requisitions are complete, accurate and correct.

Suffolk. Suffolk has been selected as the general contractor for the construction of the ConRAC Facility. Suffolk is the largest general contractor in New England, with $1.67 billion in total revenue in 2010. Suffolk provides preconstruction, construction management, design/build and general contracting services to clients in commercial, government and institutional sectors.

Suffolk has considerable experience with complex, logistically-challenging airport and parking structure construction projects that require in-depth planning, tight management of schedule and cost, comprehensive construction phasing, traffic control, and sequencing. Recent and relevant construction management projects include: Logan International Airport Terminal E; Barnstable Airport Terminal Building and Air Traffic Control Tower; MBTA Combined Parking Garage/Busway at Wonderland; MBTA Silver Line Maintenance Facility; Patriot Place at Gillette Stadium, Foxboro, Massachusetts; Boston University Medical Center Biosquare Garage; University Park at MIT Garage; and the Mystic Transportation Center in Medford, Massachusetts.

Construction Contract

Under the Construction Contract, the Authority and Suffolk have agreed to a guaranteed maximum construction price of $234,000,000 for the Project, which amount includes the cost of work, construction manager fees, design and construction contingency, escalation and an owner contingency. The Authority will obtain a Performance and Payment Bond for the full value of the GMP in order to protect the Authority in the event Suffolk declares bankruptcy prior to contract completion. Under the Construction Contract, the scheduled date of beneficial occupancy is July 2013, with a final completion date of June 2014. A liquidated damages clause is included in the Construction Contract to cover Project administrative costs should the completion date be extended due to Suffolk's failure to execute the work effectively and meet the schedule. Change order requests from Suffolk will be evaluated by PB, which will determine whether the request has merit and recommend to the Authority the appropriate value of the change order. Changes in project scope will be reimbursed through project contingencies. The Authority's project manager will have the final approval for all change orders. Monthly requisitions from Suffolk will be reviewed by PB, which will recommend approval for payment to the Authority. The Authority's project manager will have the final approval for all requisitions. In addition, any requisition that exceeds $1 million must be approved by the Authority's Director of Capital Programs.

Operation of the ConRAC Facility

The operation and maintenance of the ConRAC Facility will be the responsibility of the Authority and the RACs and is not payable from CFCs, except to the extent CFCs are deposited in the Maintenance Reserve Fund, as provided in the ConRAC Lease Agreements. See APPENDIX C – Summary of Certain Provisions of the ConRAC Lease Agreements and Concession Agreements. Each RAC has agreed that at all times during the term of its ConRAC Lease Agreement it will be a party to a Related Concession Agreement (as defined herein) with the Authority. See "CUSTOMER FACILITY CHARGES AND RENTAL CAR OPERATIONS – Concession Agreements" and "– ConRAC Lease Agreements." Such Related Concession Agreements and ConRAC Lease Agreements detail the responsibilities of the RACs concerning the supervision and direction of personnel and the quality of products and services at the ConRAC Facility.

CUSTOMER FACILITY CHARGES AND RENTAL CAR OPERATIONS

General

Pursuant to a vote of the Members of the Authority (the "*Board*") dated September 18, 2008 (the "*CFC Resolution*"), the Authority imposed a CFC to be collected by all RACs on and after December 1, 2008. On October 27, 2009, the CFC Resolution was amended to increase the CFC rate from $4.00 to $6.00 per Transaction Day effective December 1, 2009.

Since the Authority commenced imposition of the CFC on December 1, 2008, it has collected $2,271,000 in CFCs in fiscal year 2009 (for transactions occurring from December 2008 through May 2009) and $20,668,000 in fiscal year 2010 (for transactions occurring from June 2009 through June 2010). The Authority has incurred approximately $32.4 million of costs of the Project through March 31, 2011.

Rental Car Operations at the Airport

The following nine RACs currently provide rental car services at the Airport: Alamo, National, Enterprise, Avis, Budget, Dollar, Thrifty, Hertz and Advantage. The following table sets forth the corporate entities that own the RACs, the RAC or RACs each operates, and its Fiscal Year 2010 market share, based on its gross revenue at the Airport:

Corporate Entity	RAC(s)	Fiscal Year 2010 Gross Revenue
Enterprise Rent-A-Car Company of Boston, LLC	Alamo, Enterprise and National	33%
Avis Budget Group, Inc.	Avis, Budget	29%
The Hertz Corporation	Hertz, Advantage	29%
DTG Operations, Inc.	Thrifty	6%
Traveler's Rental Co., Inc. *	Dollar	3%

* Traveler's Rental Co., Inc. operates the Dollar brand under a franchise from DTG Operations, Inc.

For a further description of each RAC, as well as a discussion of the rental car industry and market, both nationally and at the Airport, see Sections 3 and 4 of APPENDIX A – Report of the Airport Consultant.

Because visiting passengers are the predominant Airport RAC Customers (rather than passengers originating trips at the Airport or connecting to other flights), it is important to understand the passenger traffic forecast for this segment. As shown in the following table, visiting passengers constitute approximately 45% of all deplaned passengers at the Airport.

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TOTAL ENPLANED PASSENGERS, BY TYPE OF PASSENGER
Boston-Logan International Airport
For Fiscal Years ended June 30; passengers in thousands

	Outbound O&D passengers						
	Residents		Visitors				
Fiscal Year	Passengers	Percent of O&D total	Passengers	Percent of O&D total	Total	Connecting and other passengers	Total
2001	6,663	52.5%	6,026	47.5%	12,690	1,027	13,717
2002	5,404	53.2	4,759	46.8	10,162	910	11,073
2003	5,637	53.8	4,850	46.2	10,487	810	11,297
2004	6,303	54.7	5,215	45.3	11,517	762	12,279
2005	6,847	54.3	5,763	45.7	12,610	832	13,442
2006	7,011	54.1	5,957	45.9	12,968	752	13,720
2007	7,083	53.6	6,129	46.4	13,212	714	13,926
2008	6,907	53.1	6,092	46.9	12,999	669	13,668
2009	6,334	53.3	5,557	46.7	11,891	595	12,486
2010	6,655	53.0	5,897	47.0	12,552	592	13,145
July – December							
2009	3,232	49.8%	3,212	49.8%	6,444	314	6,758
2010	3,471	50.3	3,514	50.3	6,985	411	7,296
Compound annual growth rate							
2001-2004	(1.8%)		(4.7%)		(3.2%)	(9.5%)	(3.6%)
2004-2010	0.9		2.1		1.4	(4.1)	1.1
2001-2010	(0.0)		(0.2)		(0.1)	(5.9)	(0.5)

Notes: Rows may not add to totals shown because of rounding.
Because foreign-flag carriers are not required to report to the U.S. DOT *Air Passenger Origin-Destination Survey*, some LeighFisher estimates were used to develop the data in the above table.

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

For additional information relating to historical and forecast rental car demand at the Airport, see Section 4 in APPENDIX A – Report of the Airport Consultant. The Consultant's Report should be read in its entirety for an understanding of all of the assumptions used to prepare the forecasts included therein.

Concession Agreements

Each of the nine RACs currently operates at the Airport pursuant to a separate Existing Concession Agreement, which expires on October 1, 2012, but is subject to automatic holdover unless terminated at the election of the Authority or the respective RAC. Each RAC has also executed and delivered to the Authority a new Related Concession Agreement, which will automatically supersede the Existing Concession Agreement on the date of beneficial occupancy of the ConRAC Facility. Upon commencement of the term of the Related Concession Agreements, each Existing Concession Agreement shall be terminated. RACs may not operate at the Airport unless they are a party to an effective Concession Agreement with the Authority.

The Related Concession Agreements are being held in escrow pursuant to an escrow agreement among the Authority, each of the nine RACs and U.S. Bank National Association, as escrow agent, and will be released from escrow upon issuance of the Series 2011 Bonds. The Related Concession Agreements will be effective and the term of the Related Concession Agreements will commence on the date of beneficial occupancy of the ConRAC Facility, which will be the same date for each of the RACs. The term of the Related Concession Agreements is co-terminus with the initial 15-year term of the ConRAC Lease Agreements.

The Existing Concession Agreements require the RACs to collect and remit CFCs to the Authority (or to the Trustee as directed by the Authority following issuance of the Series 2011 Bonds). Upon the date of beneficial occupancy of the ConRAC Facility, the Existing Concession Agreements will terminate and the RACs will be obligated to collect and remit CFCs to the Trustee pursuant to the ConRAC Lease Agreements.

In addition, under the Concession Agreements, each RAC is required to pay an annual concession fee equal to the greater of its minimum annual guarantee or 10% of its gross revenues. The minimum annual guarantee for the first year is established in each respective Concession Agreement; the minimum annual guarantee for subsequent years is a rolling amount that equals the greater of (a) 85% of the concession fee due for the preceding year or (b) $200,000.

No part of such concession fees or any other payments due from the RACs to the Authority under the Related Concession Agreements will be pledged as security for the Series 2011 Bonds or available for their payment. Such funds are included as "Airport Revenues" under the 1978 Trust Agreement.

See APPENDIX C – Summary of Certain Provisions of the ConRAC Lease Agreements and Concession Agreements for a description of certain provisions of the Related Concession Agreements.

ConRAC Lease Agreements

Each of the nine RACs currently operating at the Airport, including Advantage and Thrifty (which are currently operating from off-Airport locations), have executed and delivered to the Authority a ConRAC Lease Agreement. The ConRAC Lease Agreements are being held in escrow pursuant to an escrow agreement among the Authority, each of the nine RACs and U.S. Bank National Association, as escrow agent, and will be released from escrow upon issuance of the Series 2011 Bonds. The ConRAC Lease Agreements will be effective on the date of issuance of the Series 2011 Bonds, and the term of the ConRAC Lease Agreements will commence on the date of beneficial occupancy of the ConRAC Facility, which will be the same date for each of the RACs.

The ConRAC Lease Agreements have an initial 15-year term, commencing on the date of beneficial occupancy of the ConRAC Facility.

Under the ConRAC Lease Agreements, the RACs are required to charge and collect CFCs from Airport RAC Customers and remit the same to the Trustee, and to pay Contingent Rent (if and when applicable), ConRAC Rent and Additional Rent, each as more particularly described below. The RACs shall make payments of CFCs and Contingent Rent to the Trustee; payments of ConRAC Rent and Additional Rent shall be made to the Authority. See "SECURITY FOR THE CFC BONDS – Flow of Funds" herein.

The ConRAC Lease Agreements require the RACs to collect from Airport RAC Customers a CFC for each Transaction Day and to remit such CFCs to the Trustee on or before the fifteenth (15th) day of each calendar month following the month of collection. Each RAC is required to collect and remit the full amount of the CFC to the Trustee regardless of whether or not the full amount of such CFC is actually collected by the RAC from the person who rented the motor vehicle.

In each of the ConRAC Lease Agreements, the RACs have acknowledged that the CFCs collected by the RACs prior to remittance to the Trustee shall be subject at all times to a first lien for the repayment of the Bonds, and that the RACs shall not grant to any third party any liens or encumbrances on CFCs, and that any lien or encumbrance on CFCs granted by a RAC to a third party or otherwise purported to be obtained by a third party shall be void and of no force or effect. In each of the ConRAC Lease Agreements, the RACs have agreed that all CFCs collected by the RACs are not income, revenue or any other asset of the RACs, that the RACs have no legal or equitable ownership or property interest in the CFCs, and the RACs have waived any claim to a possessory or legal or equitable ownership interest in the CFCs. Prior to remittance to the Trustee, CFCs shall be held by the RACs as funds in trust for the benefit of the Authority, and the Trustee on the Authority's behalf shall have complete possessory and legal and equitable ownership rights to the CFCs.

The ConRAC Lease Agreements also provide for the payment by the RACs of ConRAC Rent, which consists of an allocable share of Ground Rent and recovery of the actual costs incurred by the Authority in the operation and maintenance of the ConRAC Facility, plus other related costs. See APPENDIX C – Summary of Certain Provisions of the ConRAC Lease Agreements and Concession Agreements. Any ConRAC Rent paid by the RACs pursuant to the ConRAC Lease Agreements is considered part of "Airport Revenues" and is not pledged as part of CFC Revenues to the payment of the Series 2011 Bonds.

The ConRAC Lease Agreements also provide for the payment by the RACs of Additional Rent, which includes an allocable share of utility charges, sewer use and fire pipe charges, operations and maintenance charges and fees relating to operation of the Unified Bus System, as further provided and described in ConRAC Lease Agreements.

The ConRAC Lease Agreements further provide for the assessment of Contingent Rent to the RACs in the event of an unexpected actual or forecasted decrease in Transaction Days. The amount of Contingent Rent shall be determined by the Authority and shall be an amount projected to be sufficient, together with CFCs projected to be collected in such Fiscal Year or portion thereof, to enable the Authority to meet the Minimum Annual Requirement for such Fiscal Year. Contingent Rent may be levied by the Authority upon no less than six (6) months notice to the RACs only for the period necessary to generate sufficient revenues to respond to the projected decrease in Transaction Days. Contingent Rent, if required, shall be paid in twelve (12) equal, consecutive monthly installments on the first day of each month. See "SECURITY AND SOURCES OF PAYMENT FOR THE CFC BONDS – Contingent Rent."

Exclusive leased areas in the ConRAC Facility initially have been allocated on the basis of the market shares at the Airport held by the RACs for the twelve-month period ended December 31, 2010. The ConRAC Lease Agreements allow the Authority to reallocate space within the ConRAC Facility at specified intervals in the manner specified in the ConRAC Lease Agreements. See APPENDIX C – Summary of Certain Provisions of the ConRAC Lease Agreements and Concession Agreements for a description of certain provisions of the ConRAC Lease Agreements.

REPORT OF THE AIRPORT CONSULTANT AND RATE COVENANT FORECAST

The Consultant's Report, which has been prepared by LeighFisher Inc. (the "*Airport Consultant*") in connection with the Series 2011 Bonds, is included in APPENDIX A. The Consultant's Report provides certain information with respect to the Airport and the Project, discusses the rental car market, describes the economic base supporting the rental car market at the Airport, forecasts the level of visiting passengers at the Airport, describes various factors that could have an impact on the rental car demand at the Airport and discusses the financial framework for the Series 2011 Bonds, including preliminary forecasts of annual debt service requirements with respect to the Series 2011 Bonds, CFC calculations, forecasts of CFCs pursuant to the CFC Trust Agreement, cash flow forecasts and rate covenant calculations. The Consultant's Report should be read in its entirety for an understanding of all of the assumptions used to prepare the forecasts included therein. No assurances can be given that these or any of the other assumptions contained in the Consultant's Report will materialize.

The financial forecasts are based on assumptions that were provided by, or reviewed and agreed to by, Airport management. In the opinion of the Airport Consultant, the assumptions provide a reasonable basis for the forecasts.

As stated in the Consultant's Report, CFC Pledged Receipts are forecast to be sufficient to meet debt service requirements on the Series 2011 Bonds and the other fund deposit requirements of the CFC Trust Agreement in each year of the forecast period (Fiscal Year 2011 through Fiscal Year 2016). The forecast indicates compliance with the rate covenant for each Fiscal Year of the forecast period. The following table, which has been extracted from the Consultant's Report, shows forecasts of CFC Pledged Receipts and debt service coverage on the Series 2011 Bonds based on the financing assumptions described in the footnote below.

DEBT SERVICE COVERAGE – RATE COVENANT *

	Forecast					
	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
Rental car transaction days	4,271,000	4,337,000	4,429,000	4,509,000	4,574,000	4,637,000
Percentage change from prior year	--	1.5%	2.1%	1.8%	1.4%	1.4%
CFC Revenues *(a)*	$25,630,000	$26,022,000	$26,574,000	$27,054,000	$27,444,000	$27,822,000
Plus: Portion of Rolling Coverage Fund balance *(b)*		3,222,000	3,237,000	4,114,000	4,108,000	4,108,000
Plus: Portion of Supplemental Reserve Fund balance *(c)*		644,000	647,000	823,000	822,000	822,000
Total		$29,888,000	$30,458,000	$31,991,000	$32,374,000	$32,752,000
Aggregate Debt Service		$12,886,079	$12,948,172	$16,456,253	$16,433,830	$16,432,852
Debt service coverage		2.32	2.35	1.94	1.97	1.99
Debt service coverage (without Rolling Coverage Fund and Supplemental Reserve Fund balances)		2.02	2.05	1.64	1.67	1.69

* Note: Forecast as documented in the Consultant's Report dated May 23, 2011, which was based on preliminary debt service estimates.

(a) Assuming a constant $6.00 CFC level, and no Contingent Rent payments
(b) An amount equivalent to not more than 25% of Aggregate Debt Service.
(c) An amount equivalent to not more than 5% of Aggregate Debt Service.

As noted in the Consultant's Report, any forecast is subject to uncertainties. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecasts and actual results, and those differences may be material. See "CERTAIN INVESTMENT CONSIDERATIONS" herein.

ADDITIONAL INFORMATION ABOUT THE AUTHORITY

For additional information about the Authority and its operations, see APPENDIX E – Information Statement of the Authority. APPENDIX E includes information concerning the security and revenues provided under the 1978 Trust Agreement, the PFC Trust Agreement and the other trust agreements in place with respect to certain other special facilities revenue bonds of the Authority, none of which are pledged to or available to the purchasers of the Series 2011 Bonds, or any other Bonds. **The Series 2011 Bonds are secured by the CFCs imposed by the Authority at the Airport, Contingent Rent (if any) payable by the RACs and the other CFC Revenues. The Series 2011 Bonds are not secured by any other revenues of the Authority.**

CERTAIN INVESTMENT CONSIDERATIONS

General

In considering the matters set forth in this Official Statement, prospective investors should carefully review all investment considerations set forth throughout this Official Statement, and should specifically consider certain investment considerations associated with the Series 2011 Bonds. The Authority's ability to derive CFC Revenues from CFCs and, when applicable, Contingent Rent, sufficient to pay debt service on the Series 2011 Bonds depends on various factors, most of which are not subject to the control of the Authority.

There follows in this section and under the sections "RENTAL CAR INDUSTRY INVESTMENT CONSIDERATIONS" and "AVIATION INDUSTRY INVESTMENT CONSIDERATIONS" below, a discussion in no particular order of importance or priority of some, but not necessarily all, of the possible investment considerations that should be carefully evaluated by prospective purchasers of the Series 2011 Bonds prior to purchasing any Series 2011 Bonds. The Series 2011 Bonds may not be suitable investments for all persons, and prospective purchasers should be able to evaluate the investment considerations and merits of an investment in the Series 2011 Bonds, and confer with their own legal and financial advisors before considering a purchase of the Series 2011 Bonds.

Series 2011 Bonds Are Limited Obligations

The Series 2011 Bonds are limited obligations of the Authority. Payment of the principal of and premium, if any, and interest on the Series 2011 Bonds is secured by and payable solely from the revenues from time to time pledged to secure such payment under the CFC Trust Agreement. The Series 2011 Bonds do not constitute general obligations of the Authority, and the full faith and credit of the Authority are not pledged to the payment of the principal or redemption price of or interest on the Series 2011 Bonds. Neither the Commonwealth nor any political subdivision thereof shall be obligated to pay the principal or redemption price of or interest on any Series 2011 Bond, and neither the faith and credit nor the taxing power of the Commonwealth or any political subdivision thereof is pledged to such payment. See "SECURITY FOR THE SERIES 2011 BONDS" herein.

Limitations of Remedies

Under the terms of the CFC Trust Agreement, payments of debt service on Series 2011 Bonds are required to be made only as they become due and the occurrence of an event of default does not grant a right to accelerate payment of the Series 2011 Bonds. Remedies for Events of Default are limited to such actions that may be taken at law or in equity. See APPENDIX B – Summary of Certain Provisions of the CFC Trust Agreement. Other than the pledge of CFC Revenues under the CFC Trust Agreement, no mortgage or security interest has been granted or lien created in the ConRAC Facility or any properties of the RACs or the Authority to secure the remittance of CFCs, Contingent Rent or payment of the Series 2011 Bonds. No revenues of the Authority other than the CFCs and Contingent Rent are pledged to the payment of the Series 2011 Bonds.

Various state laws, constitutional provisions, and federal laws and regulations apply to the obligations created by the issuance of the Series 2011 Bonds. There can be no assurance that there will not be any change in, interpretation of or addition to the applicable laws, nor that provisions will not be changed, interpreted, or supplemented in a manner that would have a material adverse effect, directly or indirectly, on the affairs of the Authority or the RACs.

In the event of a default in the payment of principal of or interest on the Series 2011 Bonds, the remedies available to the owners of the Series 2011 Bonds are in many respects dependent upon judicial actions, which are often subject to discretion and delay under existing constitutional law, statutory law, and judicial decisions, including the federal Bankruptcy Code. Bond Counsel's opinion as to enforceability to be delivered simultaneously with the delivery of the Series 2011 Bonds will be qualified by certain limitations, including limitations imposed by bankruptcy, reorganization, insolvency, and equity principles. See APPENDIX G – Form of Opinion of Bond Counsel.

Secondary Market

No assurance can be given concerning the existence of any secondary market in the Series 2011 Bonds or its creation or maintenance by the Underwriters. Thus, purchasers of Series 2011 Bonds should be prepared, if necessary, to hold their Series 2011 Bonds until their respective maturity dates.

RENTAL CAR INDUSTRY INVESTMENT CONSIDERATIONS

Achievement of Forecasts

The forecast of CFCs in this Official Statement is based upon numerous assumptions related to future passenger levels and rental car activity at the Airport. Factors affecting aviation activity and the rental of motor vehicles at the Airport include the airlines' service and route networks; the financial health and viability of the airline and rental car industries; levels of disposable income; national and international economic and political conditions, including disruptions caused by airline incidents, acts of war and terrorism; the availability and price of aviation fuel and gasoline; levels of air fares and car rental rates at the Airport; the capacity of the national air traffic control system; and the capacity at the Airport and the ConRAC Facility. See Sections 2 and 4 of APPENDIX A – Report of the Airport Consultant. The Consultant's Report should be read in its entirety for an understanding of all of the assumptions used to prepare the forecasts included therein. Although in the event that the CFCs are not sufficient to cover the costs of the ConRAC Facility, the RACs are required to pay Contingent Rent to the Authority pursuant to the ConRAC Lease Agreements, it is possible that some or all of such Contingent Rent will not be paid, due to bankruptcy of a RAC or otherwise.

Rental Car Activity

As described in the Consultant's Report, rental car demand at the Airport and therefore the number of Transaction Days to which the CFC applies are highly correlated to passenger demand. The Airport Consultant also concludes, based on historical rental car data and based on the assumptions set forth in the Consultant's Report, that the number of Transaction Days at the Airport is primarily a function of the number of visiting passengers. Other factors found by the Airport Consultant to affect rental car demand at the Airport include: the price of renting a car, as measured by the average daily rental rate; market segmentation (business/leisure); rental car costs as a component of total travel costs; convenience, the availability of alternative forms of ground transportation; and certain extraordinary events, such as the terrorist attacks of September 11, 2001. For a full discussion of these and other factors affecting rental car activity, see Section 4 of APPENDIX A – Report of the Airport Consultant. The Consultant's Report should be read in its entirety for an understanding of all of the assumptions used to prepare the forecasts included therein.

Further, as described in the Consultant's Report, a significant component of renting a car at most major U.S. airports is the growing list of add-on fees and taxes, ranging from CFCs, taxes and unbundled rental car operating costs such as tire recycling fees and facility maintenance costs. Since 1998, the Commonwealth has levied a Convention Center financing surcharge of $10 per rental car transaction on all persons renting a car in the City of Boston, including at the Airport. In addition, the Authority currently charges Airport RAC Customers a CFC of $6.00 per Transaction Day. To the extent add-on fees and taxes increase, rental car demand could decrease as potential customers opt for alternative modes of transportation that they perceive to be more cost effective than renting a car, thus reducing the total amount of CFCs collected. The Authority is unable to predict what impact, if any, the imposition of such add-on fees and taxes could have on rental car demand at the Airport. See Section 4 of APPENDIX A – Report of the Airport Consultant.

Construction of the ConRAC Facility

The Authority's ability to complete the construction of the ConRAC Facility within budget and on schedule may be adversely affected by various factors, including design and engineering errors, unforeseen site conditions, labor cost increases or other difficulties, adverse weather conditions, unavailability or increased costs of building materials, contractor defaults and litigation. Furthermore, although in the event that the CFCs are not sufficient to cover the costs of the ConRAC Facility, the RACs are required to pay Contingent Rent to the Authority pursuant to the ConRAC Lease Agreements, it is possible that some or all of such Contingent Rent will not be paid, due to bankruptcy of a RAC or otherwise.

Damage and Destruction

The Authority will maintain insurance in the amount and against such risks as are customarily insured against on Airport property. However, there can be no assurance that the ConRAC Facility will not suffer extraordinary and unanticipated losses, for which insurance cannot be or has not been obtained, or that the amount of any such loss for the period during which the ConRAC Facility is not available for use will not exceed the coverage of such insurance policies.

Notwithstanding the foregoing, pursuant to the ConRAC Lease Agreements, no destruction of or damage to the ConRAC Facility or any part thereof by fire or any other casualty whether or not insured shall permit any RAC to surrender its ConRAC Lease Agreements or relieve it from its liability to collect and remit CFCs or from any of its other obligations under its ConRAC Lease Agreement.

Events of Force Majeure

Construction and operation of the ConRAC Facility are at risk from events of force majeure, such as earthquakes, tornados, hurricanes or other natural disasters, epidemics, blockades, rebellions, war, riots, acts of sabotage, terrorism or civil commotion, and spills of hazardous materials, among other events. Construction or operations may also be stopped or delayed from non-casualty events such as discovery of archaeological artifacts, changes in law, delays in obtaining or renewing required permits, revocation of such permits and approvals and litigation, among other things.

Ability to Meet Rate Covenant

The Authority has covenanted pursuant to the CFC Trust Agreement to establish the CFC at rates that will meet the rate covenant after taking into account amounts in the Rolling Coverage Fund that do not exceed 25% of Maximum Annual Debt Service and amounts in the Supplemental Reserve Fund that do not exceed 5% of Maximum Annual Debt Service. The CFC was originally imposed at the rate of $4.00 per Transaction Day commencing December 1, 2008 and was increased to $6.00 effective December 1, 2009. In the event that conditions require future increases in the CFC rate, there can be no assurance that such increases will not affect rental car demand, thereby resulting in less CFC Revenues.

Competition and Alternative Modes of Ground Transportation

There are alternative forms of ground transportation available at and near the Airport, which could reduce the demand for renting motor vehicles at the ConRAC Facility. These alternate forms that compete with on-Airport rental cars include taxis, buses, shuttle services, public transportation and limousines. For a further description of these alternate modes, competition and airports and their impact on rental car demand, see APPENDIX A – Report of the Airport Consultant.

The CFC is collected by RACs leasing space at the Airport only. It is not anticipated that any off-Airport service that may be provided will be significant. In the CFC Trust Agreement the Authority covenants to require each rental car company serving the Airport to enter into a ConRAC Lease Agreement and lease space in the ConRAC Facility for the conduct of its business. In the event that a rental car concessionaire locates any of its operations off-Airport, the Authority will require that such concessionaire pick up and drop off its customers at the ConRAC Facility and to pay a privilege, facility access or similar fee in connection therewith.

Geopolitical Risks

The war in Afghanistan, the political turmoil in Northern Africa and concern about potential disruption in oil shipments from the Persian Gulf, as well as the high demand for oil and other geopolitical factors, have caused oil prices to fluctuate unpredictably. These factors have had, and may continue to have, significant adverse affects on the cost of air travel, on airline industry profitability and service patterns, and on the cost of operating a rental car. The latter consideration may deter customers who choose instead to use shared or mass transit, or limit the duration of rental transactions. The full impact of these possibilities cannot be predicted. Further, the Authority cannot predict what impact, if any, the recent earthquake and tsunami in Japan might have on the supply of rental car fleet, oil prices or rental car demand.

Effect of RAC Bankruptcy

In the event a bankruptcy case is filed with respect to a RAC, a bankruptcy trustee or the RAC as debtor-in-possession could reject its Concession Agreement or ConRAC Lease Agreement, in which event such agreement would be terminated and such RAC would be required to vacate the ConRAC Facility. In such circumstances, while rental car demand would not be affected, CFC collections could be affected until other RACs are able to increase their capacity to accommodate additional customers. Additionally, notwithstanding the fact that CFCs collected by a RAC are not income, revenue or any other asset of the RAC but rather are subject at all times to a first lien for the repayment of the Bonds and are being held in trust by the RACs for the benefit of the Authority, CFCs collected by a RAC but not yet remitted to the Trustee prior to the filing of the bankruptcy petition may be included in the bankruptcy estate, resulting in the Authority having a general creditor claim for payment of such amounts or otherwise render them uncollectible by the Authority. Regardless of any specific adverse determinations in a RAC bankruptcy proceeding, the fact of a RAC bankruptcy proceeding could have an adverse effect on the liquidity and value of the Series 2011 Bonds.

In the event of a default in the payment of principal of or interest on the Series 2011 Bonds, the remedies available to the owners of the Series 2011 Bonds upon a default are in many respects dependent upon judicial action, which are often subject to discretion and delay under existing constitutional law, statutory law, and judicial decisions, including the federal Bankruptcy Code. The opinions of counsel rendered in connection with the Series 2011 Bonds will be qualified as to enforceability of the various legal instruments by certain limitations, including limitations imposed by bankruptcy, reorganization, insolvency and equity principles.

AVIATION INDUSTRY INVESTMENT CONSIDERATIONS

General Factors Affecting the Airline Industry

Recent Events. The financial difficulties of most domestic airlines, including the bankruptcies of several airlines, the general economic downturn of the U.S. economy, the significant recent increases and overall fluctuations in fuel prices, the threat of future terrorist attacks, the conflicts in Afghanistan and Northern Africa, the recent earthquake, tsunami and nuclear breaches in Japan, and the increased security requirements in air transportation adversely affected and/or may adversely affect the U.S. aviation industry, including the financial condition of the airlines that operate at the Airport. Potential investors are urged to review the airlines' financial information on file with the Securities and Exchange Commission.

National Economic Conditions. Historically, air travel and related services have correlated closely with the state of the United States economy and levels of real disposable income. Sustained future growth in domestic air carrier passenger traffic will depend largely on the ability of the nation to sustain economic growth. Economic expansion increases income, boosts consumer confidence, stimulates business activity and increases consumer demand. In contrast, an economic recession reduces income, diminishes consumer confidence, dampens business activity, and weakens consumer demand. During September 2008, significant and dramatic changes occurred in the financial markets. Several U.S. commercial and investment banks declared bankruptcy, were acquired by other financial institutions, combined with other financial institutions or sought large infusions of capital. The volatility in the capital markets led the U.S. government to intervene by making funds available to certain institutions, taking over the ownership of others and assuming large amounts of troubled financial instruments in exchange for imposing greater regulation over certain institutions in order to restore the consumers' confidence in the nation's financial markets. The deepest declines in real GDP occurred during the fourth quarter of 2008 and the first quarter of 2009. GDP growth returned in the second half of 2009, while the national unemployment rate began to decline slightly during 2010. While positive growth since the third quarter of 2009 indicates a trend of economic recovery, consistent with economic projections by the U.S. Congressional Budget Office and various independent economic forecasts, it cannot be assured that economic growth will continue.

International Economic and Political Conditions. As international trade and air travel have increased, international economics, currency exchange rates, trade balances, political relationships, and conflicts within and between foreign countries have become important influences on passenger traffic at major United States airports. Aviation security precautions and safety concerns arising from international political conflicts can also affect air carrier travel demand.

Overall Financial Health of U.S. Airline Industry. Financial weakness and volatility have characterized the U.S. airline industry, especially over the past decade. U.S. airlines posted net losses during five consecutive years from 2001 through 2005, with cumulative losses totaling $57.7 billion. In 2006, the industry began to see positive results and continued to improve in 2007 despite record high oil prices. U.S. airlines realized a net profit of $18.2 billion in 2006 and $7.7 billion in 2007. However, as described below, jet fuel prices continued to escalate through July 2008, forcing some airlines into bankruptcy and liquidation, and others into reducing staff and seat capacity nationwide. U.S. airlines again incurred net losses totaling $23.7 billion in 2008 and $2.6 billion in 2009. As air travel demand recovered following the 2008-2009 economic recession, the U.S. airlines returned to profitability, earning an estimated $3.0 billion in 2010.

Air Carrier Service and Routes. While passenger demand at an airport depends on the population and the economy of the region served, air carrier service and the number of passengers enplaned also depend on the route networks of the air carriers serving that airport. Domestic air carriers are free to enter or leave individual air traffic markets, and to increase or decrease service, at will.

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

Any unhedged increase in fuel prices causes an increase in airline operating costs. According to the ATA, a one-dollar per barrel increase in the price of crude oil equates to approximately $445 million in annual additional expense for U.S. airlines. Fuel prices continue to be susceptible to, among other factors, political unrest, Organization of Petroleum Exporting Countries policy, increased demand for fuel caused by rapid growth of economies such as China and India, fuel inventory maintained by certain industries, reserves maintained by governments, currency fluctuations, disruptions to production and refining facilities and weather. In recent years, the cost of aviation fuel has risen sharply in response both to political instability abroad as well as increased demand for petroleum products around the world. From 2000 to 2008, the price of aviation fuel more than tripled. Oil prices reached an all-time record high of approximately $145 per barrel in July 2008, then declined to an average of $59 per barrel in 2009, and then increased to an average of $79 per barrel in 2010. Largely as a result of the political uncertainty in Egypt and elsewhere in Northern Africa and the Middle East, oil prices have further increased in 2011. According to the ATA, fuel expenses, which historically ranged from 10 to 15 percent of U.S. passenger airline operating costs, are now estimated to be 30 percent or more of such costs. Significant fluctuations and prolonged increases in the cost of aviation fuel have adversely affected air transportation industry profitability, causing airlines to reduce capacity, fleet and personnel and to increase airfares and institute fuel, checked baggage, and other extra surcharges, all of which may reduce demand for air travel.

Many airlines engage in or have engaged in fuel hedging – purchasing fuel in advance at a fixed price through derivative contracts – to help manage the risk of future increases in fuel costs. However, there can be no assurance that any fuel hedging contract can provide any particular level of protection from volatile fuel prices.

Air Carrier Economics, Competition, and Airfares; Travel Substitutes. Air carrier fares have an important effect on passenger demand, particularly for relatively short trips where automobile or other travel modes are alternatives and for price-sensitive "discretionary" travel, such as vacation travel. The recent economic downturn has increased this trend. Airfares are influenced by air carrier operating costs and debt burden, passenger demand, capacity and yield management, market presence and competition. Additionally, teleconference, video-conference and web-based meetings continue to improve in quality and price and are often considered a satisfactory alternative to face-to-face business meetings. Events such as the terrorist attacks of September 11, 2001 may have accelerated this trend. Others are choosing to travel by train instead of by air.

Capacity of National Air Traffic Control and Airport Systems. Demands on the national air traffic control system continue to cause aircraft delays and restrictions, both on the number of aircraft movements in certain air traffic routes and on the number of landings and takeoffs at certain airports. These restrictions affect airline schedules and passenger traffic nationwide. The Federal Aviation Administration (the "*FAA*") is gradually automating and enhancing the computer, radar and communications equipment of the air traffic control system and assisting in the development of additional airfield capacity through the construction of new runways and the more effective use of existing runways. Increasing demands on the national air traffic control and airport systems, however, could cause increased delays and restrictions in the future, including any delays and restrictions at the Airport that could reduce the number of visiting passengers.

Public Health and Safety Concerns. Public health and safety concerns have also affected air travel demand from time to time. In 2003, concerns about the spread of severe acute respiratory syndrome (SARS) led public health agencies to issue advisories against nonessential travel to certain regions of the world. In 2009, concerns about the spread of influenza caused by the H1N1 virus reduced international air travel, particularly to and from Mexico and Asia. In April 2010, airspace and airports in much of Europe were closed for six days because of the threat to flight safety of the ash cloud from the eruption of a volcano in Iceland. It remains to be seen what impact, if any, the recent earthquake and tsunami in Japan might have on air travel in the coming months.

Geopolitical Risks. The war in Afghanistan, the political turmoil in Northern Africa and concern about potential disruption in oil shipments from the Persian Gulf, as well as the high demand for oil and other geopolitical factors, have caused oil prices to fluctuate unpredictably. These factors have had, and may continue to have, significant adverse effects on the cost of air travel, on airline industry profitability and service patterns, and on the cost of operating a rental car. The latter consideration may deter customers who choose instead to use shared or mass transit, or limit the duration of rental transactions. The full impact of these possibilities cannot be predicted.

Recent Airlines Consolidations and Mergers

In response to competitive pressures, the U.S. airline industry has consolidated. On October 29, 2008, Northwest and its wholly-owned regional airline subsidiaries Compass Airlines, Inc. and Mesaba Aviation, Inc. completed a merger with Delta. On December 30, 2009, Delta and Northwest began operating under a single U.S. Department of Transportation operating certificate. The merged airline operates under the Delta name with a single reservation system, frequent flyer program, unified aircraft livery, airport branding and signage.

In May 2011, Southwest acquired all of the outstanding common stock of AirTran Holdings, Inc., the parent company of AirTran, thereby creating the largest U.S. domestic airline as measured by passengers enplaned. The merged airline, which will operate under the Southwest Airlines name, expects to obtain a single operating certificate from the FAA in the first quarter of 2012, although it estimates it will take several years to integrate all of its operations. In October 2010, Continental Airlines, Inc. became a wholly-owned subsidiary of United Continental Holdings, Inc. (formerly UAL Corporation, the parent company of United Airlines, Inc.), thereby creating the largest airline in the world as measured by domestic and international seat-miles. The merged airline, which will operate under the United name, expects to integrate most of its operations by mid-2012. These two merged entities each account for 12-13% of total domestic capacity offered at the Airport.

In addition to the mergers, acquisitions and consolidations described above, various other airline merger combinations have been rumored. Any such further airline consolidation could change airline service patterns at the airports at which such airlines operate (including the Airport).

Alliances, joint ventures and other marketing arrangements provide airlines with many of the advantages of mergers and all of the large U.S. network airlines are members of such alliances with foreign-flag airlines. Alliances typically involve marketing, code-sharing and scheduling arrangements to facilitate the transfer of passengers between airlines. Joint ventures involve even closer cooperation and the sharing of costs and revenues of certain routes. Such joint ventures and alliances could impact the number of flights to and from the Airport by the large U.S. network airlines.

Effect of Bankruptcy of Air Carriers

The airlines serving the Airport have all been impacted by the events described above and have experienced an increase in costs and a resulting decline in financial condition to varying degrees. Since 2001, several airlines with operations at the Airport have filed for and have subsequently emerged from bankruptcy protection. Additional bankruptcies, liquidations or major restructurings of other airlines could occur. It is not possible to predict the impact on the Airport of any future bankruptcies, liquidations or major restructurings of other airlines.

Aviation Security Concerns

Concerns about the safety of airline travel and the effectiveness of security precautions, particularly in the context of potential international hostilities and terrorist attacks, may influence passenger travel behavior and air travel demand. Anxieties about the safety of flying and the inconveniences and delays associated with security screening procedures lead to both the avoidance of travel and the switching from air to surface modes of transportation for short trips.

Since September 11, 2001, intensified security precautions have been instituted by government agencies, airlines and airport operators. These precautions include the strengthening of aircraft cockpit doors, changes to prescribed flight crew responses to attempted hijackings, increased presence of armed sky marshals, federalization of airport security functions under the Transportation Safety Administration (the "*TSA*") and revised procedures and techniques for the screening of passengers and baggage for weapons and explosives. No assurance can be given that these precautions will be successful. Also, the possibility of intensified international hostilities and further terrorist attacks involving or affecting commercial aviation are a continuing concern that may affect future travel behavior and airline passenger demand.

TAX MATTERS

Series 2011A Bonds

In the opinion of Foley & Lardner LLP, Bond Counsel, based on existing laws, regulations, rulings and court decisions, and assuming, among other matters, compliance with certain covenants, as described herein, interest on the Series 2011A Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "*Code*"). In the further opinion of Bond Counsel, interest on the Series 2011A Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings in calculating federal alternative minimum taxable income of certain corporations. A copy of the proposed form of the opinion of Foley & Lardner LLP, as Bond Counsel, is set forth in APPENDIX G.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Series 2011A Bonds. The Authority has covenanted to comply with certain restrictions and requirements designed to assure that the interest on the Series 2011A Bonds will not be included in gross income for federal income tax purposes. Failure to comply with these covenants may result in such interest being included in gross income for federal income tax purposes, possibly from the original issuance date of the Series 2011A Bonds. The opinion of Bond Counsel assumes compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the issuance of the Series 2011A Bonds may adversely affect the tax status of the interest on the Series 2011A Bonds.

The opinion of Bond Counsel relies on factual representations made by the Authority and other persons. These factual representations include but are not limited to certifications by the Authority regarding its reasonable expectations regarding the use and investment of Series 2011A Bond proceeds. Bond Counsel has not verified these representations by independent investigation. Bond Counsel does not purport to be an expert in asset valuation and appraisal, financial analysis, financial projections or similar disciplines. Failure of any of these factual representations to be correct may result in interest on the Series 2011A Bonds being included in gross income for federal income tax purposes, possibly from the original issuance date of the Series 2011A Bonds.

Certain requirements and procedures contained or referred to in the CFC Trust Agreement, the Tax Certificate executed by the Authority in connection with the issuance of the Series 2011A Bonds and other relevant documents may be changed and certain actions may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. Bond Counsel expresses no opinion as to any Series 2011A Bond or the interest thereon if any such change occurs or action is taken or omitted upon the advice or approval of counsel other than Foley & Lardner LLP.

Although Bond Counsel is of the opinion that interest on the Series 2011A Bonds is excluded from gross income for federal income tax purposes, the ownership or disposition of, or the accrual or receipt of interest on, the Series 2011A Bonds may otherwise affect a Beneficial Owner's federal tax liability. The nature and extent of these other tax consequences will depend upon the particular tax status of the Beneficial Owner or the Beneficial Owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Bond Counsel gives no assurance that any future legislation or clarifications or amendments to the Code, if enacted into law, will not cause the interest on the Series 2011A Bonds to be subject, directly or indirectly, to federal income taxation, or otherwise prevent the Beneficial Owners from realizing the full current benefit of the tax status of the interest on the Series 2011A Bonds. Prospective purchasers of the Series 2011A Bonds are encouraged to consult their own tax advisors regarding any pending or proposed federal legislation, as to which Bond Counsel expresses no view.

The opinion of Bond Counsel is based on current legal authorities, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment regarding the proper treatment of the Series 2011A Bonds for federal income tax purposes. It is not binding on the Internal Revenue Service (the "*IRS*") or the courts, and it is not a guarantee of result. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the Authority or about the effect of changes to the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The Authority has covenanted, however, to comply with the applicable requirements of the Code.

Bond Counsel is not obligated to defend the Authority regarding the tax-exempt status of the Series 2011A Bonds in the event of an examination by the IRS. Under current IRS procedures, the Beneficial Owners and parties other than the Authority would have little, if any, right to participate in an IRS examination of the Series 2011A Bonds. Moreover, because obtaining judicial review in connection with an IRS examination of tax-exempt bonds is difficult, obtaining independent review of IRS positions with which the Authority legitimately disagrees may not be practicable. Any action of the IRS, including but not limited to selection of the Series 2011A Bonds for examination, or the course or result of such an examination, or an examination of bonds presenting similar tax issues may affect the market price, or the marketability, of the Series 2011A Bonds, and may cause the Authority or the Beneficial Owners to incur significant expense.

Original Issue Discount. To the extent the issue price of any respective maturity of the Series 2011A Bonds is less than the amount to be paid at maturity of such 2011A Bonds (excluding amounts stated to be interest and payable at least annually over the term of such 2011A Bonds), the difference constitutes "original issue discount," the accrual of which, to the extent properly allocable to each Beneficial Owner thereof, is treated as interest on the Series 2011A Bonds which is excluded from gross income for federal income tax purposes. For this purpose, the issue price of a particular respective maturity of the Series 2011A Bonds is the first price at which a substantial amount of such maturity of 2011A Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the Series 2011A Bonds accrues daily over the term to maturity of such 2011A Bonds on the basis of a constant rate compounded on periodic compounding (with straight-line interpolations between compounding dates). In general, the length of the interval between periodic compounding dates cannot exceed the interval between debt service payments on such 2011A Bonds and must begin or end on the date of such payments. The accruing original issue discount is added to the adjusted basis of such 2011A Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such 2011A Bonds. Beneficial Owners of the Series 2011A Bonds should consult with their own tax advisors with respect to the tax consequences of ownership of such 2011A Bonds with original issue discount, including the treatment of purchasers who do not purchase such 2011A Bonds in the original offering to the public at the first price at which a substantial amount of such 2011A Bonds are sold to the public.

Series 2011B Bonds

Interest on the Series 2011B Bonds is not excluded from gross income for federal income tax purposes under Section 103 of the Code.

Although Bond Counsel is of the opinion that interest on the Series 2011B Bonds is included in gross income for federal income tax purposes, the ownership or disposition of, or the accrual or receipt of interest on, the Series 2011B Bonds may otherwise affect a Beneficial Owner's federal tax liability. The nature and extent of these other tax consequences will depend upon the particular tax status of the Beneficial Owner or the Beneficial Owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences. Prospective purchasers of the Series 2011B Bonds are encouraged to consult their own tax advisors regarding the consequences of ownership of the Series 2011B Bonds, as to which Bond Counsel expresses no view.

State Tax Exemption

In the opinion of Foley & Lardner LLP, Bond Counsel, under existing Massachusetts law, the Series 2011 Bonds, their transfer and the income therefrom (including any profit made on the sale thereof) are exempt from taxation within the Commonwealth. Bond Counsel expresses no opinion as to whether the Series 2011 Bonds or the interest thereon will be included in the measure of Massachusetts estate and inheritance taxes and certain Massachusetts corporation excise and franchise taxes. Bond Counsel expresses no opinion regarding any other Massachusetts tax consequences, or regarding tax consequences of states other than The Commonwealth of Massachusetts.

On the date of delivery of the Series 2011 Bonds, the Authority will be furnished with an opinion of Bond Counsel substantially in the form attached hereto as APPENDIX G – Form of Opinion of Bond Counsel.

ELIGIBILITY FOR INVESTMENT

The Enabling Act provides that the Series 2011 Bonds are eligible for investment by all Massachusetts insurance companies, trust companies in their commercial departments, banking associations, executors, trustees and other fiduciaries.

RATINGS

The Series 2011 Bonds are rated "A-" (outlook: stable) by Fitch, Inc. ("*Fitch*"), "A3" (outlook: stable) by Moody's Investors Service ("*Moody's*") and "A" (outlook: stable) by Standard & Poor's Ratings Services, a Division of The McGraw-Hill Companies, Inc. ("*S&P*"), respectively. Such ratings reflect only the respective views of Fitch, Moody's and S&P and an explanation of the significance of such ratings may be obtained from the rating agency furnishing the same. There is no assurance that such ratings will continue for any given period of time or that they will not be revised or withdrawn entirely by any or all of such rating agencies if, in its or their judgment, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Series 2011 Bonds.

FORWARD LOOKING STATEMENTS

If and when included in this Official Statement, the words "expects," "forecasts," "projects," "intends," "anticipates," "estimates" and analogous expressions are intended to identify forward-looking statements as defined in the Securities Act of 1933, as amended, and any such statements inherently are subject to a variety of risks and uncertainties that could cause actual results to differ materially from those projected. Such risks and uncertainties include, among others, general economic and business conditions, changes in political, social and economic conditions, regulatory initiatives and compliance with governmental regulations, litigation and various other events, conditions and circumstances affecting airports, the airline industry, rental car companies and the rental car industry, many of which are beyond the control of the Authority. These forward-looking statements speak only as of the date of this Official Statement. The Authority disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any change in the Authority's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

CERTAIN LEGAL MATTERS

The unqualified approving opinion of Foley & Lardner LLP, Boston, Massachusetts, Bond Counsel to the Authority, will be furnished upon delivery of the Series 2011 Bonds; the proposed form of such opinion is set forth in APPENDIX G. Certain legal matters will be passed on for the Authority by David S. Mackey, Esquire, its Chief Legal Counsel, and by Edwards Angell Palmer & Dodge LLP, Boston, Massachusetts, its Disclosure Counsel. Certain legal matters will be passed on for the Underwriters by their counsel, Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., Boston, Massachusetts.

INDEPENDENT ACCOUNTANTS

The financial statements of the Authority as of and for the years ended June 30, 2010 and 2009 included in APPENDIX F of this Official Statement have been audited by PricewaterhouseCoopers LLP, independent accountants, as stated in their report appearing therein.

The prospective financial information (forecast of the CFC Pledged Receipts and debt service coverage) extracted from the Consultant's Report included within this Official Statement and the appendices hereto was prepared by the Authority in accordance with accounting principles required by the CFC Trust Agreement in order to show forecasted debt service coverage and other fund deposit requirements coverage; such information was not prepared with a view toward compliance with the guidelines established by the American Institute of Certified Public Accountants for preparation and presentation of prospective financial information. The prospective financial information included in this Official Statement has been prepared by and is the responsibility of the Authority's management. PricewaterhouseCoopers LLP has neither examined, compiled, nor performed any procedures with respect to the accompanying forecast, and accordingly, PricewaterhouseCoopers LLP does not express an opinion or any other form of assurance with respect thereto.

UNDERWRITING

The Series 2011 Bonds are being purchased by the underwriters listed on the cover page hereof (collectively, the "*Underwriters*"), for whom Citigroup Global Markets Inc. ("*Citigroup*") is acting as representative. The Underwriters have agreed, subject to certain conditions, to purchase all of the Series 2011 Bonds from the Authority at an aggregate underwriters' discount from the initial public offering prices or yields set forth on page (i) hereof equal to $1,484,658.19 and to reoffer such Series 2011 Bonds at public offering prices not higher than or at yields not lower than those set forth on page (i) hereof. The Underwriters are obligated to purchase all such Series 2011 Bonds, if any are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in the Purchase Contract for the Series 2011 Bonds, the approval of certain legal matters by counsel and certain other conditions. The Series 2011 Bonds may be offered and sold by the Underwriters to certain dealers (including dealers depositing such Series 2011 Bonds in unit investment trusts or mutual funds, some of which may be managed by the Underwriters) and certain dealer banks and banks acting as agents at prices lower (or yields higher) than the public offering prices (or yields) set forth on page (i) of this Official Statement. Subsequent to such initial public offering, the Underwriters may change the public offering prices (or yields) as they may deem necessary in connection with the offering of such Series 2011 Bonds.

Citigroup Inc., parent company of Citigroup, one of the Underwriters of the Series 2011 Bonds, has entered into a retail brokerage joint venture with Morgan Stanley. As part of the joint venture, Citigroup will distribute municipal securities to retail investors through the financial advisor network of a new broker-dealer, Morgan Stanley Smith Barney LLC. This distribution arrangement became effective on June 1, 2009. As part of this arrangement, Citigroup will compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the Series 2011 Bonds.

FINANCIAL ADVISOR

Government Finance Associates, Inc. (the "*Financial Advisor*") serves as independent financial advisor to the Authority on matters relating to debt management. The Financial Advisor is a financial advisory and consulting organization and is not engaged in the business of underwriting, marketing or trading municipal securities or any other negotiated instruments. The Financial Advisor has provided advice as to the plan of finance and the structuring of the Series 2011 Bonds and has reviewed and commented on certain legal documentation, including this Official Statement. The advice on the plan of finance and the structuring of the Series 2011 Bonds was based on materials provided by the Authority and other sources of information believed to be reliable. The Financial Advisor has not audited, authenticated or otherwise verified the information provided by the Authority or the information set forth in this Official Statement or any other information available to the Authority with respect to the appropriateness, accuracy or completeness of disclosure of such information or other information and no guarantee, warranty or other representation is made by the Financial Advisor respecting the accuracy and completeness of or any other material related to such information and this Official Statement.

CONTINUING DISCLOSURE

The Authority has undertaken for the benefit of the owners of the Series 2011 Bonds to provide certain continuing disclosure pursuant to the provisions of Rule 15c2-12(b)(5) under the Securities Exchange Act of 1934 (as amended, the "*Rule*"). Specifically, the Authority shall execute and deliver a Continuing Disclosure Certificate dated as of the date of issuance of the Series 2011 Bonds (the "*CFC Continuing Disclosure Certificate*") for the benefit of the owners of all Bonds (including the Series 2011 Bonds) issued by or on behalf of the Authority that are designated by the Authority as subject to and having the benefits of the CFC Continuing Disclosure Certificate. The CFC Continuing Disclosure Certificate requires the Authority to provide, or cause to be provided, annual financial information and operating data and event notices with respect to the Series 2011 Bonds in accordance with the Rule. See APPENDIX D – Form of the CFC Continuing Disclosure Certificate.

In order to provide certain continuing disclosure with respect to its General Airport Revenue Bonds and its PFC Revenue Bonds, the Authority entered into a Disclosure Dissemination Agreement with Digital Assurance Certification, L.L.C. ("*DAC*"), dated as of January 8, 2010. In order to provide certain continuing disclosure with respect to the Series 2011 Bonds in accordance with the Rule, the Authority shall amend the Disclosure Dissemination Agreement to include coverage of the Series 2011 Bonds by this agreement.

For fiscal year 2010, the Authority released its audited financial statements on November 22, 2010, which were posted pursuant to the Continuing Disclosure Agreement for its PFC Revenue Bonds (the "*PFC CDA*") and the Continuing Disclosure Agreement for its General Airport Revenue Bonds (the "*GARB CDA*") by DAC. The Annual Filing (as defined in the PFC CDA and the GARB CDA) was posted by DAC on November 26, 2010. For fiscal year 2009, the Annual Filing was posted by DAC on December 15, 2009 and for fiscal year 2008, the Annual Filing was posted by DAC on January 21, 2009. The late filing of the Annual Filing for fiscal year 2008 was an oversight due to the earlier, and separate, filing of the audited financial statements. The Authority has taken additional measures internally and with DAC to ensure that the Annual Filing is filed on a timely basis going forward. Otherwise, over the past five years, the Authority has complied with the terms of each of its continuing disclosure undertakings.

The execution and delivery of this Official Statement have been duly authorized by the Authority.

MASSACHUSETTS PORT AUTHORITY

By: */s/ Jeffrey B. Mullan*
Jeffrey B. Mullan, Chairman

By: */s/ David S. Mackey*
David S. Mackey, Acting Chief Executive Officer and Executive Director

June 8, 2011

Appendix A

REPORT OF THE AIRPORT CONSULTANT

on the proposed issuance of

MASSACHUSETTS PORT AUTHORITY
SPECIAL FACILITIES REVENUE BONDS
(ConRAC Project)
SERIES 2011A (Non-AMT) and SERIES 2011B (Federally Taxable)

Prepared for

Massachusetts Port Authority
Boston, Massachusetts

Prepared by

LeighFisher
Burlingame, California

May 23, 2011

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May 23, 2011

Mr. Thomas J. Kinton, Jr.
Chief Executive Officer and Executive Director
Massachusetts Port Authority
One Harborside Drive
Suite 200S
East Boston, Massachusetts 02128

Re: **Report of the Airport Consultant, Massachusetts Port Authority Special Facilities Revenue Bonds (ConRAC Project), Series 2011A (Non-AMT) and Series 2011B (Federally Taxable)**

Dear Mr. Kinton:

We are pleased to submit this Report of the Airport Consultant (the report) on certain aspects of the proposed issuance of $211.6 million* of Special Facilities Revenue Bonds (ConRAC Project), Series 2011A (Non-AMT**) and Series 2011B (Federally Taxable) (collectively, the 2011 Bonds), by the Massachusetts Port Authority (the Authority). This letter and the accompanying attachment and financial exhibits constitute our report.

The Authority expects to issue the 2011 Bonds to finance, in part, development of a consolidated rental car facility (ConRAC) at Boston-Logan International Airport (the Airport, or Logan), as well as to pay issuance and financing costs (including the funding of reserves) associated with the 2011 Bonds. Debt service on the proposed 2011 Bonds is to be paid primarily from revenues (CFC Collections) derived from the imposition of a rental car customer facility charge (CFC).

The Authority is a multipurpose agency that owns and operates the Airport, Hanscom Field (a general aviation reliever airport), Worcester Regional Airport, maritime facilities, and real estate properties, among other facilities.

*Preliminary, subject to change.
**AMT refers to Alternative Minimum Tax.

The report presents forecasts of enplaned passengers and visiting origin-destination (O&D) passengers at the Airport. Visiting O&D passengers (i.e., not residents or connecting passengers) are the segment of the market that rents cars at the Airport, and hence are the primary drivers of CFC Collections of the Authority. Visiting O&D passengers account for approximately 45% of all deplaned passengers* at the Airport. The report also presents forecasts of CFC Collections and an evaluation of the ability of the Authority to generate CFC Revenues (which include CFC Collections and any Contingent Rent payments from the rental car companies) sufficient to satisfy the requirements of the Rate Covenant (discussed below) for the forecast period, Fiscal Year (FY) 2011 through FY 2016.** The proposed 2011 Bonds are to be issued under the terms of a Trust Agreement (the CFC Trust Agreement), dated as of May 18, 2011, between the Authority and U.S. Bank National Association, as Trustee.

CONRAC PROJECT DESCRIPTION

The ConRAC is to be developed in an area of the Airport known as the Southwest Service Area to consolidate Airport-related rental car operations and facilities into one integrated facility. A fragmented and inefficient ground transportation system will be consolidated, thereby enhancing the landside operations at the Airport and increasing rental car customer and airline passenger convenience. The project will also provide significant environmental benefits.

The key components of the ConRAC Project are as follows:

- A 1.2 million square foot, four-level rental car garage, providing 3,200 spaces for ready/return cars and for vehicle storage
- A 113,000 square foot customer service center adjacent to the garage
- Four quick turnaround (QTA) maintenance and service facilities
- A consolidated rental car shuttle bus system for transporting rental car customers to and from the terminal area
- Reconfigured staging areas (or pools) for taxicabs and buses/limousines
- An overflow public parking surface lot
- Roadway and intersection modifications and improvements
- Pedestrian and bicycle facilities and site landscaping

*Enplaned passenger totals are almost identical to deplaned passenger totals at the Airport.
**The Authority's Fiscal Year ends June 30.

The design elements of the ConRAC Project are currently under way. As of April 21, 2011, the project was at the 76% design stage, weighted by construction cost for the various project elements. Only the design of the taxicab and bus/limousine pools was less than 60% complete. Construction of the ConRAC is scheduled to begin in June 2011, with a Date of Beneficial Occupancy (DBO) expected by fall 2013.

CONRAC PROJECT COSTS AND FINANCING

The cost to implement the ConRAC Project is estimated to total $300 million, including planning, design, environmental permitting, construction, commissioning, and allowances for contingencies. On April 21, 2011, the Authority accepted a guaranteed maximum price quote of $234 million from Suffolk Construction Company, Inc., for the construction elements of the ConRAC Project. These elements combined represent approximately 78% of the estimated cost of the entire ConRAC Project. A total project budget of $300 million was approved by the Authority's Board on April 21, 2011.

The primary funding sources for the ConRAC Project are to be (1) proceeds from the sale of the proposed 2011 Bonds, (2) accumulated CFC Collections, (3) a Voluntary Airport Low Emission (VALE) grant from the Federal Aviation Administration (FAA) to partially fund the acquisition of the shuttle buses, (4) Authority funds in the form of direct funding of certain supporting infrastructure elements of the ConRAC Project (such as roadways), and (5) a loan from the Authority, which is to be repaid from CFC Collections on a subordinated basis to the 2011 Bonds (the Authority Loan).

The estimated costs and sources of funding for the ConRAC Project are shown in the table below.

Project Costs *(a)*	
ConRAC garage	$ 92,384,000
Customer service center	57,414,000
Quick turnaround (QTA) facilities	42,107,000
Site work and temporary facilities	26,442,000
Circulating roads and Airport buffer *(b)*	44,113,000
Authority roads and contaminated soil allowance	12,540,000
Bus fleet	25,000,000
	$300,000,000
Sources of Funding *(a)*	
2011 Bonds (net proceeds)*(c)*	$175,111,000
Accumulated CFC Collections	73,288,000
VALE grant	4,811,000
Authority funds	20,790,000
Authority Loan	26,000,000
	$300,000,000

(a) Preliminary, subject to change.
(b) To be funded with proceeds of the Series 2011A Bonds.
(c) Excluding 2011 Bond reserve funding and costs of issuance.

Source: Massachusetts Port Authority, April 2011.

CUSTOMER FACILITY CHARGES

CFC Collections consist of the per rental car transaction day* fees collected from rental car customers, and accounted for and remitted by the rental car companies to the Authority, as established by a vote of the Authority's Board on September 18, 2008, as amended on October 27, 2009.

On December 1, 2008, the rental car companies began collecting CFCs. The CFC was originally set at $4.00 per rental car transaction day, with no limit on the number of days per transaction. On December 1, 2009, the CFC was increased to $6.00 per rental car transaction day.

*A "transaction day" is the 24-hour period or fraction thereof for which a rental car customer is provided the use of a vehicle for compensation, regardless of the duration or length of the rental term. If the same rental car is rented to more than one customer within a continuous 24-hour period, then each such rental is calculated as a transaction day, and is subject to collection of the per transaction day CFC.

During FY 2010, the first full year of CFC collections, rental car transaction days totaled 3.9 million and CFC Collections totaled $19.1 million*.

The table below shows the trend in rental car transaction days over the past 10 calendar years.

Calendar year	Rental car transaction days	Percent increase/ (decrease)
2001	3,700,479	--
2002	3,169,848	(14.3%)
2003	3,319,680	4.7
2004	3,685,437	11.0
2005	3,863,362	4.8
2006	3,796,782	(1.7)
2007	4,096,633	7.9
2008	4,313,577	5.3
2009	3,734,004	(13.4)
2010	4,180,705	12.0

Source: Massachusetts Port Authority, April 2011.

RENTAL CAR AGREEMENTS

The Authority has executed Consolidated Rental Car Facility Leases (the Leases) and Concession Agreements, each dated as of March 17, 2011, with all of the rental car companies currently operating at the Airport, governing the terms and conditions under which the ConRAC is to be developed, operated, and maintained.

The Leases extend for a term of 15 years from DBO of the ConRAC, and incorporate provisions relating to, among other matters, the following:

- Permitted uses of the facility by the rental car companies
- The space to be occupied by each rental car company within the facility
- The conditions under which space may be reallocated from one company to another

*The FY 2010 CFC collections noted represent the amounts collected for transactions in FY 2010. The Authority's financial statements show CFC collections of $20.7 million for FY 2010, reflecting collections for June 2009 through June 2010 (i.e., 13 months).

- Maintenance and operating responsibilities of the Authority and the rental car companies (including the specific services to be provided by the Authority related to operation of the facility)
- Environmental requirements
- The calculation of rentals, fees, and charges to be paid by the rental car companies for use of the facility, including the obligation to collect and remit CFCs to the Authority or the Trustee, and to pay Contingent Rent (if applicable)

As set forth in the Leases, the rental car companies must collect and remit to the Trustee (on behalf of the Authority) CFCs paid by customers for automobiles delivered to, rented at, or picked up at the ConRAC. As also set forth in the Leases, the Authority may, at its sole discretion, increase the CFC level from time to time and a Contingent Rent payment may be required from the rental car companies to the Trustee, under certain circumstances, in response to a significant shortfall in rental car transactions.

All rental car companies currently operate at the Airport under the terms of Concession Agreements effective October 1, 2007, and scheduled to expire on October 1, 2012 (with automatic holdover provisions). Pursuant to the existing Concession Agreements, each rental car company executed a new Concession Agreement to be effective as of the DBO of the ConRAC. The term of the new Concession Agreements is the same as the initial 15-year term of the Leases. Under both the existing and new Concession Agreements, the rental car companies are to pay the greater of 10% of gross receipts or a minimum annual guarantee to the Authority as a privilege fee. Revenues from the privilege fee are not pledged to the payment of debt service on the proposed 2011 Bonds, but are considered as general revenues of the Authority.

Currently, operators of seven of the nine rental car brands serving the Airport are located on-Airport. Two brands (Thrifty and Advantage) are operated from off-Airport locations. Upon completion of the ConRAC, the operators of all nine rental car brands currently serving the Airport will be located in the ConRAC.

THE 2011 BONDS

The proposed 2011 Bonds are to be limited obligations of the Authority, secured only by a pledge of (1) the revenues generated from the collection of the CFC levied on customers of the rental car companies operating at the Airport, (2) any Contingent Rent paid by the rental car companies, (3) balances in certain funds and accounts established under the terms of the CFC Trust Agreement, and (4) certain insurance proceeds and condemnation awards. **The proposed 2011 Bonds would not be secured by the general revenues of the Authority or of the Airport, or by the taxing authority of any governmental entity in the Commonwealth of Massachusetts.**

The CFC Trust Agreement

As noted earlier, the proposed 2011 Bonds are to be issued in accordance with the terms and conditions of the CFC Trust Agreement*. The proposed 2011 Bonds (and any Additional Bonds, other than Subordinate Bonds, issued by the Authority under the terms of the CFC Trust Agreement) are to be secured by a pledge of certain revenues, as described above.

Rate Covenant

The Authority has covenanted in the Rate Covenant section of the CFC Trust Agreement that, so long as any Bonds issued under the terms of the CFC Trust Agreement remain outstanding, it will set the level of the CFC such that, together with projected Contingent Rent payments (if any), sufficient moneys will be generated to make certain deposits to funds and accounts in each Fiscal Year (the Minimum Annual Requirement). Further, the Authority has covenanted that:

> … the aggregate amount of CFCs and Contingent Rent (if any) required to be remitted by the RACs [rental car companies] in each Fiscal Year shall be no less than the Aggregate Debt Service coming due in such Fiscal Year and…the aggregate amount of CFCs and Contingent Rent (if any) paid by the RACs in each Fiscal Year plus the amount on deposit in the Rolling Coverage Fund (up to an amount not to exceed 25% of the Aggregate Debt Service on the Bonds (other than Subordinate Bonds) in such Fiscal Year) plus amounts on deposit in the Supplemental Reserve Fund, if any, at the beginning of such Fiscal Year (up to an amount not to exceed 5% of the Aggregate Debt Service on the Bonds (other than Subordinate Bonds) in such Fiscal Year) shall be no less than 1.30 times the Aggregate Debt Service on the Bonds (other than Subordinate Bonds), plus 1.0 times the Aggregate Debt Service on the Subordinate Bonds, coming due in such Fiscal Year…

Additional Bonds

The Authority may issue additional Bonds on parity with the proposed 2011 Bonds, as well as Subordinate Bonds, in accordance with the CFC Trust Agreement. Additional Bonds may be issued only to finance (1) completion of the ConRAC Project, (2) an improvement or expansion to the ConRAC (or a facility related to the ConRAC approved by the Authority), (3) repairs or extraordinary maintenance for the ConRAC, (4) the refunding of Outstanding Bonds under the CFC Trust Agreement, or (5) to pay related issuance costs or meet Bond reserve funding requirements.

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*Capitalized terms not otherwise defined herein shall have the meanings set forth in the CFC Trust Agreement.

The Authority does not anticipate a need to issue Additional Bonds to complete the ConRAC Project, and has no current plans to improve or expand the ConRAC after its expected opening by fall 2013. The Authority may refinance the proposed 2011 Bonds or other Bonds to be issued under the terms of the CFC Trust Agreement, from time to time, based on financial market conditions.

Subordinate Bonds and Debt

The CFC Trust Agreement also provides for the Authority to issue additional debt subordinate to the proposed 2011 Bonds (Subordinate Bonds). Any Subordinate Bonds, or other subordinated debt, would be issued under the terms of Section 3.04 of the CFC Trust Agreement, and would be repaid, with interest, from CFC Revenues on a subordinated basis to the 2011 Bonds.

As noted earlier, the Authority expects to loan certain of its available cash balances for development of elements of the ConRAC Project. The Authority Loan (which is to be undertaken in accordance with a First Supplemental Agreement to the CFC Trust Agreement) would be repaid, with interest, from CFC Revenues on a subordinated basis to the 2011 Bonds.

SCOPE OF REPORT

Our report was prepared to address the ability of the Authority to meet the requirements of the Rate Covenant of the CFC Trust Agreement during the forecast period, FY 2011 through FY 2016. In conducting our study, we assessed:

- Historical and future enplaned and deplaned passenger and visiting O&D passenger traffic demand at the Airport, giving consideration to the demographic and economic characteristics of the Airport service region, historical trends in airline traffic, recent airline service developments and airfares, the economic outlook for the nation and the Boston area, competing airports in the New England region, and other key factors that may affect future visiting passenger traffic

- Historical relationships among and between enplaned and deplaned passengers, visiting O&D passengers, rental car transactions, and rental car transaction days for the Airport

- The facilities expected to be provided as part of the ConRAC Project

- The status and estimated costs of the ConRAC Project

- Estimated sources and uses of funds and annual debt service requirements for the proposed 2011 Bonds in each Fiscal Year of the forecast period

- Historical and estimated future CFC Collections, and the use of CFC Revenues to pay debt service requirements, as well as a portion of the development costs of the ConRAC Project on a pay-as-you-go basis
- The Authority Board's votes authorizing implementation of a CFC at the Airport (as amended)
- The form of the Lease between the Authority and each rental car company related to development of the ConRAC, and the form of the new Concession Agreement between the Authority and each rental car company related to their operations on the Airport

We have relied upon the Authority (and certain of its other consultants) for estimates of ConRAC Project costs and construction schedules, and upon the Authority and its underwriters for the proposed 2011 Bonds for the plan of debt finance and estimated debt service requirements for the proposed 2011 Bonds, as noted on the financial exhibits presented at the end of our report.

We also identified key factors upon which the future financial results of the ConRAC may depend, and formulated assumptions about those factors. On the basis of those assumptions, we assembled the financial forecasts presented in the exhibits provided at the end of this report:

Exhibit	
A	Estimated ConRAC Project Costs
B	Plan of Finance (Sources and Uses of Funds)
C	Forecast Debt Service Requirements
D	Historical and Forecast Transaction Days and CFC Collections
E	Forecast Application of CFC Revenues
F	Forecast Debt Service Coverage
G	Projected Debt Service Coverage – Sensitivity Test 1
H	Projected Debt Service Coverage – Sensitivity Test 2

SUMMARY OF FORECAST RESULTS

As indicated in Exhibits E and F, it is forecast that: (1) CFC Revenues are to be sufficient to pay Aggregate Debt Service requirements on the proposed 2011 Bonds, as well as to make other required deposits, and (2) CFC Revenues, together with the estimated balance in the Rolling Coverage Fund and the Supplemental Reserve Fund, are to be sufficient to meet or exceed the requirements of the Rate Covenant. The forecasts show compliance with the Rate Covenant provisions of the CFC Trust Agreement in each year of the forecast period.

The table below summarizes forecasts of rental car transaction days, CFC Revenues, Rolling Coverage Fund and Supplemental Reserve Fund balances, Aggregate Debt Service on the proposed 2011 Bonds, and debt service coverage in accordance with the Rate Covenant (as well debt service coverage calculated without the benefit of Rolling Coverage Fund and Supplemental Reserve Fund balances), throughout the forecast period.

	Forecast					
	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
Rental car transaction days	4,271,000	4,337,000	4,429,000	4,509,000	4,574,000	4,637,000
Percentage change from prior year	10.2%	1.5%	2.1%	1.8%	1.4%	1.4%
CFC Revenues *(a)*	$25,630,000	$26,022,000	$26,574,000	$27,054,000	$27,444,000	$27,822,000
Plus: Rolling Coverage Fund balance *(b)*		3,222,000	3,237,000	4,114,000	4,108,000	4,108,000
Plus Supplemental Reserve Fund balance *(c)*		644,000	647,000	823,000	822,000	822,000
Total		$29,888,000	$30,458,000	$31,991,000	$32,374,000	$32,752,000
Aggregate Debt Service		$12,886,079	$12,948,172	$16,456,253	$16,433,830	$16,432,852
Debt service coverage		2.32	2.35	1.94	1.97	1.99
Debt service coverage (without a portion of the Rolling Coverage Fund and Supplemental Reserve Fund balances)		2.02	2.05	1.64	1.67	1.69

(a) Assuming a constant $6.00 CFC level, and no Contingent Rent payments.
(b) An amount equivalent to not more than 25% of Aggregate Debt Service.
(c) An amount equivalent to not more than 5% of Aggregate Debt Service.

Additionally, the table below summarizes forecasts of funds (including reserve fund balances) available to pay debt service during the forecast period, in addition to CFC Collections and Contingent Rent payments (if any).

	Forecast				
	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
Aggregate Debt Service	$12,886,079	$12,948,172	$16,456,253	$16,433,830	$16,432,852
Fund balances					
Rolling Coverage Fund	$ 4,188,630	$ 4,188,630	$ 4,188,630	$ 4,188,630	$ 4,188,630
Supplemental Reserve Fund	8,377,259	8,377,259	8,377,259	8,377,259	8,377,259
Debt Service Reserve Fund	16,754,518	16,754,518	16,754,518	16,754,518	16,754,518
	$29,320,407	$29,320,407	$29,320,407	$29,320,407	$29,320,407

SENSITIVITY TESTS

Two sensitivity tests were conducted to assess the potential effect on the financial forecasts of hypothetical lower levels of rental car transactions at the Airport. The sensitivity analysis projections should not be considered forecasts of expected future results.

Sensitivity Test 1. In this test, it was assumed that rental car transaction days decrease 14.3% between FY 2011 and FY 2012, to 3.7 million, and recover to approximately the FY 2011 level over the following two fiscal years. This test reflects the actual trend experienced at the Airport during calendar years 2002 through 2004, in the aftermath of the terrorist attacks on September 11, 2001, and is similar to the trend experienced during and after the most recent economic recession in 2008 and 2009.

Under this hypothetical level of activity, debt service coverage is projected to be at least 1.55, without the benefit of the Rolling Coverage Fund or Supplemental Reserve Fund balances, during each year of the forecast period.

Sensitivity Test 2. In this test, it was assumed that rental car transaction days decrease 25.8% between FY 2011 and FY 2012, to 3.2 million, and do not recover to the FY 2011 level during the remainder of the forecast period. This assumed level of FY 2012 activity represents actual activity during calendar year 2002, in the aftermath of the terrorist attacks on September 11, 2001 (i.e., the year with the lowest number of rental car transaction days during the past 10 years).

Under this hypothetical level of activity, debt service coverage is projected to be at least 1.20, without the benefit of the Rolling Coverage Fund or Supplemental Reserve Fund balances, during each year of the forecast period.

The results of the sensitivity tests are summarized in the table below.

	Projected					
	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
Sensitivity Test 1						
Rental car transaction days	4,271,000	3,660,000	3,832,000	4,254,000	4,315,000	4,374,000
Percent increase (decrease)		(14.3%)	4.7%	11.0%	1.4%	1.4%
CFC Revenues *(a)*	$25,630,000	$21,960,000	$22,992,000	$25,524,000	$25,890,000	$26,244,000
Aggregate Debt Service	$ --	$12,886,079	$12,948,172	$16,456,253	$16,433,830	$16,432,852
Debt service coverage *(b)*		1.70	1.78	1.55	1.58	1.60
Sensitivity Test 2						
Rental car transaction days	4,271,000	3,170,000	3,237,000	3,295,000	3,342,000	3,389,000
Percent increase (decrease)		(25.8%)	2.1%	1.8%	1.4%	1.4%
CFC Revenues *(a)*	$25,630,000	$19,020,000	$19,422,000	$19,770,000	$20,052,000	$20,334,000
Aggregate Debt Service	$ --	$12,886,079	$12,948,172	$16,456,253	$16,433,830	$16,432,852
Debt service coverage *(b)*		1.48	1.50	1.20	1.22	1.24

(a) Assuming a constant $6.00 CFC level, and no Contingent Rent payments.
(b) Debt service coverage on a cash flow basis (i.e., without the benefit of Rolling Coverage Fund and Supplemental Reserve Funds balances).

ASSUMPTIONS UNDERLYING THE FORECASTS

The financial forecasts presented in this report are based on information and assumptions that were provided by, or reviewed with and agreed to by, Authority management. The forecasts reflect Authority management's expected course of action during the forecast period and, in Authority management's judgment, present fairly the expected financial results of the ConRAC.

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

In our opinion, the underlying assumptions provide a reasonable basis for the forecasts. However, any forecast is subject to uncertainties. Inevitably, some assumptions used to develop the forecasts will not be realized, and unanticipated events and circumstances may occur. Therefore, there will be differences between the forecast and actual results, and those differences may be material. Neither LeighFisher nor any person acting on our behalf makes any warranty, expressed or implied, with respect to the information, assumptions, forecasts, opinions, or conclusions disclosed in the report. We have no responsibility to update this report for events and circumstances occurring after the date of the report.

*   *   *   *   *

We appreciate the opportunity to serve as the Airport Consultant for the Massachusetts Port Authority on this proposed financing.

Respectfully submitted,

LeighFisher

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Attachment

**BACKGROUND, ASSUMPTIONS, AND RATIONALE
FOR THE FINANCIAL FORECASTS**

REPORT OF THE AIRPORT CONSULTANT

on the proposed issuance of

MASSACHUSETTS PORT AUTHORITY
SPECIAL FACILITIES REVENUE BONDS
(ConRAC Project)
SERIES 2011A (Non-AMT) and SERIES 2011B (Federally Taxable)

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CONTENTS

CONTENTS *(continued)*

CONTENTS *(continued)*

TABLES

FIGURES

FIGURES *(continued)*

EXHIBITS

1. BACKGROUND

THE MASSACHUSETTS PORT AUTHORITY

The Massachusetts Port Authority (the Authority) was created in 1956 pursuant to Chapter 465 of the Massachusetts Acts of 1956, as amended (the Enabling Act), and is a body politic and corporate and a public instrumentality of the Commonwealth of Massachusetts (the Commonwealth).

The Authority owns, operates, and manages Boston-Logan International Airport (the Airport, or Logan); Hanscom Field, a general aviation reliever airport located in Bedford, Massachusetts; and Worcester Regional Airport, a commercial service and general aviation airport located in central Massachusetts. Additionally, the Authority owns, operates, and manages maritime facilities located at the Port of Boston, including passenger cruise terminals and cargo handling facilities, and certain commercial real estate properties.

THE AIRPORT

The Airport is the Authority's largest asset and its principal revenue source. Situated mainly in East Boston (with a small portion situated in the Town of Winthrop), the Airport is adjacent to Boston Harbor and approximately 3 miles from downtown Boston. The Airport encompasses approximately 2,400 acres. In calendar year 2009, the Airport was the busiest airport in New England in terms of passenger numbers, with over 25 million enplaned plus deplaned passengers. In that year, Logan was the 19th busiest airport in the United States, and the 43rd busiest in the world, according to Airports Council International.

The Airport has five runways, four of which can accommodate the largest types of aircraft currently in commercial service. The Airport's four terminals serve commercial passengers: Terminal A has 18 contact gates equipped with loading bridges and seven regional jet parking positions capable of being converted to 4 additional contact gates; Terminal B has 36 gates; Terminal C has 27 gates; and Terminal E has access to 13 gates.

Private automobiles are the primary means of ground transportation to and from the Airport. Based on a passenger survey conducted in April and May 2010, the Authority estimates that approximately 40% of all passengers arrive at Logan in private automobiles and, of those, 32.5% (representing 13% of total passengers) use the Airport's parking facilities.

The number of commercial and employee parking spaces permitted as of May 2011 for Airport use is limited to 20,692, of which 18,019 spaces are currently designated for commercial users and 2,673 for employee parking, in compliance with an Airport "parking freeze," an agreement between the Commonwealth and the U.S. Environmental Protection Agency under the federal Clean Air Act. The parking freeze does not apply to rental car spaces.

The Airport is also served by public bus lines and by Boston's subway system, operated by the Massachusetts Bay Transportation Authority (MBTA). An MBTA subway station is located adjacent to the Airport.

Logan's cargo facilities include seven buildings containing approximately 259,000 square feet of warehouse space. The Authority operates field maintenance facilities, a water pumping station, electrical substations and distribution system, and a plant that supplies steam, hot water, and chilled water. Aircraft fuel is currently stored in and distributed through an integrated fuel storage and distribution system, which provides for a redundant underground distribution system of aircraft fuel to all aircraft gates.

The Airport also has two facilities for the preparation of in-flight meals, a Hilton hotel, a Hyatt conference center and hotel, and six aircraft maintenance hangars.

RENTAL CAR OPERATIONS AT THE AIRPORT

The current rental car facilities at Logan consist of individual remote lots for seven on-Airport brands located in the Southwest Service Area (SWSA) of the Airport. The seven on-Airport brands are Avis, Budget, Dollar, Hertz, Enterprise, Alamo, and National. All on-Airport rental car customers are transported to these individual facilities by buses operated by each company. These individual lots consist generally of a customer service building with counters and small offices; pickup and drop-off areas for the buses; ready and return vehicle parking; and fuel, wash, and light maintenance facilities. The rental car customer service sites are generally more than 25 years old, and are inefficiently configured to accommodate the latest industry trends, including the consolidation and co-location of rental car brands.

The two brands currently operating off-Airport are Advantage and Thrifty. Both off-Airport operators pick their customers up at the curb along with the on-Airport operators, but transport their customers to service sites off Airport. Both Advantage and Thrifty will operate from the consolidated rental car center (ConRAC) when it opens. It is anticipated that there will be no rental car companies serving the Airport from off-Airport locations after the ConRAC opens, as no other rental car companies or brands are known to operate off-Airport currently or to have expressed an interest in future off-Airport operations. Following the opening of the ConRAC, if any operators were to provide off-Airport rental car service to the Airport, they would be required to pick up and drop off customers at the ConRAC, a practice termed "double busing." This restriction is intended to ensure that no individual rental car buses will circulate in front of the terminal after the initiation of ConRAC operation.

Because the current rental car sites are located in the SWSA, a phasing plan has been developed to allow all seven on-Airport brands to continue operating in the same general area while the ConRAC is under construction. The rental car operators will continue to transport their customers to individual areas in the SWSA via individual buses until completion of the ConRAC.

THE CONRAC PROJECT

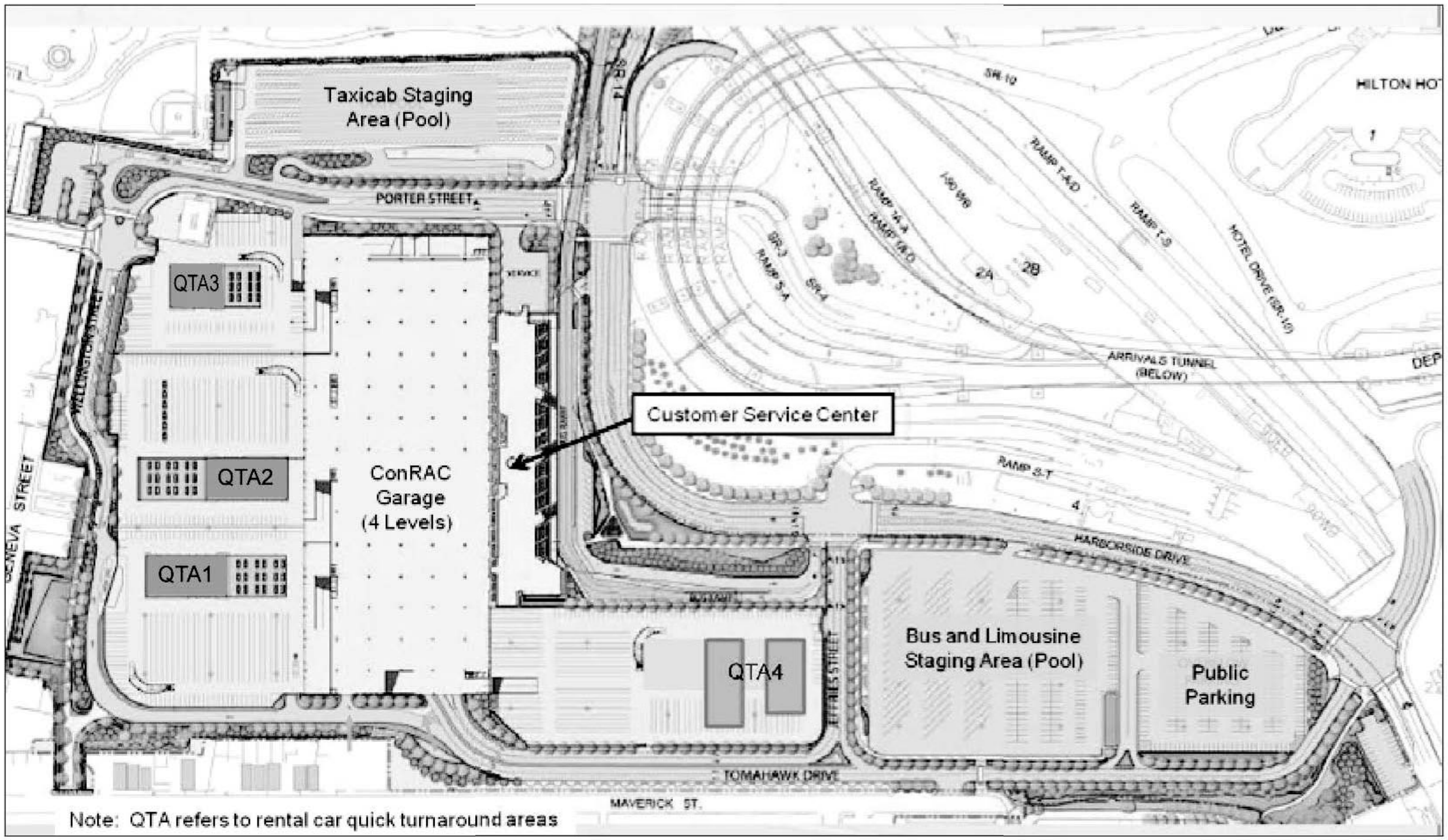
The ConRAC Project involves development of a consolidated facility in the SWSA of the Airport to integrate Airport-related rental car operations and facilities into one integrated facility and to implement associated improvements. The project will allow the consolidation of a fragmented and inefficient ground transportation network at the Airport, thereby enhancing the landside operations of the Airport and increasing rental car customer and airline passenger convenience. The project will also provide many environmental benefits (including substantial reduction in shuttle bus vehicle miles traveled and greenhouse gas emissions), and is expected to be U.S. Green Building Council certified at the Leadership in Energy and Environmental Design (LEED) Silver rating or better.

The consolidation of rental car operations will allow for the efficiency of combined operations for rental car companies' operating functions, such as light service, car washing, and fueling for each family of rental car brands. The ConRAC will be served by the unified shuttle bus system – a combined bus system that will serve the rental car companies, the MBTA Blue Line Airport Station and all terminals, and operate using clean fuel.

Figure 1 shows the layout of the ConRAC, and Table 1 summarizes the proposed facilities.

Figure 1

LAYOUT OF THE CONRAC



BOS603 F-0002

Source: Massachusetts Port Authority.

Table 1
SUMMARY OF CONRAC PROJECT AND ASSOCIATED FACILITIES

Southwest Service Area (SWSA) Site (acres)	49 (approximate)
Garage	
Number of levels	4
Building footprint (square feet)	301,000
Floor area (square feet)	1,212,500
Rental car spaces *(a)*	
Ready/return spaces	2,500
Vehicle storage spaces *(b)*	700
Total spaces	3,200
Customer Service Center	
Floor area (square feet)	113,000
Quick Turnaround Areas	
Fueling/service areas (square feet)	112,000
Rental car storage spaces (at-grade, surface parking) *(b)*	1,250
Other SWSA Facilities	
Taxicab staging area (pool)	
Building size (square feet)	7,000
Number of spaces	310
Bus and limousine staging areas (pools)	
Building size (square feet)	2,500
Number of spaces	370
Long-term overflow public parking lot spaces	233

(a) Approximate numbers based on planning guidelines.
(b) Rental car spaces, the taxicab pool, and the bus/limousine pools are not regulated under the Logan Airport Parking Freeze.

Source: Massachusetts Port Authority, April 2011.

The ConRAC Project components are described in more detail below.

Garage

The four-level, 1.2-million-square foot garage is to consist of two main components: 2,500 rental car "ready/return" parking spaces for customer pick-up and drop off (Levels 1 through 3) and approximately 700 rental car storage spaces with no public access (rooftop Level 4), for a total of approximately 3,200 spaces.

Customer Service Center

The 113,000-square-foot Customer Service Center (CSC), which will be adjacent to the garage, will serve as the point of entry and exit to the ConRAC for rental car patrons.

The CSC will house rental car counters, customer queuing areas, rental car company offices, and associated facilities.

Rental car customers will enter and exit on the east side of the building facing the terminal area, and access the building via the unified bus system. The CSC will also include the Authority's Ground Transportation Unit Operations Center to support active management of the unified bus system.

Vehicle Fueling, Service and Storage

Four rental car service and storage areas, commonly referred to as "quick turnaround" (QTA) areas, will be located east of Jeffries Street. The new QTA areas will serve as limited service areas for rental car companies to conduct fueling, cleaning, and light service activities, as well as for vehicle storage (approximately 1,250 additional surface storage parking spaces). The four QTA areas will be occupied by co-owned or related brands. Hertz and Advantage will occupy one QTA area; Avis and Budget will occupy one QTA area; Enterprise, National, and Alamo will occupy one QTA area; and Dollar and Thrifty will occupy one QTA area.

Unified Bus System

The new combined bus fleet will serve both ConRAC customers (replacing the nine individual on- and off-Airport rental car company diesel shuttle bus services currently in operation) and MBTA Blue Line (Airport Station) riders. The Authority will operate the bus system, and vehicles will be serviced and maintained at a new Bus Maintenance Facility (also known as a Green Bus Depot) to be located in the North Service Area of the Airport. The Bus Maintenance Facility is not part of the ConRAC Project, and is being funded with proceeds from the sale of the Authority's previously issued Series 2010 general revenue bonds. A portion of the debt service on the Series 2010 general revenue bonds is to be paid from customer facility charge (CFC) collections on a subordinate basis to the proposed 2011 Bonds.

Other Southwest Service Area Facilities

Taxicab Staging Area (Pool): The taxicab check-in, holding, and dispatch areas, or "pool," will be relocated to the area currently occupied by Avis. This new location will provide the taxicabs more direct access to the terminal area roadways and maintain an efficient separation from other ground transportation traffic streams within the SWSA. The 6-acre staging area is expected to accommodate a slight increase in the capacity of the taxicab pool, to a total of approximately 310 queuing spaces.

Bus and Limousine Staging Areas (Pools): The bus and limousine pools will be located just west of their existing location. The bus and limousine pools will include a total of approximately 370 parking spaces and a 2,500-square-foot administration building. Buses and limousines will access the SWSA from Harborside Drive.

Long-term Overflow Public Surface Parking: Some of the existing long-term overflow public surface parking spaces currently located in the southwest corner of the SWSA will be retained and relocated within the SWSA as surface parking east of the proposed bus and limousine pools.

RENTAL CAR COMPANY AGREEMENTS

The Authority executed Consolidated Rental Car Facility Leases (the Leases) and new Concession Agreements with all rental car companies currently operating at the Airport, as of March 17, 2011. The companies executing both a Lease and a new Concession Agreement, and the brands they represent, are:

- Avis Rent A Car System, LLC (Avis brand)
- Budget Rent A Car System, Inc. (Budget brand)
- DTG Operations, Inc. (Thrifty brand)
- Enterprise Rent-A-Car Company of Boston, LLC (Enterprise brand)
- Enterprise Rent-A-Car Company of Boston, LLC (National brand)
- Enterprise Rent-A-Car Company of Boston, LLC (Alamo brand)
- The Hertz Corporation (Hertz brand)
- Traveler's Rental Co., Inc. (a franchise operation under the Dollar brand)
- Simply Wheelz LLC (Advantage brand)

The Avis and Budget brands are related and co-owned; as are the Enterprise, Alamo and National brands; and the Hertz and Advantage brands. While the Dollar and Thrifty brands are generally related and co-owned throughout the industry, at Logan Airport they have been operated separately until now.

The Leases govern the terms under which the ConRAC is to be developed, maintained, and operated. The term of the Leases extends for a period of 15 years from the Date of Beneficial Occupancy (DBO) of the ConRAC.

Each Lease incorporates provisions relating to, among other matters, the following:

- Permitted uses of the facility by the rental car companies
- The space to be occupied by each company within the facility
- The conditions under which space may be reallocated from one company to another

- Maintenance and operating responsibilities of the Authority and the rental car companies (including the specific services to be provided by the Authority related to operation of the facility)

- Environmental conditions

- The structure of rentals, fees, and charges to be paid by the rental car companies for use of the facility, including the obligation to collect and remit CFCs to the Authority (or the Trustee for the proposed 2011 Bonds on the Authority's behalf), as well as to remit Contingent Rent (if applicable)

In accordance with the Leases, the rental car companies must collect and remit to the Trustee (on behalf of the Authority) CFCs from customers for automobiles delivered to, rented at, or picked up by customers at the ConRAC. The Leases also set forth that the Authority may, in its sole discretion, increase the CFC level from time to time, and provide for the payment of Contingent Rent by the rental car companies to the Trustee in response to a significant shortfall in rental car activity (i.e., lower rental car transaction days).

The operating and day-to-day maintenance costs of the ConRAC will not be paid from the CFCs collected from the rental car companies (CFC Collections), but will be paid either directly by the rental car companies, or as rental payments to the Authority (separate from Contingent Rent) for the provision of certain services.

Each rental car company currently operates at the Airport in accordance with a Concession Agreement dated October 1, 2007, and scheduled to expire on October 1, 2012 (with automatic holdover provisions). Pursuant to the existing Concession Agreements, each rental car company executed a new Concession Agreement to be effective as of the DBO of the ConRAC (at which time, the existing agreements would expire). The term of the new Concession Agreements is the same as the initial 15-year term of the Leases. Under both the existing and new Concession Agreements, the rental car companies pay the greater of 10% of gross receipts or a minimum annual guarantee as a privilege fee to the Authority. Revenues from the privilege fees are not pledged to the payment of the proposed 2011 Bonds, but are considered general revenues of the Authority.

As noted earlier, seven of the nine rental car brands serving the Airport currently operate from on-Airport locations. Two brands (Thrifty and Advantage) operate off-Airport. Upon completion of the ConRAC, all nine rental car brands currently serving the Airport are expected to operate from the ConRAC.

2. BASIS FOR VISITING AIRLINE PASSENGER TRAFFIC

Cars are rented at the Airport primarily by visiting passengers (i.e., not by passengers originating their trips at the Airport or by connecting passengers). Hence, the discussion of demand for rental cars at the Airport, and the subsequent traffic forecasts developed herein, focus primarily on visiting airline passengers. These passengers account for approximately 45% of all passengers at the Airport.

THE AIRPORT SERVICE REGION

The Boston-Cambridge-Quincy Metropolitan Statistical Area (the MSA)—consisting of Essex, Middlesex, Norfolk, Plymouth, and Suffolk counties in Massachusetts and Rockingham and Strafford counties in New Hampshire—is broadly representative of the primary Airport service region. (See Figure 2.) For purposes of this report, the MSA is treated as synonymous with the Airport service region because of the readily available demographic and economic data for the MSA. The remainder of New England* constitutes a secondary service area for the Airport and overlaps the primary service regions of other smaller New England airports.

The MSA encompasses one of the largest population centers and metropolitan economies in the United States. According to the U.S. Department of Commerce, Bureau of the Census, the MSA is the nation's 10th-largest metropolitan statistical area (measured by population) while, according to the U.S. Department of Commerce, Bureau of Economic Analysis, the MSA constitutes the nation's 9th largest regional economy (measured by gross metropolitan product).

Two commercial service airports located close to, but outside, the MSA are T.F. Green Airport near Providence, Rhode Island, and Manchester-Boston Regional Airport in Manchester, New Hampshire. These airports offer scheduled passenger airline service and provide alternatives for visitors bound for the southern and northern reaches, respectively, of the Airport service region. A third nearby airport, Worcester Regional Airport, offers a limited amount of scheduled charter passenger airline service. The Authority owns and operates Worcester Regional Airport.

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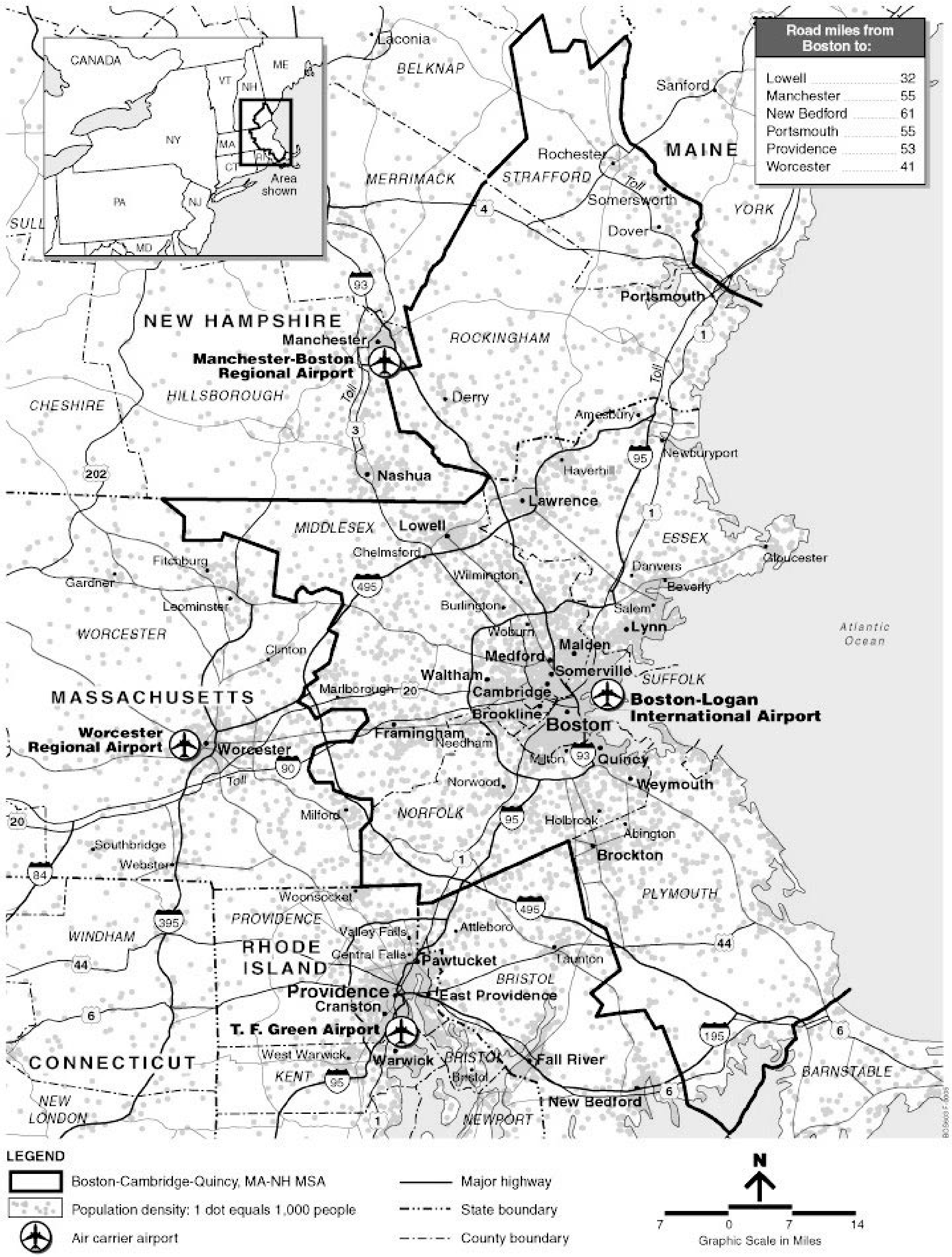
*New England is defined as the six-state region consisting of Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, and Vermont.

Figure 2
AIRPORT SERVICE REGION



Source: U.S. 2000 Census data for population density.

DEMOGRAPHIC AND ECONOMIC PROFILE

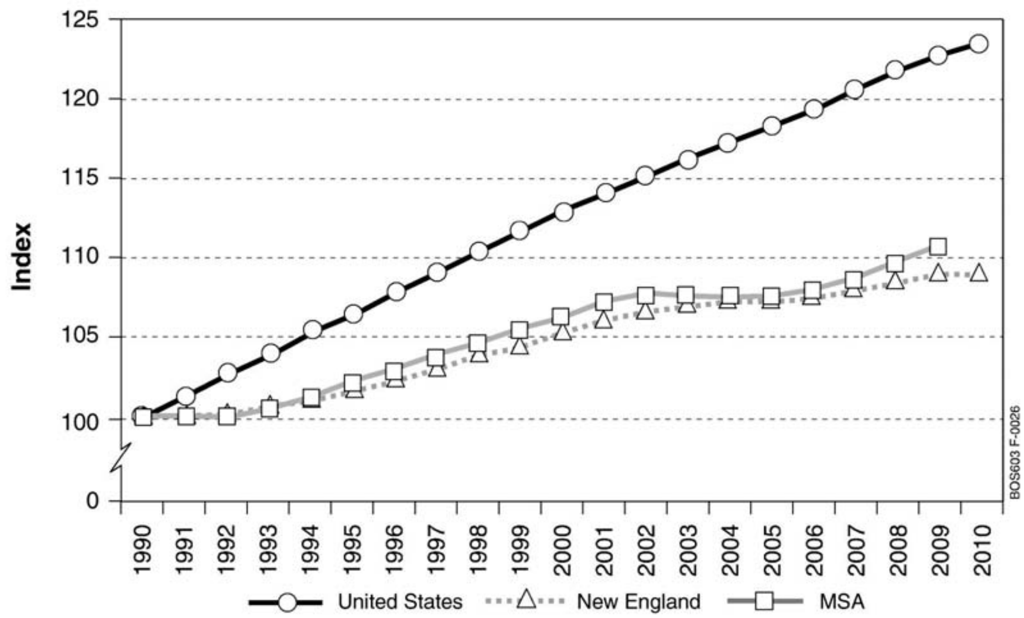
A growing economy correlates with increasing resident airline traffic, as well as business travel by both residents and visitors. Leisure travel to the MSA is related to the health of the broader U.S. economy and the attractiveness of the region as a personal travel destination.

Population Trends

The MSA accounted for nearly one-third (4.6 million) of New England's estimated 2009 population (14.4 million), ranking as the largest metropolitan area in the six-state region. The MSA is nearly triple the size of New England's second-largest metropolitan statistical area—neighboring Providence-New Bedford-Fall River.

Between 1990 and 2009, the MSA's population increased at a rate generally in line with that of New England, but only half that of the national average. (See Figure 3.)

Figure 3
COMPARATIVE INDEX OF POPULATION TRENDS
(1990 = 100)



CAGR	1990-2002	2002-2006	2006-2010	1990-2010
United States	1.2%	0.9%	0.8%	1.1%
New England	0.6	0.2	0.3	0.4
MSA	0.6	0.1	0.9 *(a)*	0.5 *(b)*

CAGR = Compound annual growth rate.
(a) The percentage shown for the MSA is for 2006-2009, the most recent data available.
(b) The percentage shown for the MSA is for 1990-2009, the most recent data available.

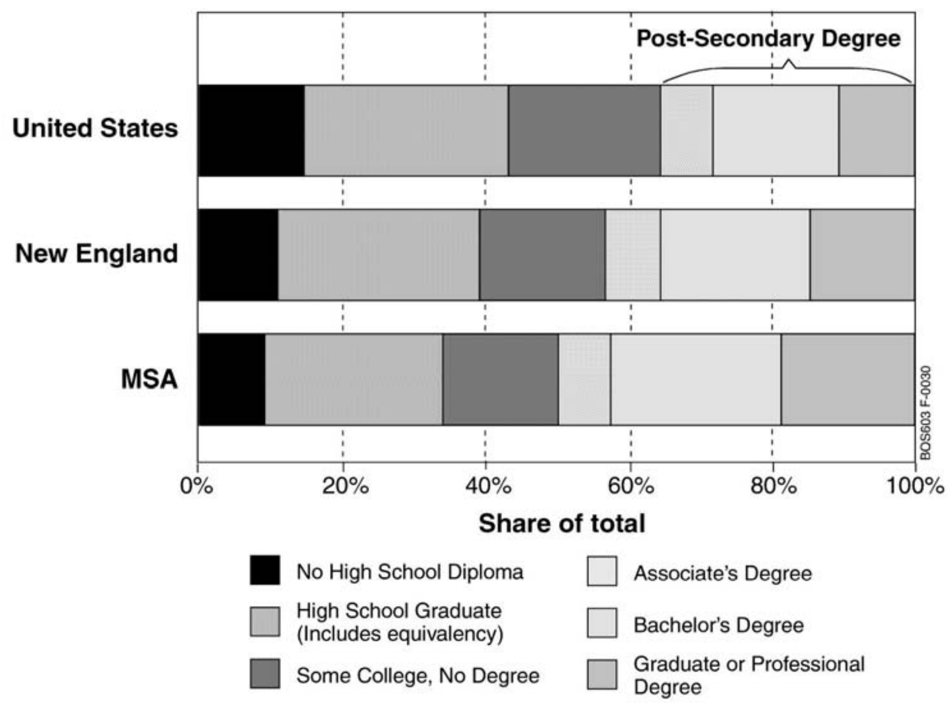
Source: U.S. Department of Commerce, Bureau of the Census website.

The dot-com technology bubble burst in the early years of the past decade, leading to decreased in-migration and a period of population stagnation in the MSA. Since 2006, however, MSA population growth has accelerated markedly, corresponding with strong international immigration and a local economy that fared somewhat better than the nation's during the 2008-2009 economic recession.

Education

Residents of the MSA have higher levels of education relative to residents of New England and the nation. In 2009, nearly 50% of MSA residents over the age of 25 had earned post-secondary degrees, compared with 43% of New England residents as a whole and 35% of U.S. residents overall. (See Figure 4.) The high level of educational attainment in the MSA is associated with higher per capita income, and higher levels of both education and income correlate with a greater propensity to travel by air.

Figure 4
EDUCATIONAL ATTAINMENT
2009



Source: U.S. Department of Commerce, Bureau of the Census website.

The MSA is home to numerous public and private institutions of higher education, and several of them are among the world's most celebrated educational institutions. Table 2 shows student enrollment at the 10 largest colleges and universities in the MSA. Collectively, these institutions enroll approximately 125,000 full-time students and an additional 37,000 part-time students. The MSA is also home to other, smaller educational institutions, several of which are highly regarded. For example, according to *U.S. News & World Report*, Wellesley College is the fourth-ranked liberal arts college in the United States, while nearby Babson College has the nation's top-ranked undergraduate entrepreneurship program.

Table 2
LARGEST COLLEGES AND UNIVERSITIES IN THE MSA
Fall 2009, ranked by total enrollment

	Enrollment		
Company	Full-time	Part-time	Total
Boston University	24,868	4,969	29,837
Northeastern University	19,856	7,164	27,020
Harvard University	19,207	1,908	21,115
Boston College	11,813	2,318	14,131
University of Massachusetts Lowell	8,432	5,170	13,602
University of Massachusetts Boston	8,906	4,477	13,383
Bunker Hill Community College	3,767	7,242	11,009
Bridgewater State University	7,943	2,831	10,774
Massachusetts Institute of Technology	10,223	161	10,384
Tufts University	9,397	855	10,252

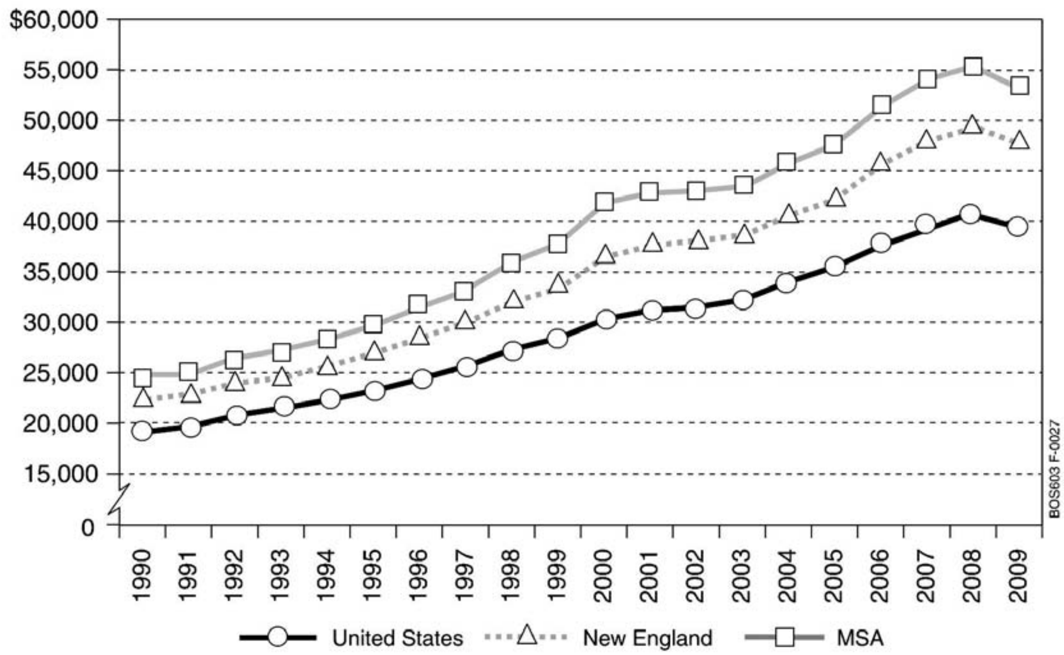
Source: 2011 *Boston Book of Lists*.

These institutions of higher learning contribute to the MSA's high levels of educational attainment and generate airline travel related to academic meetings and conferences, visiting professorships, and study-abroad programs, as well as individual travel by faculty, students, and their families. Additionally, close ties between the MSA's colleges and universities and the region's high technology industry (discussed in more detail later in this report) help foster the development of related high-value businesses and entrepreneurial ventures.

Income Trends

Per capita personal income in the MSA is substantially higher than in New England and the nation as a whole. (See Figure 5.) In 2009, per capita income in the MSA was 11% higher than in New England and 35% higher than in the nation as a whole. Data from the U.S. Department of Commerce, Bureau of Economic Analysis indicate that, among the 366 U.S. metropolitan statistical areas in 2009, the MSA had the eighth-highest per capita income.

Figure 5
PER CAPITA PERSONAL INCOME
(in nominal dollars)



CAGR	1990-2000	2000-2003	2003-2008	2008-2009	1990-2009
United States	4.6%	2.1%	3.5%	(2.6%)	3.8%
New England	5.0	1.9	3.6	(2.6)	4.1
MSA	5.6	1.2	5.0	(3.3)	4.2

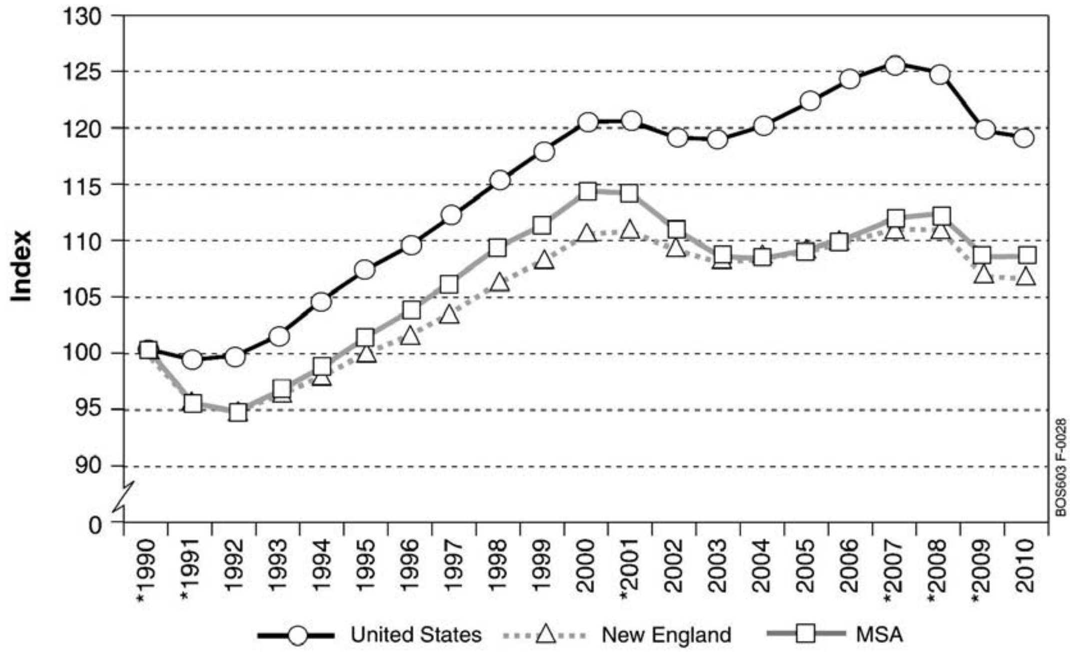
Note: CAGR = Compound annual growth rate.

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

Employment Trends

Since 1990, employment in the MSA has increased at approximately half the rate of the national average, similar to the patterns of population growth described earlier. (See Figure 6.) Employment trends in the MSA and New England diverged from the national trend during the 1990-1991 economic recession and even more markedly in the early years of the past decade following the 2001 recession, the bursting of the dot-com technology bubble, and the events of September 11, 2001.

Figure 6
COMPARATIVE INDEX OF NONAGRICULTURAL EMPLOYMENT
(1990 = 100)



CAGR	1990-2000	2000-2003	2003-2008	2008-2010	1990-2010
United States	1.9%	(0.5%)	1.0%	(2.4%)	0.9%
New England	1.0	(0.8)	0.6	(2.0)	0.3
MSA	1.3	(1.7)	0.7	(1.8)	0.4

CAGR = Compound annual growth rate.
* = Indicates national recession during all or part of the year, according to the National Bureau of Economic Research.

Note: Figures shown above for the MSA represent values for the Boston-Cambridge-Quincy Metropolitan New England City and Town Area (NECTA), an area nearly—but not exactly—coterminous with the Boston-Cambridge-Quincy MSA defined earlier.

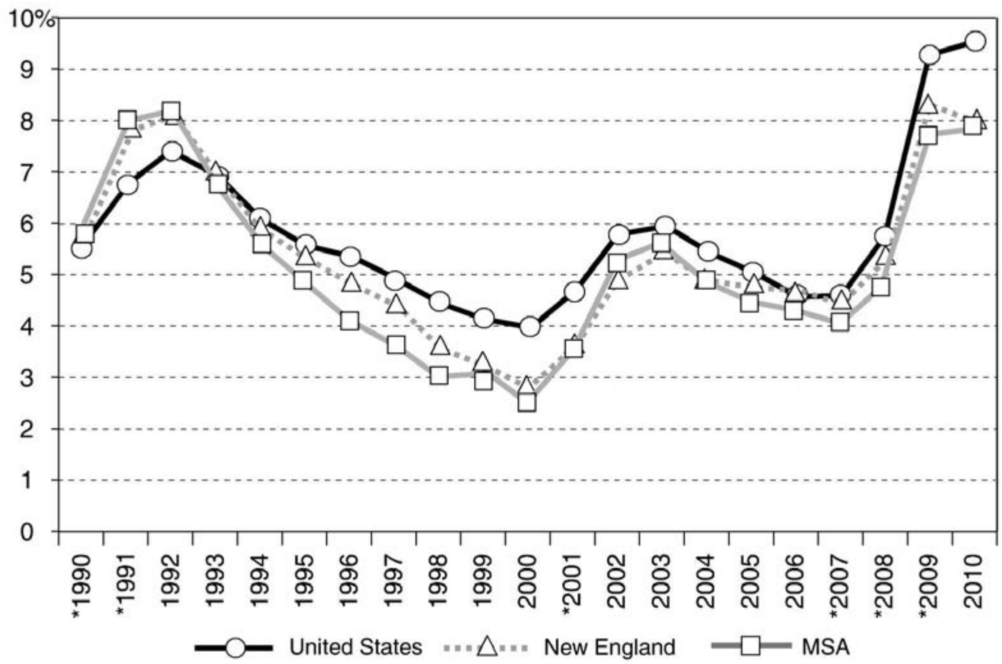
Source: U.S. Department of Labor, Bureau of Labor Statistics website.

The MSA and New England experienced relatively smaller employment losses than the nation, however, during the 2008-2009 recession, leading to a slight narrowing of this divergence. Reasons for the smaller employment losses included resilience in the technology, health care, and higher education sectors of the economy and the effects of federal stimulus funding supporting local scientific and medical research (and, hence, employment).

Unemployment Rate

Since 1993, unemployment rates in the MSA have been lower than in the nation and generally equivalent to those of New England as a whole. (See Figure 7.) In the recent economic recession, the MSA unemployment rate doubled; the U.S. Department of Labor, Bureau of Labor Statistics estimates that unemployment in the MSA increased to 8.0% in 2010, equal to the New England rate, but still below the national average (9.6%).

Figure 7
AVERAGE ANNUAL CIVILIAN UNEMPLOYMENT RATE
1990 - 2010



* Indicates national recession during all or part of year, according to the National Bureau of Economic Recession.

Source: U.S. Department of Labor, Bureau of Labor Statistics website.

Employment by Industry Sector

Table 3 presents a comparison of the relative composition of nonagricultural employment by industry sector in the MSA, New England, and the nation. Education and health services represents the largest sector of employment in the MSA (20.4% of total nonagricultural employment) and in New England as a whole (20.2% of the total). The MSA's substantial concentration of universities, colleges, hospitals, and medical research facilities results in a greater share of employment in this sector compared with the national average (15.0%).

Table 3
NONAGRICULTURAL EMPLOYMENT BY INDUSTRY SECTOR

	CAGR: 1990-2010			2010 Percent of total		
Industry sector	MSA	New England	United States	MSA	New England	United States
Education and health services	1.8%	2.2%	2.9%	20.4%	20.2%	15.0%
Trade, transportation, utilities	(0.3)	(0.2)	0.4	16.4	17.8	19.0
Professional/business services	1.7	1.4	2.2	16.4	12.5	12.8
Government	0.3	0.6	1.0	12.6	14.8	17.3
Leisure and hospitality	1.4	1.2	1.7	9.1	9.5	10.1
Manufacturing	(3.0)	(3.0)	(2.1)	8.1	9.0	8.9
Financial activities	0.3	(0.0)	0.7	7.3	6.7	5.8
Other services	0.9	0.9	1.1	3.7	3.8	4.1
Natural resources, mining, construction	0.2	(0.3)	0.3	3.2	3.5	4.9
Information	0.2	(0.3)	0.1	2.9	2.3	2.1
TOTAL	0.4%	0.3%	0.9%	100.0%	100.0%	100.0%

CAGR = Compound annual growth rate.
Notes: Columns may not add to totals shown because of rounding.

Figures shown above for the MSA represent values for the Boston-Cambridge-Quincy Metropolitan New England City and Town Area (NECTA), an area nearly—but not exactly—coterminous with the Boston-Cambridge-Quincy MSA defined earlier.

Source: U.S. Department of Labor, Bureau of Labor Statistics.

Professional/business services and financial activities also account for greater shares of employment in the MSA compared with the national average. For example, Boston is home to some of the nation's largest mutual fund families, including Fidelity Investments, Putnam Investments, and MFS Investment Management. The trade, transportation, and utilities sector and the government sector, by contrast, account for smaller shares of employment in the MSA relative to the national average.

Major Employers

The 20 largest private-sector employers in Massachusetts (determined by the number of employees based in the Commonwealth) are listed in Table 4. Of the 20 largest employers, 11 are in education and health services. Based on revenues, 6 of the 20 employers listed are ranked in the Fortune 500 list of largest U.S. companies.

Table 4
MASSACHUSETTS TOP 20 PRIVATE-SECTOR EMPLOYERS

Company name	Industry	Employees
Stop & Shop Cos. Inc.	Supermarket chain	22,643
Massachusetts General Hospital	Health care	21,400
Harvard University	Higher education	17,489
Brigham and Women's Hospital	Academic medical center	15,000
UMass Memorial Health Care	Health care	13,764
Massachusetts Institute of Technology	Higher education	13,504
Raytheon Co.*	Defense and aircraft	13,400
Shaw's Supermarkets Inc.	Retail grocery	13,000
State Street Corp.*	Financial services	12,790
CVS Caremark Corp.*	Retail pharmacy	12,400
Verizon Communications*	Telecommunications	12,000
Boston University	Higher education	9,592
Fidelity Investments* *(a)*	Financial services	9,000
Children's Hospital Boston	Health care	8,978
Beth Israel Deaconess Medical Center	Health care	8,639
EMC Corp.*	High-technology storage systems	8,000
Boston Medical Center	Academic medical center	5,622
Tufts Medical Center	Health care	5,384
Southcoast Health System	Health care	5,325
National Grid	International energy delivery	5,157

*Ranked in 2010 Fortune 500 list of largest U.S. companies in terms of revenues.

(a) In March 2011, Fidelity Investments announced its intention to move 1,100 jobs from Massachusetts to neighboring Rhode Island and New Hampshire.

Source: 2011 *Boston Book of Lists*.

Twelve Fortune 500 companies are headquartered in the MSA—Liberty Mutual Insurance Group, Raytheon Co., Staples, TJX, EMC Corp., BJ's Wholesale Club, Thermo Fisher Scientific, State Street Corp., Boston Scientific, Global Partners, Genzyme (which was recently acquired by French pharmaceutical company Sanofi-Aventis), and Biogen Idec.

High Technology and Life Sciences

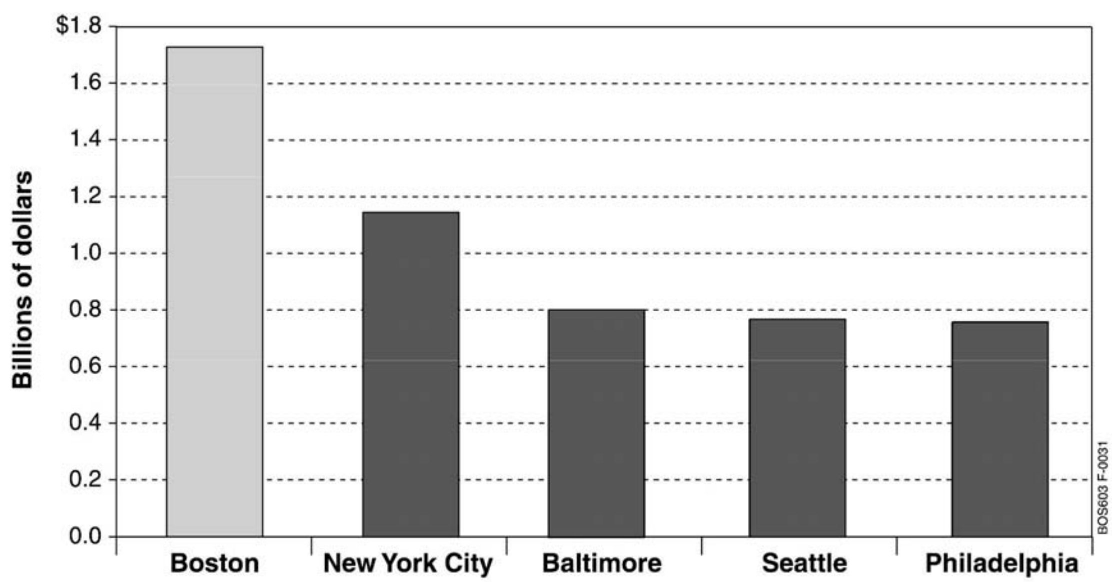
In addition to the MSA's strength in the higher education, health care, and financial services sectors of the economy, high technology and life sciences are important in the MSA economy. High technology spans several of the employment sectors described earlier, largely information, manufacturing, and professional/ business services; life sciences is primarily a subset of the education and health services employment sector.

Route 128 is a semicircular beltway within the MSA that traverses Boston's suburbs. The term "Route 128" also refers to the cluster of high technology firms located near the beltway, which resembles Silicon Valley in California's San Francisco Bay Area. Analog Devices (semiconductors), Raytheon (aerospace and defense), and EMC (information infrastructure) are three of many high technology companies headquartered near Route 128.

As mentioned above, life sciences (e.g., biotechnology, bioengineering, biopharmaceuticals, pharmaco-genomics, and nanomedicine) is another important subsector of the MSA economy. According to the Milken Institute, a nonprofit economic think tank, the MSA contains the nation's largest concentration of employees in the field of life sciences.*

Boston's prominence in the field of life sciences is highlighted by its first-place position among cities ranked by National Institutes of Health (NIH) funding. (See Figure 8.) Its $1.7 billion in grant funding for biomedical and health-related research placed Boston ahead of New York, Baltimore, Seattle, and Philadelphia for the 12 months ended September 30, 2010. Moreover, Boston has led the nation in NIH awards for the past 14 years.

Figure 8
TOP U.S. CITIES FOR NATIONAL INSTITUTES OF HEALTH FUNDING
For the 12 months ended September 30, 2010



Source: Blue Ridge Institute for Medical Research website.

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*Milken Institute. *The Value of U.S. Life Sciences: A White Paper Exploring Competitiveness, Delivery and Challenges.* April 2009.

MASSACHUSETTS VISITOR DEMAND

Table 5 summarizes the estimated economic impact of visitors to Massachusetts. In 2009, visitor expenditures totaled $14.3 billion, which supported 121,500 jobs with an associated payroll of $3.4 billion. According to the Massachusetts Office of Travel & Tourism, approximately 92% of visitors to the Commonwealth originated domestically in 2009. The remaining 8% were international visitors.

Table 5
DIRECT ECONOMIC IMPACT OF TRAVEL TO MASSACHUSETTS

	Expenditures		Payroll		Employment	
Year	Dollars (millions)	Percent change	Dollars (millions)	Percent change	Employees	Percent change
2004	$12,408		$3,245		125,300	
2005	13,080	5.4%	3,266	0.6%	125,200	(0.1)%
2006	14,211	8.6	3,382	3.6	125,800	0.5
2007	15,145	6.6	3,583	5.9	127,800	1.6
2008	15,577	2.9	3,650	1.9	128,800	0.8
2009	14,353	(7.9)	3,408	(6.6)	121,500	(5.7)

Source: Massachusetts Office of Travel & Tourism.

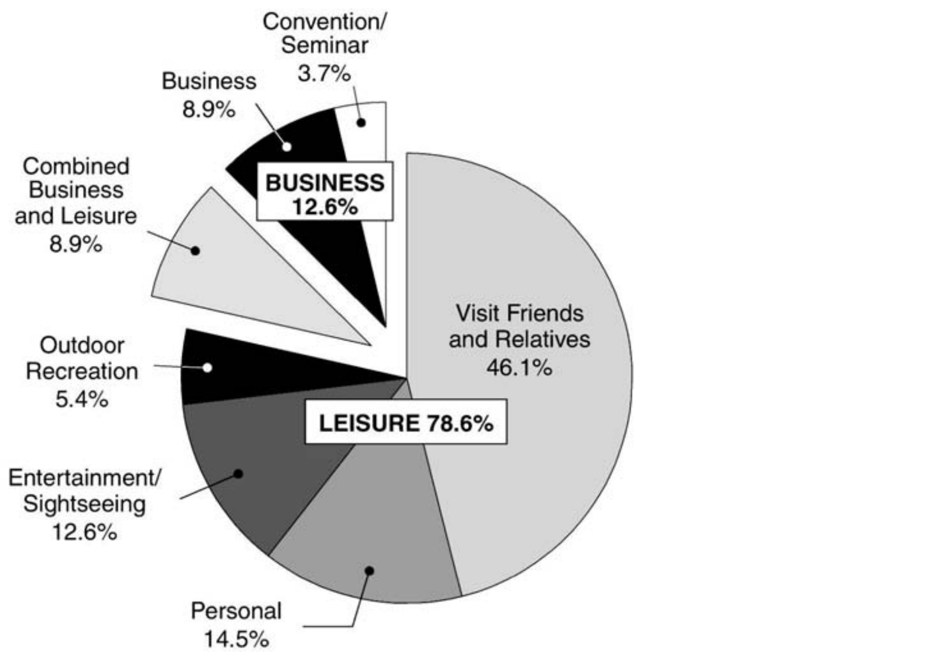
The majority of domestic U.S. visitors to Massachusetts (by all modes of transportation) travel for leisure purposes, as shown on Figure 9. Among these leisure travelers, the majority are visiting friends and relatives. Nearly 13% of domestic visitors travel to Massachusetts for business (including conferences and seminars), while approximately 9% combine business and leisure travel.

Comparable details regarding trip purpose are not available for visitors to the MSA. According to the Greater Boston Convention & Visitors Bureau, however, in 2009, the MSA attracted an estimated 23.6 million visitors (arriving by all modes of transportation, and including day-trippers), whose spending generated an economic impact of $7.2 billion on the regional economy.

Tourism

Boston and its surrounding region is a popular destination for tourists from throughout the United States and around the world.

Figure 9
PURPOSE OF U.S. VISITOR TRIPS TO MASSACHUSETTS BY ALL MODES OF TRANSPORTATION
For the 12 months ended June 30, 2009

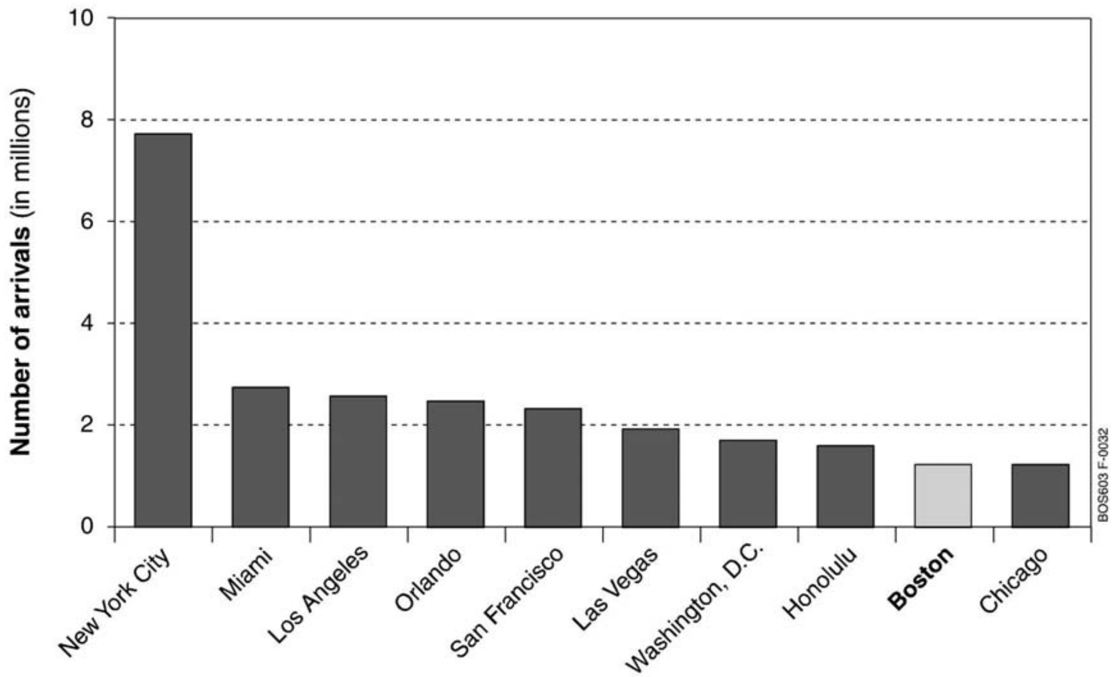


Note: Percentages do not add to 100% because to rounding.

Source: Massachusetts Office of Travel & Tourism.

Boston is one of the top-ranking destinations for overseas visitors to the United States. In 2009, approximately 1.1 million travelers from abroad visited Boston. (See Figure 10.) Boston ranked ninth in the nation for overseas visitors, just ahead of Chicago.

Figure 10
TOP U.S. DESTINATION CITIES FOR OVERSEAS TRAVELERS
2009



Note: Excludes visitors from Canada and Mexico.

Source: U.S. Department of Commerce, International Trade Administration, Office of Tourism Industries.

Settled in 1630, Boston is one of the oldest and most historic cities in the United States. Its long history provides a wealth of well-preserved colonial- and Revolutionary War-era sites for tourists to visit. The popular Freedom Trail encompasses several of the city's historical highlights, including: Boston Common, the site of the Boston Massacre, Faneuil Hall, Paul Revere's house, and the Old North Church.

One of the Boston area's most popular annual attractions is the Boston Marathon. It holds the title of the world's oldest annual marathon (continuously held each April since 1897), attracts more than 20,000 participants from around the world, and often generates crowds of 500,000 along the course.

Nearly as popular, the annual Head of the Charles Regatta bills itself as the world's largest 2-day rowing event. The competition's 55 races typically draw more than 8,000 athletes and 300,000 spectators from more than 20 countries during the October weekend.

Boston is also a gateway to greater New England. Outside of the city, visitors can see the sites of the battles of Lexington and Concord. Cape Cod, the New England coastline, and the islands of Martha's Vineyard and Nantucket are also tourist attractions. Inland mountain ranges include the Berkshires of western Massachusetts, the White Mountains of New Hampshire, and the Green Mountains of Vermont. The rural areas of New England are particularly popular among tourists in the fall because of the scenic and colorful foliage.

Conventions

The MSA 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)—and has been named one of North America's top 10 convention destinations by *Tradeshow Week* magazine every year since 2006. Moreover, in 2009, Boston was ranked as the best U.S. destination for international meetings and events, according to the International Congress and Convention Association.

The Hynes Center replaced the War Memorial Auditorium, a former convention center, when it was renovated in 1988. Located in Boston's Back Bay neighborhood, the Hynes Center contains 193,000 square feet of exhibit space and 38 meeting rooms, and it is connected to over 3,000 hotel rooms.

The BCEC opened in South Boston in 2004. According to the Massachusetts Convention Center Authority, the BCEC is nearly one-third of a mile in length and is the largest building in New England. The BCEC contains 516,000 square feet of exhibit space and 84 meeting rooms.

In the first 5 years after opening (2005-2009; the most recent data available), the BCEC hosted 634 events and attendees who booked 1.3 million hotel room nights. During the same period, the Hynes Center hosted 609 events and 1.7 million attendees.

Further highlighting the MSA's leading role in life sciences, the BIO International Convention—billed as the world's largest biotechnology conference—will be returning to Boston in June 2012. When the event was last held in Boston in 2007, the BCEC hosted 20,000 attendees from 64 countries and surpassed event attendance records at that facility. Given the event's growth since that time, it is anticipated that both the BCEC and the Hynes Center will be needed to accommodate the convention.

ECONOMIC OUTLOOK

Visiting airline passenger demand at Logan is driven, in part, by economic activity in the United States and in the MSA. The 2008-2009 economic recession and the outlook for the national and MSA economies are discussed in the following paragraphs.

U.S. Economy

The near-term economic outlook for the nation depends on the speed and strength of the recovery from the recession that ended in June 2009. The recession began in December 2007, triggered by a contraction in real-estate markets and increases in energy and other commodity prices. In mid-2008, mortgage-related problems at some large investment and commercial banks triggered a credit crisis in the United States, which quickly affected the economies of other nations and resulted in both a severe global economic recession and global financial crisis.

The Federal Reserve and the U.S. Department of the Treasury responded aggressively, providing monetary stimulus to the financial markets. In October 2008, the Emergency Economic Stabilization Act was passed, providing for the government bailout of troubled banks. In February 2009, the American Recovery and Reinvestment Act was passed, providing for $787 billion in fiscal stimulus through tax relief, investment in infrastructure, and spending on energy, education, health care, and other sectors of the economy.

Gross Domestic Product (GDP) growth returned in the second half of 2009, while the national unemployment rate began to decline slightly during 2010, from a peak of 10.6% in January to 9.1% in December. The speed and strength of economic recovery will depend on, among other factors, recovery in the real estate sector, recovery in the job market, the effectiveness of ongoing fiscal and monetary stimuli, the health of the financial and credit markets, the strength of the U.S. dollar versus other currencies, fuel prices, the ability of the federal government to reduce historically high deficits and retain its AAA credit rating, and inflation remaining within the range targeted by the Federal Reserve. The latest projections from the Congressional Budget Office, released in January 2011, indicate 2.7% GDP growth in 2011, 3.1% GDP growth in 2012, and an average of 3.4% GDP growth through 2016.

In the longer term, two of the principal risks to U.S. economic performance are the sizable national foreign trade and fiscal deficits. The continuing deficits in the U.S. balance of payments could result in greater volatility in the currency markets, which could then translate into higher interest rates and, therefore, slower economic growth. These consequences could be compounded if the fiscal deficit does not decrease within the next 5 years.

New England and MSA Economies

The speed and strength of recovery from the recession in New England and the MSA generally depend on the same factors as those discussed above for the nation. The long-term outlook for the MSA economy remains favorable based on its numerous competitive advantages: a highly educated and affluent population; an economy with strong education, medical, and financial sectors; a growing high technology and life sciences presence; and popularity as a destination for business and leisure travelers.

Socioeconomic projections for the MSA and New England prepared by Woods & Poole Economics, a Washington, D.C.-based firm specializing in long-term demographic and economic projections, are shown in Table 6. Population growth in the MSA and New England is projected to continue at half the national rate, in line with long-term historical trends. Through the forecast period, non-agricultural employment in the MSA is projected to grow at somewhat less than the national average, while per capita income in the MSA is projected to increase slightly in excess of the national average.

Table 6
COMPARISON OF SOCIOECONOMIC PROJECTIONS
Boston-Cambridge-Quincy MSA
1990 to 2018

	Compound annual growth rate		
	Historical 1990-2009	Estimated 2009-2010	Projected 2010-2018
Population			
MSA	0.5%	0.5%	0.5%
New England	0.5	0.5	0.5
United States	1.1	1.0	1.0
Nonagricultural employment			
MSA	0.4%	(0.0)%	0.9%
New England	0.3	(0.3)	1.0
United States	0.9	(0.5)	1.2
Per capita personal income (constant dollars)			
MSA	1.6%	1.7%	1.4%
New England	1.4	1.6	1.5
United States	1.2	1.3	1.3

Sources:
Population:
Historical—U.S. Department of Commerce, Bureau of the Census website.
Estimated and Projected—Woods & Poole Economics.
Employment:
Historical and Estimated—U.S. Department of Labor, Bureau of Labor Statistics website.
Projected—Woods & Poole Economics.
Per capita personal income:
Historical—U.S. Department of Commerce, Bureau of Economic Analysis website.
Estimated and Projected—Woods & Poole Economics.

AIRLINE SERVICE AND PASSENGER TRAFFIC TRENDS

In the previous subsections, factors that affect demand for airline travel to the MSA were discussed. The remainder of this section discusses how airline service affects the realization of demand at the Airport in the form of passenger traffic, and visiting passenger traffic in particular. Past trends are examined and forecasts of visiting origin-destination (O&D) passengers—the primary segment of passenger traffic that rents cars at the Airport—are presented through Fiscal Year (FY) 2016.*

The Airport ranked 10th among U.S. airports in terms of domestic O&D passengers in the 12 months ended June 30, 2010, ahead of major connecting hub airports, such as Dallas/Fort Worth, John F. Kennedy, and Newark Liberty international airports. (See Table 7.) In terms of international O&D passengers, the Airport ranked 7th, ahead of airports such as Orlando International, Bush Intercontinental, and Washington-Dulles International airports. Logan is New England's busiest airport in terms of both domestic and international O&D passengers.

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*Even though deplaning passengers rent cars at the Airport, all analyses of passenger traffic herein are in terms of enplaned passengers, which is the standard industry measure for traffic. However, at the Airport, the number of deplaned passengers is virtually the same as the number of enplaned passengers. Enplaned passengers consist of O&D and connecting passengers. O&D passengers are those whose flight itineraries originate at or are destined for a given airport—in this case, Logan. Connecting passengers transfer between inbound and outbound flights at a given airport.

Table 7
O&D PASSENGER RANKING OF U.S. AIRPORTS
For the 12 months ended June 30, 2010; passengers in thousands

Domestic outbound O&D passengers				International outbound O&D passengers			
Rank	Airport	Domestic O&D passengers	Percent of total enplaned passengers	Rank	Airport	International O&D passengers *(a)*	Percent of total enplaned passengers
1	Los Angeles	14,675	52.0%	1	New York-Kennedy	9,895	43.9%
2	Las Vegas	14,257	75.2	2	Los Angeles	7,464	26.5
3	Orlando	13,152	79.9	3	Miami	5,872	35.6
4	Chicago-O'Hare	12,073	38.2	4	New York-Newark	4,402	26.4
5	Atlanta	11,873	28.0	5	San Francisco	4,070	21.5
6	Denver	11,616	47.3	6	Chicago O'Hare	3,413	10.8
7	San Francisco	10,805	57.0	**7**	**Boston-Logan**	**2,632**	**20.2**
8	Phoenix	10,095	53.8	8	Orlando	2,484	15.1
9	New York-LaGuardia	9,890	85.0	9	Houston-Bush	2,290	11.8
10	**Boston**	**9,882**	**75.8**	10	Washington Dulles	2,080	18.7
11	Seattle	9,825	64.7	11	Las Vegas	1,970	10.4
12	Dallas/Fort Worth	9,561	35.7	12	Atlanta	1,793	4.2
13	New York-Kennedy	8,307	36.9	13	Honolulu	1,738	20.0
14	Fort Lauderdale	8,233	78.8	14	Dallas/Fort Worth	1,498	5.6
15	New York-Newark	7,918	47.5	15	Fort Lauderdale	1,454	13.9

Note: Data exclude nonscheduled (i.e., charter) and nonrevenue passengers.

(a) O&D passengers boarding domestic and international flights bound for international destinations. As the result of inconsistencies in airline data reporting, individual airport figures may include passengers making connections from one international flight to another international flight.

Sources: U.S. DOT, Schedule T-100; U.S. DOT, *Air Passenger Origin-Destination Survey*. (Data from the *Air Passenger Origin-Destination Survey* is reconciled by a third party supplier to account for sampling errors and align data with the census of airline passengers documented by DOT Schedules T100 and 298C T1.)

Airline Service Trends

The airlines providing scheduled passenger service at the Airport as of March 2011 are shown in Table 8. With respect to domestic service, seats offered by legacy airlines, their code-sharing regional affiliates, and other airlines outnumber those offered by the low-cost carriers (LCCs). Even so, the share of domestic capacity at Logan provided by the LCCs (40%) is higher than the roughly 30% of U.S. systemwide capacity provided by LCCs.

Table 8
SCHEDULED DEPARTING SEATS BY SECTOR AND AIRLINE GROUP
Boston-Logan International Airport
March 2011

Domestic			International		
Group Airline *(a)*	Departing seats	Percent of sector	Group Airline *(a)*	Departing seats	Percent of sector
Low-cost carriers			U.S. airlines		
JetBlue	331,100		JetBlue	25,350	
Southwest	107,682		Delta	18,980	
AirTran	70,722		American	17,887	
Spirit	21,805		US Airways	496	
Virgin America	20,216			62,713	32.0%
Frontier	10,704				
	562,229	40.2%	Foreign-flag airlines		
			Air Canada	27,770	
			British Airways	24,237	
Other airlines and affiliates *(b)*			Lufthansa	15,224	
US Airways	243,841		Air France	12,040	
Delta	234,814		Aer Lingus	10,800	
American	164,137		Porter	10,425	
United	112,842		Virgin Atlantic	7,576	
Continental	62,582		Swiss	6,789	
Alaska	9,734		Icelandair	5,859	
Cape Air	9,351		Alitalia	5,088	
	837,301	59.8%	Iberia	3,810	
			SATA	1,998	
			TACV	1,665	
				133,281	68.0%
Total—domestic	**1,399,530**	**100.0%**	**Total—international**	**195,994**	**100.0%**

(a) Includes regional code-sharing affiliates.
(b) Regional code-sharing affiliates accounted for 30% of the departing seats in this category.

Source: *Official Airline Guide.*

With respect to international service at Logan, foreign-flag airlines provide approximately two-thirds of all seats, while U.S. airlines provide the remainder.

Scheduled passenger airline service at Logan consists primarily of domestic service, which accounted for 90% of departing flights and 86% of departing seats in FY 2010. International service accounted for the remainder. (See Table 9.)

Table 9
TOTAL DEPARTING SEATS AND FLIGHTS
Boston-Logan International Airport
For Fiscal Years ended June 30

Fiscal Year	Departing seats			Departing flights		
	Domestic	International	Total	Domestic	International	Total
2001	20,418,417	2,926,229	23,344,646	212,331	23,144	235,475
2002	16,771,484	2,570,390	19,341,874	175,178	19,558	194,736
2003	14,915,205	2,335,750	17,250,955	152,900	18,039	170,939
2004	15,339,898	2,447,535	17,787,433	153,026	18,144	171,170
2005	17,034,531	2,490,140	19,524,671	167,173	18,272	185,445
2006	16,468,250	2,417,351	18,885,601	163,070	17,293	180,363
2007	16,810,639	2,387,730	19,198,369	166,526	17,478	184,004
2008	16,180,023	2,510,020	18,690,043	157,622	18,078	175,700
2009	15,199,225	2,411,355	17,610,580	147,243	16,443	163,686
2010	15,315,001	2,424,125	17,739,126	147,029	16,727	163,756
2011	16,296,383	2,559,211	18,855,594	152,654	17,375	170,029
Percent change from previous year						
2002	(17.9%)	(12.2%)	(17.1%)	(17.5%)	(15.5%)	(17.3%)
2003	(11.1)	(9.1)	(10.8)	(12.7)	(7.8)	(12.2)
2004	2.8	4.8	3.1	0.1	0.6	0.1
2005	11.0	1.7	9.8	9.2	0.7	8.3
2006	(3.3)	(2.9)	(3.3)	(2.5)	(5.4)	(2.7)
2007	2.1	(1.2)	1.7	2.1	1.1	2.0
2008	(3.8)	5.1	(2.6)	(5.3)	3.4	(4.5)
2009	(6.1)	(3.9)	(5.8)	(6.6)	(9.0)	(6.8)
2010	0.8	0.5	0.7	(0.1)	1.7	0.0
2011	6.4	5.6	6.3	3.8	3.9	3.8

Note: Advance published flight schedules for Fiscal Year (FY) 2011 are subject to change.

Source: *Official Airline Guide.*

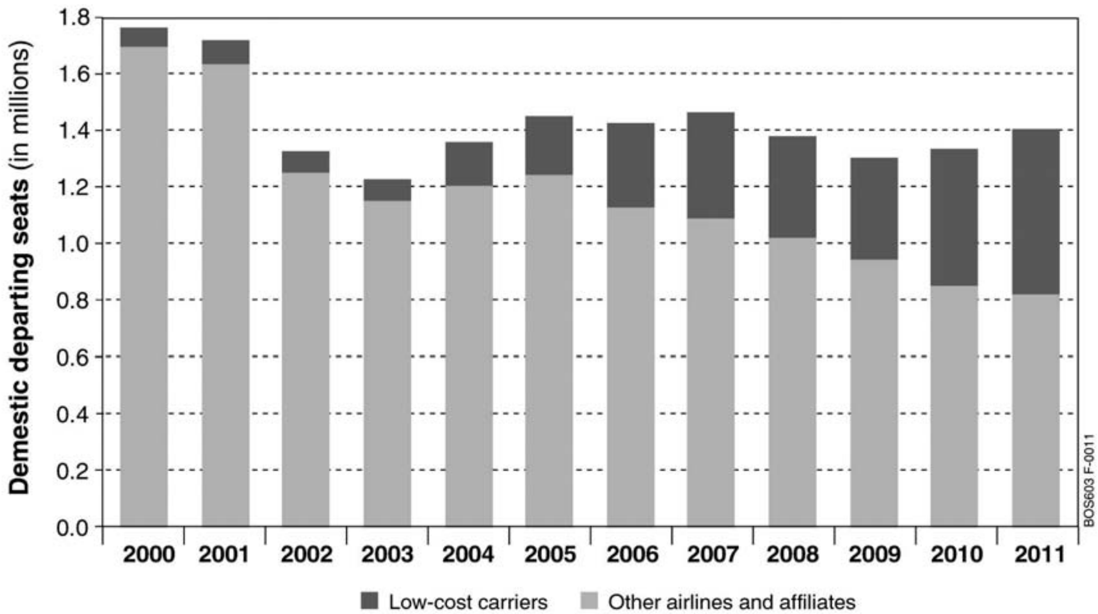
In FY 2011, advance published flight schedules indicate year-over-year increases of 6.4% and 5.6% in the numbers of domestic and international seats, respectively, at the Airport.

Between FY 2001 and FY 2011, the average capacity of scheduled flights operated at Logan increased from 96 to 107 seats on domestic flights and from 126 to 147 seats on international flights.

Domestic Airline Service Trends

With the reductions in domestic capacity at the Airport following the September 11, 2001, terrorist attacks and during the recent economic recession, the number of scheduled domestic departing seats was 20% lower in March 2011 than in March 2000. Meanwhile, the composition of domestic airline service at Logan has changed since 2000. (See Figure 11.)

Figure 11
MONTHLY SCHEDULED DOMESTIC DEPARTING SEATS BY AIRLINE CATEGORY
Boston-Logan International Airport
For March of Years Noted



Note: Low-fare services operated under network carrier brands are not included in the LCC group.

Source: *Official Airline Guide.*

In March 2011, the legacy airlines and their affiliates accounted for 58% of domestic seats at the Airport, down from 96% in March 2000. The share of domestic capacity offered by the LCCs increased from 3% to 40% of total domestic seats over the same period.

Figure 12
U.S. AIRPORTS SERVED BY DAILY SCHEDULED NONSTOP ROUNDTRIP PASSENGER FLIGHTS
Boston-Logan International Airport
March 2011

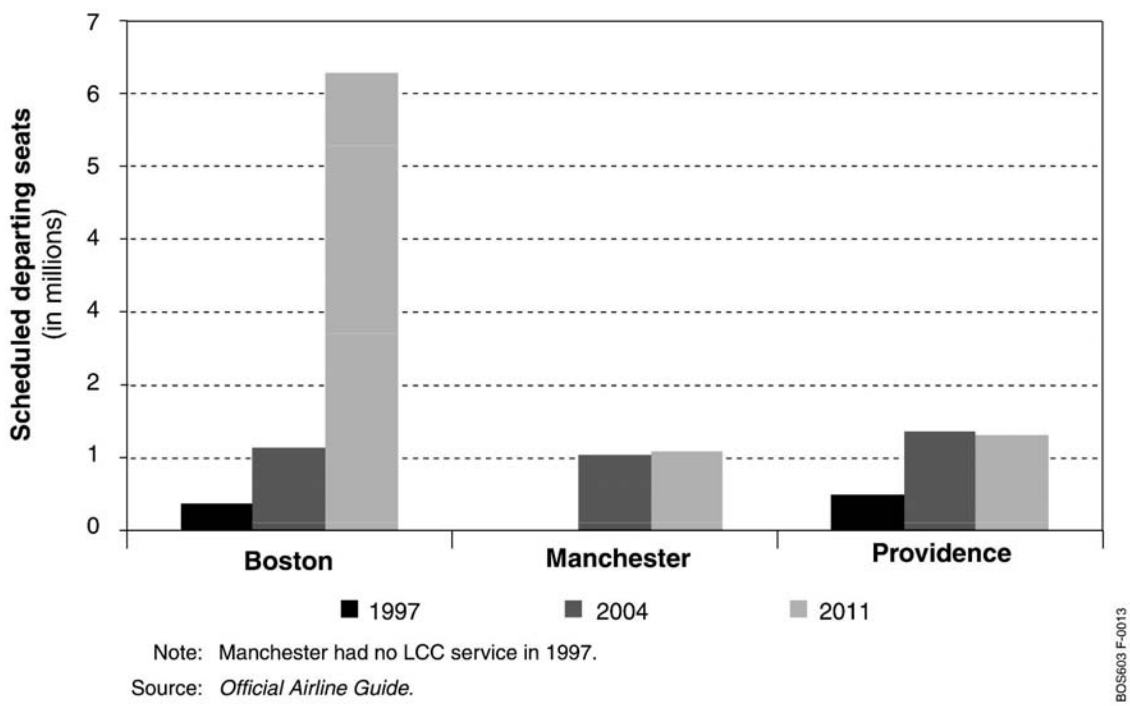
Source: *Official Airline Guide*.

Figure 12 shows the domestic destinations served by daily scheduled nonstop service from the Airport in March 2011.

Airline Service at Other Airports in the Region

Relative levels of LCC service at Logan, T.F. Green Airport (PVD), and Manchester-Boston Regional Airport (MHT) have changed since FY 1997, as illustrated on Figure 13. Until Southwest initiated service at PVD (in FY 1997) and MHT (in FY 1998), the majority of the region's LCC service was concentrated at Logan. By FY 2002, however, Logan's share of the three airports' LCC capacity had decreased to less than 25%. This decrease in share was reversed with the initiation of service at Logan by JetBlue in FY 2004, Spirit in FY 2007, Virgin America in FY 2009, and Southwest in FY 2010. According to advance published airline schedules, Logan is scheduled to account for 72% of the region's departing seats on LCCs in FY 2011—its highest share since FY 1996, and on a substantially larger base.

Figure 13
SCHEDULED DEPARTING SEATS ON LOW-COST CARRIERS
Boston-Logan International, Manchester-Boston Regional, and T.F. Green Airports
For the 12 months ended June 30

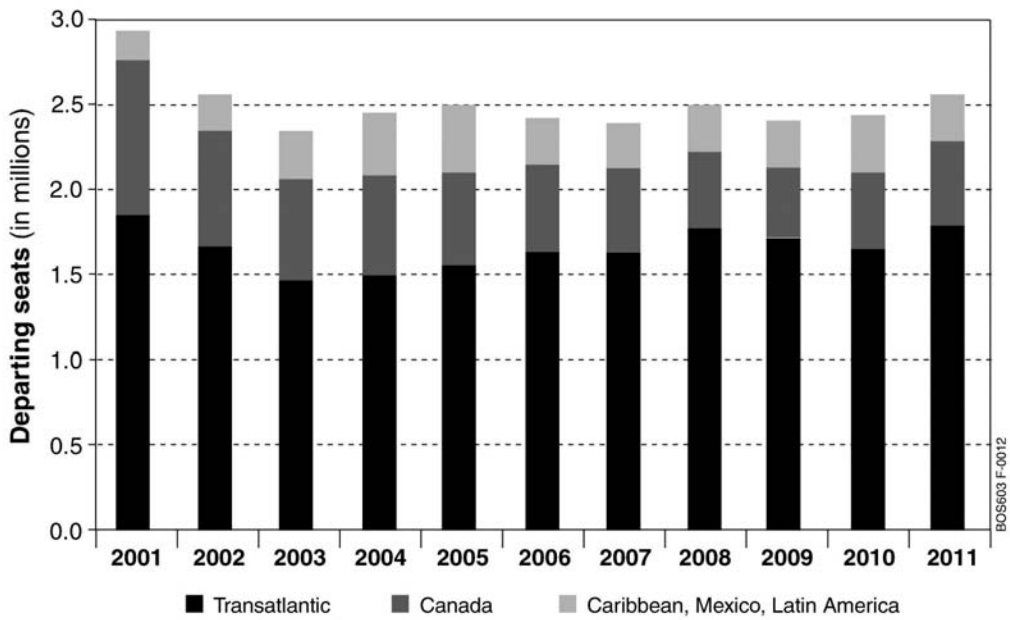


Note: Manchester had no LCC service in 1997.
Source: *Official Airline Guide.*

International Airline Service Trends

International departing seats declined approximately 12% at Logan between FY 2001 and FY 2002. Between FY 2002 and FY 2011, despite some fluctuations in intervening years, the number of international seats experienced no net growth. (See Figure 14.)

Figure 14
TRENDS IN INTERNATIONAL DEPARTING SEATS BY WORLD AREA DESTINATION
Boston-Logan International Airport
For Fiscal Years ended June 30



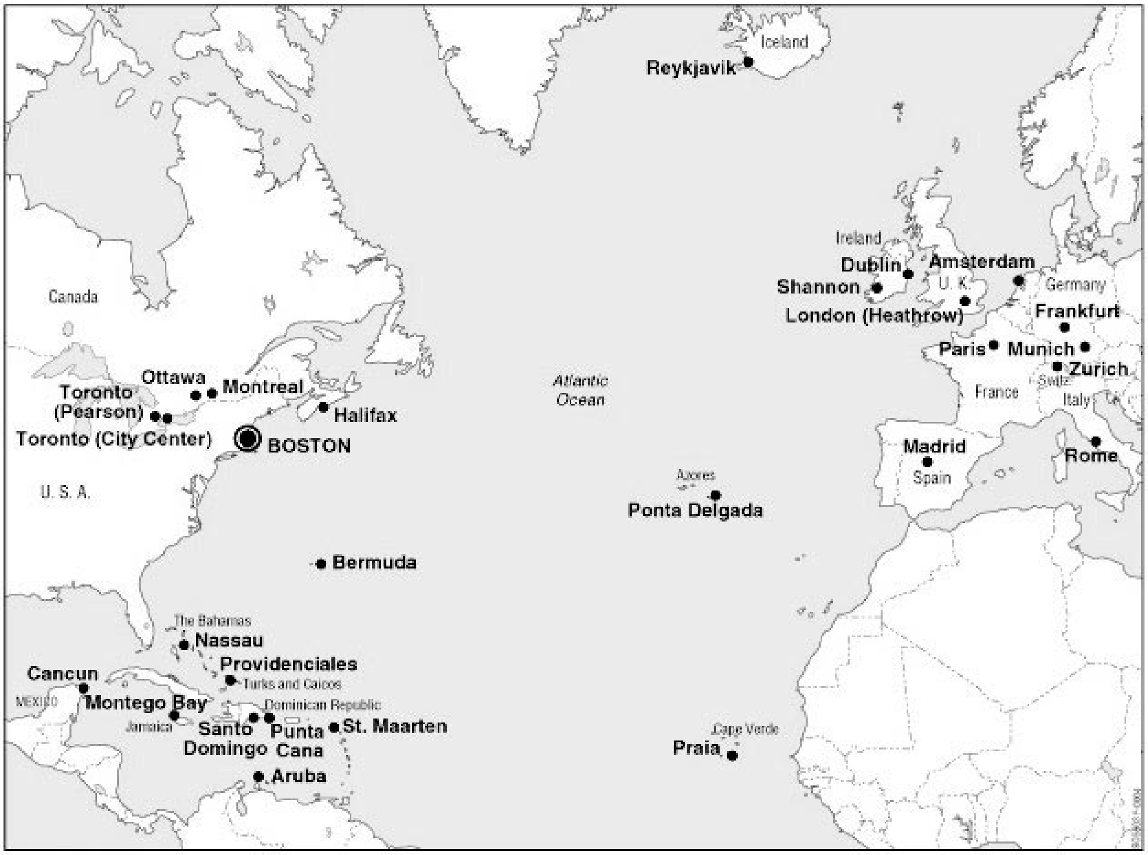
Notes: Advance published schedules are subject to change.
Excludes seats on nonscheduled (i.e., charter) flights.

Source: *Official Airline Guide.*

Since FY 2001, transatlantic service has accounted for between 60% and 70% of international seats at Logan. In FY 2011, service to Canada accounts for 20% of scheduled international seats, while service to the Caribbean and Mexico accounts for 11% of the total. Scheduled nonstop service is no longer provided from Logan to Central America, and no such service is operated to Asia or the Middle East.

Figure 15 shows the international destinations served by scheduled nonstop service from the Airport in March 2011.

Figure 15
INTERNATIONAL DESTINATIONS SERVED BY
SCHEDULED NONSTOP ROUNDTRIP PASSENGER FLIGHTS
Boston-Logan International Airport
March 2011



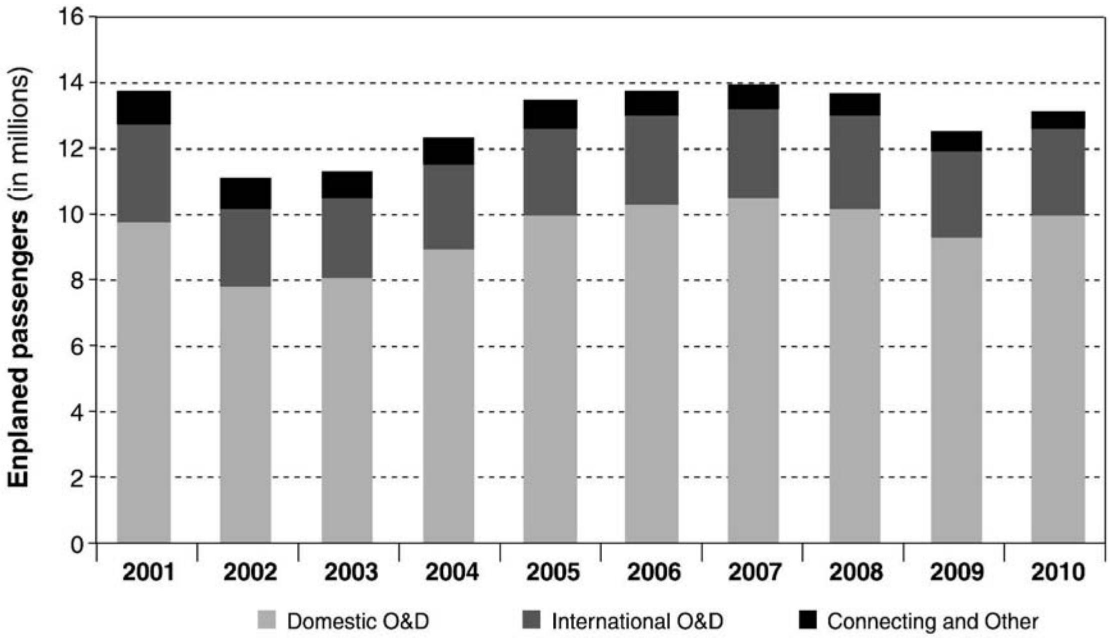
Source: *Official Airline Guide.*

Airline Passenger Trends

Total enplaned passengers at Logan numbered 13.1 million in FY 2010—a 5.3% increase from the number enplaned in FY 2009, but still 5.6% below the Airport's record FY 2007 number. In the first 9 months of FY 2011, however, enplaned passenger numbers at the Airport increased 7.5%, year-over-year, and were 1.3% higher than in the first 9 months of the FY 2007 record year.

Approximately 95% of all enplaned passengers at the Airport in FY 2010 were O&D passengers, with connecting passengers accounting for the remaining 5%. (See Figure 16.) Of the O&D passengers, 79% were making domestic trips while the remaining 21% were traveling to destinations outside the United States.

Figure 16
TRENDS IN TOTAL ENPLANED PASSENGERS
Boston-Logan International Airport
For Fiscal Years ended June 30



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

Sources: The Massachusetts Port Authority; U.S. Department of Transportation, *Air Passenger Origin-Destination Survey*, reconciled to Schedules T100 and 298C T1.

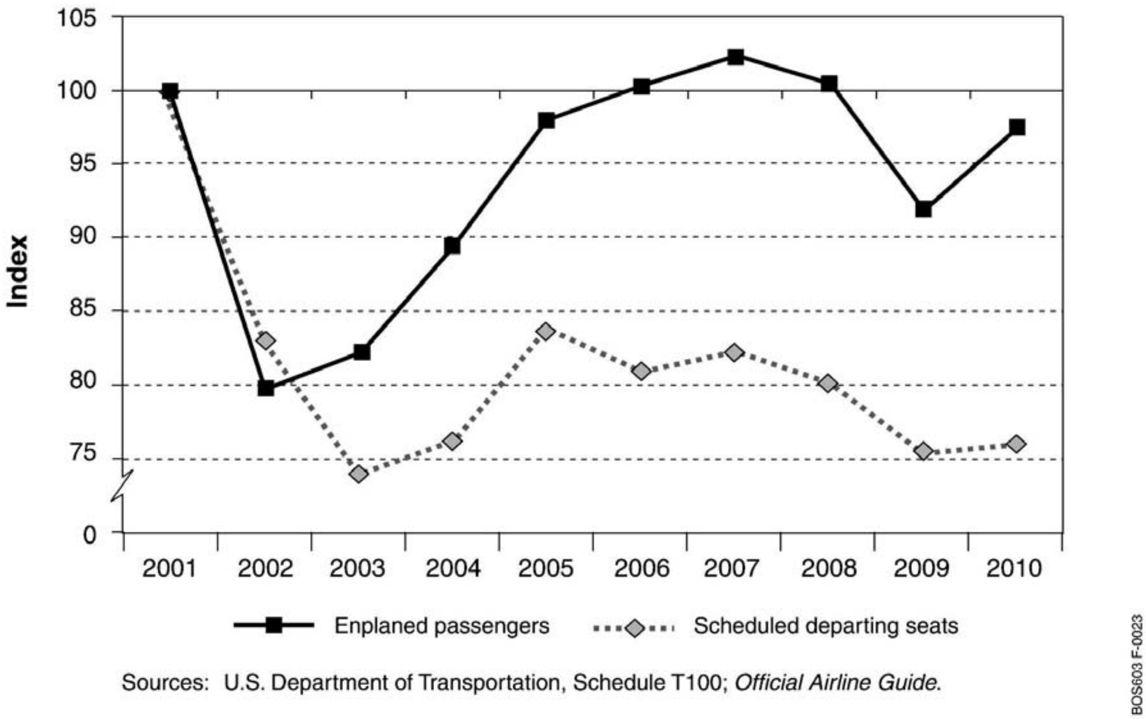
BOS603 F-0017

Domestic O&D passenger numbers at Logan declined substantially following the 2001 economic recession and the September 11, 2001, terrorist attacks, but they subsequently recovered to pre-2001 levels. International O&D passenger numbers remained relatively stable over the decade. The number of connecting passengers at Logan declined by nearly half between FY 2001 and FY 2010—largely as a result of service reductions by the legacy airlines in the face of a growing presence of LCCs at the Airport.

Passenger Trends Relative to Capacity Trends

Since FY 2001, numbers of enplaned passengers and scheduled departing seats at the Airport have followed different trends. (See Figure 17.) While passenger numbers were only 2% below their FY 2001 level in FY 2010, numbers of departing seats were 24% below their FY 2001 level. Substantial increases in average load factors (percentage of airline seats occupied by passengers) drove this difference. The average load factor at the Airport increased 16 percentage points between FY 2001 and FY 2010. These trends at the Airport are consistent with national trends of reduced seats and increased load factors.

Figure 17
COMPARATIVE INDEX OF PASSENGERS AND SEATS
Boston-Logan International Airport
For Fiscal Years ended June 30; index: 2001=100

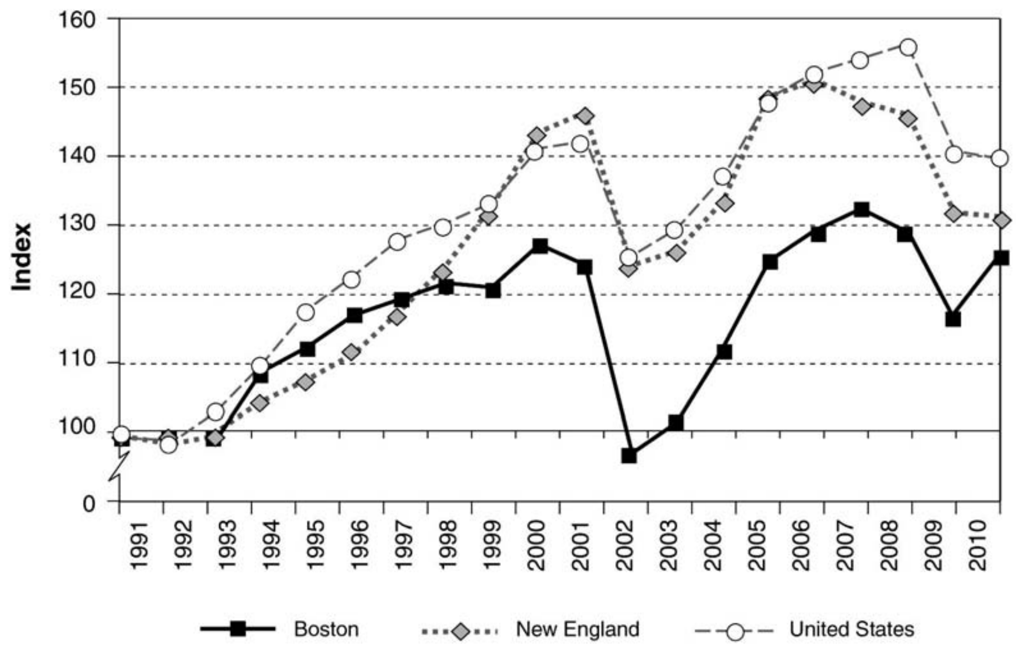


Sources: U.S. Department of Transportation, Schedule T100; *Official Airline Guide.*

O&D Passenger Trends

Although the number of domestic O&D passengers at the Airport increased 26% between FY 1991 and FY 2010, this increase was somewhat lower than the net traffic growth experienced in New England overall and the nation. (See Figure 18.) A relative lack of LCC service and ground access difficulties related to roadway and tunnel construction projects inhibited domestic O&D passenger growth at Logan during the late 1990s, and passenger traffic at the Airport decreased substantially in FY 2002. However, the number of domestic O&D passengers at Logan increased 8% in FY 2010, partly as a result of robust LCC service expansion, and are estimated to increase an additional 9% in FY 2011, in contrast to no traffic growth in New England and the nation.

Figure 18
COMPARATIVE INDEX OF DOMESTIC O&D PASSENGERS
For Fiscal Years ended June 30; index: 1991=100



Notes: Data excludes passengers enplaned on non-scheduled (i.e., charter) flights and non-revenue passengers. U.S. includes airports outside the continental U.S., i.e.,those in Puerto Rico, the U.S. Virgin Islands, Hawaii, and the islands of the U.S. Pacific Trust.

Source: U.S. Department of Transportation, *Air Passenger Origin-Destination Survey*, reconciled to Schedules T100 and 298C T1.

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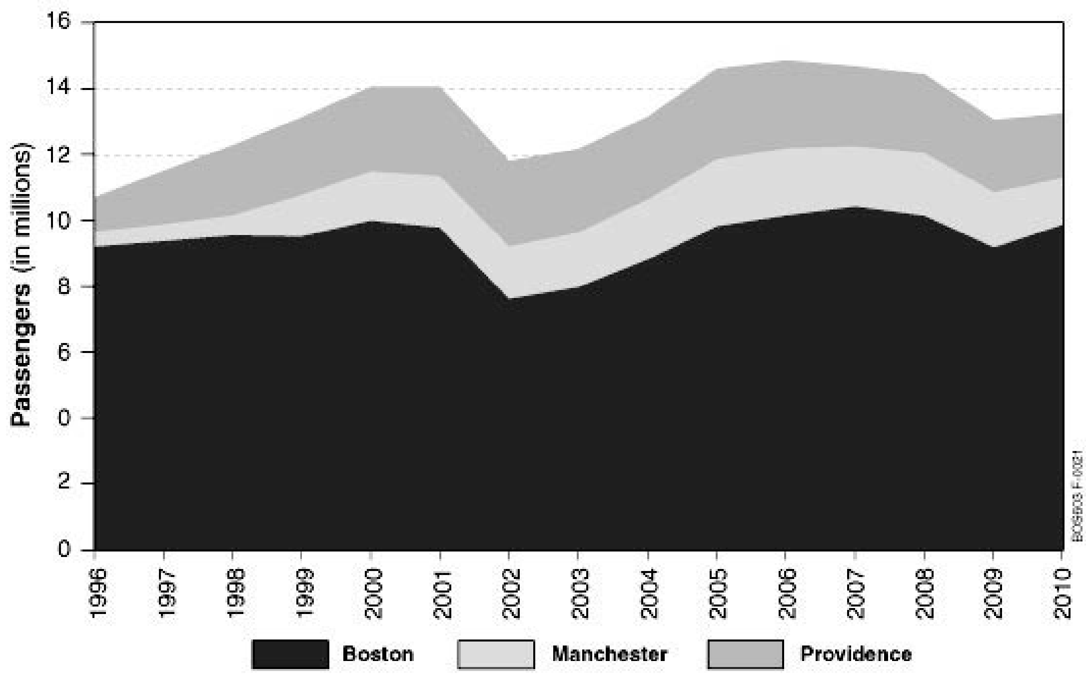
Variations in the number of regional domestic O&D passengers at Logan, PVD, and MHT are shown on Figure 19. The patterns shown illustrate the demand-stimulating effect of LCC service on the smaller regional airports, as well as the negative effect on their passenger traffic as LCC service has ebbed in recent years.

Figure 19
OUTBOUND DOMESTIC O&D PASSENGERS
For Fiscal Years ended June 30)



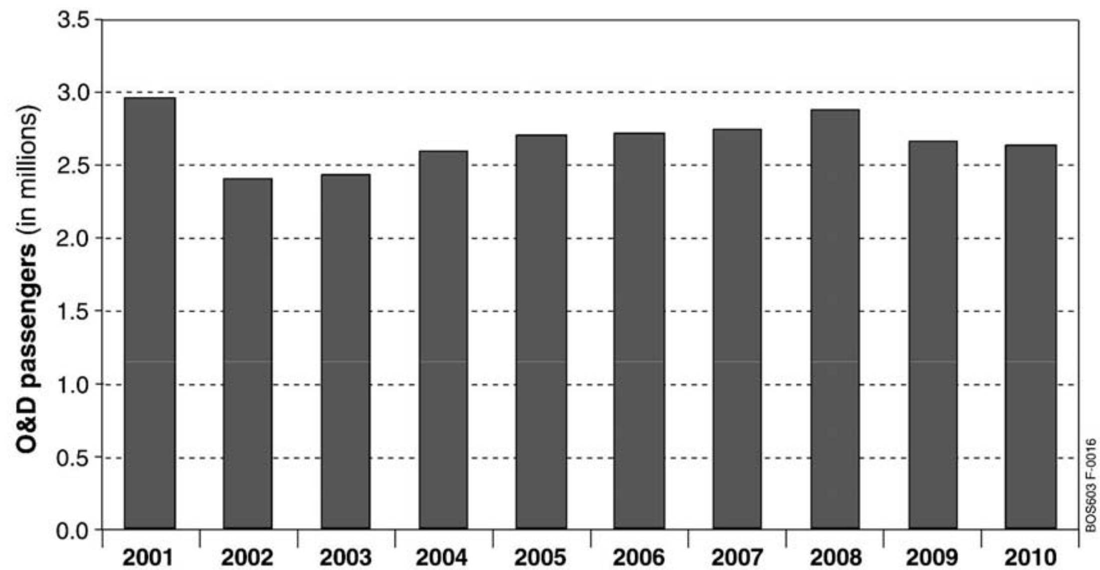
Note: Data exclude passengers enplaned on nonscheduled (i.e., charter) flights and nonrevenue passengers.

Source: U.S. Department of Transportation, *Air Passenger Origin-Destination Survey*, reconciled to Schedules T100 and 298C T1.

Over the past 14 years, the number of domestic O&D passengers in the three-airport region has increased 24%, while Logan's share of those passengers has fluctuated. In FY 1996, Logan accounted for 86% of the region's domestic O&D passengers, while PVD accounted for 10% and MHT accounted for 4%. Following the initiation of LCC service at the latter two airports, Logan's share decreased to as low as 65% of the regional total. However, with the subsequent substantial buildup of LCC service at Logan, this trend has reversed, and by FY 2010, Logan accommodated 75% of the region's domestic O&D passengers, while shares decreased to 14% at PVD and 11% at MHT.

Numbers of international O&D enplaned passengers at Logan have fluctuated between 2.4 million and 3.0 million since FY 2001. (See Figure 20.) International O&D traffic fell 19% in FY 2002, reflecting the broader traffic declines experienced industry-wide following the 2001 economic recession and the events of September 11, 2011. By FY 2008, the number of international O&D passengers had recovered nearly to the FY 2001 level. Over the subsequent 2 years, however, the number of international O&D passengers decreased again as travel demand weakened in the face of the global economic downturn.

Figure 20
TRENDS IN INTERNATIONAL O&D PASSENGERS
Boston-Logan International Airport
For Fiscal Years ended June 30



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

Sources: The Massachusetts Port Authority; U.S. Department of Transportation, *Air Passenger Origin-Destination Survey*, reconciled to Schedules T100 and 298C T1.

Visiting O&D Passengers

Area residents (i.e., those O&D passengers whose itineraries originate at Logan) outnumber visiting passengers (i.e., those O&D passengers whose trip itineraries are destined for Logan) by a slight margin. (See Table 10.)

Between FY 2001 and FY 2004, the number of visiting passengers at Logan decreased 4.7% per year, on average, compared with a 1.8% per year decrease in area resident passengers. Between FY 2004 and FY 2010, however, visiting passengers at the Airport increased 2.1% per year, on average, twice the rate for area residents (0.9% per year).

Table 10
TOTAL ENPLANED PASSENGERS, BY TYPE OF PASSENGER
Boston-Logan International Airport
For Fiscal Years ended June 30; passengers in thousands

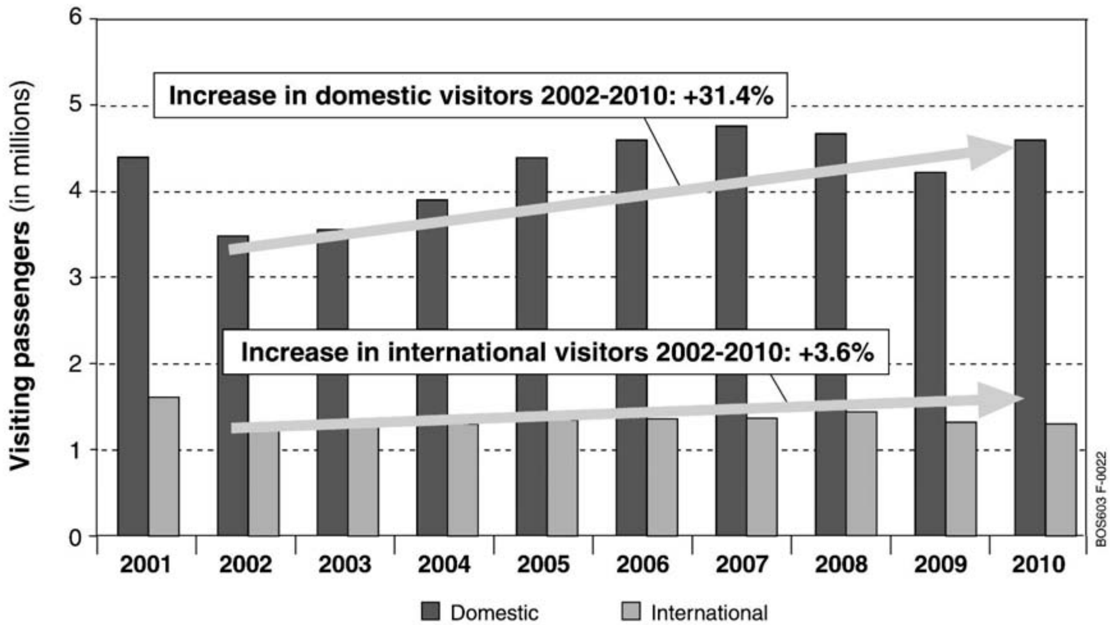
	Outbound O&D passengers						
	Residents		Visitors			Connecting	
Fiscal Year	Passengers	Percent of O&D total	Passengers	Percent of O&D total	Total	and other passengers	Total
2001	6,663	52.5%	6,026	47.5%	12,690	1,027	13,717
2002	5,404	53.2	4,759	46.8	10,162	910	11,073
2003	5,637	53.8	4,850	46.2	10,487	810	11,297
2004	6,303	54.7	5,215	45.3	11,517	762	12,279
2005	6,847	54.3	5,763	45.7	12,610	832	13,442
2006	7,011	54.1	5,957	45.9	12,968	752	13,720
2007	7,083	53.6	6,129	46.4	13,212	714	13,926
2008	6,907	53.1	6,092	46.9	12,999	669	13,668
2009	6,334	53.3	5,557	46.7	11,891	595	12,486
2010	6,655	53.0	5,897	47.0	12,552	592	13,145
July-December							
2009	3,232	49.8%	3,212	49.8%	6,444	314	6,758
2010	3,471	50.3	3,514	50.3	6,985	311	7,296
Compound annual growth rate							
2001-2004	(1.8%)		(4.7%)		(3.2%)	(9.5%)	(3.6%)
2004-2010	0.9		2.1		1.4	(4.1)	1.1
2001-2010	(0.0)		(0.2)		(0.1)	(5.9)	(0.5)

Notes: Rows may not add to totals shown because of rounding.
Because foreign-flag carriers are not required to report to the U.S. DOT *Air Passenger Origin-Destination Survey*, some LeighFisher estimates were used to develop the data in the above table.

Sources: Massachusetts Port Authority; U.S. Department of Transportation, *Air Passenger Origin-Destination Survey*, reconciled to Schedules T100 and 298C T1.

Among visiting O&D passengers at Logan, domestic visitors accounted for an increasing share, from 73% in FY 2001 to 78% in FY 2010. In FY 2002, both domestic and international visiting passengers at Logan decreased 21%. Thereafter, as shown on Figure 21, the two categories of visiting O&D passengers followed different trends. The numbers of domestic visitors rebounded quickly to previous levels and, as of FY 2010, were slightly above the FY 2001 number, stimulated by substantial increases in LCC service and reflecting increasing domestic load factors at Logan. In contrast, international visitors increased slightly in the 8 years since FY 2002; international capacity has been static at Logan and international load factors have not shown a net increase. In FY 2010, the number of international visitors at Logan was 19% below the number in FY 2001.

Figure 21
VISITING O&D PASSENGERS
Boston-Logan International Airport
For Fiscal Years ended June 30

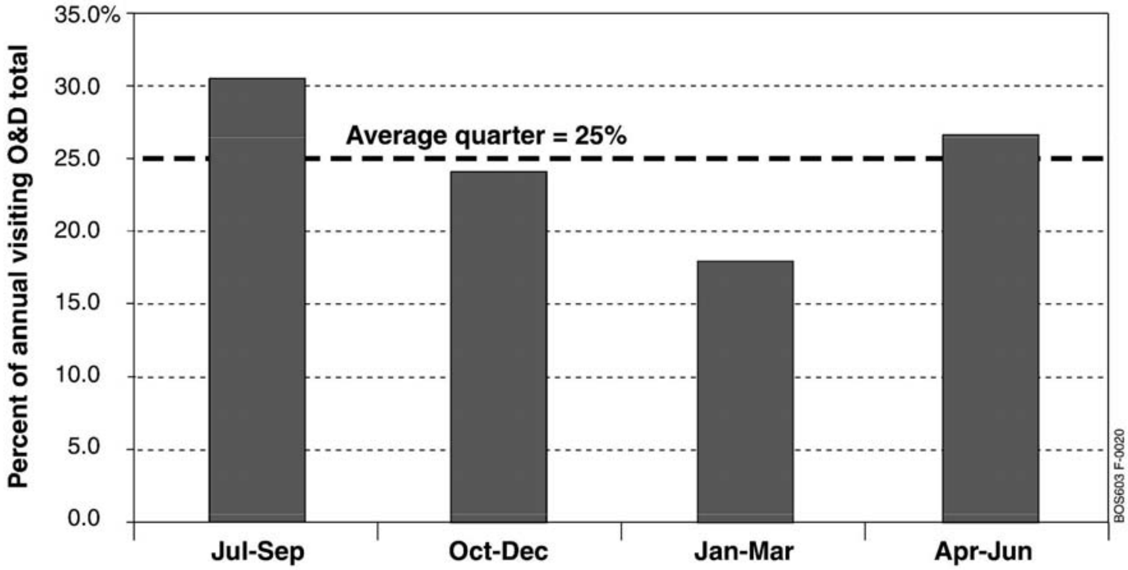


Note: Because foreign-flag carriers are not required to report to the U.S. DOT *Air Passenger Origin-Destination Survey*, some LeighFisher estimates were used to develop the data in the above chart.

Sources: The Massachusetts Port Authority; U.S. Department of Transportation, *Air Passenger Origin-Destination Survey*, reconciled to Schedules T100 and 298C T1.

Numbers of visiting O&D passengers exhibit considerable seasonal variation, as illustrated on Figure 22. The July-September quarter is Logan's peak quarter for visiting passengers, averaging nearly 31% of the Airport's annual total of visiting O&D passengers. The January-March quarter, by contrast, is the low season, typically accounting for just 18% of total annual visiting O&D passengers.

Figure 22
QUARTERLY VARIATIONS IN VISITING O&D PASSENGERS
Boston-Logan International Airport
October 2005 through September 2010



Note: Based on 5-year quarterly average, from October 2005 through September 2010.

Sources: The Massachusetts Port Authority; U.S. Department of Transportation, , *Air Passenger Origin-Destination Survey*, reconciled to Schedules T100 and 298C T1.

KEY FACTORS AFFECTING FUTURE AIRLINE TRAFFIC

In addition to the economy and demographics of the MSA and airline service at the Airport and in the broader New England region, as discussed earlier, key factors that will affect future airline traffic at the Airport include:

- Economic and political conditions
- Financial health of the airline industry
- Airline service and routes
- Airline competition and airfares
- Airline consolidation and alliances
- Availability and price of aviation fuel
- Aviation safety and security concerns
- Capacity of the national air traffic control system
- Capacity of the Airport

Economic and Political Conditions

Historically, airline passenger traffic nationwide has correlated closely with the state of the U.S. economy and levels of real disposable income. The recession that extended from late 2007 to mid-2009, and associated high unemployment and reduced discretionary income, contributed to reduced airline travel demand in 2008 and 2009. Airline travel demand strengthened in 2010, leading to a resumption of traffic growth.

With the globalization of business and the increased importance of international trade and tourism, growth in the U.S. economy has become more closely tied to worldwide economic, political, and social conditions. As a result, international economics, trade balances, currency exchange rates, political relationships, and hostilities increasingly affect levels of passenger traffic at U.S. airports. Sustained future increases in passenger traffic will depend on generally stable conditions and economic growth, both nationally and globally.

Political unrest and regime changes in the Middle East and North Africa in early 2011 have the potential to affect flows of international capital and trade and, in particular, airline passengers and cargo. Such events also have the potential to affect the global economy through higher energy prices, and in particular the price of the largest single item in the airline cost base, namely, jet fuel.

Financial Health of the Airline Industry

The number of passengers using the Airport will depend partly on the profitability of the U.S. airline industry and the associated ability of the industry and individual airlines to make the necessary investments to continue providing service.

Between 1995 and 2000, the airline industry was profitable, but as a result of the 2001 economic recession, the disruption of the airline industry that followed the September 2001 attacks, increased fuel and other operating costs, and price competition, the industry experienced huge financial losses. In 2001 through 2005, the major U.S. passenger airlines collectively recorded net losses of approximately $40 billion.

To mitigate those losses, all of the major network airlines restructured their route networks and flight schedules and reached agreement with their employees, lessors, vendors, and creditors to cut costs, either under Chapter 11 bankruptcy protection or the possibility of such. Between 2002 and 2005, US Airways, United Airlines, Delta Air Lines, Northwest Airlines, Hawaiian Airlines, ATA Airlines, Aloha Airlines, and Independence Air filed for bankruptcy protection.

In 2006 and 2007, the U.S. passenger airline industry as a whole was profitable, but in 2008, as oil and aviation fuel prices increased to unprecedented levels, the industry experienced a financial crisis. The industry responded by grounding older, less fuel-efficient aircraft, adopting fuel-saving operating practices, hedging fuel requirements, reducing scheduled seat capacity, eliminating unprofitable routes, laying off employees, reducing employee compensation, reducing other nonfuel expenses, increasing airfares, and imposing ancillary fees and charges. The U.S.

passenger airlines collectively reduced domestic capacity (as measured by available seat-miles) approximately 4% in 2008 and an additional 8% in 2009, before increasing capacity 2% in 2010.

In 2010, the U.S. passenger airline industry regained profitability by increasing capacity only slightly, increasing airfares, achieving record high load factors, controlling nonfuel operating expenses, and increasing ancillary revenues. Sustained industry profitability will depend on economic growth to support travel demand, reasonable fuel costs, and continued capacity control, among other factors. Any resumption of financial losses could cause U.S. airlines to seek bankruptcy protection or liquidate. The liquidation of one or more of the large network airlines could drastically affect airline service, particularly at certain connecting hub airports, present business opportunities for the remaining airlines, and change airline travel patterns nationwide.

Airline Service and Routes

Approximately 95% of airline passengers at the Airport are O&D passengers (about 5% of passengers at Logan connect between flights), and the number of passengers depends primarily on the intrinsic attractiveness of the MSA as a business and leisure destination and the propensity of its residents to travel. Although passenger demand at an airport depends primarily on the population and economy of the region served, airline service and the numbers of passengers enplaned also depend on the route networks of the airlines serving that airport. Most legacy airlines have emphasized the development of hub-and-spoke route networks as a means of increasing their service frequencies, passenger numbers, and profitability. Logan, an airport almost exclusively serving O&D passengers, does not serve as a hub for any airline and, consequently, is not dependent on connecting passengers.

Airline Competition and Airfares

Airline fares have an important effect on passenger demand, particularly for relatively short trips for which the automobile and other travel modes are potential alternatives, and for price-sensitive "discretionary" travel. The price elasticity of demand for airline travel increases in weak economic conditions when the disposable income of potential airline travelers is reduced. Airfares are influenced by airline capacity and yield management; passenger demand; airline market presence; labor, fuel, and other airline operating costs; taxes, fees, and other charges assessed by governmental and airport agencies; and competitive factors. Future passenger numbers, both nationwide and at the Airport, will depend, in part, on the level of airfares.

Overcapacity in the industry, the ability of consumers to compare airfares and book flights easily via the Internet, and other competitive factors combined to reduce airfares nationwide between 2000 and 2005. During that period, the average domestic yield for U.S. airlines decreased from 14.9 cents to 12.7 cents per passenger-mile. In 2006 through 2008, as airlines reduced capacity and were able to sustain fare increases, the average domestic yield increased to 14.7 cents per passenger-mile. In 2009, yields again decreased, but in 2010, as travel demand increased, yields increased to 14.2 cents per passenger-mile. Between 2006 and 2010, increased charges for services such as checked baggage, in-flight meals, and preferred seating had the effect of increasing the effective price of airline travel more than these yield figures suggest.

Airline Consolidation and Alliances

In response to competitive pressures, the U.S. airline industry has consolidated. In September 2005, US Airways and America West merged. In October 2008, Delta and Northwest merged. In October 2009, Republic Airways Holdings completed purchases of Frontier Airlines and Midwest Airlines and now operates the combined airline under the Frontier name.

In October 2010, United and Continental completed a merger transaction, thereby creating the largest airline in the world as measured by domestic and international seat-miles. The merged airline, which will operate under the United name, expects to integrate most of its operations by mid-2012. In September 2010, Southwest announced a proposal to acquire AirTran, thereby creating the largest U.S. domestic airline as measured by numbers of enplaned passengers. The acquisition closed on May 2, 2011. These two merged airlines each account for 12% to 13% of total domestic capacity offered at Logan. Various other airline merger combinations have been rumored. Any such further airline consolidation could change airline service patterns, particularly at the connecting hub airports of the merging airlines.

Alliances, joint ventures, and other marketing arrangements provide airlines with many of the advantages of mergers and all of the large U.S. network airlines are members of such alliances with foreign-flag airlines. Alliances typically involve marketing, code-sharing, and scheduling arrangements to facilitate the transfer of passengers between the airlines. Joint ventures involve even closer cooperation and the sharing of costs and revenues on certain routes.

Availability and Price of Aviation Fuel

The price of aviation fuel is a critical and uncertain factor affecting airline operating economics. Fuel prices are particularly sensitive to worldwide political instability and economic uncertainty. Beginning in 2003, fuel prices increased as a result of the invasion and occupation of Iraq; political unrest in Nigeria and other oil-producing countries; the rapidly growing economies of China, India, and other developing countries; and other factors influencing the demand for and supply of oil. By mid-2008, average fuel prices were three times higher than they were in mid-2004 and represented the largest airline operating expense, accounting for between 30%

and 40% of expenses for most airlines. Increased prices were an important contributor to airline industry losses in 2008 and 2009. Fuel prices fell sharply in the second half of 2008 as demand declined worldwide, but again increased in 2009 and 2010, partly as a result of a weakened U.S. dollar. In early 2011, concerns about political instability in North Africa and the Middle East contributed to further fuel price increases.

Airline industry analysts hold differing views on how oil and aviation fuel prices may change in the near term. However, there is widespread agreement that fuel prices are likely to remain high relative to historical levels and to increase over the long term as global energy demand increases in the face of finite and increasingly expensive oil supplies.

Aviation fuel prices will continue to affect airline service, airfares, and passenger numbers. Airline operating economics will also be affected as regulatory costs are imposed on the airline industry as part of efforts to reduce aircraft emissions contributing to global climate change.

Aviation Safety and Security Concerns

Concerns about the safety of airline travel and the effectiveness of security precautions influence passenger travel behavior and airline travel demand. Anxieties about the safety of flying and the inconveniences and delays associated with security screening procedures lead to both the avoidance of travel and the switching from air to surface modes of transportation for short trips.

Safety concerns in the aftermath of the terrorist attacks in September 2001 were largely responsible for the steep decline in airline travel nationwide in 2002. Since 2001, government agencies, airlines, and airport operators have upgraded security measures to guard against changing threats and maintain confidence in the safety of airline travel. These measures include strengthened aircraft cockpit doors, changed flight crew procedures, increased presence of armed sky marshals, federalization of airport security functions under the Transportation Security Administration (TSA), more effective dissemination of information about threats, more intensive screening of passengers and baggage, and deployment of new screening technologies.

Public health and safety concerns have also affected air travel demand from time to time. In 2003, concerns about the spread of severe acute respiratory syndrome (SARS) led public health agencies to issue advisories against nonessential travel to certain regions of the world. In 2009, concerns about the spread of influenza caused by the H1N1 virus reduced international travel, particularly to and from Mexico and Asia. In April 2010, airspace and airports in much of Europe were closed for 6 days because of the threat to flight safety from the eruption of Iceland’s Eyjafjallajökull volcano and the subsequent ash cloud. More recently, travel demand to and from Japan declined following a destructive earthquake and tsunami in March 2011.

Historically, airline travel demand has recovered after temporary decreases stemming from terrorist attacks or threats, hijackings, aircraft crashes, public health and safety concerns, and international hostilities. Provided that precautions by government agencies, airlines, and airport operators serve to maintain confidence in the safety of commercial aviation without imposing unacceptable inconveniences for airline travelers, it can be expected that future demand for airline travel at the Airport will depend primarily on economic, not safety or security, factors.

Capacity of the National Air Traffic Control System

Demands on the national air traffic control system have, in the past, caused delays and operational restrictions affecting airline schedules and passenger traffic. The FAA is gradually implementing its Next Generation Air Transport System (NextGen) air traffic management programs to modernize and automate the guidance and communications equipment of the air traffic control system and enhance the use of airspace and runways through improved air navigation aids and procedures. After September 2001, and again in 2008 and 2009, air traffic delays decreased as a result of reduced numbers of aircraft operations, but, as air travel demand strengthens, increased flight delays and restrictions may again be expected.

Capacity of the Airport

In addition to any future constraints that may be imposed by the capacity of the national air traffic control system, future growth in airline traffic at the Airport will depend on the capacity of Logan itself. It was assumed in developing the passenger forecasts described in the following section that current Airport capacity is sufficient to accommodate the numbers of Airport passengers forecast through FY 2016.

PASSENGER FORECASTS

Because the passenger forecasts presented herein were prepared in support of forecasts of future Airport rental car transactions, and because visiting passengers are the primary renters of cars, the passenger forecasts focus on visiting O&D passengers. The forecast of visiting O&D passengers at Logan through FY 2016 was one segment of broader enplaned passenger forecasts developed for the Airport, taking into account, among other factors, the various aspects of the MSA that create visitor demand, historical trends in visiting passengers, and key factors likely to affect future numbers of visiting passengers, all as discussed in earlier sections.

In developing the passenger forecasts that follow, it was assumed that, over the long term, the number of passengers at the Airport will increase as a function of growth in both the economy and tourism base of the MSA, as well as continued airline competition. It was assumed that airline service at Logan will not be constrained by the availability of aviation fuel, limitations in the capacity of the air traffic control system or the Airport, charges for the use of aviation facilities, or government policies or actions that restrict growth.

Underlying Assumptions

In developing the forecasts, it was assumed that, during the forecast period:

- The U.S. economy will experience sustained growth in gross domestic product averaging between 2.0% and 2.5% per year, somewhat below historical average rates of national economic growth.
- The economy of the MSA will improve at a rate generally in line with that of the economy of the United States as a whole. As noted earlier, employment in the MSA is projected to grow at a somewhat lower rate than the national average, while per capita income in the MSA is projected to grow at a slightly higher rate than the national average.
- Demand for passenger travel to and from the MSA will remain strong based on the region's attractiveness as a tourist destination, its population growth, and the strength of the local economy. Visiting passenger numbers at Logan will increase generally with growth in tourism demand in the MSA and the general economic health of the MSA.
- The airlines currently serving Logan, and those that may introduce service in the future, will provide the seating capacity required to accommodate additional demand at the Airport.
- Any consolidation (or failures) of legacy airlines or LCCs, including the recent merger of United and Continental and the merger of Southwest and AirTran, will not have a material effect on the level of passenger activity at the Airport.
- The number of departing seats at Logan increased 5% in the first 9 months of FY 2011 compared with the same period of FY 2010. In the final 3 months of FY 2011, the number of seats are estimated to increase 9%, year-over-year, on the basis of advance published airline flight schedules. It was assumed that the rate of capacity growth at the Airport will moderate thereafter, declining to 1.3% per year by FY 2016.
- The number of international seats offered at the Airport will grow more strongly than the number of domestic seats, albeit from a substantially smaller base.
- Average passenger load factors at the Airport will not change materially.
- Increases in fuel prices will not affect the ability of the airlines to serve the Airport or offer competitive airfares.

- No physical or regulatory factors will constrain the expansion of airline service at the Airport to the numbers forecast annually through FY 2016. Existing and planned Airport facilities will accommodate airline traffic.

- Logan's share of regional O&D airline passengers will continue to increase relative to the airports in Providence and Manchester.

- Aviation safety and security at U.S. airports will be maintained by passenger and baggage screening procedures and other precautions without imposing unreasonable inconveniences for passengers.

- There will be no major disruption of airline service or traveler behavior at U.S. airports as a result of international political instabilities, hostilities, or terrorist acts or threats.

Enplaned Passenger Forecasts

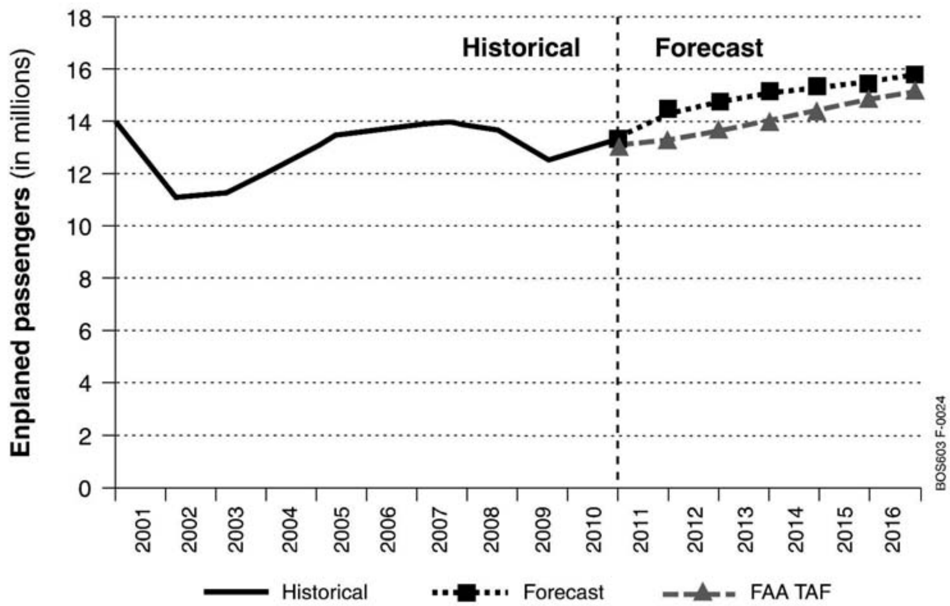
On the basis of the foregoing assumptions and 9 months of actual data, the number of enplaned passengers at Logan is estimated to increase 7.8% in FY 2011, reaching nearly 14.2 million. In the first 9 months of FY 2011, the number of enplaned passengers was 7.5% higher than during the same period of FY 2010. In the final 3 months of FY 2011, advance published airline schedules indicate a 9% increase in departing seats, year-over-year, at the Airport. The rate of growth in the number of enplaned passengers is forecast to decelerate in subsequent years, to a 1.3% increase in FY 2016. (See Table 11 and Figure 23.) In FY 2016, enplaned passengers are forecast to number 15.7 million, which exceeds the 15.1 million enplaned passengers forecast in that year in the FAA's most recent *Terminal Area Forecast* (TAF). The difference between the forecasts is explained entirely by a higher number of passengers now expected at the Airport in FY 2011 compared with that forecast by the FAA.

Figure 23

HISTORICAL AND FORECAST ENPLANED PASSENGERS

Boston-Logan International Airport

For Fiscal Years ended June 30



This forecast was prepared on the basis of the information and assumptions given in the text. The achievement of any forecast is dependent upon the occurrence of future events that cannot be assured. Therefore, the actual results may vary from the forecasts, and the variance could be material.

Sources: Historical—The Massachsetts Port Authority.
Forecast—LeighFisher; FAA *Terminal Area Forecast,* December 2010.

Table 11

HISTORICAL AND FORECAST ENPLANED PASSENGERS, BY TYPE OF PASSENGER

Boston-Logan International Airport

For Fiscal Years ended June 30; passengers in thousands

The forecasts in this table were prepared on the basis of the information and assumptions given in the text. The achievement of any forecast is dependent upon the occurrence of future events that cannot be assured. Therefore, the actual results may vary from the forecasts, and the variance could be material.

	Outbound O&D passengers						
	Residents		Visitors				
Fiscal Year	Passengers	Percent of O&D total	Passengers	Percent of O&D total	Total	Connecting and other passengers	Total
2001	6,663	52.5%	6,026	47.5%	12,690	1,027	13,717
2002	5,404	53.2	4,759	46.8	10,162	910	11,073
2003	5,637	53.8	4,850	46.2	10,487	810	11,297
2004	6,303	54.7	5,215	45.3	11,517	762	12,279
2005	6,847	54.3	5,763	45.7	12,610	832	13,442
2006	7,011	54.1	5,957	45.9	12,968	752	13,720
2007	7,083	53.6	6,129	46.4	13,212	714	13,926
2008	6,907	53.1	6,092	46.9	12,999	669	13,668
2009	6,334	53.3	5,557	46.7	11,891	595	12,486
2010A	6,655	53.0	5,897	47.0	12,552	592	13,145
2011E	7,171	53.0	6,367	47.0	13,538	637	14,175
2012F	7,436	52.9	6,611	47.1	14,047	670	14,717
2013	7,575	52.9	6,752	47.1	14,327	696	15,023
2014	7,685	52.8	6,873	47.2	14,558	717	15,275
2015	7,767	52.7	6,972	47.3	14,739	733	15,472
2016	7,849	52.6	7,070	47.4	14,919	749	15,668
Compound annual growth rate							
2001-2008	0.5%		0.2%		0.3%	(5.9%)	(0.1%)
2008-2009	(8.3)		(8.8)		(8.5)	(11.1)	(8.6)
2009-2010	5.1		6.1		5.6	(0.4)	5.3
2010-2011	7.7		8.0		7.9	7.5	7.8
2011-2016	1.8		2.1		2.0	3.3	2.0
2010-2016	2.8		3.1		2.9	4.0	3.0

A=Actual; E=Estimated (on the basis of 9 months of actual data); F=Forecast.

Notes: Rows may not add to totals shown because of rounding.
Because foreign-flag carriers are not required to report to the U.S. DOT *Air Passenger Origin-Destination Survey*, some LeighFisher estimates were used to develop the data in the above table.

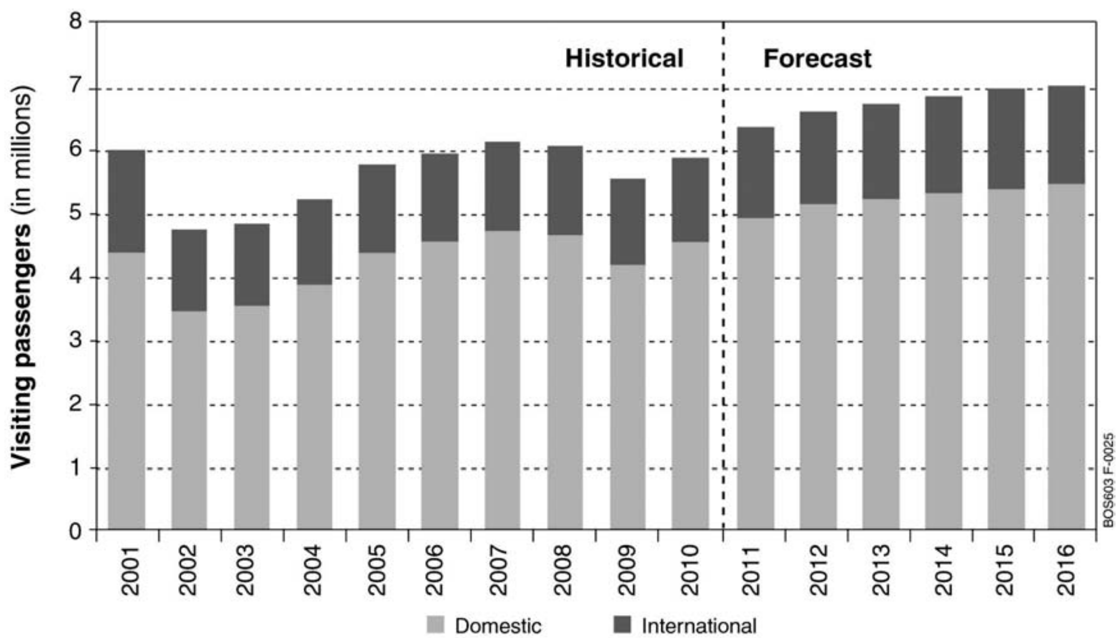
Sources: Historical—Massachusetts Port Authority; U.S. Department of Transportation, *Air Passenger Origin-Destination Survey*, reconciled to Schedules T100 and 298C T1.
Forecast—LeighFisher.

Visiting O&D Passenger Forecasts

An overview of the visiting segment of the passenger forecast by sector is provided in Table 12 and Figure 24. The number of visiting passengers at Logan is forecast to follow a similar, though slightly higher, trend than overall enplaned passengers. The number of visiting passengers is estimated to increase 8.0% in FY 2011, reaching nearly 6.4 million, after which growth is forecast to decelerate to a 1.4% increase in FY 2016. In FY 2016, the number of visiting passengers is forecast to be nearly 7.1 million.

After decreasing 11.2% between FY 2007 and FY 2009, the number of domestic visitors at Logan rebounded strongly—up 8.1% in FY 2010 and an estimated 8.9% in FY 2011. The number of international visitors at Logan, by contrast, were 2.7% lower in FY 2009 than in FY 2007 but, after a virtually flat year in FY 2010, are estimated to increase 4.6% in FY 2011.

Figure 24
HISTORICAL AND FORECAST VISITING O&D PASSENGERS
Boston-Logan International Airport
For Fiscal Years ended June 30



This forecast was prepared on the basis of the information and assumptions given in the text. The achievement of any forecast is dependent upon the occurrence of future events which cannot be assured. Therefore, the actual results may vary from the forecast, and the variance could be material.

Note: Because foreign-flag carriers are not required to report to the U.S. Department of Transportation, *Air Passenger Origin-Destination Survey*, some LeighFisher estimates were used to develop the data in the above chart.

Sources: Historical—The Massachusetts Port Authority; U.S. Department of Transportation, *Air Passenger Origin-Destination Survey*, reconciled to Schedules T100 and 298C T1. Forecast—LeighFisher.

Table 12

HISTORICAL AND FORECAST VISITING O&D PASSENGERS

Boston-Logan International Airport

For Fiscal Years ended June 30

These forecasts were prepared on the basis of the information and assumptions given in the text. The achievement of any forecast is dependent upon the occurrence of future events that cannot be assured. Therefore, the actual results may vary from the forecast, and the variance could be material.

	Domestic		International		Total	
Fiscal Year	Visiting passengers	Percent change	Visiting passengers	Percent change	Visiting passengers	Percent change
2001	4,405,036	--	1,621,373	--	6,026,409	--
2002	3,483,506	(20.9%)	1,275,126	(21.4%)	4,758,632	(21.0%)
2003	3,580,313	2.8	1,269,590	(0.4)	4,849,903	1.9
2004	3,899,737	8.9	1,314,793	3.6	5,214,530	7.5
2005	4,399,008	12.8	1,363,779	3.7	5,762,788	10.5
2006	4,594,595	4.4	1,362,286	(0.1)	5,956,881	3.4
2007	4,768,518	3.8	1,360,544	(0.1)	6,129,062	2.9
2008	4,661,187	(2.3)	1,431,094	5.2	6,092,281	(0.6)
2009	4,233,941	(9.2)	1,323,293	(7.5)	5,557,234	(8.8)
2010A	4,576,277	8.1	1,320,596	(0.2)	5,896,873	6.1
2011E	4,985,559	8.9	1,381,858	4.6	6,367,418	8.0
2012F	5,174,804	3.8	1,436,100	3.9	6,610,904	3.8
2013	5,275,305	1.9	1,477,050	2.9	6,752,355	2.1
2014	5,355,776	1.5	1,517,400	2.7	6,873,176	1.8
2015	5,414,690	1.1	1,556,850	2.6	6,971,540	1.4
2016	5,471,944	1.1	1,597,650	2.6	7,069,594	1.4
Compound annual growth rate						
2001-2008	0.8%		(1.8%)		0.2%	
2011-2016	1.9		2.9		2.1	
2010-2016	3.0		3.2		3.1	

A=Actual; E=Estimated (on the basis of 9 months of actual data); F=Forecast.

Notes: Rows may not add to totals shown because of rounding.
Because foreign-flag carriers are not required to report to the U.S. DOT *Air Passenger Origin-Destination Survey*, some LeighFisher estimates were used to develop the data in the above table.

Sources: Historical—Massachusetts Port Authority; U.S. Department of Transportation, *Air Passenger Origin-Destination Survey*, reconciled to Schedules T100 and 298C T1. Forecast—LeighFisher.

3. BACKGROUND ON THE RENTAL CAR INDUSTRY

INDUSTRY TRENDS

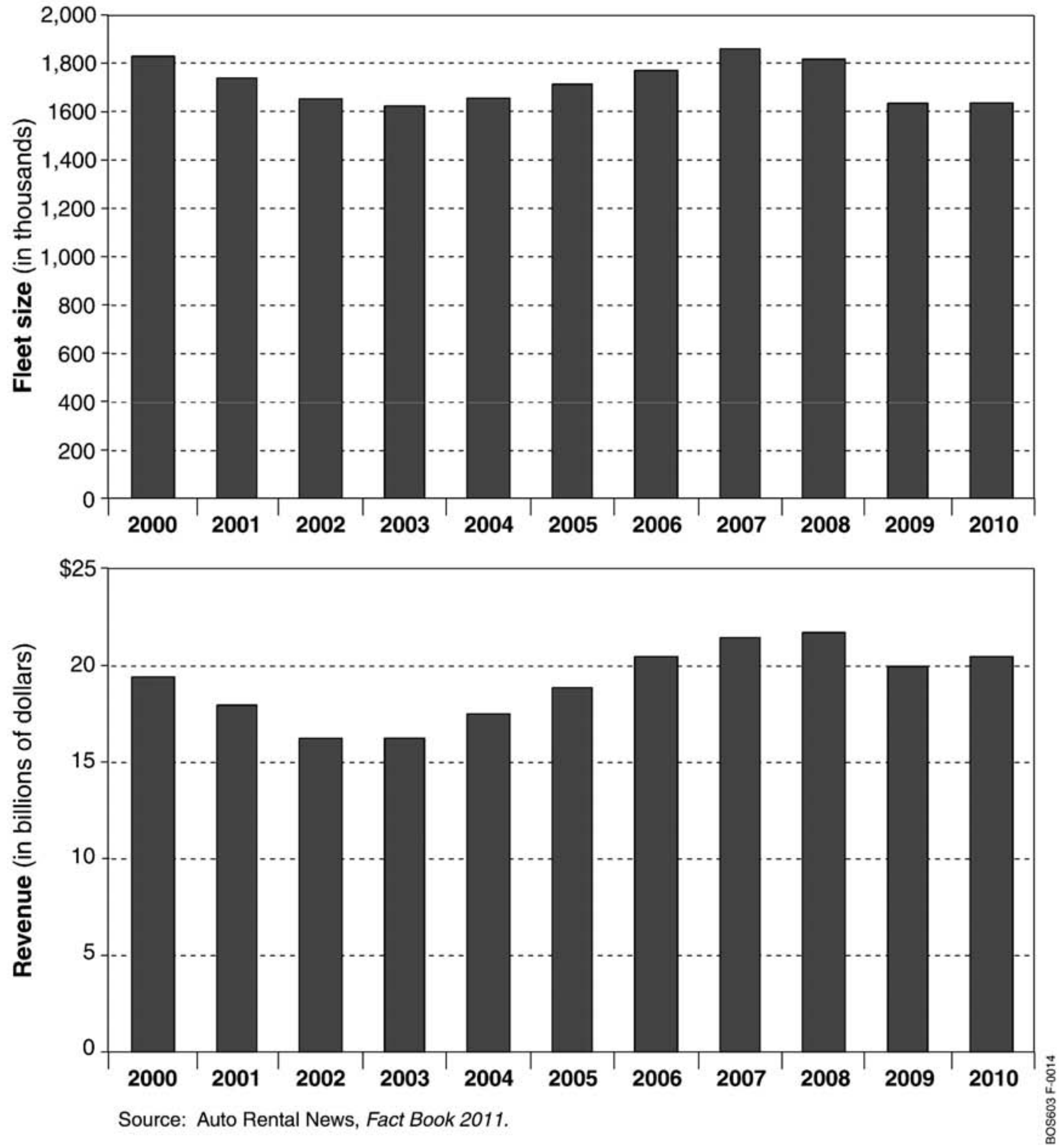
Historically, each rental car brand was individually owned and operated. The culture in the industry was one of fierce competition and a continuous drive to market differentiation. The idea of sharing facilities, common transportation systems, fuel systems, or any other facilities was anathema to the industry.

Beginning with implementation of the first CFC levied at an airport by the City and County of Denver in November 1993, and development of the first large consolidated rental car facilities at San Francisco and Dallas/Fort Worth international airports, as well as the gradual consolidation that has taken place over time, the rental car industry has moved from a position of insisting on separation to enhance market position to one of, if not embracing, at least accepting common facilities and operations to secure CFC funding and to enhance the efficiency and cost effectiveness of their operations. While some companies will continue to argue that they have relinquished some brand differentiation to enter into lease agreements for these large consolidated rental car facilities, the fact that they continue to lobby for such development suggests that the benefit to the industry of having airport operators implement a CFC to be paid by their rental car customers is perceived to outweigh any negative effects.

The rental car industry has historically been an oversupplied, underpriced industry. With little pricing differentiation in the industry, the focus was on cost containment. In the past, the companies whose customers were predominantly business travelers, such as Avis, saw their vehicle fleets being used heavily from Monday through Thursday, but struggled to achieve many rental car transactions on weekends, the traditional leisure customer rental days. On the other hand, a company such as Budget, whose market share was skewed toward the price conscious leisure customer, struggled to obtain corporate accounts to keep their cars on the road during weekdays. When Avis acquired Budget, their fleets were combined, they could size the fleet more effectively to meet the combined demand of both business and leisure renters, and they could keep their costs in check more effectively by maximizing the time their cars were on the road. Further, being able to operate in consolidated facilities allows the consolidated company to use the same facilities and personnel to maintain the combined fleet for both brands, and to move cars easily between the two brands' ready/return lines to meet changing demand patterns. Although significant operating costs are associated with the large consolidated rental car facilities, the operating efficiencies provided by these facilities appear to be one of the significant drivers behind the rental car industry's push for consolidated facilities at the airports they serve.

As shown on Figure 25, fleet management practices have allowed the rental car companies to reduce their fleet sizes while restoring the revenues lost in the recent recession.

Figure 25
NATIONWIDE VEHICLE RENTAL MARKET DATA
Calendar Years



Source: Auto Rental News, *Fact Book 2011.*

BRAND CONSOLIDATION

Over the past 15 years, a movement toward consolidation has significantly changed the rental car industry. In 1995, there were eight major car rental companies, each operating a single brand. Those companies were Alamo, Avis, Budget, Dollar, Hertz, National, Thrifty, and, as a major player in the insurance replacement industry, Enterprise. Today, there are four major rental car companies, namely the Avis Budget Group, Enterprise Holdings, the Hertz Corporation, and the Dollar Thrifty Automotive Group (DTAG), each operating more than one of the brands listed above. The Avis Budget Group, Enterprise Holdings, and The Hertz Corporation each holds approximately one third of the U.S. market share, and DTAG holds the remaining share of approximately 10%. Nevertheless, each brand, with its individual history and brand identity, continues the fierce competition for customers within the highly competitive on-airport rental car market. Industry speculation continues that there will be further consolidation in the rental car industry. Both Hertz Corporation and the Avis Budget Group are currently attempting to acquire DTAG. However, while ownership consolidation of brands may continue, it is unclear whether any of the brands themselves will disappear from the airport marketplace so long as they each continue to be successful in carving their own market niche.

Avis Budget Group

In November 2002, Cendant Corporation (Cendant), owner of Avis Rent A Car System, acquired Budget Rent A Car System out of Chapter 11 bankruptcy protection. Cendant consolidated the administrative functions of Avis and Budget, but continued to operate them as stand-alone brands. In late 2005, Cendant's car rental businesses (Avis and Budget) were separated into a new publicly held company referred to as the Avis Budget Group. Over time, the Avis Budget Group has moved toward consolidating all back office and fleet functions of the two brands.

Avis

Avis Rent A Car System was founded in 1946. In 1987, Avis was purchased by its employees through an Employee Stock Ownership Plan and became one of the largest employee-owned companies in the United States. In 1989, General Motors acquired a significant ownership interest in the company. In October 1996, Avis was purchased by HFS Inc., and became a publicly traded company in 1997. In March 2001, Cendant, a successor in interest in HFS, acquired Avis Group Holdings, Inc., making Avis a wholly owned subsidiary of Cendant. In late 2005, Cendant's vehicle rental businesses (Avis and Budget) were separated into a new publicly traded company referred to as the Avis Budget Group, as noted above.

Budget

Budget Rent a Car was formed in 1960 and acquired from Ford Motor Company in April 1997 by Team Rental when it became the Budget Group, Inc. In November

2002, Cendant acquired Budget and merged its administrative functions with those of Avis.

Dollar Thrifty Automotive Group

Pentastar Transportation Group, Inc., merged Dollar Rent A Car with Thrifty Car Rental to form the Dollar Thrifty Automotive Group, Inc. in 1997. Through 2002, DTAG operated the Dollar and Thrifty brands through three subsidiaries: DTAG Operations, Inc.; Dollar Rent A Car, Inc.; and Thrifty, Inc. Beginning January 1, 2003, DTAG combined the operations and management functions of the Dollar and Thrifty brands under one corporate structure.

Dollar

Dollar was formed in Los Angeles in 1966. In 1990, Dollar was acquired by and became a subsidiary of Pentastar Transportation Group, Inc., itself a subsidiary of the Chrysler Corporation. In 1997, Chrysler divested Dollar (together with Thrifty) in an initial public offering of DTAG. Today, Dollar accounts for roughly three-quarters of all DTAG revenues. Dollar caters to the price-conscious segment of the market.

The Dollar brand at Logan has been operated under a franchise agreement with Traveler's Rental Co., Inc. for many years.

Thrifty

In 1989, Thrifty was acquired by the Chrysler Corporation and, in 1997, Chrysler divested Thrifty in the initial public offering of DTAG.

Thrifty has primarily been operated as a franchise organization around the country. However, Thrifty is now in the process of acquiring franchise locations in critical markets and changing them to corporate locations. Historically, Thrifty has accounted for approximately 25% of DTAG revenues. Thrifty tends to rent more cars to leisure travelers than to business travelers by a margin of roughly two to one.

Enterprise Holdings, Inc.

Enterprise Holdings operates three rental car brands – Enterprise, Alamo, and National.

In November 2001, ANC Rental Car Corporation (ANC) filed for Chapter 11 bankruptcy protection and sold the National and Alamo brands to a New York investment firm, Cerberus Capital Management. ANC was renamed Vanguard Car Rental USA Inc. (Vanguard) and continued to operate National and Alamo as two brands, maintaining a dual branding model at most airport locations. In August 2007, Enterprise Rent-A-Car Company acquired Vanguard. Enterprise continues to operate Enterprise as a stand-alone brand while continuing to dual brand

Alamo/National at many U.S. airport locations. The long-term vision for the operation of the three brands has not yet been made clear.

Enterprise

Tracing its beginnings to 1957, Enterprise carved out a special niche by focusing on the replacement market – insurance adjusters who needed temporary replacement vehicles for policyholders whose cars were damaged or stolen.

Beginning in October 1999, the company announced plans to aggressively expand its on-airport rental car operations. Enterprise serves 95 of the top 100 airports in the continental United States, with much of that service starting in the late 1990s, when Enterprise doubled its number of on-airport offices.

Alamo

Alamo began operations in 1974, and positioned itself as a price leader in the off-airport leisure segment of the rental car market. In 1981, Alamo began testing the on-airport market, and began actively expanding in the on-airport market in 1983. In 1995, Alamo's expansion made it the third largest rental car company in terms of fleet size and with revenues exceeding $1.3 billion. Ownership of Alamo has undergone many changes since that time. In 1996, Alamo was purchased by Republic Industries, Inc., which later became AutoNation, Inc. The subsequent ownership changes are noted above.

National

National Car Rental was formed in 1947, and was acquired in September 1988 by an investment group that included General Motors Corporation. In 1992, General Motors became the majority shareholder of the company.

In 1995, another investment group purchased National Car Rental System, Inc. from General Motors. National became a wholly owned subsidiary of Republic Industries, Inc., in February 1997. In January 2000, the company became a subsidiary of ANC, which also owns Alamo.

The Hertz Corporation

Although technically not a consolidation, in 2007 The Hertz Corporation joined the rest of the industry in presenting more than one brand to the traveling public with the rollout of a new brand called Simply Wheelz. Simply Wheelz was advertised as an online rental car service designed for customers who seek low prices from recognized companies. In March 2009, Hertz acquired the assets of Advantage Rent A Car out of bankruptcy, and began phasing out Simply Wheelz in favor of Advantage as its low cost rental car service provider.

Hertz

Hertz was the first company to rent vehicles, starting operations in Chicago in 1918. After several changes in ownership, United Airlines briefly owned Hertz from 1985-1987; then sold it to Park Ridge, 80% of which was owned by Ford Motors. In 1994, Ford purchased all of the shares of Hertz it did not already own. In 1997, Ford sold 17% of Hertz to the public. Hertz became a wholly owned subsidiary of Ford again when Ford reacquired the outstanding shares in 2001. In December 2005, Ford completed the sale of Hertz to an investment group of private equity firms and, in 2006, Hertz went public.

Advantage

Founded in 1963, Advantage Rent A Car operated more than 150 U.S. locations and 130 locations in 33 countries internationally at its peak.

In December 2008, Advantage filed for Chapter 11 bankruptcy protection and closed about 40% of its U.S. retail locations.

On March 31, 2009, the assets of Advantage were purchased by The Hertz Corporation. By fall 2009, Hertz had rebranded its Simply Wheelz economy sub-brand with the acquired Advantage trademark properties.

Hertz described its plans to use Advantage for "...further expansion into the price-oriented travel demographic...providing Hertz a second brand to sell to corporate accounts and to market with key travel partners," and "... extending the useful life of vehicles in Hertz's rental fleet for Advantage's fleet needs."

RENTAL CAR FLEET, REVENUE, AND MARKET SHARE

Table 13 shows the number of cars in service, revenues, and market shares for the U.S. rental car companies in 2010, including airport and other outlets. Revenues in 2010 totaled $20.6 billion, and the fleet totaled over 1.6 million vehicles. The on-airport rental car market accounts for approximately half of the total annual industry revenue.

Table 13
2010 U.S. RENTAL CAR MARKET
Fleet, Locations, and Revenue

Company	U.S. cars in service (average) 2010	Number of U.S. locations	2010 U.S. revenue estimate (millions)
Enterprise Holdings (Includes Alamo Rent A Car, Enterprise Rent-A-Car, and National Car Rental)	850,689	6,187	$9,800
The Hertz Corporation (Includes Hertz Car Rental and Advantage Rent A Car)	290,000 *(a)*	2,300 *(a)*	4,158 *(a)*
Avis Budget Group (includes Avis Rent A Car System and Budget Rent A Car System)	270,000	2,100	3,850 *(a)*
Dollar Thrifty Automotive Group (includes Dollar Rent A Car and Thrifty Car Rental)	108,000 *(a)*	464 *(a)*	1,540 *(a)*
U-Save Auto Rental System Inc.	10,950	350	102 *(a)*
Fox Rent A Car *(b)*	9,500	13	140
Payless Car Rental Inc.	9,500	35	110
ACE Rent A Car	9,000	95	100
Zipcar	7,000 *(a)*	94 *(a)(c)*	143 *(a)*
Rent-A-Wreck of America	4,833	179	34
Triangle Rent a Car *(d)*	4,000	27	40
Affordable/Sensible Car Rental	3,589	179	34 *(a)*
Independents *(e)*	52,500 *(a)*	5,100 *(a)*	500 *(a)*
Total	1,629,561	17,254	$20,551

Notes: Statistics based on company-provided data, public documents, industry research, and Auto Rental News estimates.

Revenue generated from U.S. car rental operations only. Fleet location and revenue amounts represent entire U.S. operations, including franchises.

Alamo Rent A Car, Enterprise Rent-A-Car, and National Car Rental are part of Enterprise Holdings, which ended its fiscal year July 31, 2010.

(a) Auto Rental News estimates.
(b) Does not include affiliate operations.
(c) Areas of the country where Zipcar provides service.
(d) Fleet and U.S. locations are solely corporate owned. No franchise operations.
(e) Independents estimates based on available U.S. Department of Commerce, Bureau of the Census figures and adjustments for recent closures and consolidations.

Source: Auto Rental News, *Fact Book 2011*.

4. FORECAST OF RENTAL CAR ACTIVITY

CHARACTERISTICS OF LOGAN RENTAL CAR CUSTOMERS

Passenger surveys conducted at Logan show that visitors traveling for business purposes demonstrate a greater propensity to rent vehicles at Logan than do visitors traveling for leisure purposes. (See Table 14.) During the April-May 2010 survey period (the most recent passenger survey conducted at Logan), nearly 27% of business visitors rented vehicles at the Airport compared with 18% of leisure visitors.

Table 14
TRAVELER PROPENSITY TO RENT A VEHICLE
Boston-Logan International Airport

	April-May 2007 Survey			April-May 2010 Survey		
Type of trip	Total sample	Number that rented a vehicle	Propensity to rent	Total sample	Number that rented a vehicle	Propensity to rent
Visitor						
Business	2,103	593	28.2%	1,561	418	26.8%
Leisure	1,809	353	19.5	2,523	452	17.9
Resident	5,303	95	1.8	4,506	64	1.4
Not indicated	785	96	12.2	757	79	10.4
Total survey respondents	10,000	1,137	11.4%	9,347	1,013	10.8%

Source: Massachusetts Port Authority, *Logan Airport Air Passengers Ground Access Survey,* 2007 and 2010.

Of the 2010 survey respondents who rented vehicles at Logan, approximately 95% of visitors were domestic travelers, and the remaining 5% originated their journeys in other countries. These percentages shifted somewhat from the Airport's 2007 passenger survey, in which 87% of visiting vehicle renters were domestic travelers and 13% arrived from other countries. Given that visiting O&D passengers are approximately 80% domestic and 20% international, the survey results suggest that domestic visitors have a substantially higher propensity to rent vehicles than international visitors.

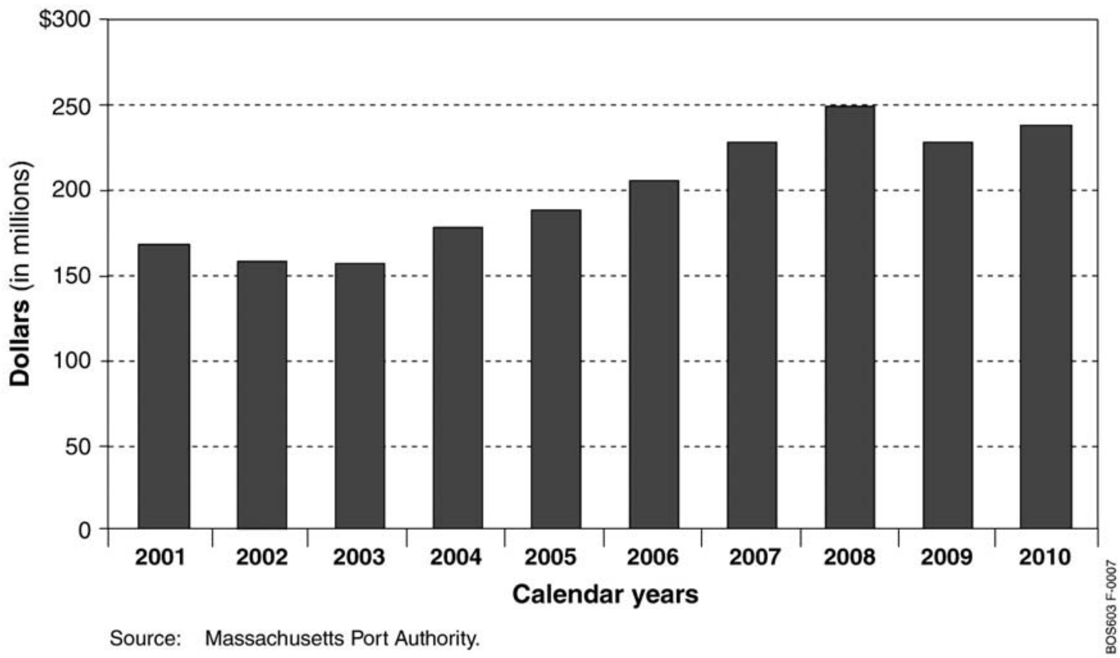
Business and leisure visitors who rent vehicles at Logan follow somewhat different rental patterns by day of the week. Survey responses indicate that visiting business travelers tend to return their rental vehicles between Wednesday and Friday, while visiting leisure travelers return their vehicles most often on Sunday or Monday.

HISTORICAL RENTAL CAR REVENUES

Gross Revenues

Figure 26 presents the historical gross rental car revenues generated by the rental car companies operating at the Airport. Gross revenues declined 6.4% from $168 million in calendar year 2001 to $157 million in 2002, in part because of the 2001 economic recession, the September 11 terrorist attacks, and the related decrease in passenger traffic at the Airport. A further 0.8% decrease was recorded in calendar year 2003.

Figure 26
GROSS RENTAL CAR REVENUES IN CALENDAR YEARS 2001 THROUGH 2010
Boston-Logan International Airport



Source: Massachusetts Port Authority.

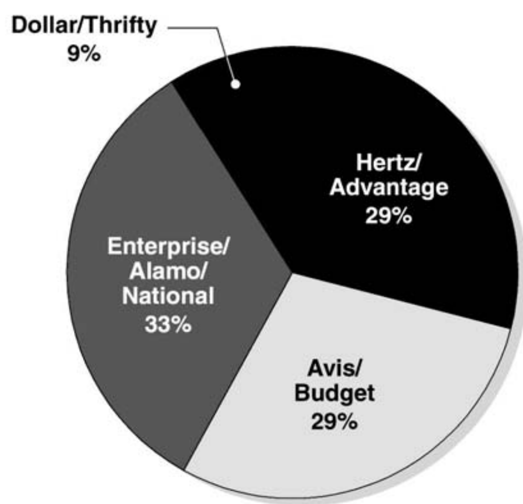
Between calendar year 2003 and 2008, gross rental car revenues increased almost 60%, compared with a 19% increase in visiting passengers. Revenues increased each year during this period, and the highest revenues at the Airport were recorded in 2008 (almost $250 million).

The economic recession led to an 8.6% decrease in gross rental car revenues in 2009, followed by a 4.2% increase to $237 million in calendar year 2010.

Market Share

Enterprise Holdings (the Enterprise, Alamo, and National brands) is the largest rental car company operating at the Airport, with a market share (as measured by gross revenues) of 33% in calendar year 2010. However, among the top three rental car groups, there is broad parity, as shown on Figure 27. Both the Avis Budget group and the Hertz Corporation (Hertz and Advantage brands) had 29% shares in 2010, while DTAG (the Dollar brand which is operated by a franchisee, and the Thrifty brand) had a 9% share.

Figure 27
GROSS RENTAL CAR REVENUES IN CALENDAR YEAR 2010
Boston-Logan International Airport



Source: Massachusetts Port Authority.

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HISTORICAL TRANSACTION DAYS AND DURATION

Historical data for rental car transactions and transaction days* were provided by the Authority as accessed from the rental car companies. Beginning in October 2007 with execution of new Concession Agreements, the rental car companies were required to submit monthly statements showing their transactions, transaction days, and CFC revenues for the month. Data for prior periods were provided by the rental car companies on a voluntary and proprietary basis. The rental car companies were not contractually required to provide that data and some gaps and inconsistencies exist in the information, which was adjusted using historical data and relationships.

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*"Transaction day" refers to a 24-hour period or fraction thereof for which a rental car customer is provided the use of a rental car for compensation regardless of the duration or length of the rental term. The CFC at Logan is charged per transaction day. If the same rental car is rented to more than one customer within a continuous 24-hour period, then each such rental is calculated as a transaction day, and is subject to collection of the per transaction day CFC.

Table 15 shows the trend in rental car transactions, transaction days, and rental duration (the average days per transaction), by quarter, since the first calendar quarter of 2001. Transactions decreased 11% in 2002, to approximately 764,000, reflecting the aftermath of the terrorist attacks on September 11, 2001. Subsequently, transactions increased in most years until 2007, peaking at approximately 1,009,000 transactions that year. In 2008, transaction totals decreased marginally, before decreasing significantly in 2009 (to 891,363 transactions). Transactions increased 13.1% in 2010, to 1,007,723, just below the record high achieved in 2007.

The trend in transaction days follows a similar pattern. A 14.3% decrease between 2001 and 2002 (to 3.2 million transaction days) was followed by significant growth through 2008, when transaction days peaked at 4.3 million. In 2009, transaction days decreased 13.4%, followed by a 12.0% increase to 4.2 million transaction days in calendar year 2010 – 3.1% below the record year.

There is considerable consistency in the data for transaction duration. The annual average duration has been within a relatively narrow range of 4.0 to 4.3 days, with an average of 4.15 days in calendar year 2010. On a quarterly basis, the trends are also quite consistent – the longest durations are in the summer quarter (July to September), while the shortest are in the winter quarter (January to March).

The national average duration of rental car transactions is slightly over 3 days. The average duration at the Airport is approximately 33% higher than the national average (i.e., just over 4 days per transaction).

Table 15

SUMMARY OF RENTAL CAR TRANSACTIONS, TRANSACTION DAYS, AND DURATION

Boston-Logan International Airport

For Calendar Years, by Quarter

Quarter	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Transactions										
January-March	185,335	138,582	134,688	160,514	168,881	168,478	182,214	188,582	153,636	176,303
April-June	252,438	207,079	207,267	244,671	255,603	261,525	278,549	277,737	239,619	260,576
July-September	260,259	235,665	253,260	283,249	297,066	288,189	311,507	308,441	276,886	313,418
October-December	160,719	183,071	195,796	221,562	230,870	227,681	236,595	226,980	221,222	257,426
Annual total	858,751	764,397	791,011	909,996	952,420	945,873	1,008,865	1,001,740	891,363	1,007,723
Percentage increase (decrease)	--	(11.0%)	3.5%	15.0%	4.7%	(0.7%)	6.7%	(0.7%)	(11.0%)	13.1%
Transaction Days										
January-March	680,865	517,478	493,877	564,940	590,020	581,103	618,175	697,035	568,544	621,417
April-June	992,628	798,015	819,740	937,241	966,210	1,000,573	1,078,300	1,121,200	942,724	1,032,091
July-September	1,320,605	1,098,253	1,215,669	1,306,932	1,395,663	1,355,159	1,452,116	1,571,352	1,331,827	1,477,635
October-December	706,381	756,102	790,393	876,323	911,469	859,947	948,042	923,990	890,909	1,049,562
Annual total	3,700,479	3,169,848	3,319,680	3,685,437	3,863,362	3,796,782	4,096,633	4,313,577	3,734,004	4,180,705
Percentage increase (decrease)	--	(14.3%)	4.7%	11.0%	4.8%	(1.7%)	7.9%	5.3%	(13.4%)	12.0%
Average Days per Transaction (Duration)										
January-March	3.67	3.73	3.67	3.52	3.49	3.45	3.39	3.70	3.70	3.52
April-June	3.93	3.85	3.95	3.83	3.78	3.83	3.87	4.04	3.93	3.96
July-September	5.07	4.66	4.80	4.61	4.70	4.70	4.66	5.09	4.81	4.71
October-December	4.40	4.13	4.04	3.96	3.95	3.78	4.01	4.07	4.03	4.08
Annual average	4.31	4.15	4.20	4.05	4.06	4.01	4.06	4.31	4.19	4.15

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

Source: Massachusetts Port Authority, as compiled from data provided by the rental car companies.

KEY FACTORS AFFECTING RENTAL CAR DEMAND AT THE AIRPORT

As described earlier, the demand for rental cars at the Airport is derived primarily from visiting airline passengers arriving at the Airport, which itself is derived from the demand for travel to the Boston region from various domestic and international points of origin. However, visiting passengers have other options for transportation upon arriving at the Airport. The choice to rent a car versus the use of other options is likely to be the result of trip purpose, destinations to be visited in the area, and other personal preferences. The decision to rent a car is generally influenced by the following considerations:

- Market segmentation (business/leisure)
- Rental car pricing trends and demand
- Rental car costs as a component of total travel costs
- Price elasticity of demand
- Convenience
- Alternative forms of ground transportation at the Airport and in the city
- Capacity of the QTA area and rental car facilities
- Off-Airport competition

Market Segmentation (Business/Leisure)

As noted above, the purpose for which passengers travel to Boston, as well as their travel plans while in New England, appear to bear directly on their propensity to rent vehicles rather than choose alternate forms of transportation. As suggested by the Authority's passenger survey, both business visitors and vacationers have a relatively high propensity to rent a car, and those traveling for a combination of business and leisure purposes are believed to have the highest likelihood of any travelers to Boston to rent a car.

As noted earlier, traditionally, the rental car industry has tried to achieve a balance between business and leisure renters. In most rental car markets, it is generally anticipated that business customers rent early in the week – Monday or Tuesday morning – and return after midweek – Thursday or Friday. In these markets, rental car companies depend on leisure business to use vehicles over the weekend, when they would otherwise sit on the lot.

Although a high leisure proportion of visitors can be assumed to exert pricing pressures on the rental car companies – leisure travelers are generally considered to be more price conscious than business travelers – the duration of the rental helps offset the lower price and makes leisure rentals more profitable. The longer a vehicle is on the road, and the less often it has to be moved, serviced, and put back on the ready/return lot, the higher the financial return to the rental car company. As noted above, rental transactions at the Airport are almost a day longer than the national average.

As Boston is a large rental car market, the rental car companies at the Airport have, for the most part, enjoyed adequate transactions and duration of rentals to allow for profitable operations while maintaining prices at levels that drive demand.

Rental Car Pricing Trends and Demand

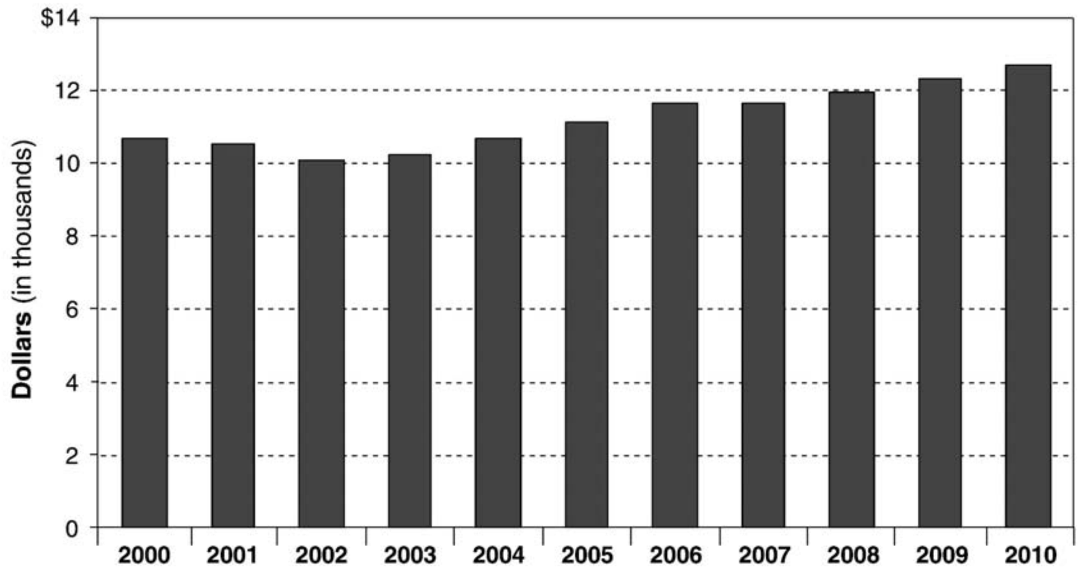
From the 1980s to the present, the changes in ownership of the rental car companies have transformed them from essentially automobile-manufacturer-owned entities with a focus on the secondary market to publicly traded or privately held corporations. As the movement from automobile manufacturer ownership to public or private ownership took place, the focus began to shift from pure market share competition to profitability. For most of the industry, this has led to a focus on yield management practices similar to those long practiced by the airlines. The rental car companies' goals are no longer focused on simply having a car for every customer who might want one, but on assessing and anticipating demand, and pricing the product for maximum return within the overall price constraints of the industry. While the ratio of deplaned passengers to rental car transaction days has been essentially unchanged over the previous 10-year period, the rental car companies' pricing and fleets are continually adjusted to maximize both pricing and the efficient use of the fleet.

The rental car industry has traditionally been an oversupplied, underpriced industry. Consolidation within the industry, resulting in far fewer players making pricing decisions, as well as the development of sophisticated yield management practices, provides the industry with the flexibility to reduce fleet size while maintaining or increasing revenue by pricing the product to meet demand. When revenue is maintained, airports benefit in terms of concession payments, as the rental car companies are not as often reducing prices just to get their fleets rented.

However, yield management and fleet optimization considerations could lead a rental car company to underserve a market at certain times because its capacity might be more profitably allocated to other locations. Such an undersupply of rental cars could prevent rental transactions and thereby constrain the full realization of rental car demand within the area. The Boston rental car market, however, is critical for the rental car industry. The size of the market itself, coupled with the strong average duration of more than four transaction days makes this a highly desirable market. For this reason, it seems unlikely any rental car company serving the Boston market would elect to undersupply its fleet in this market over time and risk a loss of market share to competitors.

As Figure 28 demonstrates, with the implementation of more effective yield management practices, the rental car industry has been able to manage its fleet and pricing practices in such a way that annual revenue per fleet vehicle has increased every year since 2002. This incremental increase in annual revenue per vehicle has been maintained despite fluctuations in fleet size in response to periodic downturns in numbers of deplaned passengers.

Figure 28
ANNUAL REVENUE PER VEHICLE
United States
Calendar Years



Source: Auto Rental News, *Fact Book 2011*.

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Rental Car Costs as a Component of Total Travel Costs

A visitor's air travel budget consists principally of four components: airfare, lodging, meals, and local transportation. Travelers can allocate budget among these components to satisfy their preferences and manage their total costs. Therefore, cost in conjunction with convenience and other factors must be considered. The cost of local transportation varies with travel itinerary and destinations. However, in a large metropolitan area such as Boston, with extensive public transit systems, including bus, subway, and local and commuter rail, public transportation can be a viable option for visitors.

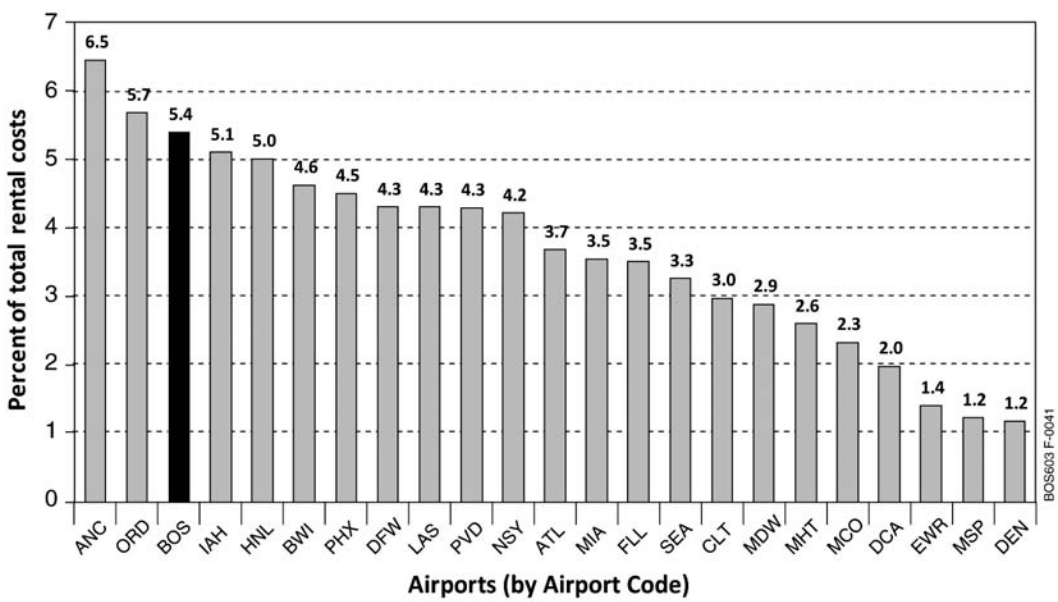
A significant component of the cost of renting a car at most major U.S. airports is the growing list of add-on fees and taxes, including CFCs, taxes, and unbundled rental car operating costs, such as tire recycling fees and facility maintenance costs. The practice of add-on fees has attracted increased scrutiny and frequent criticism from travel writers, consumer groups, and others. In 1998, the Legislature of the Commonwealth levied a Convention Center financing surcharge of $10 per rental car transaction on customers renting a car in the City of Boston, including at the Airport.

This surcharge is still in effect. The Authority started collecting a CFC on December 1, 2008, of $4.00 per day (with an increase to $6.00 per day on December 1, 2009).

It is important to note the effect of the CFC on overall rental car costs. It may also be helpful to understand how any given airport fares against others of similar size or within a given region to assess whether any risk of a decline in transactions exists as a consequence of implementing the fee.

Figure 29 shows the CFC only as a share of the total cost of renting a vehicle.

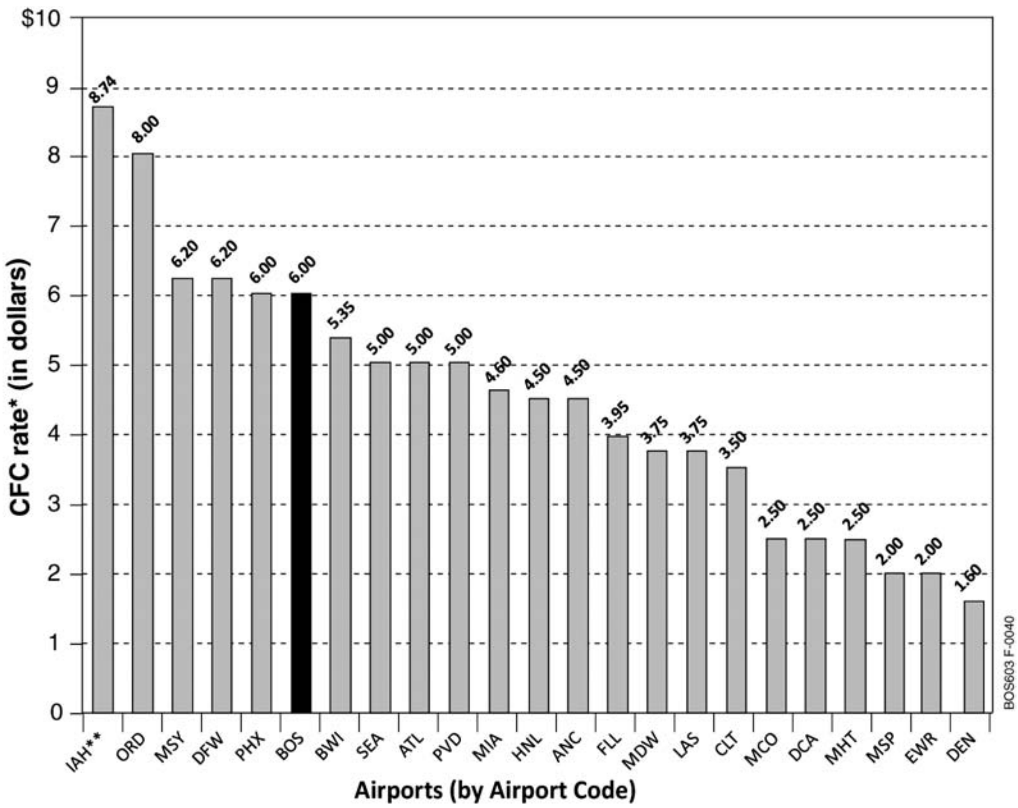
Figure 29
CUSTOMER FACILITY CHARGES AS A PERCENT OF A TYPICAL RENTAL
2-Day Rental of Intermediate Size Car
Selected U.S. Airports



Note: Includes CFCs and transportation facility charges.
Source: Avis.com as compiled by LeighFisher for the second quarter of 2011.

Figure 30 shows the CFC rate for single-day transactions at selected U.S. airports. It should be noted that the current CFC at Logan, $6.00 per rental car transaction-day, is among the highest in the country, although some airports now have equal or higher CFCs. These airports include Chicago O'Hare International Airport at $8.00 per day, Louis Armstrong New Orleans International Airport at $6.20 per day, and Phoenix Sky Harbor International Airport at $6.00 per day. In addition, at Dallas/Fort Worth International Airport, the CFC is combined with a transportation facility charge used to pay the costs of the common transportation system, for a combined fee of $6.20 per day.

Figure 30
CUSTOMER FACILITY CHARGE RATE FOR SINGLE-DAY TRANSACTIONS
Selected U.S. Airports



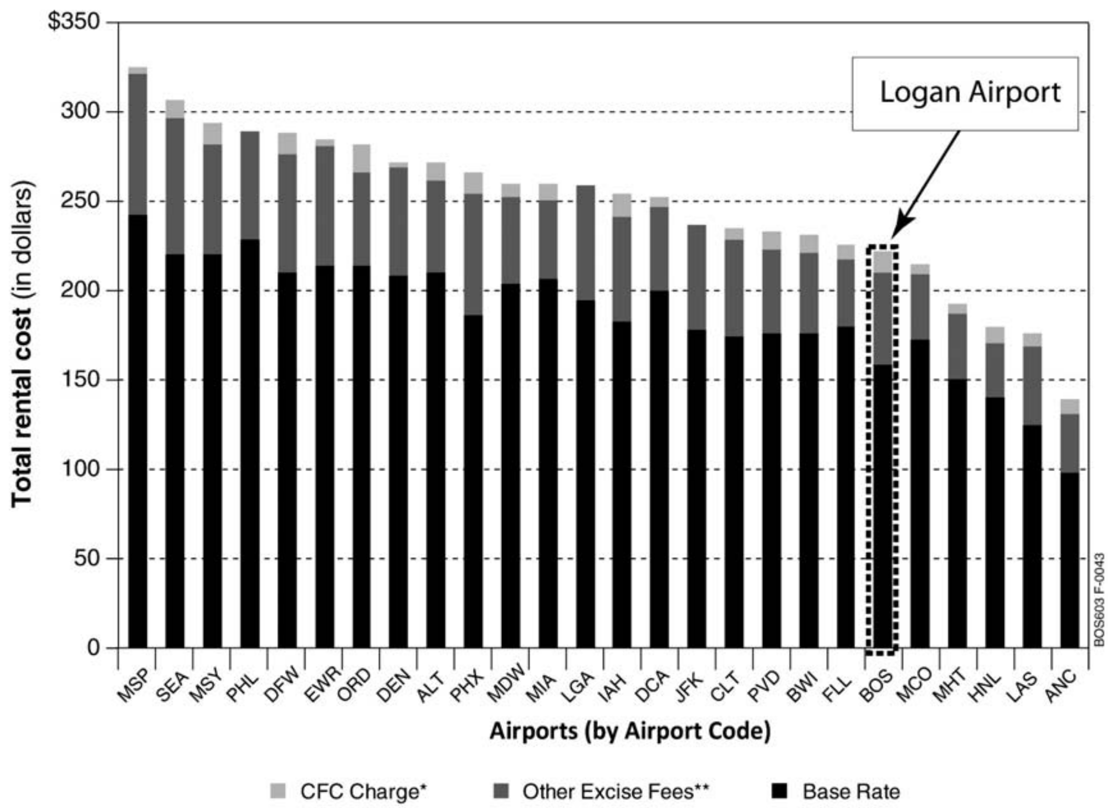
* Includes CFCs and transportation facility charges.
** Includes a $4.49 per rental transportation facility charge (nonrecurring).

Source: Avis.com as compiled by LeighFisher for the first quarter of 2011.

The State of California, where CFC rates were previously capped at $10.00 per rental car transaction with only certain exceptions, enacted legislation in August 2010 authorizing an alternate fee following a hearing and finding by an airport operator that the per transaction customer fee would not generate sufficient revenue to finance and operate a consolidated rental car facility and common use transportation system. The legislation provides for the collection of the alternative fee on a per-day basis. Commencing January 1, 2011, the alternative fee may not exceed $6.00 per day with a 5-day limit. This amount will increase to $7.50 per day in 2014, and to $9.00 per day in 2017. A process is also in place for an airport operator to obtain authority to increase this fee after January 1, 2018.

Figures 31 and 32 show the total cost for a 2-day car rental with a business-oriented operator (Avis), and for a 4-day rental with a leisure-oriented operator (Budget), respectively, under the same corporate umbrella. These comparisons were made using data at a point in time during the second quarter of 2011 (the spring quarter). For that period, total car rental costs at Logan (both in the leisure and business segments) were close to or below the median costs of car rentals at other airports in the sample. It should be noted that samples taken during other times of the year could show marked differences in ranking.

Figure 31
TOTAL RENTAL COSTS AND ASSOCIATED FEES FOR A 2-DAY RENTAL OF AN INTERMEDIATE-SIZE CAR
Selected U.S. Airports



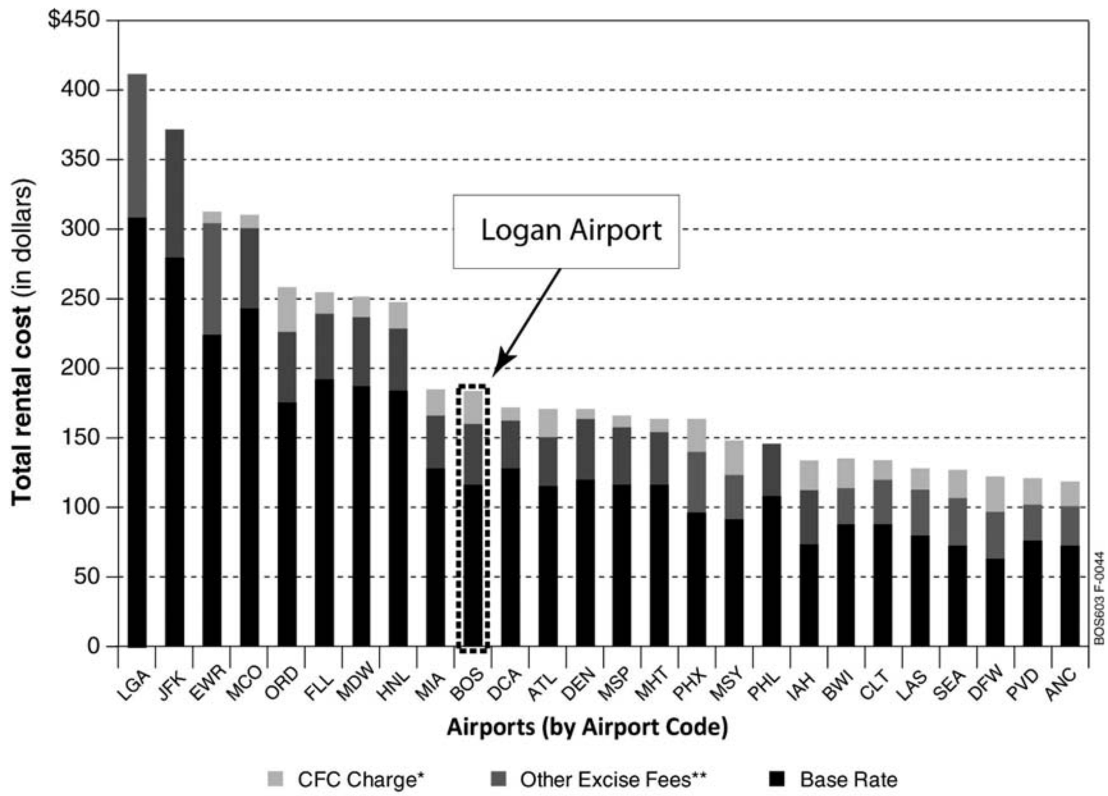
* Includes transportation facility charges.
** Includes all taxes and surcharges.

Source: Avis.com as compiled by LeighFisher for the second quarter of 2011 (for a weekday rental between May 2 and May 4, 2011).

Figure 32

TOTAL RENTAL COSTS AND ASSOCIATED FEES FOR A 4-DAY RENTAL OF AN INTERMEDIATE-SIZE CAR

Selected U.S. Airports



* Includes transportation facility charges.

** Includes all taxes and surcharges.

Source: Budget.com as compiled by LeighFisher for the second quarter of 2011 (for a long weekend rental between May 5 and May 9, 2011).

Price Elasticity of Demand

Despite the fact that industry consolidation and the wide application of yield management practices have helped maintain and even increase the revenue per vehicle ratio within the rental car industry, concerns have been expressed by the rental car companies and airport operators that the imposition of (or increase in) a CFC could have the effect of dampening demand. This is especially true in markets where high ancillary fees and charges are already levied on rental car operations (such as the $10 per rental car transaction Convention Center financing surcharge at Logan and at other rental car locations in the City of Boston).

Price elasticity of demand could manifest itself in two ways. First, at some point, customers could begin to choose alternate forms of transportation that they perceive to be more cost effective than renting a car. This effect could be measured by declining numbers of rental car transactions. The second manifestation of the price elasticity effect could be reflected in the rental car companies' reluctance or inability to raise their time and mileage rates (i.e., base rental rates) to a level that could be attained in the absence of a CFC. Because the $6.00 and above CFC is relatively new, its effect will have to be measured over time. So far, however, it appears that the number of transaction days at Logan has not been negatively affected by raising the CFC from $4.00 to $6.00 per day on December 1, 2009.

Convenience

A rental car provides maximum mobility for a visitor to Boston and New England. Rental car substitutes include taxicabs, shuttle buses, and public transportation. These substitutes work well for single, short-duration trips, but they provide a substantially lower overall quality of service for more demanding local travel needs, such as multiple geographically dispersed locations (especially outside the immediate Boston metropolitan area).

To completely measure the convenience of using a rental car as transportation, the entire transaction must be evaluated. It is the consensus of the rental car industry that, all things being equal, customers strongly favor ready and return spaces within the terminal complex, within easy wayfinding and walking distances of baggage claim, ticket counters, etc. However, as this level of service has become more difficult to provide at airports as pressures for space within the terminal complex increase, new standards for customer service are evolving. At present, customers at Logan must transport themselves and their baggage to a curb outside the baggage claim area of their arrival terminal to await a shuttle bus operated by their specific rental car company. They must then disembark from the bus at an aging rental car service site, and very likely have to walk at least a short distance in open space, regardless of the weather, to locate their vehicle. When the new ConRAC opens, customers will be able to transport themselves and their baggage to the curb, board the first Authority shuttle bus serving the ConRAC that arrives, disembark from the bus into a brand new customer service area where they can see all of the rental car operators on the Airport, and then make their way through a brightly lit garage to locate their vehicle. This customer service experience at Logan will equal that at any other modern, conveniently located remote consolidated rental car facility.

Alternative Forms of Ground Transportation at the Airport

In common with other large cities in the northeastern United States, Boston has a well-developed public transportation system that includes extensive bus, subway, commuter rail, and shared ride systems. Consequently, for those visiting O&D passengers that have as their destination the immediate Boston area, there are several alternatives to renting a vehicle at Logan. For those with an ultimate destination outside the immediate Boston area, those alternatives diminish.

Table 16, which is derived from the Authority's recently completed *Logan Airport Air Passenger Ground Access Survey, 2010*, shows the allocation of transportation modes for O&D passengers in April and May 2007 and 2010, and illustrates the extent of the choices available to travelers arriving at the Airport.

Table 16
GROUND TRANSPORTATION MODE SHARE
Boston-Logan International Airport
2007 and 2010

Mode	Survey year *(a)* 2007	2010
Automobile		
Private vehicle		
Drop off	23.3%	27.0%
Parked on-Airport	14.6	12.2
Parked off-Airport	2.3	1.1
Rented vehicle	12.4	10.9
Taxicab	19.7	18.8
	72.2%	70.0%
High Occupancy Vehicle/Shared Ride		
Public transit		
Logan Express bus	3.3%	4.0%
Other scheduled bus	2.8	3.7
MBTA subway	3.5	4.0
MBTA bus (Silver Line)	2.6	3.1
Water shuttle/water taxi	0.4	0.3
Other shared-ride vehicles		
Van or limousine (by reservation)	7.3	7.7
Van or limousine (fixed schedule)	0.8	0.5
Courtesy shuttle	3.5	4.4
Charter bus	2.5	1.3
Other high occupancy vehicle	0.9	1.1
	27.8%	30.0%
Total	100.0%	100.0%

Columns may not add to totals shown because of rounding.

(a) The surveys were conducted in April and May of the years noted.

Source: Massachusetts Port Authority, *Logan Airport Air Passenger Ground Access Survey*, 2007 and 2010.

The split between passengers arriving at the Airport in automobiles versus public transportation was relatively consistent at 70% to 30%; the public transportation share was approximately 2% higher in 2010. The segment arriving at the Airport in a rented vehicle declined slightly from 12.4% to 10.9% (it should be noted, however, that this share relates to all O&D passengers, not just visiting passengers – the primary segment that rents a car).

Capacity of the QTA Area and Rental Car Facilities

The new QTA area and rental car facilities will allow the rental car companies to fuel, wash, and return cars to the ready line more quickly, provide more storage for the fleet, and allow the operators to have many more vehicles clean, fueled, and available in the ready line in preparation for peak rental periods. As a result, they will be able to decrease customer waiting times and thereby provide a higher level of customer service.

Once the ConRAC is operational, the entirety of the Airport's rental car market will be able to be serviced on the Airport, where the facilities will provide an excellent level of customer service and convenience.

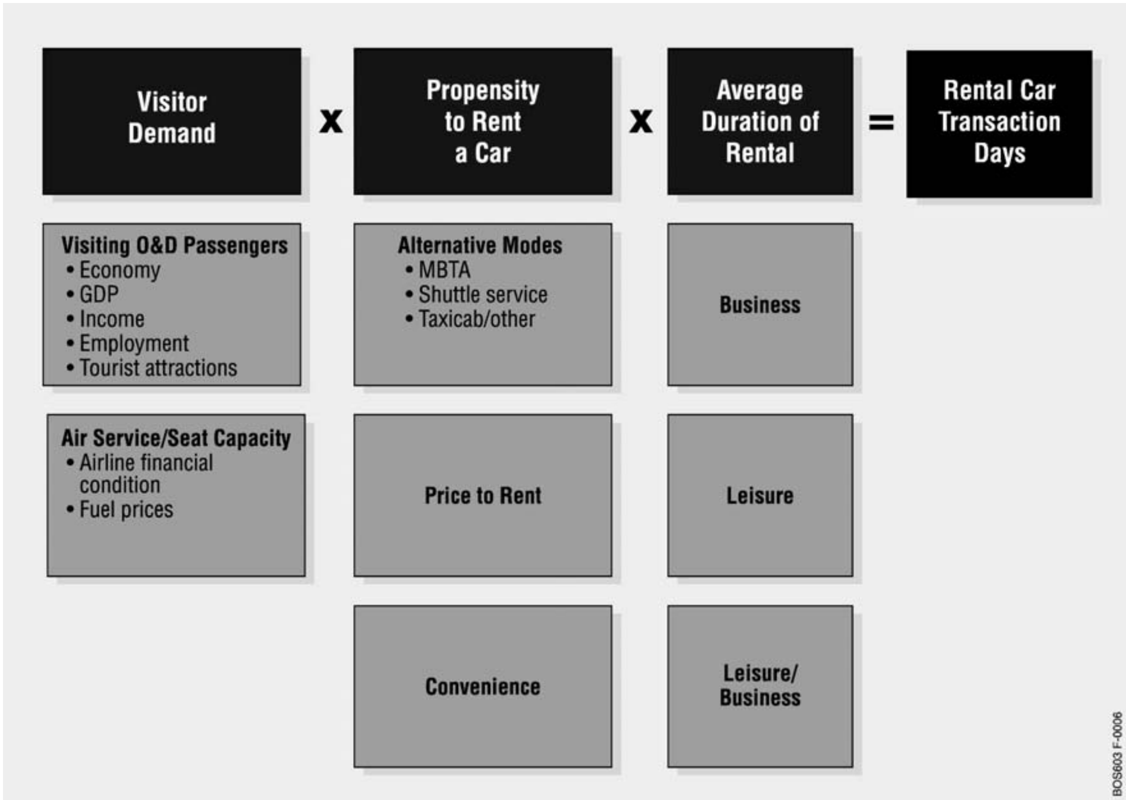
Off-Airport Competition

All rental car companies currently serving the Airport are contractually committed to operating from the ConRAC. This is significant because it ensures that all Airport rental car transactions will be subject to the CFC. If a new entrant to the Logan rental car market were to begin operations from an off-Airport location, those rental car transactions would not be subject to the CFC. However, the Logan area rental car market is especially challenging for off-Airport operators, making it unlikely that a rental car operation of any significant size could establish itself during the term of the ConRAC Leases. In addition, any new off-Airport rental car companies would need to sign a Concession Agreement requiring them to pay a concession fee and to drop and pick up their patrons at the ConRAC. The requirement to double-bus customers – meaning that customers would have to take the common bus to the ConRAC from the terminal area, and then board another bus to the off-Airport location – combined with the lack of available off-Airport locations where a rental car operation could be established, significantly minimizes the risk that an off-Airport operator could succeed in attracting significant numbers of rental car transactions from the on-Airport operators.

FORECAST OF RENTAL CAR TRANSACTION DAYS

Rental car transaction days are forecast as the product of rental car demand, the propensity to rent a car at the Airport, and the duration of a rental car transaction. Figure 33 shows our approach to forecasting transaction days.

Figure 33
RENTAL CAR TRANSACTION DAYS FORECASTING APPROACH



GDP = Gross Domestic Product
Source: LeighFisher, May 2011.

Rental Car Demand

The forecast of visiting passengers, as previously discussed, reflects leisure and business demand for airline travel to the Airport service region and various other factors reflected in the forecast of visiting passengers, as summarized in Table 12. (Although it is believed that local resident demand accounts for a small portion of total Airport rental car demand, the effect of this component of demand on rental transaction days is not explicitly recognized in our forecast.)

Rental Car Transactions per Visiting Passenger (Propensity to Rent)

Since 2001, approximately 16% of visiting passengers have rented a car at the Airport, as shown in Table 17. On an annual basis, the percentage ranges from 15.6% to 17.3%. In any given year, the summer quarter (July through September) tends to exhibit the highest propensity for car rentals, while the fall quarter (October through December) tends to exhibit the lowest propensity for car rentals.

Table 17

HISTORICAL PROPENSITY TO RENT A VEHICLE

Boston-Logan International Airport

For Calendar Years, by Quarter

Quarter	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Visiting O&D passengers										
January-March	1,116,647	864,532	855,167	975,433	1,062,237	1,131,672	1,141,819	1,108,769	951,492	1,066,035
April-June	1,544,191	1,308,547	1,271,228	1,481,258	1,550,525	1,626,138	1,670,567	1,588,426	1,498,175	1,618,036
July-September	1,561,930	1,491,766	1,486,727	1,714,102	1,762,322	1,797,295	1,879,356	1,752,122	1,776,287	1,924,627
October-December	1,029,476	1,234,960	1,276,138	1,440,286	1,441,811	1,521,890	1,514,472	1,357,305	1,438,473	1,590,467
Annual total	5,252,244	4,899,805	4,889,261	5,611,079	5,816,895	6,076,996	6,206,213	5,806,623	5,664,427	6,199,165
Percentage increase (decrease)	--	(6.7%)	(0.2%)	14.8%	3.7%	4.5%	2.1%	(6.4%)	(2.4%)	9.4%
Rental car transactions										
January-March	185,335	138,582	134,688	160,514	168,881	168,478	182,214	188,582	153,636	176,303
April-June	252,438	207,079	207,267	244,671	255,603	261,525	278,549	277,737	239,619	260,576
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Annual total	858,751	764,397	791,011	909,996	952,420	945,873	1,008,865	1,001,740	891,363	1,007,723
Percentage increase (decrease)	--	(11.0%)	3.5%	15.0%	4.7%	(0.7%)	6.7%	(0.7%)	(11.0%)	13.1%
Transactions per visitor										
January-March	16.6%	16.0%	15.7%	16.5%	15.9%	14.9%	16.0%	17.0%	16.1%	16.5%
April-June	16.3	15.8	16.3	16.5	16.5	16.1	16.7	17.5	16.0	16.1
July-September	16.7	15.8	17.0	16.5	16.9	16.0	16.6	17.6	15.6	16.3
October-December	15.6	14.8	15.3	15.4	16.0	15.0	15.6	16.7	15.4	16.2
Annual average	16.4%	15.6%	16.2%	16.2%	16.4%	15.6%	16.3%	17.3%	15.7%	16.3%

N.A. = Not available

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

Sources: Rental car transaction data compiled by the Massachusetts Port Authority from data provided by the rental car companies. Visiting passenger data based on enplaned passenger information provided by the Authority, and segmented using U.S. Department of Transportation, *Air Passenger Origin-Destination Survey* data, provided by Data Base Products.

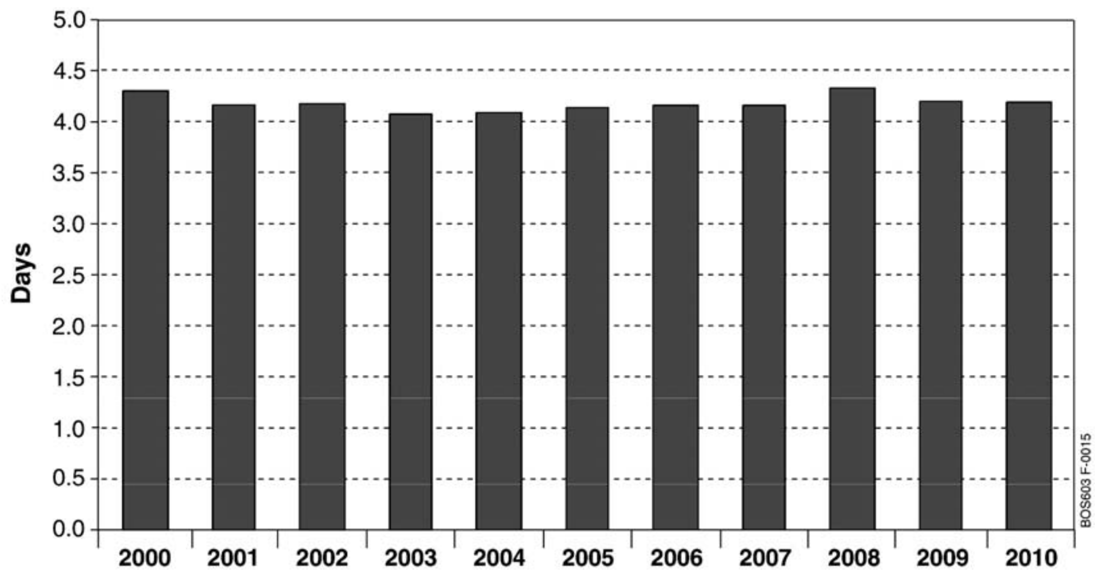
There is no apparent trend exhibited over the years, either on an annual basis, or a quarterly basis.

For purposes of this analysis, the propensity to rent a vehicle is forecast to be constant at 16.0% of visiting O&D passengers in FY 2012 and throughout the remainder of the forecast period.

Transaction Duration

As noted earlier, and shown in Table 15, there is considerable consistency in the historical trends regarding transaction duration. These trends are also shown on Figure 34. Since 2001, the annual average rental car duration has been within a relatively narrow range of 4.01 to 4.31 days, with 4.15 days in calendar year 2010. For purposes of this analysis, a constant level of annual average duration of 4.10 days per rental car transaction was assumed in FY 2012 and throughout the remainder of the forecast period.

Figure 34
HISTORICAL TRENDS IN TRANSACTION DURATION
Boston-Logan International Airport
Calendar Years

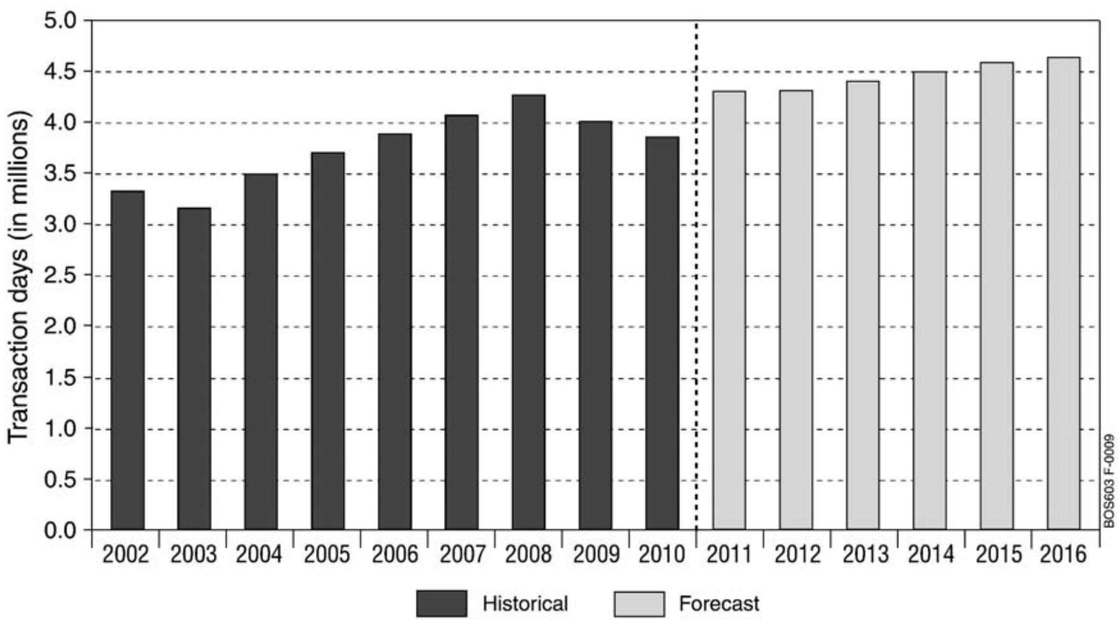


Source: Massachusetts Port Authority.

Transaction Day Forecast

Figure 35 presents historical and forecast rental car transaction days. Table 18 shows the calculation of the annual transaction day totals. For the first 10 months of FY 2011 (July 2010 through April 2011), the number of rental car transaction days was 12.7% higher than during the same period of FY 2010. It was estimated that transaction days in FY 2011 would total 4,271,000 (reflecting actual data for the first 10 months of FY 2011, and assuming that May and June 2011 transaction days would equal the prior period actual figures.) The number of transaction days is forecast to increase to 4.6 million in FY 2016.

Figure 35
FORECAST OF TRANSACTION DAYS
Boston-Logan International Airport
For Fiscal Years ending June 30



Sources: Historical data – Massachusetts Port Authority; forecast – LeighFisher.

Table 18
FORECAST OF RENTAL CAR TRANSACTION DAYS
Boston-Logan International Airport
For Fiscal Years ending June 30

	Actual		Forecast					
	FY 2009	FY 2010	FY 2011 *(a)*	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
Visiting O&D passengers	5,557,234	5,896,873	6,367,000	6,611,000	6,752,000	6,873,000	6,972,000	7,070,000
Propensity to rent a car	16.7%	15.9%	16.2%	16.0%	16.0%	16.0%	16.0%	16.0%
Rental car transactions	928,676	934,987	1,030,000	1,058,000	1,080,000	1,100,000	1,116,000	1,131,000
Average duration (days per transaction)	4.31	4.15	4.15	4.10	4.10	4.10	4.10	4.10
Rental car transaction days	4,006,610	3,876,244	4,271,000	4,337,000	4,429,000	4,509,000	4,574,000	4,637,000

(a) Based on 10 months of actual transaction day data for FY 2011.

Sources: Historical – Massachusetts Port Authority.
Forecast – LeighFisher, May 2011.

The growth rate for rental car transaction days is expected to closely mirror the growth rate for visiting O&D passengers after FY 2012, reflecting a constant propensity for visitors to rent a car (on an annual average basis) and a constant average duration of a rental car transaction.

The effects of hypothetical lower numbers of future transaction days on the finances of the ConRAC are discussed at the end of Section 5.

5. FINANCIAL ANALYSIS

FRAMEWORK FOR FINANCIAL OPERATIONS

Under the Authority's Enabling Act, it has the power, among other things, to issue revenue bonds to fix, revise, charge, and collect tolls, rates, fees, rentals, and charges for the use of its facilities; to maintain, repair, and operate and to extend, enlarge, and improve its facilities; and to construct or acquire Additional Facilities within the Commonwealth when authorized by the Legislature of the Commonwealth. The Authority has no taxing power.

THE 1978 TRUST AGREEMENT

General revenue bonds of the Authority are issued under the terms of a Trust Agreement dated August 1, 1978 (the 1978 Trust Agreement), as amended and supplemented, by and between the Authority and U.S. Bank National Association, as trustee. Under the 1978 Trust Agreement, substantially all revenues of the Authority are pledged to the repayment of the Authority's debt issued under the terms of that agreement.

The 1978 Trust Agreement provides for the Authority to identify special facilities, and to issue Special Facilities Revenue Bonds (under a separate trust agreement) that would be secured by revenue streams other than those defined as "Revenues" for purposes of the 1978 Trust Agreement. The proposed 2011 Bonds are to be issued as Special Facilities Revenue Bonds under the terms of a separate Trust Agreement (the CFC Trust Agreement, described more fully below), which is separate and distinct from the 1978 Trust Agreement.

STATUS OF CFC COLLECTIONS

In accordance with the terms of an Issuance Resolution authorizing the issuance of the proposed 2011 Bonds and the Nineteenth Supplemental Agreement to the 1978 Trust Agreement, both approved by a vote of the Members of the Authority (the Authority Board) on May 18, 2011, CFC Collections of the Authority (as well as any Contingent Rent payments from the rental car companies) are excluded from the definition of "Revenues" under the 1978 Trust Agreement. Consequently, as of the date the 2011 Bonds are issued, CFC Collections (including amounts previously collected) will not be pledged to the repayment of the Authority's general revenue bonds, and will secure the Special Facilities Revenue Bonds to be issued under the terms of the CFC Trust Agreement of the Authority (specifically, the proposed 2011 Bonds).

ENABLING RESOLUTION FOR CUSTOMER FACILITY CHARGES

On September 18, 2008, the Authority Board voted to impose a CFC for customers renting a vehicle at the Airport. In accordance with the Board's action, the rental car companies initiated the collection of a $4.00 CFC per rental car customer transaction day on December 1, 2008.

On October 27, 2009, the Authority Board voted to authorize the CFC to be increased to $6.00 per rental car transaction day as of December 1, 2009.

THE CFC TRUST AGREEMENT

The proposed 2011 Bonds are to be issued in accordance with the terms and conditions of the CFC Trust Agreement.* The 2011 Bonds (and any future Bonds issued by the Authority under the terms of the CFC Trust Agreement) are to be secured by a pledge of the CFC Collections received or receivable by the Authority (or the Trustee) and any Contingent Rent paid by the rental car companies, as well as certain insurance proceeds and condemnation awards. The CFC and Contingent Rent must be imposed at levels such that moneys sufficient to meet or exceed a Minimum Annual Requirement (as noted in the Rate Covenant section below) are collected annually.

Contingent Rent (which is defined in both the CFC Trust Agreement and the Leases) is a temporary fee to be levied by the Authority on the rental car companies operating at the ConRAC, if necessary, in response to an unexpected actual or anticipated decrease in rental car transaction days (and hence CFC Collections). Contingent Rent payments would supplement CFC Collections to pay debt service and meet certain other requirements of the CFC Trust Agreement. No requirement to impose Contingent Rent is forecast throughout the forecast period considered in this report.

In addition, as security for payment of the 2011 Bonds, the Authority has pledged the amounts on deposit in the Project Fund, the Debt Service Fund, the Reserve Funds, and the Subordinate Debt Service Fund (if any) created under the terms of the CFC Trust Agreement, as well as any investment earnings thereon.

Rate Covenant

The Authority has covenanted in Section 7.04 of the CFC Trust Agreement (the Rate Covenant) that, so long as any Bonds issued under the terms of the CFC Trust Agreement remain outstanding, it shall:

- …set the amount of the CFC (when multiplied by the total number of projected Transaction Days) plus projected Contingent Rent (if any) at an annual level sufficient to provide sufficient funds (i) to pay principal of and interest on the Bonds due in such Fiscal Year, (ii) to reimburse the Rolling Coverage Fund, the Supplemental Reserve Fund or the Debt Service Reserve

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*Capitalized terms not otherwise defined herein shall have the meanings set forth in the CFC Trust Agreement.

Fund or any reserve fund created for Subordinate Bonds for any drawings upon such Funds over a period not to exceed twenty four (24) months, as determined by the Authority, (iii) to provide funds necessary to pay any "yield reduction payments" or rebate amounts due to the United States under Section 6.09 [of the CFC Trust Agreement] for which funds in the Rebate Fund or the CFC Stabilization Fund are not otherwise available, (iv) to maintain the balance of the CFC Stabilization Fund in an amount of no less than the CFC Stabilization Fund Minimum Requirement and to reimburse any drawings below the CFC Stabilization Fund Minimum Balance over a period not to exceed twelve (12) months, as determined by the Authority, (v) to pay interest on the Authority Loan due in that Fiscal Year, (vi) to pay the ConRAC's share of the Bus Facility Debt due in that Fiscal Year pursuant to the Leases, (vii) to pay the Debt Management Fee due in that Fiscal Year pursuant to the Leases, and (viii) to make the deposit to the Maintenance Reserve Fund required in that Fiscal Year under the Leases (collectively, the sum of the amounts required by (i) through (viii) above, the "Minimum Annual Requirement"). On each Draw Down Date, following application as provided in [the CFC Trust] Agreement, any remaining CFCs and Contingent Rent shall be paid to the Authority, to be held and applied pursuant to the Leases.

- … require each RAC to pay Contingent Rent to the Trustee as provided in each Lease in an amount …to provide sufficient funds to meet the Minimum Annual Requirement for such Fiscal Year and provide additional funds equal to the difference between the CFCs and Contingent Rent (if any) received in the prior Fiscal Year and the Minimum Annual Requirement for such prior Fiscal Year …

- … the aggregate amount of CFCs and Contingent Rent (if any) required to be remitted by the RACs in each Fiscal Year shall be no less than the Aggregate Debt Service coming due in such Fiscal Year and, in the event that the amount of CFCs and Contingent Rent (if any) for any Fiscal Year is less than the Aggregate Debt Service for such Fiscal Year, the Authority covenants to increase either the CFC or the Contingent Rent, or both, for the next succeeding Fiscal Year to no less than an amount, in the aggregate, that the Authority projects to be sufficient, based upon projected Transaction Days for such Fiscal Year, to pay Aggregate Debt Service coming due in such Fiscal Year.

- … the aggregate amount of CFCs and Contingent Rent (if any) paid by the RACs in each Fiscal Year plus the amount on deposit in the Rolling Coverage Fund (up to an amount not to exceed 25% of the Aggregate Debt Service on the Bonds (other than Subordinate Bonds) in such Fiscal Year) plus amounts on deposit in the Supplemental Reserve Fund, if any, at the beginning of such Fiscal Year (up to an amount not to exceed 5% of the Aggregate Debt Service on the Bonds (other than Subordinate Bonds) in such Fiscal Year) shall be no less than 1.30 times the Aggregate Debt Service on the Bonds (other than Subordinate Bonds) plus 1.0 times the Aggregate Debt Service on the Subordinate Bonds, coming due in such Fiscal Year …

Funds and Accounts and Application of Revenues

The Authority intends to establish certain funds and accounts under the terms of Article 6 of the CFC Trust Agreement. Certain of these funds and accounts are to be held with the Trustee, while the Authority will hold others. The funds and accounts are as follows:

- ***CFC Revenue Fund:*** All CFC Collections from the rental car companies are to be deposited into the CFC Revenue Fund, which is held by the Trustee. Revenues from Contingent Rent (if any) would also be deposited into the CFC Revenue Fund.

- ***Project Fund:*** 2011 Bond proceeds, net of amounts used for reserve funding requirements, are to be deposited into one of several accounts established within the Project Fund, including the Series 2011A and Series 2011B Project Accounts (from which project development costs are to be funded), as well as accounts established to pay the costs of issuance for the proposed 2011 Bonds. The Project Fund is to be held by the Trustee, and is to be funded from 2011 Bond proceeds. Proceeds of the Authority Loan are also to be deposited into the Project Fund.

- ***Debt Service Fund:*** Two accounts are to be established within the Debt Service Fund (the Series 2011A Debt Service Account and the Series 2011B Debt Service Account) to accumulate moneys to be used for the periodic and scheduled payment of principal of and interest on the 2011 Bonds. The Debt Service Fund is to be held by the Trustee.

- ***Rolling Coverage Fund:*** This fund is to be established to hold certain moneys to be used to demonstrate debt service coverage in accordance with the Rate Covenant provisions of the CFC Trust Agreement. The Rolling Coverage Fund is to be held by the Trustee, and is to be initially funded with accumulated CFC Collections from the rental car companies.

- ***Supplemental Reserve Fund:*** This fund is to be established to hold moneys supplementary to amounts in the Debt Service Reserve Fund. The Supplemental Reserve Fund is to be held by the Trustee, and is to be funded from Series 2011B Bond proceeds.

- ***Debt Service Reserve Fund:*** This fund is to be established to hold moneys in reserve in the event that CFC Collections and Contingent Rent are not sufficient to make regularly scheduled principal and interest payments on the 2011 Bonds. The Debt Service Reserve Fund is to be held by the Trustee, and is to be funded from 2011 Bond proceeds.

- ***Subordinate Debt Service Fund:*** In the event that Subordinate Bonds are issued under the CFC Trust Agreement, a Subordinate Debt Service Fund would be established to gather funds to be used for the periodic and scheduled payment of principal of and interest on the Subordinate Bonds. The Subordinate Debt Service Fund, if established, would be held by the Trustee. Any moneys deposited to the Subordinate Debt Service Fund would not be pledged to the payment of the 2011 Bonds or other parity Bonds issued under the CFC Trust Agreement, but to Subordinate Bonds.

- ***Maintenance Reserve Fund:*** This fund provides for ongoing major maintenance activities associated with the ConRAC after DBO. In accordance with the Leases, minimum annual deposits have been set in relation to the independently verified cost of replacing the facility. This fund is to be held by the Authority (or a depository on its behalf). Balances in the Maintenance Reserve Fund are not pledged to payment of the 2011 Bonds.

- ***CFC Stabilization Fund:*** This fund serves as the depository for all remaining moneys that have not been applied pursuant to the application of revenues as described below. The Authority intends to maintain a minimum balance of $5 million in this fund. Amounts in the fund (including the minimum balance of $5 million) may be used to pay debt service on the 2011 Bonds in the event of a shortfall of funding availability from other sources. Amounts in excess of the minimum balance in the CFC Stabilization Fund are to be applied to development costs of the ConRAC during the construction period; and may be used subsequently for the repayment of principal of the Authority Loan, and for capital replacement, rental car company relocation, reserve replenishment, debt payment, rate stabilization, or any other lawful purpose. This fund is to be held by the Authority (or a depository on its behalf), and is to be initially funded from accumulated CFC Collections. Balances in the CFC Stabilization Fund are not pledged to payment of the 2011 Bonds.

- ***Rebate Fund:*** This fund shall serve as a depository for moneys (if any) required to pay the Internal Revenue Service in accordance with Section 148 of the Internal Revenue Code. The Rebate Fund is to be held by the Authority (or a depository on its behalf). Balances in the Rebate Fund are not pledged to payment of the 2011 Bonds.

The application of CFC Revenues is governed by the provisions of Section 6.03 of the CFC Trust Agreement and by Section 6.1 of the Leases. All CFC Collections and Contingent Rent payments are to be deposited to the CFC Revenue Fund. Amounts in the CFC Revenue Fund are then to be applied in the following order of priority and for the purposes listed, as shown on Figure 36:

1. ***Debt Service Fund:*** Payment of regularly scheduled interest on and principal of the 2011 Bonds.

2. ***Rolling Coverage Fund.*** In the event that moneys in this fund have been drawn down, replenishment of the fund to bring it to certain specified levels (equal to 25% of Maximum Annual Debt Service on the 2011 Bonds).

3. ***Supplementary Reserve Fund:*** In the event that moneys in this fund have been drawn down, replenishment of the fund to bring it to certain specified levels (equal to 50% of Maximum Annual Debt Service on the 2011 Bonds).

4. ***Debt Service Reserve Fund:*** In the event that moneys in this fund have been drawn down, replenishment of the fund to bring it to certain specified levels (equal to 100% of Maximum Annual Debt Service on the 2011 Bonds).

5. ***Subordinate Debt Service Fund:*** Payment of regularly scheduled interest and principal on Subordinate Bonds (if any). The Authority does not currently expect to issue Subordinate Bonds under the CFC Trust Agreement.

6. ***Subordinate Debt Service Reserve Fund:*** If applicable, in the event that the moneys in this fund have been drawn down, replenishment of the fund to bring it to certain specified levels as outlined in a future subordinate trust agreement. The Authority does not currently expect to issue Subordinate Bonds under the CFC Trust Agreement.

7. ***Rebate Fund:*** Amounts as needed to make payments to the Internal Revenue Service in accordance with Section 148 of the Internal Revenue Code.

8. ***Minimum Balance Replenishment:*** Amounts as needed to replenish the CFC Stabilization Fund, and bring the balance therein to the Minimum Balance (set at $5 million).

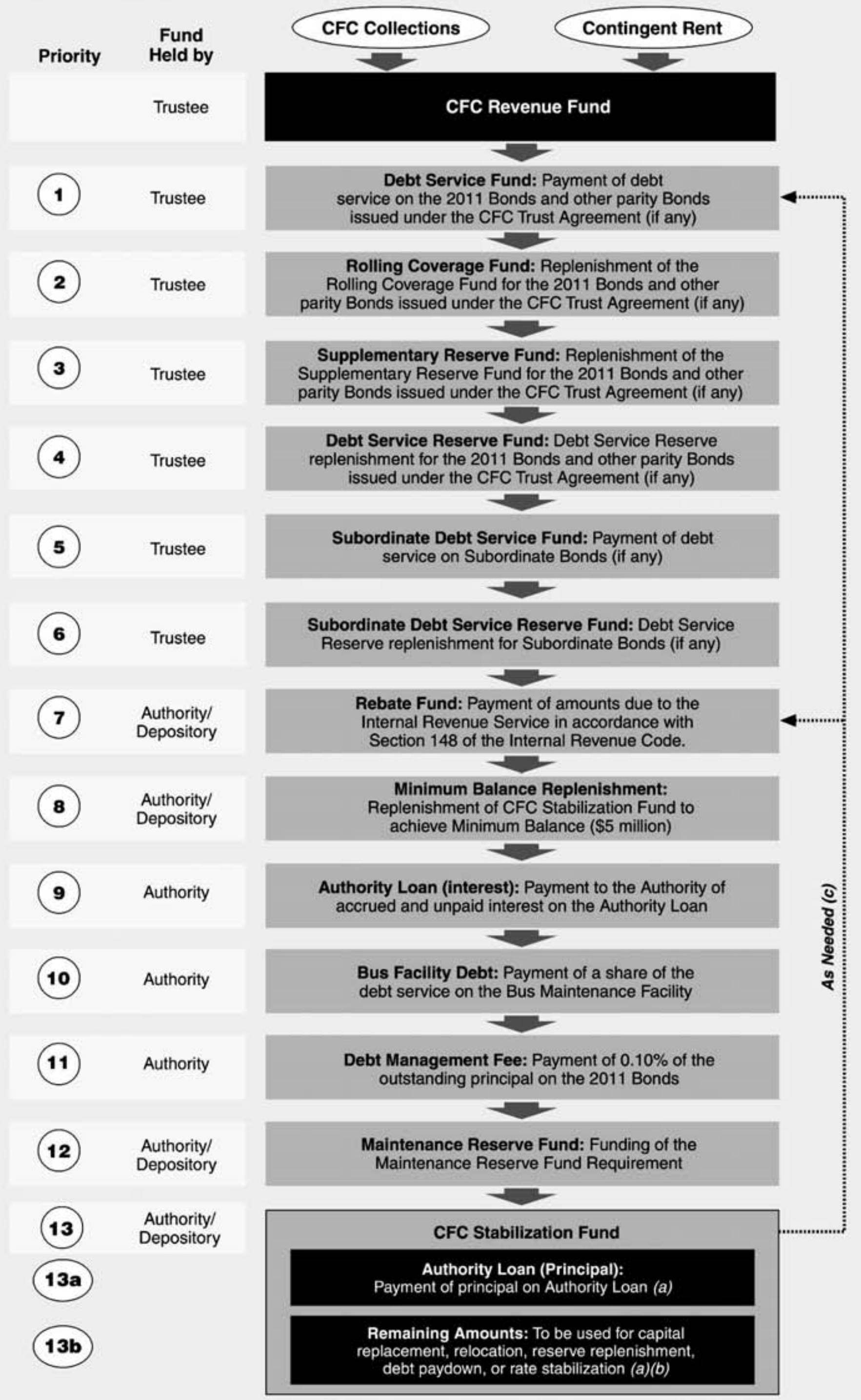
9. ***Authority Loan:*** Payment of accrued and unpaid interest on the loan made by the Authority for the ConRAC Project (as described more fully below).

10. ***Bus Facility Debt:*** Payment of an allocated amount of debt service on the Authority's Series 2010 general revenue bonds associated with development of the Bus Maintenance Facility.

11. ***Debt Management Fee:*** Payment to the Authority of an amount equivalent to 0.10% of the outstanding principal amount of the 2011 Bonds to defray the Authority's administrative costs with regard to the proposed 2011 Bonds.

12. ***Maintenance Reserve Fund:*** Deposits to this fund in accordance with the requirements of the CFC Trust Agreement and the Lease – 0.5% of the Replacement Value of the ConRAC in years 1 through 10 after DBO; 1.0% in years 11 through 20; and 1.5% per year thereafter; capped at a maximum balance of 6.0% of the Replacement Value of the ConRAC.

Figure 36
FLOW OF FUNDS



Note: In accordance with the terms of (1) the CFC Trust Agreement between the Authority and U.S. Bank National Association, as Trustee, May 18, 2011, and (2) the Leases between the Authority and the rental car companies, March 17, 2011.

(a) Amounts held in excess of the CFC Stabilization Fund Minimum Requirement ($5 million).
(b) Subsequent to the full repayment of the Authority Loan.
(c) Notwithstanding the CFC Stabilization Fund Minimum Requirement ($5 million).

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13. ***CFC Stabilization Fund:*** Depository for remaining moneys after all applications of a higher priority have been made. The Authority intends to maintain a Minimum Balance of $5 million in the fund at all times, and is to use available balances to repay principal on the Authority Loan, and for capital replacement, rental car company relocation, reserve replenishment, debt payment, rate stabilization, or any other lawful purpose. CFC Stabilization Fund balances are also to be used to fund certain ConRAC Project costs during the design and construction period. Notwithstanding the Minimum Balance requirement, the Authority may, under certain circumstances, use moneys in this fund to pay debt service on the proposed 2011 Bonds or other Bonds to be issued under the CFC Trust Agreement, or to replenish associated reserve funds if needed.

No CFC Collections are to be applied to pay for operating and routine day-to-day maintenance activities of the ConRAC, or for bus operating costs. Those costs are to be paid either directly by the rental car companies, or by rental payments to the Authority as reimbursement for certain services (separate from Contingent Rent).

Additional Bonds

The Authority may issue additional Bonds on parity with the proposed 2011 Bonds, as well as Subordinate Bonds, in accordance with the CFC Trust Agreement. Additional Bonds may be issued only: (1) to finance completion of the ConRAC Project, (2) to finance an improvement or expansion to the ConRAC Project (or a facility related to the ConRAC approved by the Authority), (3) to finance repairs or extraordinary maintenance for the ConRAC, (4) to finance the refunding of Outstanding Bonds under the CFC Trust Agreement, or (5) to pay related issuance costs or meet Bond reserve funding requirements.

The Authority does not currently expect to issue Additional Bonds to complete the ConRAC Project, and has no plans to improve or expand the ConRAC subsequent to its expected opening in fall 2013. The Authority may undertake to refinance Bonds issued under the CFC Trust Agreement, from time to time, to take advantage of financial market conditions.

Subordinate Bonds and Debt

The CFC Trust Agreement also provides for the Authority to issue additional debt subordinate to the proposed 2011 Bonds. Subordinate Bonds (or other types of subordinated debt) would be issued under the terms of Section 3.04 of the CFC Trust Agreement.

The Authority is attempting to obtain a loan from the federal government, under the terms of the Transportation Infrastructure Finance and Innovation Act (TIFIA), to fund certain elements of the ConRAC Project. No such loan has been awarded to the Authority to date, and such funding was not assumed in the analysis documented in this report. If the Authority were to receive a TIFIA loan, it would most likely reduce the level of Authority funds that are to be applied to the ConRAC Project.

The Authority is expecting to make a loan of certain available cash balances to be used for development of the ConRAC Project (the Authority Loan) under the terms of the First Supplemental Agreement to the CFC Trust Agreement. Such a loan would be repaid, with interest, from CFC Collections on a subordinated basis to the 2011 Bonds.

(The CFC Trust Agreement and the Leases also provide for the Authority to use CFC Collections to pay a share of the cost of the Bus Maintenance Facility, which was funded with proceeds of the Authority's Series 2010 general revenue bonds, as a Bus Facility Debt payment, on a subordinate basis to payment of the 2011 Bonds.)

With the exception of the potential TIFIA loan and the Authority Loan, the Authority is not expecting to issue Subordinate Bonds or other types of subordinated debt for the ConRAC Project.

CONRAC PROJECT COSTS

Exhibit A shows the estimated costs of the ConRAC Project. The total estimated cost of $300 million includes all hard and soft costs and allowances for contingencies, including planning, design, environmental permitting, construction, and commissioning. The design elements of the project are currently under way. As of April 21, 2011, the ConRAC Project was at the 76% design stage, weighted by construction cost for the various project elements. Only the design of the taxicab and bus/limousine staging areas (or pools) was less than 60% complete. Construction activities are scheduled to begin in June 2011, and the new facility is expected to be operational by fall 2013.

On April 21, 2011, the Authority accepted a guaranteed maximum price quote of $234 million from Suffolk Construction Company, Inc., for construction of the ConRAC Project. All construction elements of the project combined represent approximately 78% of the estimated cost of the entire ConRAC Project. The Authority Board approved a $300 million budget for the project on the same date.

CONRAC PROJECT PLAN OF FINANCE

As shown in Exhibit B, the estimated funding sources for the ConRAC Project include (1) proceeds from the sale of the 2011 Bonds, (2) accumulated CFC Collections (including amounts collected to date and amounts expected to be collected through DBO of the project), (3) a Voluntary Airport Low Emission (VALE) program grant from the FAA to be used to partially fund the acquisition of the shuttle buses, (4) Authority funds in the form of direct funding of certain supporting infrastructure elements of the ConRAC Project (such as roadways), and (5) the

Authority Loan, which is expected to be repaid from CFC Collections on a subordinated basis to the 2011 Bonds.

Exhibit B also shows the expected uses of funds for the ConRAC Project. The net proceeds of the 2011 Bonds, and certain investment earnings thereon, are to be used to (1) pay a portion of the costs of the ConRAC Project, (2) fund the Supplemental Reserve Fund Requirement for the 2011 Bonds, (3) fund the Debt Service Reserve Fund requirement for the 2011 Bonds, and (4) pay the costs of issuance of the 2011 Bonds.

DEBT SERVICE REQUIREMENTS

Exhibit C shows the forecast annual Aggregate Debt Service requirements for the 2011 Bonds. Debt service requirements for the proposed 2011 Bonds were provided by the Authority and its underwriters for the 2011 Bonds, on the basis of certain data and information provided by the Authority regarding the cost and timing of the ConRAC Project elements and the following assumptions:

True interest cost	7.01%
Bond term	30 years

The 2011 Bonds were assumed to be issued at a fixed interest rate. It was assumed that there would be $6.6 million of capitalized interest on the Series 2011A Bonds, and no capitalized interest on the Series 2011B Bonds.

Exhibit C also shows the forecast of investment income on the funds with balances pledged to the payment of the 2011 Bonds. Investment income is to be generated in the CFC Revenue Fund, the Debt Service Fund, the Debt Service Reserve Fund, the Rolling Coverage Fund, and the Supplemental Reserve Fund, as well as the CFC Stabilization Fund (the interest income on which is to be deposited to the Debt Service Fund, although balances in the CFC Stabilization Fund are not pledged to the payment of the 2011 Bonds). It was assumed that interest on the Debt Service Reserve Fund would be 0.75% per year and that interest on all other funds would be 0.5% per year.

Aggregate Debt Service is forecast to increase from $12.9 million in FY 2012 to $16.4 million in FY 2016.

CFC TRANSACTION DAY AND REVENUE FORECAST

Exhibit D presents historical and forecast visiting O&D passengers, rental car transaction days, the CFC per transaction day, and CFC Collections. For purposes of this analysis, it was assumed that the CFC would remain at $6.00 per transaction day throughout the forecast period.

Rental car transaction days are forecast to increase from 3.9 million in FY 2010 to 4.3 million in FY 2011, and to 4.6 million in FY 2016. CFC Collections are forecast to increase from an estimated $25.6 million in FY 2011 (the first full year of CFC collections at the $6.00 level) to $27.8 million in FY 2016.

As noted earlier, any Contingent Rent collected from the rental car companies would also be pledged to payment of the 2011 Bonds and deposited into the CFC Revenue Fund. It is forecast that there will be no need to impose Contingent Rent during the forecast period.

APPLICATION OF CFC REVENUES

Exhibit E presents the forecast application of CFC Revenues as required under the CFC Trust Agreement and the Leases. No deposits are forecast to be needed to the Rolling Coverage Fund (except for an initial amount needed to fund it from accumulated CFC Collections in FY 2011), the Supplemental Reserve Fund, the Debt Service Reserve Fund, or the Rebate Fund during the forecast period. No replenishment is forecast to be needed to maintain a Minimum Balance in the CFC Stabilization Fund. No deposits are forecast to be made to the Subordinate Debt Service Fund or the Subordinate Debt Service Reserve Fund, as the Authority does not anticipate issuing Subordinate Bonds under the terms of the CFC Trust Agreement during the forecast period.

The Authority Loan is assumed to carry an interest rate equivalent to the yield on the Series 2011B Bonds, and the balance is assumed to be paid down as quickly as possible as cash becomes available in the CFC Stabilization Fund (subject to the $5 million Minimum Balance requirement in the CFC Stabilization Fund).

The balance in the CFC Stabilization Fund is forecast to be at least $5.6 million during each year of the forecast period.

DEBT SERVICE COVERAGE

Exhibit F presents the calculation of forecast debt service coverage in accordance with the Rate Covenant of the CFC Trust Agreement in each year through FY 2016. Debt service coverage is forecast to be at least equal to 1.94 during each year FY 2012 through FY 2016, and to be at least equal to 1.64 without the benefit of any portion of the Rolling Coverage Fund and Supplemental Reserve Fund balances. Thus, the Rate Covenant provision of the CFC Trust Agreement is forecast to be met in each Fiscal Year of the forecast period.

SENSITIVITY TESTS

To test the sensitivity of the financial forecasts to hypothetical lower levels of rental car transactions, two sensitivity analysis projections were developed in addition to the base forecast. The sensitivity analysis projections should not be considered forecasts of expected future results.

Sensitivity Test 1

Exhibit G presents a summary of projected debt service coverage under the hypothetical assumption that rental car transaction day totals for FY 2012 decrease by an amount proportionate to the decrease actually experienced between calendar years 2001 and 2002 (i.e., 14.3%), with a subsequent rebound over the next 2 years. This test represents a reduction of 15.6% from the number of transaction days forecast for FY 2012 in the base case. Passenger and rental car activity at the Airport have followed this general trend of quickly rebounding following a sharp decline in each of the last three economic downturns – the economic recessions of the early 1990s, the early 2000s, and the recent downturn of 2008 and 2009.

All other assumptions under this sensitivity test are the same as for the base forecast, including a $6.00 CFC levy throughout the forecast period, and no imposition of Contingent Rent. Under this sensitivity test, debt service coverage ratios are projected to be lower than those for the base forecast, but to at least equal 1.85 times the annual debt service requirement with the benefit of a portion of the Rolling Coverage Fund and Supplemental Reserve Fund balances, and 1.55 without the Rolling Coverage Fund and Supplemental Reserve Fund balances in each year FY 2012 through FY 2016.

Sensitivity Test 2

Exhibit H presents a summary of projected debt service coverage under the hypothetical assumption that rental car transaction day totals for FY 2012 decrease to a number equivalent to the lowest observed number in any calendar year since 2001—specifically, to 3.17 million, the number actually recorded in calendar year 2002 (the year following the terrorist attacks of September 11, 2001), and further, that there would be no subsequent rebound in activity beyond the baseline growth levels. This test represents a reduction of 18.2% from the actual number of transaction days in FY 2010 (and a 26.9% reduction from the number of transaction days forecast for FY 2012 in the base case). This test represents a far worse activity profile than has actually been experienced at the Airport at any time over the past 20 years.

All other assumptions under this sensitivity test are the same as for the base forecast, including a $6.00 CFC levy throughout the forecast period, and no imposition of Contingent Rent. Under this sensitivity test, debt service coverage ratios are projected to be lower than those for the base forecast, but to at least equal 1.50 times the annual debt service requirement with the benefit of a portion of the Rolling Coverage Fund and Supplemental Reserve Fund balances, and at least 1.20 without the Rolling Coverage Fund and Supplemental Reserve Fund balances in each year FY 2012 through FY 2016.

Exhibit A

ESTIMATED CONRAC PROJECT COSTS
Boston-Logan International Airport

Project Element	**Estimated cost**
ConRAC garage	$ 92,384,000
Customer service center	57,414,000
Quick turnaround (QTA) facilities	42,107,000
Site work & temporary facilities	26,442,000
Circulating roads and Airport buffer (a)	44,113,000
Authority roads and contaminated soil allowance	12,540,000
Bus fleet (b)	25,000,000
Total ConRAC Project costs	$ 300,000,000

(a) To be funded with proceeds of the Series 2011A Bonds.
(b) 67% of the bus fleet costs will be paid with CFCs, with the balance to be paid with Authority funds.
Source: Massachusetts Port Authority, April 2011.

Exhibit B

PLAN OF FINANCE (SOURCES AND USES OF FUNDS)
ConRAC Project
Boston-Logan International Airport

	Repayable from CFC Revenues					
	Proposed 2011 Bonds	**Authority Loan**	**Accumulated CFC Collections (a)**	**VALE program grant**	**Other Authority funds (b)**	**Total**
Sources of Funds						
Par amount of the 2011 Bonds	$ 211,560,000	$ -	$ -	$ -	$ -	$ 211,560,000
Premium/original issue discount	(1,041,211)	-	-	-	-	(1,041,211)
Interest earnings during construction	-	-	-	-	-	-
Other funds	-	26,000,000	73,288,000	4,811,000	20,790,000	124,889,000
Total sources of funds	$ 210,518,789	$ 26,000,000	$ 73,288,000	$ 4,811,000	$ 20,790,000	$ 335,407,789
Uses of Funds						
ConRAC Project costs	$ 175,111,000	$ 26,000,000	$ 73,288,000	$ 4,811,000	$ 20,790,000	$ 300,000,000
Bond-related funds and costs						
Supplemental Reserve Fund	8,377,259	-	-	-	-	8,377,259
Debt Service Reserve Fund	16,754,518	-	-	-	-	16,754,518
Funds for capitalized interest (c)	6,611,967	-	-	-	-	6,611,967
Bond issuance costs	3,176,963	-	-	-	-	3,176,963
Contingency	487,082	-	-	-	-	487,082
Total uses of funds	$ 210,518,789	$ 26,000,000	$ 73,288,000	$ 4,811,000	$ 20,790,000	$ 335,407,789

(a) Accumulated CFC Collections, including amounts already collected and forecast to be collected through opening of the ConRAC.
(b) Authority sources could include cash balances and proceeds of bonds issued under the 1978 Trust Agreement.
(c) Funds for capitalized interest are held in the Project Fund until they are disbursed.
Source: Massachusetts Port Authority and it underwriters for the 2011 Bonds.

Exhibit C

FORECAST DEBT SERVICE REQUIREMENTS
2011 BONDS
Boston-Logan International Airport
(For Fiscal Years ending June 30)

This exhibit is based on information from the sources indicated and assumptions provided by, or reviewed with and agreed to by, Authority management, as described in the accompanying text. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there will be differences between the forecast and actual results, and those differences may be material.

		Forecast				
	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
Annual debt service on proposed 2011 Bonds	$ -	$ 13,386,594	$ 13,460,470	$ 16,750,827	$ 16,751,202	$ 16,752,080
Less interest income (a)	-	(500,515)	(512,298)	(294,574)	(317,372)	(319,228)
Aggregate Debt Service	$ -	$ 12,886,079	$ 12,948,172	$ 16,456,253	$ 16,433,830	$ 16,432,852

(a) Interest earnings on the Debt Service Reserve Fund, the Rolling Coverage Fund, the Supplemental Reserve Fund, and the CFC Stabilization Fund credited to the Debt Service Fund, as well as interest earnings on balances in the Debt Service Fund.
Source: Massachusetts Port Authority and its underwriters for the 2011 Bonds. See text for assumptions.

Exhibit D

HISTORICAL AND FORECAST
TRANSACTION DAYS AND CFC COLLECTIONS

Boston-Logan International Airport
(For Fiscal Years ending June 30)

This exhibit is based on information from the sources indicated and assumptions provided by, or reviewed with and agreed to by, Authority management, as described in the accompanying text. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there will be differences between the forecast and actual results, and those differences may be material.

	Actual		Forecast					
	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
Visiting origin/destination passengers	5,557,234	5,896,873	6,367,000	6,611,000	6,752,000	6,873,000	6,972,000	7,070,000
Rental car transaction days	4,006,610	3,876,244	4,271,000	4,337,000	4,429,000	4,509,000	4,574,000	4,637,000
Percentage change		*-3.3%*	*10.2%*	*1.5%*	*2.1%*	*1.8%*	*1.4%*	*1.4%*
CFC per transaction day (a)	$4.00	$6.00	$6.00	$6.00	$6.00	$6.00	$6.00	$6.00
CFC Collections (b)	$ 6,738,592	$ 19,139,602	$ 25,630,000	$ 26,022,000	$ 26,574,000	$ 27,054,000	$ 27,444,000	$ 27,822,000
Percentage change		*184.0%*	*33.9%*	*1.5%*	*2.1%*	*1.8%*	*1.4%*	*1.4%*

(a) The initial CFC was $4.00 per transaction day as of December 1, 2008, and was increased to $6.00 on December 1, 2009 (mid-FY 2010).
(b) The FY 2009 and FY 2010 CFC Collections shown in this exhibit reflect the CFCs that were collected for transactions in those Fiscal Years. The Authority's audited financial statements for those periods reflect CFC collections of $5,211,000 for FY 2009 (for the 6 months December 2008 to May 2009), and $20,688,000 for FY 2010 (for the 13 months June 2009 through June 2010).
Source: Actual data - Massachusetts Port Authority.

Exhibit E

FORECAST APPLICATION OF CFC REVENUES
Boston-Logan International Airport
(For Fiscal Years ending June 30)

This exhibit is based on information from the sources indicated and assumptions provided by, or reviewed with and agreed to by, Authority management, as described in the accompanying text. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there will be differences between the forecast and actual results, and those differences may be material.

			Forecast				
	Priority	**FY 2011 (a)**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**
Revenues							
CFC Collections		$ 25,630,000	$ 26,022,000	$ 26,574,000	$ 27,054,000	$ 27,444,000	$ 27,822,000
Contingent Rent payments		-	-	-	-	-	-
Total		$ 25,630,000	$ 26,022,000	$ 26,574,000	$ 27,054,000	$ 27,444,000	$ 27,822,000
Application of Revenues							
Debt Service Fund deposit	1	-	$ 12,886,079	$ 12,948,172	$ 16,456,253	$ 16,433,830	$ 16,432,852
Rolling Coverage Fund deposit	2	$ 4,188,630	-	-	-	-	-
Supplemental Reserve Fund deposit	3	-	-	-	-	-	-
Debt Service Reserve Fund deposit	4	-	-	-	-	-	-
Subordinate Debt Service Fund deposit	5	-	-	-	-	-	-
Subordinate Debt Service Reserve Fund deposit	6	-	-	-	-	-	-
Rebate Fund deposit	7	-	-	-	-	-	-
Minimum Balance replenishment (b)	8	-	-	-	-	-	-
Authority Loan (interest payments)	9	-	-	-	536,000	1,890,000	1,345,000
Bus Facility Debt payment	10	-	-	-	618,000	618,000	618,000
Debt Management Fee payment	11	-	216,000	209,000	207,000	204,000	201,000
Maintenance Reserve Fund deposit	12	-	-	-	1,075,000	1,097,000	1,118,000
CFC Stabilization Fund deposit	13	21,441,370	12,919,921	13,416,828	8,161,747	7,201,170	8,107,148
Total Application of Revenues		$ 25,630,000	$ 26,022,000	$ 26,574,000	$ 27,054,000	$ 27,444,000	$ 27,822,000
CFC Stabilization Fund balance (end of year)		$ 27,520,000	$ 40,439,000	$ 5,569,000	$ 5,568,000	$ 5,568,000	$ 5,568,000

Note: Application of Revenues in accordance with Article 6 of the CFC Trust Agreement and the Leases.

(a) Cumulative spending on the ConRAC Project from accumulated CFC Collections was $8.7 million through March 31, 2011 (and overall project spending - including on non-CFC funded elements of the Project - was $32.4 million through the same date). The CFC Stabilization Fund deposit for FY 2011 shown here assumes that all CFC Collections in FY 2011 (except for an amount used to fund the Rolling Coverage Account) will be deposited into this Fund, and disbursed to pay ConRAC Project costs as needed thereafter.

(b) The Minimum Balance in the CFC Stabilization Fund is set at $5 million.

Exhibit F

FORECAST DEBT SERVICE COVERAGE
Boston-Logan International Airport
(For Fiscal Years ending June 30)

This exhibit is based on information from the sources indicated and assumptions provided by, or reviewed with and agreed to by, Authority management, as described in the accompanying text. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there will be differences between the forecast and actual results, and those differences may be material.

	Forecast					
	FY 2011	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**
Revenues						
CFC Collections	$ 25,630,000	$ 26,022,000	$ 26,574,000	$ 27,054,000	$ 27,444,000	$ 27,822,000
Contingent Rent payments	-	-	-	-	-	-
	$ 25,630,000	$ 26,022,000	$ 26,574,000	$ 27,054,000	$ 27,444,000	$ 27,822,000
Rolling Coverage Fund balance (a)	-	3,222,000	3,237,000	4,114,000	4,108,000	4,108,000
Supplemental Reserve Fund balance (b)	-	644,000	647,000	823,000	822,000	822,000
	$ 25,630,000	$ 29,888,000	$ 30,458,000	$ 31,991,000	$ 32,374,000	$ 32,752,000
Aggregate Debt Service		12,886,079	12,948,172	16,456,253	16,433,830	16,432,852
Debt Service Coverage		2.32	2.35	1.94	1.97	1.99
Debt Service Coverage requirement		*1.30*	*1.30*	*1.30*	*1.30*	*1.30*
Debt Service Coverage (without portions of the Rolling Coverage Fund and Supplemental Reserve Fund balances)		2.02	2.05	1.64	1.67	1.69

(a) In an amount not to exceed 25% of Aggregate Debt Service.
(b) In an amount not to exceed 5% of Aggregate Debt Service.

Exhibit G

PROJECTED DEBT SERVICE COVERAGE - SENSITIVITY TEST 1
Boston-Logan International Airport
(For Fiscal Years ending June 30)

This exhibit is based on information from the sources indicated and assumptions provided by, or reviewed with and agreed to by, Authority management, as described in the accompanying text. Inevitably, some assumptions used to develop the projections will not be realized and unanticipated events and circumstances may occur. Therefore, there will be differences between the projected and actual results, and those differences may be material.

	Projected					
	FY 2011	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**
Rental car transaction-days	4,271,000	3,660,000	3,832,000	4,254,000	4,315,000	4,374,000
Percentage change		*-14.3%*	*4.7%*	*11.0%*	*1.4%*	*1.4%*
Revenues						
CFC Collections (a)	$ 25,630,000	$ 21,960,000	$ 22,992,000	$ 25,524,000	$ 25,890,000	$ 26,244,000
Contingent Rent payments	-	-	-	-	-	-
	$ 25,630,000	$ 21,960,000	$ 22,992,000	$ 25,524,000	$ 25,890,000	$ 26,244,000
Rolling Coverage Fund balance (b)	-	3,222,000	3,237,000	4,114,000	4,108,000	4,108,000
Supplemental Reserve Fund balance (c)	-	644,000	647,000	823,000	822,000	822,000
	$ 25,630,000	$ 25,826,000	$ 26,876,000	$ 30,461,000	$ 30,820,000	$ 31,174,000
Aggregate Debt Service		12,886,079	12,948,172	16,456,253	16,433,830	16,432,852
Debt Service Coverage		2.00	2.08	1.85	1.88	1.90
Debt Service Coverage requirement		*1.30*	*1.30*	*1.30*	*1.30*	*1.30*
Debt Service Coverage (without portions of the Rolling Coverage Fund and Supplemental Reserve Fund balances)		1.70	1.78	1.55	1.58	1.60

(a) Assuming a $6.00 CFC per transaction day.
(b) In an amount not to exceed 25% of Aggregate Debt Service.
(c) In an amount not to exceed 5% of Aggregate Debt Service.

Exhibit H

PROJECTED DEBT SERVICE COVERAGE - SENSITIVITY TEST 2
Boston-Logan International Airport
(For Fiscal Years ending June 30)

This exhibit is based on information from the sources indicated and assumptions provided by, or reviewed with and agreed to by, Authority management, as described in the accompanying text. Inevitably, some assumptions used to develop the projections will not be realized and unanticipated events and circumstances may occur. Therefore, there will be differences between the projected and actual results, and those differences may be material.

	Projected					
	FY 2011	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**
Rental car transaction-days	4,271,000	3,170,000	3,237,000	3,295,000	3,342,000	3,389,000
Percentage change		*-25.8%*	*2.1%*	*1.8%*	*1.4%*	*1.4%*
Revenues						
CFC Collections (a)	$ 25,630,000	$ 19,020,000	$ 19,422,000	$ 19,770,000	$ 20,052,000	$ 20,334,000
Contingent Rent payments	-	-	-	-	-	-
	$ 25,630,000	$ 19,020,000	$ 19,422,000	$ 19,770,000	$ 20,052,000	$ 20,334,000
Rolling Coverage Fund balance (b)	-	3,222,000	3,237,000	4,114,000	4,108,000	4,108,000
Supplemental Reserve Fund balance (c)	-	644,000	647,000	823,000	822,000	822,000
	$ 25,630,000	$ 22,886,000	$ 23,306,000	$ 24,707,000	$ 24,982,000	$ 25,264,000
Aggregate Debt Service		12,886,079	12,948,172	16,456,253	16,433,830	16,432,852
Debt Service Coverage		1.78	1.80	1.50	1.52	1.54
Debt Service Coverage requirement		*1.30*	*1.30*	*1.30*	*1.30*	*1.30*
Debt Service Coverage (without portions of the Rolling Coverage Fund and Supplemental Reserve Fund balances)		1.48	1.50	1.20	1.22	1.24

(a) Assuming a $6.00 CFC per transaction day.
(b) In an amount not to exceed 25% of Aggregate Debt Service.
(c) In an amount not to exceed 5% of Aggregate Debt Service.

APPENDIX B

SUMMARY OF CERTAIN PROVISIONS OF THE CFC TRUST AGREEMENT

The following is a summary of the CFC Trust Agreement. The summary does not purport to set forth all of the provisions of such document, to which reference is made for the complete and actual terms thereof.

DEFINITIONS OF CERTAIN TERMS

The terms defined below are among those used in this Official Statement and not otherwise defined in the forepart of the Official Statement and in the summary of the CFC Trust Agreement that follows.

"Account" means each account established within the Project Fund, the Debt Service Fund, each Reserve Fund, the Subordinate Debt Service Fund, a Subordinate Reserve Fund, if any, or the Rebate Fund pursuant to the provisions of the CFC Trust Agreement.

"Additional Bonds" means one or more Series of Additional Bonds or Subordinate Bonds issued pursuant to the CFC Trust Agreement and a Supplemental Agreement.

"***Aggregate Debt Service***" shall mean, with respect to one or more designated Series of Outstanding Bonds or, if no Bonds are designated, all Bonds Outstanding under the CFC Trust Agreement, for any period, the amount of all interest accrued in such period plus the amount required to pay principal coming due in such period on such Bonds; provided, however, that if the stated period is a Fiscal Year, the amount of principal shall be the principal payable on any date commencing with July 2 in such Fiscal Year and ending with July 1 in the following Fiscal Year, both inclusive, net of interest earned on any Fund or Account and deposited to the Debt Service Fund and Subordinate Debt Service Fund (as applicable) during such period and available for payment of principal of or interest on such Bonds.

"Airport RAC Customer" shall mean a Person that rents, picks up or enters into a written or oral agreement for the rental of any type of passenger vehicle from a RAC or an Off-Airport RAC, either at the Airport or at a service facility not located at the Airport if, and only if, a courtesy vehicle is used to transport such Person to and from the ConRAC.

"Authorized Denomination" means (a) with respect to the Series 2011 Bonds, $5,000 or any integral multiple thereof, and (b) with respect to any Series of Additional Bonds, such amounts as shall be specified in the Supplemental Agreement relating thereto.

"Authorized Officer" shall mean, in the case of the Authority, the Executive Director, the Director of Aviation, the Director of Administration & Finance and Secretary/Treasurer, the Director of Finance and Treasury, and any other officer or employee of the Authority designated in writing by one of the foregoing officers of the Authority, and in the case of the Trustee shall mean any officer within the corporate trust department (or similar group) of the Trustee responsible for the administration of the CFC Trust Agreement, including any vice president, assistant vice president, assistant secretary, assistant treasurer, trust officer or any other officer of the Trustee who customarily performs functions similar to those performed by the persons who at the time shall be such officers, respectively, or to whom any corporate trust matter is referred because of such person's knowledge of and familiarity with the particular subject.

"Bond Counsel" means any attorney at law or firm of attorneys, selected by the Authority and reasonably acceptable to the Trustee, of nationally recognized standing in matters pertaining to the validity of and the tax-exempt nature of interest on bonds issued by states and their political subdivisions, duly admitted to the practice of law before the highest court of any state of the United States of America.

"Bond Year" means any one-year period ending on July 1, other than the initial Bond Year, which shall commence on the Closing Date and end on July 1, 2012.

"Business Day" means any day other than a Saturday, Sunday or legal holiday or the equivalent (other than a moratorium) on which banking institutions generally in any of the City of Boston, Massachusetts, or New York, New York are authorized or required by law or executive order to close.

"Closing Date" means the date of delivery of the Series 2011 Bonds to the initial purchasers thereof against payment therefor.

"Completion Certificate" means the completion certificate required under the CFC Trust Agreement to be executed by the Authority upon the completion of the Project.

"*ConRAC*" shall mean the consolidated rental car facility. The ConRAC consists of the following: (i) a garage ("***Garage***") containing four stories, three of which will be used for the RACs' vehicle ready/return operations and the fourth level, which will be used for the RACs' vehicle storage; (ii) an adjoining Customer Service Center ("***CSC***"), for customer service counters, waiting areas, and back-office and storage purposes; and (iii) quick turn-around vehicle service maintenance/storage areas ("***QTAs***") on the land immediately adjacent to the Garage and the CSC, together with the landscaped buffer areas adjacent to the Garage, the CSC and the QTAs and the circulating roadways located between such buffer areas and the Garage, CSC and QTAs.

"*Consultant*" shall mean any one or more consultants selected by the Authority with expertise in the administration, financing, planning, maintenance and operations of airports and facilities thereof and qualified to review and assess the anticipated CFCs and recommend to the Authority the amount of the CFC, and Contingent Rent, if required, and who, in the case of an individual, shall not be a member, officer or employee of the Authority.

"*Contingent Rent*" shall be a temporary fee levied by the Authority pursuant to the ConRAC Lease Agreements payable by the RACs to the Trustee in order to respond to an unexpected actual or anticipated decrease in Transaction Days in order to supplement CFC revenues in order to pay principal of and interest on the Bonds and the TIFIA Loan, to reimburse the Rolling Coverage Fund, the Supplemental Reserve Fund and the Debt Service Reserve Fund for any drawings upon such funds, and to meet certain other financial obligations under the CFC Trust Agreement and the ConRAC Lease Agreements.

"*Date of Beneficial Occupancy*" or **"*DBO*"** shall mean the date as of which the counter and office space at the CSC, the ready/return stalls and the staging areas in the ConRAC, and the QTA Areas known as "QTA 1" and "QTA 2" are functionally operational, which date shall be stipulated in a written notice from the Director to the RACs, as provided in each ConRAC Lease Agreement.

"*Debt Management Fee*" shall mean a fee payable to the Authority in connection with the issuance of the Bonds, which shall be an annual amount equal to one-tenth of one percent (0.10%) of the aggregate principal amount of the Bonds then outstanding on the first day of such Fiscal Year.

"*Defeasance Obligations*" shall mean those investment securities set forth in paragraphs (a), (b) or (j) of the definition of Permitted Investments.

"*Depositary*" shall mean any bank or trust company, which may include the Trustee, duly authorized by law to engage in the banking business and selected by the Authority as a depositary of moneys under the provisions of the CFC Trust Agreement.

"*Draw Down Date*" shall mean the twenty-fifth (25^{th}) day of each month or, if such day is not a Business Day, the next succeeding Business Day of each month that any Bonds remain Outstanding.

"*DSRF Requirement*" means one hundred percent (100%) of the Maximum Annual Debt Service on the Bonds (other than Subordinate Bonds) then Outstanding.

"*Fiscal Year*" shall mean the Authority's Fiscal Year, commencing on July 1 and expiring on the following June 30^{th}.

"Fund or Funds" means any of the Project Fund, the Debt Service Fund, the Rolling Coverage Fund, the Supplemental Reserve Fund, the Debt Service Reserve Fund, the Subordinate Debt Service Fund, a Subordinate Reserve Fund or Funds, if any are established, the Maintenance Reserve Fund and the CFC Stabilization Fund.

"*Interest Payment Date*" for the Series 2011 Bonds shall mean January 1 and July 1 of each year that the Series 2011 Bonds remain Outstanding, and for any other Bonds, the dates set forth in the Supplemental Agreement entered into in connection with the issuance of such Bonds.

"*Maintenance Reserve Fund*" shall mean the maintenance reserve fund maintained and held by the Authority, the funds on deposit in which shall be disbursed by the Authority in the Authority's discretion, for the purposes and in the manner described in the ConRAC Lease Agreements.

"Majority of the Bondholders" means the holders of more than fifty percent (50%) of the aggregate principal amount of Outstanding Bonds.

"*Maximum Annual Debt Service*" for any Bonds (other than Subordinate Bonds) that are Outstanding shall mean the maximum annual scheduled payments of principal of and interest on such Bonds in any future Bond Year, excluding any accrued or capitalized interest.

"*Off-Airport RAC* or *RACs*" shall mean and refer to any Person operating a rental car concession servicing Airport RAC Customers from a location other than the ConRAC.

"Outstanding Bonds" or ***"Bonds outstanding"*** means the amount of principal of the Bonds which has not at the time been paid, exclusive of (a) Bonds in lieu of which others have been authenticated under the CFC Trust Agreement, (b) principal of any Bond which has become due (whether by maturity, call for redemption or otherwise) and for which provision for payment as required in the CFC Trust Agreement has been made, (c) principal of any Bond that is defeased as provided in the CFC Trust Agreement, and (d) for purposes of any direction, consent or waiver under the CFC Trust Agreement, Bonds deemed not to be outstanding pursuant to the CFC Trust Agreement.

"Paying Agent" means the Trustee or any other paying agent appointed in accordance with the CFC Trust Agreement.

"Payment Date" means each Interest Payment Date, Principal Payment Date or any other date on which any principal of, premium, if any, or interest on any Bond is due and payable for any reason, including without limitation upon any redemption of Bonds pursuant to the CFC Trust Agreement.

"*Permitted Investments*" shall mean any of the following securities:

(a) Direct general obligations of, or obligations the timely payment of principal of and interest on which are fully and unconditionally guaranteed by, the United States of America ("Government Obligations");

(b) certificates or receipts representing direct ownership of future interest or principal payments on Government Obligations or any obligations of agencies or instrumentalities of the United States of America which are backed by the full faith and credit of the United States, which certificates or receipts are issued directly by the United States Department of Treasury or by the agency or instrumentality issuing such obligations or which obligations are held by a custodian in safekeeping on behalf of the holders of such receipts;

(c) bonds, debentures, notes or other evidences of indebtedness issued by any of the following: Federal Home Loan Mortgage Corporation ("Freddie Mac"); Federal Home Loan Banks; Federal National Mortgage Association ("Fannie Mae"); Government National Mortgage Association; Bank for Cooperatives; Farm Credit System; Federal Intermediate Credit Banks; Federal Financing Bank; Export-

Import Bank of the United States; Federal Land Banks; or any other agency or instrumentality of the United States of America;

(d) [reserved];

(e) (i) time or demand deposits, certificates of deposit, or other similar banking arrangements with any government securities dealer, bank, trust company, savings and loan association, national banking association or other savings institution, provided that such deposits, certificates, and other arrangements are fully insured by the Federal Deposit Insurance Corporation, or (ii) time or demand deposits or certificates of deposit with any bank, trust company, national banking association or other savings institution, provided such deposits and certificates are in or with a bank, trust company, national banking association or other savings institution whose long-term unsecured debt is rated in one of the three highest long-term rating categories by S&P and Moody's (if such Rating Agencies are Rating Agencies) and, if rated by any other Rating Agency, rated in any of the three highest rating categories of such Rating Agency;

(f) repurchase agreements collateralized by securities described in subparagraph (a), (b), or (c) above with any primary dealer recognized by a Federal Reserve Bank or any commercial bank the long-term unsecured debt of which (or of the corporate parent of which), in either case, is rated in one of the three highest long-term rating categories by S&P and Moody's (if such rating agencies are Rating Agencies) and, if rated by any other Rating Agency, rated in any of the three highest rating categories of such Rating Agency; provided that (i) a specific written repurchase agreement governs the transaction, (ii) the securities are held, free and clear of any lien, by the Authority or the Trustee, as the case may be, or an independent third party acting solely as agent for the Authority or the Trustee, and such third party is (1) a Federal Reserve Bank, or (2) a bank, savings and loan association, or diversified securities broker dealer having at least $5 billion in assets and $500 million in capital and subject to regulation of capital standards by any state or federal regulatory agency, and the Authority or the Trustee will have received written confirmation from such third party that it holds such securities, free and clear of any lien, as agent for the Authority or the Trustee, (iii) if the repurchase agreement has a term of more than one day then the Authority or the Trustee will value the collateral securities daily and will liquidate the collateral securities if any deficiency in the required collateral percentage is not restored within two business days of notification to the provider, (iv) the fair market value of the collateral securities in relation to the amount of the repurchase obligation, including principal and interest, is equal to at least 102% and (v) the repurchase agreement shall provide that if during its term the provider's rating by either S&P or Moody's is withdrawn or suspended or falls below "A-" by S&P or "A3" by Moody's, the provider must, at the direction of the Authority or the Trustee, within ten days of receipt of such direction, repurchase all collateral and terminate the agreement, with no penalty or premium charged to the Authority or the Trustee;

(g) shares in open-end investment funds, provided such funds are: (i) registered under the Federal Investment Company Act of 1940 (the "40 Act") and operated in accordance with 17 C.F.R. 270.2a.7; (ii) rated in the highest rating category by S&P or Moody's (if such rating agencies are Rating Agencies) and, if rated by any other Rating Agency, rated in the highest rating category of such Rating Agency; and (iii) properly registered for sale in the Commonwealth of Massachusetts.

(h) commercial paper rated in the highest rating category by S&P and Moody's (if such rating agencies are Rating Agencies) and, if rated by any other Rating Agency, rated in the highest rating category of such Rating Agency;

(i) bankers acceptances issued by a domestic bank or a federally chartered domestic office of a foreign bank, which are (i) eligible for purchase by the Federal Reserve System, and (ii) rated in the highest rating category by S&P or Moody's (if such rating agencies are Rating Agencies) and, if rated by any other Rating Agency, rated in the highest rating category of such Rating Agency;

(j) advance-refunded municipal bonds;

(k) short-term or long-term obligations that are rated in any of the two highest rating categories by S&P and Moody's (if such rating agencies are Rating Agencies) and if rated by any other Rating Agency, rated in any of the two highest rating categories of such Rating Agency, or shares of investment companies registered under the federal Investment Company Act of 1940 that are authorized to invest primarily in such obligations;

(l) participation units in a combined investment fund created under Section 38A of Chapter 29 of the General Laws of the Commonwealth;

(m) investments or deposits in the Massachusetts Municipal Depository Trust;

(n) investment contracts with, or guaranteed by, banks or other financial institutions whose long-term unsecured debt or claims-paying ability is rated in one of the two highest rating categories by S&P and Moody's (if such rating agencies are Rating Agencies) and, if rated by any other Rating Agency, rated in the two highest rating categories of such Rating Agency; provided, that each such contract shall provide that if during its term the provider's rating by either S&P or Moody's is withdrawn or suspended or falls below "A-" by S&P or "A3" by Moody's, the provider must, at the direction of the Authority or the Trustee, within ten days of receipt of such direction, terminate such contract, with no penalty or premium charged to the Authority or the Trustee; and

(o) any other investment authorized pursuant to an amendment or supplement to the CFC Trust Agreement.

Obligations of any Trustee, Paying Agent or Depositary or an affiliate thereof may be Permitted Investments, provided that they otherwise qualify.

"Pledged Receipts" means all CFCs received or receivable by the Trustee for the account of the Authority, all Contingent Rent payable by the RACs, all casualty insurance proceeds and condemnation awards required to be applied pursuant to the CFC Trust Agreement, and all moneys, investments and proceeds on deposit in the Project Fund, the Debt Service Fund, the Reserve Funds, the Subordinate Debt Service Fund, and a Subordinate Reserve Fund, if any, and interest and investment earnings thereon, subject to the provisions of the CFC Trust Agreement regarding moneys for the benefit of the holders of particular Bonds. The Pledged Receipts shall not include moneys, investments and proceeds in the Rebate Fund, the Maintenance Reserve Fund or the CFC Stabilization Fund, and shall not include certain rights retained by the Authority.

"Principal Payment Date" means July 1 of each year in which principal of the Bonds of any Series is due and payable.

"*RAC*" shall mean a Person that operates a rent-a-car business serving Airport RAC Customers under terms of a Concession Agreement with the Authority and who leases space within the ConRAC.

"Rating Agency" means, as of any date, each of Fitch, Moody's and S&P, and any other Nationally Recognized Statistical Rating Organization ("NRSRO") designated by the Authority by notice to the Trustee; provided, however, that the Authority may substitute any NRSRO for any of Fitch, Moody's or S&P by notice to the Trustee, as long as the Authority uses its best efforts to ensure that the Bonds or any Series thereof are rated by no less than two Rating Agencies.

"Rebate Installment Date" means the dates selected by the Authority pursuant to the Regulations for the payment of rebate or yield reduction payments as provided in the CFC Trust Agreement, the first of which shall be no later than 60 days after the close of the fifth Bond Year for each Series of Tax-Exempt Bonds. Each such Rebate Installment Date shall be no more than five years following the next preceding Rebate Installment Date. Rebate Installment Date shall also include a date selected by the Authority which is no later than 60 days following the final payment of each Series of Tax-Exempt Bonds which is treated as a separate series for federal tax purposes.

"Rebate Requirement" shall have the meaning set forth in this Appendix B under the heading "SUMMARY OF CERTAIN PROVISIONS OF THE CFC TRUST AGREEMENT – Rebate Fund."

"Record Date" means (a) with respect to the Series 2011 Bonds, with respect to each Payment Date the close of business on the fifteenth day of the month immediately preceding the month in which such Payment Date occurs, (b) with respect to any other Series of Bonds, the date specified in the Supplemental Agreement providing for the issuance of such Series of Bonds.

"*Refunding Bonds*" shall mean one or more Series of Bonds issued pursuant to the CFC Trust Agreement to refund Outstanding Bonds.

"*Replacement Value*" shall mean the replacement cost of the ConRAC, other than the foundation of the ConRAC, any equipment owned by any RAC in the ConRAC, and the portion of the Airport's consolidated bus transportation system (including the Bus Maintenance Facility) allocated to the ConRAC. Replacement Value shall be determined annually by the Authority's Consulting Engineer (as defined in the 1978 Trust Agreement).

***"Required Reserve Amounts*"** shall mean, respectively, the Rolling Coverage Fund Requirement, the Supplemental Reserve Fund Requirement and the DSRF Requirement for each Series of Bonds.

"*Reserve Funds*" shall mean, collectively, the Rolling Coverage Fund, the Supplemental Reserve Fund and the Debt Service Reserve Fund, and no other Funds.

"Series" means each of the Series 2011A Bonds and the Series 2011B Bonds issued pursuant to the CFC Trust Agreement and each series of Additional Bonds issued pursuant to a Supplemental Agreement.

"Series 2011A Project" shall mean that portion of the Project consisting of public roadways and other related facilities and infrastructure that are eligible for funding with the proceeds of Tax-Exempt Bonds under the Code.

"Subordinate Bonds" shall mean any Series of Additional Bonds issued pursuant to the CFC Trust Agreement and a Supplemental Agreement.

"Supplemental Agreement" means each supplement to the CFC Trust Agreement entered into pursuant to the CFC Trust Agreement providing for the issuance of a Series of Additional Bonds or a supplement entered into for the purposes and in the manner set forth therein.

"*Tax-Exempt Bonds*" shall mean the Series 2011A Bonds and any other Series of Additional Bonds the interest on which is excludable from the gross income of the recipient thereof for federal income tax purposes.

"*Transaction Day*" shall mean each twenty-four hour period (or fraction thereof) that a vehicle is rented by an Airport RAC Customer; provided, however, that if a RAC's vehicle rental contract contains a grace period for the vehicle's return at the end of such vehicle's rental period of no more than fifty-nine (59) minutes, during which grace period such RAC will not charge a customer a further vehicle rental fee or other form of late return fee, then the CFC shall not be imposed during such grace period and such grace period shall not be considered a further Transaction Day.

"Trust Estate" means the Pledged Receipts and other rights assigned by the Authority to the Trustee under the CFC Trust Agreement.

"Variable Rate" means an interest rate on a Series of Bonds which rate is subject to change from time to time as specified in the applicable Supplemental Agreement.

SUMMARY OF CERTAIN PROVISIONS OF THE CFC TRUST AGREEMENT

Pledge and Assignment

In order to secure the due payment of principal and premium, if any, and interest on the Bonds and compliance by the Authority with its agreements contained in the CFC Trust Agreement, the Authority has granted, pledged and assigned to the Trustee for the benefit of the Bondholders all of its right, title and interest in and to the Pledged Receipts. The pledge thereof and the provisions, covenants and agreements set forth in the CFC Trust Agreement to be performed by or on behalf of the Authority with respect to the Bonds (other than the Subordinate Bonds) shall be for the equal benefit, protection and security of the holders of any and all Bonds (other than the Subordinate Bonds), and the pledge thereof and the provisions, covenants and agreements herein set forth to be performed by or on behalf of the Authority with respect to the Subordinate Bonds shall be for the equal benefit, protection and security of the holders of any and all Subordinate Bonds, each of which, regardless of the time or times of its issue or maturity, shall be of equal rank with the other holders of the Bonds (other than the Subordinate Bonds), or Subordinate Bonds, as the case may be, without preference, priority or distinction over any other thereof except as expressly provided in the CFC Trust Agreement.

In each of the ConRAC Lease Agreements, the RACs have acknowledged that the CFCs collected by the RACs prior to remittance to the Trustee or the Authority shall be subject at all times to a first lien for the repayment of the Bonds and the TIFIA Loan, if any, and that the RACs shall not grant to any third party (other than the Authority) any liens or encumbrances on CFCs, and that any lien or encumbrance on CFCs granted by a RAC to a third party or otherwise purported to be obtained by a third party shall be void and of no force or effect. In each of the ConRAC Lease Agreements, the RACs have agreed that all CFCs collected by the RACs are not income, revenue or any other asset of the RACs, that the RACs have no legal or equitable ownership or property interest in the CFCs, and the RACs have waived any claim to a possessory or legal or equitable ownership interest in the CFCs. Prior to remittance to the Trustee or the Authority, CFCs shall be held by the RACs as funds in trust for the benefit of the Authority, and the Authority (or the Trustee on its behalf) shall have complete possessory and legal and equitable ownership rights to the CFCs.

Defeasance of Lien

When the Authority has paid or has been deemed to have paid, within the meaning of the CFC Trust Agreement, to the holders of all of the Bonds the principal and interest and premium, if any, due or to become due thereon at the times and in the manner stipulated therein and herein, and all other obligations owing to the Trustee under the CFC Trust Agreement have been paid or provided for, the lien of the CFC Trust Agreement on the Trust Estate shall terminate, except that, notwithstanding termination of the lien hereof, the obligations to make all payments required by the Rebate Requirement (as described below) and to take any other action under the Rebate Requirement shall continue until all such obligations and actions have been paid and performed in full.

Outstanding Bonds shall be deemed to have been paid if the Trustee shall have paid to the holders of such Bonds, or shall be holding in trust for and shall have irrevocably committed to the payment of such Outstanding Bonds, moneys sufficient for the payment of all principal of and interest and premium, if any, on such Bonds to the date of maturity or redemption, as the case may be; provided, that if any of such Bonds are Tax-Exempt Bonds, and are deemed to have been paid prior to the earlier of the redemption or the maturity thereof, the Trustee and the Authority shall have received an unqualified opinion of Bond Counsel that such payment and the holding thereof by the Trustee shall not in and of itself cause interest on such Tax-Exempt Bonds to be included in gross income for federal income tax purposes; and provided, further, that if any such Bonds are to be redeemed prior to the maturity thereof, notice of such redemption shall have been duly given to the Bondholders or irrevocable provision satisfactory to the Trustee shall have been duly made for the giving of such notice.

Outstanding Bonds also shall be deemed to have been paid if the Trustee shall be holding in trust for and shall have irrevocably committed to the payment of such Outstanding Bonds Defeasance Obligations the principal installments of and/or the interest on which when due, without reinvestment, will provide moneys which, together with moneys, if any, so held and so committed, shall be sufficient for the payment of all principal of and interest and premium, if any, on such Bonds to the date of maturity or redemption, as the case may be and a report in form and substance acceptable to the Trustee and the Authority of a verification agent acceptable to the Trustee and the Authority verifying that the principal installments of and/or the interest on such Defeasance Obligations, if paid when due and without reinvestment, will, together with any moneys so deposited, be sufficient for the payment of all principal of and interest and premium, if any, on such Bonds to the date of maturity or redemption, as the case may be; provided, that if any of such Bonds are Tax-Exempt Bonds and deemed to have been paid prior to the earlier of the redemption or the maturity thereof, the Trustee and the Authority shall have received an unqualified opinion of Bond Counsel that such payment and the holding of such Defeasance Obligations and moneys, if any, shall not in and of itself cause interest on such Tax-Exempt Bonds to be included in gross income for federal income tax purposes; and provided, further, that if any such Bonds are to be redeemed prior to the maturity thereof, notice of such redemption shall have been duly given or irrevocable provision satisfactory to the Trustee shall have been duly made for the giving of such notice.

Any moneys held by the Trustee for the defeasance of Bonds shall be invested by the Trustee only in Defeasance Obligations which do not contain provisions permitting redemption at the option of the issuer, the maturities or redemption dates, without premium, of which shall coincide as nearly as practicable with, but not be later than, the time or times at which said moneys will be required for the aforesaid purposes. The making of any such investments or the sale or other liquidation thereof shall not be subject to the control of the Authority and the Trustee shall have no responsibility for any losses resulting from such investment. Any income or interest earned by, or increment to, such investments, to the extent determined from time to time by the Trustee to be in excess of the amount required to be held by it for the defeasance of such Bonds, shall be paid first to the Trustee to the extent necessary to repay any unpaid obligations owing to the Trustee. The remainder, if any, shall be paid to the Authority.

Source and Application of Funds

Establishment of Funds and Accounts

(a) The following Funds are established under CFC Trust Agreement:

(1) CFC Revenue Fund;

(2) Project Fund;

(3) Debt Service Fund;

(4) Rolling Coverage Fund;

(5) Supplemental Reserve Fund;

(6) Debt Service Reserve Fund;

(7) Subordinate Debt Service Fund;

(8) Maintenance Reserve Fund;

(9) CFC Stabilization Fund; and

(10) Rebate Fund.

(b) All such Funds shall be established, maintained and accounted for as provided in the CFC Trust Agreement so long as any Bonds remain Outstanding. The CFC Revenue Fund, the Project Fund, the Debt Service Fund, the Rolling Coverage Fund, the Supplemental Reserve Fund, the Debt Service Reserve Fund, and the Subordinate Debt Service Fund shall constitute trust funds which shall be held by the Trustee for the benefit of the Owners of the Bonds and are part of the Trust Estate. The Rebate Fund, the Maintenance Reserve Fund and the CFC Stabilization Fund do not constitute trust funds held for the benefit of the Owners of the Bonds and are not part of the Trust Estate. To the extent that any of the Rebate Fund, the Maintenance Reserve Fund or the CFC Stabilization Fund shall be held by the institution serving as the Trustee, each such Fund shall be held by it as a Depositary for the Authority and not as Trustee for the benefit of the Bondholders under the CFC Trust Agreement.

(c) The Authority and the Trustee reserve the right to establish additional Funds, sub-funds, Accounts and subaccounts from time to time under Supplemental Agreements; and any such Supplemental

Agreement may provide that amounts on deposit in such Funds, sub-funds, Accounts and subaccounts shall be held by the Trustee for the sole and exclusive benefit of a particular Series of Bonds as may be specifically designated in such Supplemental Agreement.

Project Fund; Costs of Issuance Account

(a) Within the Project Fund, the following Accounts are established:

(1) the Series 2011A Project Account;

(2) the Series 2011B Project Account; and

(3) the Series 2011 Costs of Issuance Account.

(b) The Trustee shall disburse funds on deposit in the Series 2011A Project Account and the Series 2011B Project Account only upon receipt of a requisition certificate executed by an Authorized Officer of the Authority. Such amounts may be applied to pay costs of the Project, including without limitation to reimburse advances made by the Authority or the RACs for such costs; provided however, that amounts on deposit in the Series 2011A Project Account shall only be applied to pay costs of the Series 2011A Project. Following the delivery of a Completion Certificate by the Authority, any amounts remaining in the Series 2011A Project Account and the Series 2011B Project Account shall be transferred to the applicable Account within the Debt Service Fund and applied to pay principal of or interest on the applicable Series of Bonds as the same next come due; provided, however, that any amounts certified to the Trustee by the Authority shall be retained within the designated Account within the Project Fund for payment of costs of the Project not yet due and payable. Any such retained funds remaining after full payment of all such costs shall likewise be transferred to the applicable Account within the Debt Service Fund and applied to pay principal of or interest on the applicable Series of the Series 2011 Bonds.

(c) The Trustee shall disburse funds on deposit in the Series 2011 Costs of Issuance Account only upon receipt of a requisition certificate executed by an Authorized Officer of the Authority. Such amount may be applied to pay costs of issuing each Series of the Series 2011 Bonds. After paying all Costs of Issuance for a Series of Bonds, any surplus amounts remaining in the Series 2011 Costs of Issuance Account shall be deposited to the applicable Account within the Project Fund, if any, or, if there is no such Account within the Project Fund, to the related Account within the Debt Service Fund.

(d) Upon issuance of any Series of Additional Bonds, additional Accounts within the Project Fund may be created, and the funds within such Accounts applied, as may be provided in the Supplemental Agreement entered into in connection with the issuance of such Bonds.

(e) <u>Insurance Proceeds and Condemnation Awards</u>. In the event that any proceeds of casualty insurance policies or condemnation awards are delivered to the Trustee pursuant to the CFC Trust Agreement for the purpose of financing the repair, reconstruction, restoration or replacement of the Project or any portion thereof, the Trustee shall deposit such funds into a separate Account within the Project Fund and shall disburse such funds as provided for funds in the Project Fund. Any amounts remaining after the completion of any such restoration and provision for all costs thereof (as the same are certified by the Authority to the Trustee) shall be deposited in the applicable Account or Accounts within the Debt Service Fund and applied to the payment of principal of or interest on the Bonds next coming due.

CFC Revenue Fund; Flow of Funds

(a) Unless specifically directed otherwise in the CFC Trust Agreement, all Revenues received by the Trustee shall be deposited upon receipt to the CFC Revenue Fund.

(b) On or before the Draw Down Date each month, the Trustee shall transfer moneys then on deposit in the CFC Revenue Fund in the following order of priority in accordance with the written statement of the Authority, delivered on or before the Draw Down Date:

(1) First, the Trustee shall transfer, to each Account within the Debt Service Fund established for a Series of Bonds (other than Subordinate Bonds), (i) amounts sufficient to pay one-sixth of the interest due on Bonds of such Series on the next succeeding Interest Payment Date if such Series bears interest at a fixed rate, or an amount specified in the applicable Supplemental Agreement if such Series bears interest at a variable rate, as applicable, net of interest earnings on deposit in such Account, provided that payments prior to the first Interest Payment Date after the issuance of a Series of Bonds shall be adjusted to the extent necessary so that the total amount of interest due on such Bonds on that Interest Payment Date will have been paid into the applicable Debt Service Account in equal installments prior to that Interest Payment Date, and (ii) amounts sufficient to pay one-twelfth of the principal amount of the Bonds of such Series coming due on the next succeeding Principal Payment Date (including sinking fund installments), net of interest earnings on deposit in such Account, provided that payments prior to the first Principal Payment Date after the issuance of a Series of Bonds shall be adjusted to the extent necessary so that the total amount of principal due on such Bonds on that Principal Payment Date will have been paid into the applicable Debt Service Account in equal installments prior to that Principal Payment Date.

(2) Second, the Trustee shall transfer in substantially equal monthly installments over a period determined by the Authority of up to twenty-four (24) months to the Rolling Coverage Fund amounts necessary to cause the amount on deposit therein to equal the Rolling Coverage Fund Requirement.

(3) Third, the Trustee shall transfer in substantially equal monthly installments over a period determined by the Authority of up to twenty-four (24) months to the Supplemental Reserve Fund amounts necessary to cause the amount on deposit therein to equal the Supplemental Reserve Fund Requirement.

(4) Fourth, the Trustee shall transfer in substantially equal monthly installments over a period determined by the Authority of up to twenty-four (24) months to the Debt Service Reserve Fund amounts necessary to cause the amount on deposit therein to equal the DSRF Requirement.

(5) Fifth, the Trustee shall transfer, after taking into account any amounts representing capitalized interest therein, to each Account within the Subordinate Debt Service Fund established for a Series of Subordinate Bonds, (i) amounts sufficient to pay one-sixth of the interest due on Subordinate Bonds of such Series on the next succeeding Interest Payment Date if such Series bears interest at a fixed rate, or an amount specified in the applicable Supplemental Agreement if such Series bears interest at a variable rate, as applicable, provided that payments prior to the first Interest Payment Date after the issuance of a Series of Subordinate Bonds shall be adjusted to the extent necessary so that the total amount of interest due on such Subordinate Bonds on that Interest Payment Date will have been paid into the applicable Subordinate Debt Service Account in equal installments prior to that Interest Payment Date, and (ii) amounts sufficient to pay one-twelfth of the principal amount of the Subordinate Bonds of such Series coming due on the next succeeding Principal Payment Date, provided that payments prior to the first Principal Payment Date after the issuance of a Series of Subordinate Bonds shall be

adjusted to the extent necessary so that the total amount of principal due on such Subordinate Bonds on that Principal Payment Date will have been paid into the applicable Subordinate Debt Service Account in equal installments prior to that Principal Payment Date.

(6) Sixth, if and to the extent required by a Supplemental Agreement providing for the issuance of one or more Series of Subordinate Bonds, the Trustee shall transfer in substantially equal monthly installments over a period determined by the Authority of up to twenty-four (24) months to the applicable Accounts within the Subordinate Reserve Fund, if any, the amounts necessary to cause the amount on deposit therein to equal the amount or amounts set forth in the applicable provisions of the Supplemental Agreement that provided for the issuance of such Subordinate Bonds.

(7) Seventh, with respect to any Series of Tax-Exempt Bonds, the Trustee shall transfer to the Rebate Fund for such Series of Tax-Exempt Bonds the amounts calculated to be due to the Internal Revenue Service as arbitrage rebate for such Series of Tax-Exempt Bonds in accordance with any arbitrage rebate calculation provided to the Trustee with respect to a Series of Tax-Exempt Bonds pursuant to the Rebate Requirement, to the extent that funds are not already on deposit therein.

(8) Eighth, the Trustee shall transfer to the Authority for application in accordance with the terms of each ConRAC Lease Agreement all remaining moneys.

(c) If on any Draw Down Date, the Revenues in the CFC Revenue Fund are insufficient to make the required deposit to any Account within the Debt Service Fund pursuant to the CFC Trust Agreement, the Trustee shall provide notice to the Authority of such shortfall and the Authority shall transfer to the Trustee for deposit in the applicable Account or Accounts within the Debt Service Fund any and all moneys in the CFC Stabilization Fund up to the amount of such shortfall, notwithstanding the CFC Stabilization Fund Minimum Requirement.

(d) If, two Business Days before any Payment Date, the amounts on deposit in the Debt Service Account established for any Series of Bonds (other than Subordinate Bonds) are insufficient to pay the interest or the principal or redemption price payable on the Bonds of such Series as the same shall become due, moneys held in the following Funds or Accounts shall be transferred to or by the Trustee from said Funds or Accounts in the following order to each such Debt Service Account in order to satisfy said deficiency therein:

(1) First, the Trustee shall provide notice to the Authority of such shortfall and the Authority shall transfer to the Trustee for deposit in the applicable Accounts within the Debt Service Fund any and all moneys in the CFC Stabilization Fund up to the amount of such shortfall, notwithstanding the CFC Stabilization Fund Minimum Requirement;

(2) Second, if moneys in the CFC Stabilization Fund are insufficient to satisfy the deficiency, the Trustee shall transfer to the applicable Account within the Debt Service Fund moneys in the Rolling Coverage Fund;

(3) Third, if moneys in the CFC Stabilization Fund and Rolling Coverage Fund are insufficient to satisfy the deficiency, the Trustee shall transfer to the applicable Account within the Debt Service Fund moneys in the Supplemental Reserve Fund; and

(4) Fourth, if moneys in the CFC Stabilization Fund, Rolling Coverage Fund and Supplemental Reserve Fund are insufficient to satisfy the deficiency, the Trustee shall transfer to the applicable Account within the Debt Service Fund moneys in the Debt Service Reserve Fund.

Debt Service Fund

(a) Within the Debt Service Fund the following Accounts are created:

(1) the Series 2011A Debt Service Account; and

(2) the Series 2011B Debt Service Account.

(b) On each Payment Date, funds on deposit in the Series 2011A Debt Service Account shall be applied to pay principal of and interest on the Series 2011A Bonds then due, and funds on deposit in the Series 2011B Debt Service Account shall be applied to pay principal of and interest on the Series 2011B Bonds then due.

(c) Upon the issuance of any Series of Additional Bonds (other than Subordinate Bonds), such additional Accounts within the Debt Service Fund may be created, and the funds within such Accounts applied, as may be provided in the Supplemental Agreement entered into in connection with the issuance of such Bonds.

(d) Notwithstanding any provision of the CFC Trust Agreement to the contrary, on the date that the funds on deposit in the Reserve Funds, plus the amounts if any, on deposit in the Debt Service Fund, are sufficient to pay the remaining principal of, premium, if any, and interest on the Bonds (other than Subordinate Bonds) as and when due, the Authority may direct the Trustee to transfer the funds on deposit in the Reserve Funds to the Debt Service Fund and apply the same to the payment of the final maturities of principal of such Bonds, premium, if any, and interest thereon as and when due on the remaining Payment Dates.

Rolling Coverage Fund

(a) Upon the issuance of the Series 2011 Bonds, the amount of the Rolling Coverage Fund Requirement for the Series 2011 Bonds shall be transferred from the funds held by the Authority, representing a portion of CFCs collected prior to the date of issuance of the Series 2011 Bonds and not previously applied to pay costs of the Project, and deposited to the Rolling Coverage Fund. Funds on deposit in the Rolling Coverage Fund shall be applied by the Trustee as provided in (d)(2) above under "*CFC Revenue Fund; Flow of Funds*" to pay principal of and interest on the Bonds (other than Subordinate Bonds) in the event that the amount on deposit in the Debt Service Fund and available amounts from the CFC Stabilization Fund on any Payment Date are insufficient to pay the principal of or interest then due on any Series of Bonds (other than Subordinate Bonds).

(b) Upon the issuance of any Series of Additional Bonds (other than Subordinate Bonds), additional amounts shall be deposited to the Rolling Coverage Fund so that the amount on deposit therein is equal to the Rolling Coverage Fund Requirement following the issuance of such Bonds.

(c) On each Principal Payment Date, following payment of principal of and interest on the Bonds due on such Payment Date, if the amount on deposit in the Rolling Coverage Fund is in excess of the Rolling Coverage Fund Requirement as calculated on such Payment Date, the difference between the amount on deposit in such Fund and the Rolling Coverage Fund Requirement shall be withdrawn from the Rolling Coverage Fund and deposited to the Debt Service Fund.

Supplemental Reserve Fund

(a) Upon the issuance of the Series 2011 Bonds, the amount of the Supplemental Reserve Fund Requirement applicable to the Series 2011 Bonds shall be deposited to the Supplemental Reserve Fund. Such deposit shall be derived from proceeds of the Series 2011B Bonds. Funds on deposit in the Supplemental Reserve Fund shall be applied by the Trustee as provided in (d)(3) above under "*CFC Revenue Fund; Flow of Funds*" to pay principal of and interest on the Bonds (other than Subordinate

Bonds) in the event that the amount on deposit in the Debt Service Fund and available amounts from the CFC Stabilization Fund and the Rolling Coverage Fund on any Payment Date are insufficient to pay the principal of or interest then due on any Series of Bonds (other than Subordinate Bonds).

(b) Upon the issuance of any Series of Additional Bonds (other than Subordinate Bonds), additional amounts shall be deposited to the Supplemental Reserve Fund so that the amount on deposit therein is equal to the Supplemental Reserve Fund Requirement following the issuance of such Bonds.

(c) On each Principal Payment Date, following payment of principal of and interest on the Bonds due on such Payment Date, if the amount on deposit in the Supplemental Reserve Fund is in excess of the Supplemental Reserve Fund Requirement as calculated on such Payment Date, the difference between the amount on deposit in such Fund and the Supplemental Reserve Fund Requirement shall be withdrawn from the Supplemental Reserve Fund and deposited to the Debt Service Fund.

Debt Service Reserve Fund

(a) Upon the issuance of the Series 2011 Bonds, the amount of the DSRF Requirement applicable to the Series 2011 Bonds shall be deposited to the Debt Service Reserve Fund. Proceeds of the Series 2011A Bonds in an amount equal to the lesser of (x) ten percent (10%) of the proceeds of the Series 2011A Bonds, (y) Maximum Annual Debt Service on the Series 2011A Bonds, or (z) one hundred twenty-five percent (125%) of the average annual principal of and interest on the Series 2011A Bonds shall be deposited to the Debt Service Reserve Fund. The remaining amount of the DSRF Requirement applicable to the Series 2011 Bonds shall be derived from proceeds of the Series 2011B Bonds. Funds on deposit in the Debt Service Reserve Fund shall be applied by the Trustee as provided in (d)(4) above under "*CFC Revenue Fund; Flow of Funds*" to pay principal of and interest on the Bonds (other than Subordinate Bonds) in the event that the amount on deposit in the Debt Service Fund and available amounts from the CFC Stabilization Fund, the Rolling Coverage Fund and the Supplemental Reserve Fund on any Payment Date are insufficient to pay the principal of or interest then due on any Series of Bonds (other than Subordinate Bonds).

(b) Upon the issuance of any Series of Additional Bonds (other than Subordinate Bonds), additional amounts shall be deposited to the Debt Service Reserve Fund so that the amount on deposit therein is equal to the DSRF Requirement following the issuance of such Bonds.

(c) On each Principal Payment Date, following payment of principal of and interest on the Bonds due on such Payment Date, if the amount on deposit in the Debt Service Reserve Fund is in excess of the DSRF Requirement as calculated on such Payment Date, the difference between the amount on deposit in such Fund and the DSRF Requirement shall be withdrawn from the Debt Service Reserve Fund and deposited to the Debt Service Fund.

Subordinate Debt Service Fund

(a) Upon the issuance of any Series of Subordinate Bonds, one or more Accounts within the Subordinate Debt Service Fund shall be created, and the funds within such Accounts applied, as may be provided in the Supplemental Agreement entered into in connection with the issuance of such Subordinate Bonds.

(b) On each Principal Payment Date, funds on deposit in each Account within the Subordinate Debt Service Fund Account shall be applied to pay principal of the applicable Series of Subordinate Bonds then due and on each Interest Payment Date, funds on deposit in each Account within the Subordinate Debt Service Fund shall be applied to pay interest on the applicable Series of Subordinate Bonds then due.

Rebate Fund

The Authority has covenanted that it shall take all action necessary to comply with section 148 of the Code, including the payments when due of all amounts payable to the United States of America thereunder, and shall refrain from taking any action contrary to section 148 of the Code (the "***Rebate Requirement***"). For this purpose, a Rebate Fund has been established pursuant to the CFC Trust Agreement, but to the extent any of the provisions of the CFC Trust Agreement are inconsistent with section 148 of the Code, the Authority shall not be required to comply with such provisions but shall be required to comply with section 148 of the Code.

(a) Establishment. The Rebate Fund shall be for the sole benefit of the United States of America and shall not be subject to the lien of the CFC Trust Agreement or to the claim of any other Person, including without limitation the Bondholders and the Authority, and monies in such Fund shall not be commingled with moneys in any other Fund or Account established under the CFC Trust Agreement. The Rebate Fund is established for the purpose of compliance with section 148(f) of the Code. The requirements of the CFC Trust Agreement are subject to, and shall be interpreted in accordance with, section 148(f) of the Code. Within the Rebate Fund there is established the Series 2011A Rebate Account. Additional Accounts within the Rebate Fund shall be established for each Series of Additional Bonds that are Tax-Exempt Bonds in and to the extent provided in the Supplemental Agreement providing for such Series and shall be administered as provided therein.

(b) Calculation of Rebate Deposits and Payments.

(1) Promptly upon the close of each Bond Year and also upon the retirement of each Series of Tax-Exempt Bonds, the Trustee shall provide the Authority with a statement of earnings on all Funds and Accounts with respect to the Tax-Exempt Bonds held in trust under the CFC Trust Agreement which are subject to the requirements of Section 6.09 of the CFC Trust Agreement during any period not covered by a prior statement delivered pursuant to Section 6.09 of the CFC Trust Agreement. The statement shall include the purchase and sale prices of each investment (including any commission paid thereon, which shall be separately stated if such information is available), the dates of each investment transaction, information as to whether such transactions were made at a discount or premium, and such other information known to the Trustee as the Authority shall reasonable require.

(2) At least 15 days prior to each Rebate Installment Date, the Authority shall cause a Rebate Professional (as defined below), in accordance with the Regulations, to determine and report to the Trustee the amount, if any, payable to the United States with respect to each Series of Tax-Exempt Bonds as of such Rebate Installment Date (it being assumed for the purposes of such calculation that the Tax-Exempt Bonds are being paid in full on the last day of the Bond Year most recently ended prior to such Date) based upon the Nonpurpose Payments and Nonpurpose Receipts (as defined in the applicable Treasury Regulations) allocated to the Tax-Exempt Bonds. Such amount shall consist of: (1) the difference between the future values, as of the applicable Rebate Installment Date, of all Nonpurpose Payments (including, as authorized by the applicable Treasury Regulations, any rebate previously paid) and Nonpurpose Receipts (whether held under the CFC Trust Agreement or otherwise), reduced by (2) the amounts, if any, already on deposit in the applicable Account of the Rebate Fund. For purposes of calculating the foregoing future values, the yield on the Tax-Exempt Bonds, determined in accordance with the Regulations, shall be used. Except as may otherwise be provided by law, the computation of the amounts to be deposited into the Rebate Fund need not take into account any earnings on any "tax exempt bond" under section 150(a)(6) of the Code and section 1.150-1 of the Regulations and which is not a specified private activity bond as defined in section 57(a)(5)(C) of the Code or any earnings as to which exceptions are provided under section 148(f)(4)(A), (B) or (C) or the Code or section 1.148-7 of the Regulations. The Authority shall also determine the amount of any applicable "yield reduction payments", as provided under section 1.148-5(c) of the Regulations, which are treated as rebated payments for purposes of the Rebate Requirement.

(c) Payment of Rebate.

(1) No earlier than 60 days, or later than 35 days, before each Rebate Installment Date, the Trustee is required to notify the Authority of its obligation to furnish the following with respect to each Series of Tax-Exempt Bonds which is a separate series for federal income tax purposes not later than 15 days prior to the applicable Rebate Installment Date: (w) a copy of Form 8038-T, if any rebate amount is owed to the federal government, (x) a statement of the amount due on the Rebate Installment Date, if any, (y) a certificate as to the accuracy of such determination of a certified public accountant (who may be an employee of the Authority) or a firm of accountants or other professionals, in each case having expertise in calculating the amount required to be paid pursuant to section 148(f) of the Code (each, a ***"Rebate Professional"***) and (z) if the amount held in the applicable Account of the Rebate Fund is less than the amount so determined, an amount in cash or funds available on such day equal to the difference. The Authority shall notify promptly the Trustee of each date which it selects as a Rebate Installment Date. Upon receipt of the foregoing, the Trustee shall make the payment provided for in subsection (c)(2) below, but if the Trustee shall not have received all of the foregoing on the date due, the Trustee shall pay over to the United States within the period prescribed in subsection (c)(2) below all of the funds then held in the applicable Account of the Rebate Fund, together with a copy of the applicable Form 8038-T, if available, unless on or before such date, the Authority shall have provided to the Trustee an unqualified opinion of a Rebate Professional stating that no further action by the Authority or the Trustee is necessary for compliance as of such Rebate Installment Date with section 148(f) of the Code.

(2) On or before each Rebate Installment Date, the Trustee, at the direction of the Authority, shall pay to the United States from the amounts on deposit in the applicable Account of the Rebate Fund or, to the extent of a shortfall in the amount on deposit in the applicable Account, from amounts on deposit in the CFC Stabilization Fund, any "yield reduction payments" as aforesaid and/or a rebate amount which is at least 90% of the amount required to be paid pursuant to the provisions of section 148(f) of the Code as calculated by a Rebate Professional on behalf of the Authority, taking into account any credit permitted by the Regulations. On a date selected by the Authority no later than 60 days after the date on which the Tax-Exempt Bonds of any Series which is a separate series for federal income tax purposes have been paid in full, the Trustee, at the direction of the Authority, shall pay to the United States from the amount on deposit in the applicable Account of the Rebate Fund or, to the extent of a shortfall in the amount on deposit in the applicable Account, from amounts on deposit in the CFC Stabilization Fund, any "yield reduction payments" as aforesaid and/or a rebate equal to 100% of the entire amount then payable pursuant to section 148(f) of the Code as calculated by a Rebate Professional on behalf of the Authority, including actual or imputed earnings and taking into account any credit, as provided by the Regulations. Unless otherwise provided by law, each payment shall be made to the Internal Revenue Service Center, Philadelphia, Pennsylvania 19255 or any other address specified by the Internal Revenue Service and accompanied by a copy of From 8038-T signed by the Authority.

(d) Conclusive Compliance by Trustee. The Trustee shall be deemed conclusively to have complied with the provisions of the Rebate Requirement if it executes documents or makes payments in accordance with the certifications and directions of the Authority provided in accordance with the CFC Trust Agreement. By agreeing to give the notices and to make the payments referred to referred to in the CFC Trust Agreement, the Trustee assumes no responsibility whatsoever for compliance by the Authority with the requirements of section 148(f) of the Code.

(e) Records. The Authority and the Trustee shall keep such records as will enable them to fulfill their respective responsibilities under the Rebate Requirement, and the Authority shall engage, at the Authority's expense, a Rebate Professional. For purposes of the computation required under the Rebate Requirement, the Trustee shall make available to the Authority during normal business hours all information in the control of the Trustee which is necessary to make such computations.

(f) The Authority. The Authority has covenanted under the CFC Trust Agreement not to take any action, or knowingly omit to take any action within its control, which, if taken or omitted, respectively, would violate its non-arbitrage certificate delivered upon the initial issuance of any Series of Tax-Exempt Bonds or any amendment thereof or supplement thereto.

(g) The Rebate Requirement Survives Defeasance of Agreement. The Rebate Requirement shall survive the defeasance of the CFC Trust Agreement with respect to the Tax-Exempt Bonds. Upon (and only upon) (i) the retirement or defeasance of all the Tax-Exempt Bonds of a Series which is a separate series for federal income tax purposes or provision for the same pursuant to the section of this Appendix B entitled "Defeasance of Lien," (ii) the payment of all amounts due under section 148 of the Code with respect to such Tax-Exempt Bonds, and (iii) presentation of a written statement of a Rebate Professional in a form satisfactory to the Trustee that the provisions of section 148 of the Code have been satisfied, any amounts remaining in the applicable Account of the Rebate Fund shall be paid to the Authority; provided, however, that if at any time while Tax-Exempt Bonds are outstanding the Trustee shall receive a written statement of a Rebate Professional in a form satisfactory to the Trustee that the balance of an Account in the Rebate Fund exceeds the amount owing or expected to be owing under section 148 of the Code with respect to the applicable Series of Tax-Exempt Bonds, then the Trustee at the written request of the Authority shall pay the excess to the Authority.

Maintenance Reserve Fund

The Maintenance Reserve Fund shall be held by and be for the sole benefit of the Authority and shall not be subject to the lien of the CFC Trust Agreement or to the claim of any other Person, including without limitation the Bondholders, and monies in such Fund shall not be commingled with moneys in any other Fund or Account established under the CFC Trust Agreement. A portion of the Revenues remaining after application thereof by the Trustee as provided in the CFC Trust Agreement shall be deposited by the Authority to the Maintenance Reserve Fund as provided in each ConRAC Lease Agreement. All interest earned on moneys and investments held within the Maintenance Reserve Fund shall be credited to such Fund. The Maintenance Reserve Fund shall be disbursed by the Authority, in the Authority's discretion, in accordance with the ConRAC Lease Agreements.

CFC Stabilization Fund

(a) The Authority has established the CFC Stabilization Fund to be maintained and held by the Authority, into which CFCs remaining after application pursuant to the CFC Trust Agreement and each ConRAC Lease Agreement shall be deposited. The CFC Stabilization Fund shall be for the sole benefit of the Authority and shall not be subject to the lien of the CFC Trust Agreement or to the claim of any other Person, including without limitation the Bondholders, and monies in such Fund shall not be commingled with moneys in any other Fund or Account established under the CFC Trust Agreement. Amounts on deposit in the CFC Stabilization Fund in excess of the CFC Stabilization Fund Minimum Requirement shall, until the completion date of the Project, be applied by the Authority to pay costs of the Project and, following the completion date, shall be applied at the discretion of the Authority for any other legal purpose.

(b) Notwithstanding paragraph (a) above, however, if on any (x) day that is two (2) days before any Rebate Installment Date, the amount on deposit in the Rebate Fund is insufficient to pay the amount then due to the United States, as determined pursuant to the Rebate Requirement, or (y) Draw Down Date the amount to be deposited to the Debt Service Fund is insufficient to pay one-twelfth (1/12) of the principal of or one sixth (1/6) of the interest on the Bonds (other than the Subordinate Bonds) coming due on the next succeeding Principal Payment Date or Interest Payment Date, or (z) day that is two (2) days before any Payment Date, the amount on deposit in the Debt Service Fund is insufficient to pay the principal of or interest on any Bond (other than a Subordinate Bond) coming due on such Payment Date, then the Authority shall pay to the Trustee from the funds on deposit in the CFC Stabilization Fund, notwithstanding the CFC Stabilization Fund Minimum Requirement, the amount of such shortfall up to the full amount on deposit in the CFC Stabilization Fund.

(c) All interest earned on moneys and investments held within the CFC Stabilization Fund shall be transferred by the Authority to the Trustee for deposit in the Debt Service Fund on each Draw Down Date.

Investment of Moneys in Funds

The Trustee shall invest moneys in the Project Fund, the Debt Service Fund, the Rolling Coverage Fund, the Supplemental Reserve Fund, the Debt Service Reserve Fund, and the Subordinate Debt Service Fund in any Permitted Investments and shall sell or liquidate any such investment, in each case upon the written direction of the Authority, subject in each case to certain restrictions in the CFC Trust Agreement. The Trustee shall have no responsibility for any losses resulting from such investment or liquidation, nor shall the Trustee be responsible if any payment is prohibited under Section 148 of the Code, provided that the Trustee shall have complied with the applicable investment instructions delivered to it by the Authority. Moneys in the Debt Service Fund and the Subordinate Debt Service Fund shall be invested by the Trustee only in Defeasance Obligations having a final maturity of one year or less from the date of purchase thereof, the maturities or redemption dates of all of which shall coincide as nearly as practicable with, but not be later than, the time or times at which said moneys will be required for the purposes of the CFC Trust Agreement (or a money market fund satisfying the requirements of paragraph (g) of the list of Permitted Investments comprised of such Defeasance Obligations). Moneys in the Reserve Funds shall be invested only in Permitted Investments which either have an average maturity of five years or less from the date of purchase thereof or may be liquidated at a price of not less than par plus accrued interest when required for the purposes of the CFC Trust Agreement. Permitted Investments may be registered or otherwise held in the name of the Trustee's nominee or nominees or, where the securities are eligible for a deposit in a central depository, such as DTC or the Federal Reserve Bank of New York, the Trustee may utilize any such depository and permit the registration of registered securities in the name of its nominee or nominees, and the Authority shall hold the Trustee and such nominees harmless from any liability as holders of record. Any investments pursuant to this paragraph may be purchased from the Trustee in its commercial capacity so long as such investments meet the applicable criteria set forth in the definition of "Permitted Investments". If the Authority shall not have authorized the liquidation of Permitted Investments when required to meet the purposes of the CFC Trust Agreement, the Trustee is authorized to sell or otherwise convert into cash investments credited to any Fund or Account created under the CFC Trust Agreement at the times and in the amounts necessary to meet payments when due from such Fund or Account and shall include all proceeds from such investments. No order of the Authority shall restrict such authorization, and the Trustee shall not be liable for any loss occurring from any such sale or conversion to cash. Except as otherwise expressly provided in the CFC Trust Agreement, all investments made from moneys credited to a specific Fund or Account, including all proceeds from such investments, shall be credited to the Debt Service Fund on the next succeeding Draw Down Date after they are received. Investments in the Reserve Funds shall be valued at the lower of amortized cost or market, and such investments in any other Fund shall be valued at market value.

Authorized Application of Funds; Moneys to be Held in Trust

The Trustee is authorized to apply each Fund as provided in the CFC Trust Agreement. All moneys deposited with the Trustee under the CFC Trust Agreement shall be held by the Trustee in trust but need not be segregated from other funds except as required by law or by the CFC Trust Agreement.

Nonpresentment of Bonds

From and after any Payment Date, if moneys sufficient to pay principal of, premium, if any, and interest on any Bond then due have been deposited with the Trustee and irrevocably committed thereto, all liability of the Authority for the payment of such amount shall forthwith cease. The Trustee shall hold such funds, without liability for interest thereon, for the benefit of the registered owner of such Bond, who shall thereafter be restricted exclusively to such funds for any claim with respect to such amount. Unless otherwise required by law, any such funds which remain unclaimed for three years after such due date shall be paid to the Authority without any interest thereon against written receipt therefor executed on behalf of the Authority, and the Trustee shall have no further responsibility with respect to such moneys, which thenceforth shall be the responsibility of the Authority.

Additional Bonds

Authorization of Additional Bonds

In addition to the Series 2011 Bonds initially issued, one or more Series of Additional Bonds (other than Subordinate Bonds) may be issued on a parity with all Outstanding Bonds (other than Subordinate Bonds) for such purposes hereinafter set forth upon the request of the Authority; provided, that the issuance of any Series of Additional Bonds shall be conditioned upon the Trustee's receipt of the following:

(a) a resolution of the Authority authorizing the issuance of such Series of Additional Bonds, and setting forth the relevant details of such Series of Bonds;

(b) a written order from the Authority directing the authentication and delivery of such Series of Additional Bonds to or upon the order of the purchaser or purchasers named therein upon payment of the purchase price set forth therein;

(c) a certificate of the Authority requesting the issuance of such Additional Bonds, stating that no default exists with respect to the obligations to be performed by the Authority under the CFC Trust Agreement or the Continuing Disclosure Certificate and that all conditions precedent provided for in the CFC Trust Agreement relating to the authentication and delivery of such Additional Bonds have been complied with;

(d) an opinion of Bond Counsel addressed to the Authority and the Trustee:

(1) stating that all conditions precedent provided for in the CFC Trust Agreement relating to the authentication and delivery of such Additional Bonds have been complied with, including any conditions precedent specified in the CFC Trust Agreement;

(2) stating that the Series of Additional Bonds whose authentication and delivery are then applied for, when issued and executed by the Authority and authenticated and delivered by the Trustee, will be valid and binding obligations of the Authority in accordance with their terms and entitled to the benefits of and secured by the lien of the CFC Trust Agreement; and

(3) if the interest on such Additional Bonds then proposed to be issued is intended to be exempt from federal income taxation, stating that the interest on such Bonds is excludable from gross income of the recipient thereof for federal income tax purposes;

(e) an executed counterpart of the Supplemental Agreement providing for such Additional Bonds, which Supplemental Agreement shall provide the means by which the Required Reserve Amount for each Reserve Fund will be satisfied upon issuance of the proposed Series of Additional Bonds; and

(f) Either (i) a report of a Consultant to the effect that the CFCs projected to be remitted to the Trustee (together with investment earnings on the Funds held under the CFC Trust Agreement and amounts on deposit in the Rolling Coverage Fund, if any, at the beginning of such Fiscal Year up to an amount not to exceed 25% of the Aggregate Debt Service on the Bonds (other than Subordinate Bonds) in any Fiscal Year plus amounts on deposit in the Supplemental Reserve Fund, if any, at the beginning of such Fiscal Year up to an amount not to exceed 5% of the Aggregate Debt Service on the Bonds (other than Subordinate Bonds) in any Fiscal Year) for the three Fiscal Years following the date of issuance of such Additional Bonds or the date of final expenditure of capitalized interest funded from such Additional Bonds, whichever is later, are expected, as of the end of each such Fiscal Year, to be at least equal 1.30 times the Maximum Annual Debt Service on all Bonds Outstanding (including such Additional Bonds), other than Subordinate Bonds, and also to be at least sufficient, after the payment of such annual principal of and interest on all Outstanding Bonds (other than Subordinate Bonds), to fund Aggregate Debt Service for such Fiscal Year on any Subordinate Bonds Outstanding and any other amounts required to be deposited from Revenues to the Funds maintained under the CFC Trust Agreement, including each Reserve Fund, and any reserve fund for Subordinate Bonds;

OR (ii) a certificate of the Authority to the effect that the CFCs received by the Trustee for any consecutive 12 months out of the immediately preceding 18 months (together with investment earnings on the Funds held under the CFC Trust Agreement and amounts on deposit in the Rolling Coverage Fund, if any, at the beginning of the last full Fiscal Year during such period up to an amount not to exceed 25% of the Aggregate Debt Service on the Bonds (other than Subordinate Bonds) in such 12 month period plus amounts on deposit in the Supplemental Reserve Fund, if any, at the beginning of such Fiscal Year up to an amount not to exceed 5% of the Aggregate Debt Service on the Bonds (other than Subordinate Bonds) in such 12 month period) were at least equal to 1.30 times the Maximum Annual Debt Service due on all Bonds Outstanding (including such Additional Bonds), other than Subordinate Bonds, and also to be at least sufficient, after the payment of such annual Debt Service on all Bonds Outstanding (other than Subordinate Bonds), to fund Aggregate Debt Service for such Fiscal Year on any Subordinate Bonds Outstanding and any other amounts required to be deposited from Revenues to the Funds maintained under the CFC Trust Agreement, including each Reserve Fund, and any reserve fund for Subordinate Bonds;

(iii) provided, however, that the Authority may issue Additional Bonds without complying with the requirements of clauses (i) or (ii) in an amount not to exceed 10% of the original par amount of the Series 2011 Bonds in order to complete construction of the original Project ("***Completion Bonds***").

Purposes for Additional Bonds

The purposes for which Additional Bonds may be issued under the CFC Trust Agreement are as follows:

(a) to finance the permitting, financing, design, development, construction, equipping, furnishing and acquisition of any improvement or expansion of the Project (or any other facility related to the Project approved by the Authority);

(b) to finance repairs, including without limitation repairs due to casualty or condemnation to the extent insurance proceeds or condemnation awards are insufficient to effect such repairs, or extraordinary maintenance with respect to the Project;

(c) to refund all or any Outstanding Bonds

(d) Completion Bonds; and

(e) in each case, to pay capitalized interest and costs of issuance of such Additional Bonds and to provide for any contribution to the Reserve Funds required with respect thereto.

Terms of Additional Bonds

Additional Bonds of each Series, including Subordinate Bonds, shall be dated, shall bear interest until their maturity at such rate or rates, determined in such manner and payable on such date or dates, shall be in such form and shall have such other terms and conditions not inconsistent with the terms of the CFC Trust Agreement as shall be provided for in the Supplemental Agreement authorizing the issuance of such Series. All Additional Bonds which are not Subordinate Bonds shall be payable and secured equally and ratably and on a parity with the Series 2011 Bonds and any Additional Bonds (other than Subordinate Bonds) theretofore or thereafter issued and shall be entitled to the same benefits and security of the CFC Trust Agreement. Except as may be otherwise provided in the Supplemental Agreement providing for the issuance of a Series of Subordinate Bonds, Subordinate Bonds shall be payable from funds deposited to the Subordinate Debt Service Fund and amounts, if any, deposited in one or more Accounts within the Subordinate Reserve Fund, if any, established for the benefit of such Subordinate Bonds by the Supplemental Agreement entered into in connection with the issuance of such Subordinate Bonds.

Each Series of Additional Bonds shall be issued pursuant to the CFC Trust Agreement and a Supplemental Agreement, which shall prescribe expressly or by reference with respect to such Series:

(a) the authorized principal amount and Series designation of such Bonds;

(b) the purpose or purposes for which such Series is being issued;

(c) the manner in which the proceeds of the Bonds of such Series are to be applied;

(d) the date or dates, and the maturity date or dates, of the Bonds of such Series, or the manner of determining such dates;

(e) the interest rate or rates to be borne by the Bonds of such Series or the manner of determining such rate or rates, the maximum rate for any Series of variable rate Bonds and the Interest Payment Dates of such Series;

(f) the manner of dating, numbering and lettering the Bonds of such Series;

(g) the place or places of payment of the principal and premium, if any, of, and interest on, the Bonds of such Series or the manner of designating the same;

(h) the redemption premium, if any, of, and the redemption terms for the Bonds of such Series, or the manner of determining such premium and terms;

(i) the amount and due date of each sinking fund payment, if any, for Bonds of like maturity of such Series, or the manner of determining such amounts and dates;

(j) provisions as to registration of the Bonds of such Series;

(k) the form and text of the Bonds of such Series and provision for the Trustee's authentication thereof by certificate or otherwise;

(l) any other provisions deemed advisable by the Authority as shall not conflict with the provisions hereof;

(m) provision for (x) additional payments to the Debt Service Fund or Subordinate Debt Service Fund, as applicable, sufficient to provide for any principal and interest requirements resulting from the issuance of the Series of Bonds including, in the event that interest on the Series of Bonds is capitalized and/or to be paid from investment earnings, a requirement to deposit from the proceeds of the Series of Bonds to the fund specified in the Supplemental Agreement amounts fully sufficient to pay interest on such Series of Bonds during the period specified in the Supplemental Agreement, and (y) specification and satisfaction of the Required Reserve Amounts, if any, for such Series of Bonds by not later than the date required by the Supplemental Agreement authorizing such Series of Bonds;

(n) whether such Series of Bonds are intended to be Tax-Exempt Bonds;

(o) whether such Series of Bonds are Subordinate Bonds; and

(p) the credit facilities and liquidity facilities applicable to such Series of Bonds, if any.

Refunding Bonds

Refunding Bonds shall be executed and delivered following the receipt by the Trustee of:

(a) the documents described above in subsections (a), (b), (c), (d), and (e) of "*Authorization of Additional Bonds*";

(b) a certificate of the Authority substantially to the effect that either (i) after the issuance of the proposed Refunding Bonds, the Aggregate Debt Service on all Outstanding Bonds (including the proposed Refunding Bonds), assuming that Refunding Bonds bearing interest at a Variable Rate will bear interest at a fixed rate determined by an investment banker selected by the Authority on the basis of then-current market conditions for long term debt of similar tenor as the Outstanding Bonds and with a term substantially similar to the maturity dates of the Outstanding Bonds, will be less than that for each Bond Year within which any of the refunded Bonds would have been Outstanding but for their having been refunded or (ii) that the refunding will reduce the total debt service payments on the refunded Bonds on a present value basis; or alternatively Refunding Bonds may be issued by complying with the provisions of subsection (f) of "*Authorization of Additional Bonds*" above or, if such Refunding Bonds are Subordinate Bonds, by compliance with the terms of the Supplemental Agreement authorizing such Subordinate Bonds;

(c) if a redemption of Bonds is to be effected, irrevocable instructions to the Trustee to give due notice of redemption of all the Bonds to be refunded and the redemption date or dates, if any, upon which such Bonds are to be redeemed;

(d) if a redemption of Bonds is to be effected and the redemption is scheduled to occur subsequent to the next succeeding 45 days, irrevocable instructions to the Trustee to give notice of redemption of such Bonds as provided in the applicable Supplemental Agreement on a specified date prior to their redemption date, which notice may include language giving notice that such redemption is conditioned upon the receipt of sufficient amounts to effect such noticed redemption; and

(e) such further documents and moneys as are required by the provisions of Article 10 of the CFC Trust Agreement or any Supplemental Agreement.

Authority Loans

If funds are required to pay costs of the Project in addition to proceeds of the Series 2011 Bonds, the TIFIA Loan (if any) and amounts on deposit in the CFC Stabilization Fund from time to time in excess of the CFC Stabilization Fund Minimum Requirement, the Authority shall provide additional funds in an aggregate amount not to exceed $35,000,000 as an Authority Loan to pay costs of the Project; provided, however, that the Authority may provide funds in addition to such amount in its sole discretion. In addition, the Authority may, in its sole discretion, provide one or more additional Authority Loans as provided below to fund the costs of Additional Special Facilities (as such term is defined in "APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE CONRAC LEASE AGREEMENTS AND CONCESSION AGREEMENTS"). The proceeds of such Authority Loan shall be advanced and applied after all Series 2011 Bond proceeds and proceeds of the TIFIA Loan (if any) on deposit in the Project Fund and amounts on deposit in the CFC Stabilization Fund from time to time in excess of the CFC Stabilization Fund Minimum Requirement have been applied or encumbered. Upon delivery of the Completion Certificate for the Project, any funds on deposit in the Project Fund representing proceeds of the Authority Loan shall be repaid to the Authority, and the Trustee in reliance on the amount set forth in the Completion Certificate, shall notify the Authority and each RAC the principal amount of the Authority Loan then outstanding following such repayment. Interest shall accrue annually on the outstanding principal amount of the Authority Loan commencing on the Date of Beneficial Occupancy at a rate per annum equal to the true interest cost of the Series 2011B Bonds (meaning the true interest cost of all such Series 2011B Bonds). Interest on the Authority Loan shall be paid to the Authority monthly from Revenues remaining after application by the Trustee. The amount of interest due on the Authority Loan shall be certified to the Trustee by the Authority on each Draw Down Date. If in any Fiscal Year, some or all of the interest on the Authority Loan due in such Fiscal Year is not paid in full, then the amount of such unpaid interest, as determined by the Authority on the final day of such Fiscal Year, shall be added to the outstanding principal amount of the Authority Loan as of the first day of the Fiscal Year following the Fiscal Year in which such interest was due. Interest shall accrue annually on any unpaid interest from the due date of such interest and shall bear interest at the same rate as the outstanding principal amount of the Authority Loan. Any interest added to the outstanding principal amount of the Authority Loan pursuant to the foregoing provisions shall not count towards the maximum aggregate amount of the Authority Loan set forth above. The principal of the

Authority Loan shall be repaid at the end of each Fiscal Year following the completion date, to the extent there are any funds on deposit in the CFC Stabilization Fund in excess of the CFC Stabilization Fund Minimum Requirement. The Authority shall certify to the Trustee and each RAC no less than once each Fiscal Year the amount of principal and interest paid on the Authority Loan and the amount of the Authority Loan remaining outstanding.

If the Authority elects to construct and install additional special facilities, and the Authority determines, in its sole discretion, that some or all of the costs of such Additional Special Facilities should be financed with proceeds of an additional Authority Loan, the Authority shall provide from available Authority funds such moneys as the Authority shall determine to be necessary, with other available funds therefor, to construct the additional special facilities, and, following the date of beneficial occupancy or completion of such additional special facilities, the interest on and principal of such additional Authority Loan shall be repaid from CFCs as provided in each ConRAC Lease Agreement. The interest rate on any such additional Authority Loan shall be a fixed rate established by the Authority by reference to the London Interbank Offered Rate (LIBOR) for U.S. dollar-denominated loans with substantially the same expected maturity as such additional Authority Loan, plus four hundred (400) basis points. Any such additional Authority Loan will be advanced and repaid in substantially the same manner as the initial Authority Loan.

Events of Default

Events of Default

The occurrence of any of the following events shall constitute an "Event of Default" under the CFC Trust Agreement:

(a) Failure to pay interest on any Bond when due and payable.

(b) Failure to pay any principal of or premium on any Bond when due and payable, whether at stated maturity or pursuant to any redemption or purchase requirement under the CFC Trust Agreement or under any Supplemental Agreement.

(c) Failure by the Authority to observe or perform any other covenant, condition or agreement on its part to be observed or performed in the CFC Trust Agreement or the Bonds for a period of 60 days after written notice of such failure shall have been given to the Authority by the Trustee; provided, however, that if such observance or performance requires work to be done, actions to be taken or conditions to be remedied which by its or their nature cannot reasonably be done, taken or remedied, as the case may be, within such 60-day period, no Event of Default under this subsection (c) shall be deemed to have occurred or to exist if and so long as the Authority shall have commenced such work, action or remediation within such 60-day period and provided written notice thereof to the Trustee and shall diligently and continuously prosecute the same to completion.

Within five days after actual knowledge by an Authorized Officer of the Trustee of an Event of Default under subsection (a) or (b) above, the Trustee shall give written notice, by registered or certified mail, to the Authority, all of the Bondholders, and upon notice from at least 25% of the Bondholders, shall give similar notice of any other Event of Default.

Remedies; Rights of Bondholders

(a) Upon the continuance of an Event of Default, if so requested by a Majority of the Bondholders, and if satisfactory indemnity has been furnished to it, the Trustee shall exercise such of the rights and powers conferred by the CFC Trust Agreement as the Trustee, being advised by counsel, shall deem most effective to enforce and protect the interests of the Bondholders.

(b) No remedy under the CFC Trust Agreement is intended to be exclusive, and to the extent permitted by law each remedy shall be cumulative and in addition to any other remedy under the CFC Trust Agreement or now or hereafter existing.

(c) No delay or omission to exercise any right or power shall impair such right or power or constitute a waiver of any Default or Event of Default or acquiescence therein; and each such right and power pay be exercised as often as deemed expedient.

(d) No waiver by the Trustee or the Bondholders of any Default or Event of Default shall extend to any subsequent Default or Event of Default.

Right of Bondholders to Direct Proceedings

Anything in the CFC Trust Agreement to the contrary notwithstanding, a Majority of the Bondholders shall have the right at any time, by an instrument or instruments in writing executed and delivered to the Trustee, to direct the method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of the CFC Trust Agreement or for the appointment of a receiver or any other proceedings under the CFC Trust Agreement; provided that such direction shall be in accordance with applicable law and the CFC Trust Agreement; provided that the Trustee shall be indemnified to its satisfaction.

Application of Moneys After Event of Default

Upon the occurrence of an Event of Default, there shall be deposited in the CFC Revenue Fund all moneys and proceeds held or received by the Trustee or any receiver pursuant to the CFC Trust Agreement or any related document or the exercise of any rights granted by the CFC Trust Agreement or thereby, except amounts in the Rebate Fund, and all moneys in the CFC Revenue Fund (except funds previously set aside for specific Bonds) shall be applied after first paying all costs of collection incurred by the Trustee or any receiver (i) to the payment of interest then due on the Bonds (other than Subordinate Bonds) without regard to when such interest became due, (ii) then any remaining amounts shall be applied to the payment of principal and premium, if any, then due on the Bonds (other than Subordinate Bonds), without regard to when such principal or premium, if any, became due, (iii) then any remaining amounts shall be applied to the payment of interest then due on the Subordinate Bonds without regard to when such interest became due, (iv) then any remaining amounts shall be applied to the payment of principal and premium, if any, then due on the Subordinate Bonds, without regard to when such principal or premium, if any, became due; or in such other order as may be determined by the Trustee with the written consent of all the Bondholders; provided, however, that funds collected from any Account of the Project Fund shall be applied solely to the payment of principal of and interest on the Series of Bonds secured by such Account. Payments shall be made ratably, according to the amounts due respectively for interest and principal and premium, if any, among Bondholders entitled to receive the payment being made.

Remedies Vested in Trustee

All rights of action (including the right to file proofs of claim) under the CFC Trust Agreement or under any of the Bonds may be enforced by the Trustee without the possession of any of the Bonds or their production in any proceeding; and any such proceeding instituted by the Trustee shall be brought in its name, as Trustee, without the necessity of joining as plaintiffs or defendants any holders of the Bonds; and any recovery of the judgment shall be for the benefit of the holders of the Bonds, subject, however, to the provisions of the CFC Trust Agreement.

Rights and Remedies of Bondholders

No Bondholder shall have any right to institute any proceedings for the enforcement of the CFC Trust Agreement or any right or remedy granted by the CFC Trust Agreement unless (i) an Event of Default is continuing, (ii) an Authorized Officer of the Trustee is deemed to have notice or knowledge thereof or has been notified by the holders of 25% of the aggregate principal amount of the Bonds, (iii) a Majority of the Bondholders shall have made written request to the Trustee and shall have afforded the Trustee reasonable opportunity to exercise its powers or to institute such proceeding in its own name, and have offered to the Trustee indemnity satisfactory to it, and (iv) the Trustee shall have failed or refused to exercise its power or to institute such proceeding. Such notice, request and offer of indemnity shall at the option of the Trustee be conditions precedent to the execution of the powers and trusts of the CFC Trust Agreement, and to any action for the enforcement of the CFC Trust Agreement or of any right or remedy granted by the CFC Trust Agreement; it being understood and intended that the holders of the Bonds shall have no right to affect or prejudice the lien of the CFC Trust Agreement by their action or to enforce any right under the CFC Trust Agreement except in the manner provided therein and that proceedings shall be instituted and maintained in the manner provided in the CFC Trust Agreement and for the benefit of the holders of all Bonds then outstanding. Notwithstanding the foregoing, each Bondholder shall have a right of action to enforce the payment of the principal of and premium, if any, and interest on any Bond held by it at and after the maturity thereof, from the sources and in the manner expressed in such Bond.

Waivers of Events of Default

The Trustee shall waive (in advance or otherwise) any Event of Default and its consequences and rescind any declaration of maturity of principal upon the written request of a Majority of the Bondholders or, in the case of an Event of Default whose waiver would constitute a violation of the CFC Trust Agreement, the Bondholder or Bondholders whose consent is required by the CFC Trust Agreement, but no such waiver (except as specifically provided therein) or rescission shall extend to any subsequent or other Event of Default.

Remedies of Authority on Event of Default

Upon the occurrence and continuance of an Event of Default, the Authority shall not be required to take any action which in its opinion might cause it to expend time or money or otherwise incur any liability unless satisfactory indemnity has been furnished to it. Notwithstanding any contrary provision in the CFC Trust Agreement, the Authority may enforce the rights not assigned to the Trustee by any lawful available remedy; and nothing in the CFC Trust Agreement shall restrict the exercise of rights reserved by the Authority as lessor under the ConRAC Lease Agreements or the exercise of rights by the Authority as operator of the Airport.

Covenants of the Authority

Enforcement of ConRAC Lease Agreements

Under the CFC Trust Agreement, the Authority has covenanted that so long as any of the Bonds remain Outstanding, it will require all RACs operating at the Airport (other than Off-Airport RACs) to collect and remit CFCs and Contingent Rent, and the Authority will take all actions legally permitted to enforce compliance by the RACs with the ConRAC Lease Agreements and of their obligations thereunder, including specifically seeking specific performance by each of the RACs, to charge, collect and remit CFCs and Contingent Rent (as applicable) to the Trustee for the benefit of the Authority. The Authority has covenanted that so long as any of the Bonds remain Outstanding it will not consent to an amendment to the ConRAC Lease Agreements or Concession Agreements which permits direct access to the Terminals at the Airport by any courtesy vehicle of a RAC or Off-Airport RAC or which otherwise materially adversely affects the rights of Owners without consent of a majority in principal amount of the Owners of the Bonds then Outstanding.

Collection of Customer Facility Charges; Rate Covenant.

In accordance with the vote of the Members of the Authority (the "***Board***") dated September 18, 2008, as amended on October 27, 2009 (collectively, as amended, the "***Board Vote***"), as such Board Vote may be further amended from time to time, as long as any Bond remains Outstanding, the Authority shall require each RAC to charge, collect and remit to the Trustee a CFC in accordance with the Board Vote for each Transaction Day that a vehicle is rented by an Airport RAC Customer, and to pay to the Trustee Contingent Rent, as provided below, and the Authority shall enforce the duty of the RACs to segregate such CFCs as trust funds for the benefit of the Authority, and not as revenues of the RACs, as provided in the ConRAC Lease Agreements.

The Authority shall determine the amount of the CFC at least once each Fiscal Year, as provided herein. Prior to the commencement of each Fiscal Year as long as any Bond is Outstanding, the Authority shall review and may adjust, effective on the first day of each Fiscal Year, the level of the CFC, based upon factors including the projected Aggregate Debt Service for the coming Fiscal Year, amounts necessary to fund the other accounts provided for in the CFC Trust Agreement, shortfalls in CFC revenue that may have occurred in the then-current Fiscal Year, projections of the level of demand for rental car services at the Airport in the next Fiscal Year, and such other factors as the Authority may determine in its sole discretion. Notwithstanding the foregoing, the Authority may make an unscheduled adjustment to the level of the CFC in any Fiscal Year in the event that the Authority determines in its sole discretion that there has been a material change in any of the assumptions utilized in the Authority's calculation of the CFC, and that such change should not be addressed solely through withdrawals from the CFC Stabilization Fund or the imposition of Contingent Rent as provided below. The Authority shall provide no less than sixty (60) days advance, written notice of the adjusted amount of the CFC for the coming Fiscal Year or of any unscheduled adjustment to the CFC to each RAC and to the Trustee. As long as any of the Bonds remain Outstanding, the Authority shall set the amount of the CFC (when multiplied by the total number of projected Transaction Days) plus projected Contingent Rent (if any) at an annual level sufficient to provide sufficient funds (i) to pay principal of and interest on the Bonds due in such Fiscal Year, (ii) to reimburse the Rolling Coverage Fund, the Supplemental Reserve Fund or the Debt Service Reserve Fund or any reserve fund created for Subordinate Bonds for any drawings upon such Funds over a period not to exceed twenty four (24) months, as determined by the Authority, (iii) to provide funds necessary to pay any "yield reduction payments" or rebate amounts due to the United States under the Rebate Requirement for which funds in the Rebate Fund or the CFC Stabilization Fund are not otherwise available, (iv) to maintain the balance of the CFC Stabilization Fund in an amount of no less than the CFC Stabilization Fund Minimum Requirement and to reimburse any drawings below the CFC Stabilization Fund Minimum Balance over a period not to exceed twelve (12) months, as determined by the Authority, (v) to pay interest on the Authority Loan due in that Fiscal Year, (vi) to pay the ConRAC's share of the Bus Facility Debt due in that Fiscal Year pursuant to the ConRAC Lease Agreements, (vii) to pay the Debt Management Fee due in that Fiscal Year pursuant to the ConRAC Lease Agreements, and (viii) to make the deposit to the Maintenance Reserve Fund required in that Fiscal Year under the ConRAC Lease Agreements (collectively, the sum of the amounts required by (i) through (viii) above, the "***Minimum Annual Requirement***"). On each Draw Down Date, following application as provided in the CFC Trust Agreement, any remaining CFCs and Contingent Rent shall be paid to the Authority, to be held and applied pursuant to the ConRAC Lease Agreements.

The Authority shall require each RAC to pay Contingent Rent to the Trustee as provided in each ConRAC Lease Agreement in an amount, in the aggregate, that the Authority projects to be sufficient, together with CFCs projected to be collected in such Fiscal Year or portion thereof, to provide sufficient funds to meet the Minimum Annual Requirement for such Fiscal Year and provide additional funds equal to the difference between the CFCs and Contingent Rent (if any) received in the prior Fiscal Year and the Minimum Annual Requirement for such prior Fiscal Year. Contingent Rent shall be a temporary fee levied by the Authority in order to respond to an unexpected actual or forecasted decrease in Transaction Days and Contingent Rent may be levied by the Authority only for the period necessary to generate sufficient revenues to respond to the projected decrease in Transaction Days.

As long as any of the Bonds remain Outstanding, the aggregate amount of CFCs and Contingent Rent (if any) required to be remitted by the RACs in each Fiscal Year shall be no less than the Aggregate Debt Service coming due in such Fiscal Year and, in the event that the amount of CFCs and Contingent Rent (if any) for any Fiscal Year is less than the Aggregate Debt Service for such Fiscal Year, the Authority covenants to increase either the CFC or the Contingent Rent, or both, for the next succeeding Fiscal Year to no less than an amount, in the aggregate, that the Authority projects to be sufficient, based upon projected Transaction Days for such Fiscal Year, to pay Aggregate Debt Service coming due in such Fiscal Year. In addition to the foregoing, the aggregate amount of CFCs and Contingent Rent (if any) paid by the RACs in each Fiscal Year plus the amount on deposit in the Rolling Coverage Fund (up to an amount not to exceed 25% of the Aggregate Debt Service on the Bonds (other than Subordinate Bonds) in such Fiscal Year) plus amounts on deposit in the Supplemental Reserve Fund, if any, at the beginning of such Fiscal Year (up to an amount not to exceed 5% of the Aggregate Debt Service on the Bonds (other than Subordinate Bonds) in such Fiscal Year) shall be no less than 1.30 times the Aggregate Debt Service on the Bonds (other than Subordinate Bonds), plus 1.0 times the Aggregate Debt Service on the Subordinate Bonds, coming due in such Fiscal Year and, in the event that the amount of CFCs and Contingent Rent (if any) for any Fiscal Year plus the amount on deposit in the Rolling Coverage Fund (up to an amount not to exceed 25% of the Aggregate Debt Service on the Bonds (other than Subordinate Bonds) in such Fiscal Year) plus amounts on deposit in the Supplemental Reserve Fund, if any, at the beginning of such Fiscal Year up to an amount not to exceed 5% of the Aggregate Debt Service on the Bonds (other than Subordinate Bonds) in such Fiscal Year is less than 1.30 times the Aggregate Debt Service on the Bonds (other than Subordinate Bonds), plus 1.0 times the Aggregate Debt Service on the Subordinate Bonds for such Fiscal Year, the Authority shall increase either the CFC or the Contingent Rent, or both, for the next succeeding Fiscal Year to no less than an amount, in the aggregate, that the Authority projects to be sufficient, based upon projected Transaction Days for such Fiscal Year, plus the amount on deposit in the Rolling Coverage Fund (up to an amount not to exceed 25% of the Aggregate Debt Service on the Bonds (other than Subordinate Bonds) in such Fiscal Year) plus amounts on deposit in the Supplemental Reserve Fund, if any, at the beginning of such Fiscal Year up to an amount not to exceed 5% of the Aggregate Debt Service on the Bonds (other than Subordinate Bonds) in such Fiscal Year to provide no less than 1.30 times the Aggregate Debt Service on the Bonds (other than Subordinate Bonds), plus 1.0 times the Aggregate Debt Service on the Subordinate Bonds, coming due in such Fiscal Year.

Construction of the Project

The Authority shall use diligent efforts to cause the Project to be constructed and completed in accordance with the project schedule, as set forth in the ConRAC Lease Agreements, and shall cause to be done all things necessary or proper for completion of the Project in a timely manner in material compliance with all laws. Upon completion or abandonment of the Project, the Authority shall deliver a Completion Certificate to the Trustee which shall include the completion date.

Operation of the Project

Subject to the provisions below concerning casualty or condemnation, as long as any Bond remains Outstanding, the Authority shall operate and maintain the Project, or cause the Project to be operated and maintained, in good condition for the purposes for which it was constructed, reasonable wear and tear excepted.

Insurance

The Authority shall maintain, or cause to be maintained, insurance with respect to the ConRAC against such casualties and contingencies and in such amounts not less than is reasonably prudent; provided, however, that the Authority may self insure against such risks as it may determine to be prudent if the Authority complies with the recommendations of the Authority's risk management consultant engaged pursuant to the 1978 Trust Agreement regarding such self insurance. Such policies of insurance shall name the Authority and the Trustee as additional insureds as their interests may appear. Any premiums for such policies of insurance shall be paid by the RACs as ConRAC Rent as provided in each Lease, or by the Authority.

Casualty and Condemnation

In the event that the Project or any portion thereof is damaged, taken or condemned, the net proceeds of insurance (including without limitation self insurance) or condemnation award shall be applied as set forth below.

If the proceeds of an insurance or condemnation award with respect to the ConRAC, net of the reasonable costs, fees and expenses incurred by the Authority in the collection of such proceeds or award (the "***Net Proceeds***") are less than $250,000, the Net Proceeds shall be paid directly to the Authority and shall be applied by the Authority promptly to the costs of restoring the Project. Any Net Proceeds remaining after the restoration of the Project shall be deposited to the Debt Service Fund and applied to the principal of and interest on the Bonds next coming due, on a pro rata basis.

If the Net Proceeds are greater than or equal to $250,000, the Net Proceeds shall be paid to the Trustee and deposited to a separate account within the Project Fund, and disbursed in the same manner and subject to the same conditions and limitations relating to the disbursement of funds from the Project Fund. In the event that the Net Proceeds are insufficient to restore the Project, the Authority shall either deposit the difference between the costs of restoration and the Net Proceeds to the Project Fund or issue Additional Bonds for such purpose.

Nothing in the CFC Trust Agreement shall limit the Authority's power of eminent domain.

Supplemental Agreements and Waivers

Supplemental Agreements Not Requiring Consent of Bondholders

The parties to the CFC Trust Agreement may without the consent of, or notice to, any of the Bondholders enter into agreements supplemental to the CFC Trust Agreement and financing statements or other instruments evidencing the existence of a lien as shall not, in their opinion, be inconsistent with the terms and provisions hereof or thereof for any one or more of the following purposes:

(1) To cure any ambiguity, inconsistency or formal defect or omission in the CFC Trust Agreement;

(2) To grant to or confer upon the Trustee for the benefit of the Bondholders any additional rights, remedies, powers, or authority that may lawfully be granted to or conferred upon the Bondholders or the Trustee;

(3) To subject to the lien and pledge of the CFC Trust Agreement additional revenues or collateral;

(4) To evidence any succession to the Authority and the assumption by such successor of the agreements of the Authority contained in the CFC Trust Agreement and the Bonds;

(5) To the extent required by law, to permit registration of the Bonds under the Securities Act of 1933, as amended, the Trust Indenture Act of 1939, as amended (the "*Trust Indenture Act*"), or any applicable state securities law, and to permit qualification of the CFC Trust Agreement under the Trust Indenture Act;

(6) To revise the provisions of the CFC Trust Agreement or any related document or certificate relating to rebate of arbitrage profits to the United States, provided the Trustee shall have received an opinion of Bond Counsel that such revision does not adversely affect the exclusion from gross income of interest on the Tax-Exempt Bonds for federal income tax purposes;

(7) To effect any other change herein or therein which, in the judgment of the Trustee, is not to the prejudice of the holders of the Bonds;

(8) To provide for the issuance of Additional Bonds, including without limitation to provide for the establishment of additional Accounts in the various Funds as necessary to reflect the parity or subordinate status of such Additional Bonds; and

(9) To modify the definition of Permitted Investments as directed by the Authority, provided that the Authority shall have provided evidence to the Trustee that the details of such modification have been provided in writing to each Rating Agency then assigning a rating to an Outstanding Bond and that each such Rating Agency has either (i) confirmed in writing that such modification will not adversely affect such ratings or (ii) issued a rating on a Series of Bonds to be issued which is not lower than the rating assigned by such Rating Agency to Outstanding Bonds prior to such modification, or any other evidence satisfactory to the Trustee that modification will not adversely affect the then current ratings, if any, assigned to the Bonds by any Rating Agency.

Supplemental Agreement Requiring Consent of Bondholders

In addition to supplemental agreements that may be entered into without the consent of the Bondholders, as described above, a Majority of the Bondholders shall have the right, from time to time, to consent to and approve the execution by the parties to the CFC Trust Agreement or other agreement or agreements supplemental thereto for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in the CFC Trust Agreement or in any supplemental agreement; provided, however, that nothing in this section shall permit (i) an extension of the stated maturity of the principal of or the interest on any Bond without the consent of the holder of such Bond; (ii) a reduction in the principal amount of any Bond, the rate of interest thereon or the premium, if applicable, to be paid upon the redemption thereof prior to maturity without the consent of the holder of such Bond; (iii) an extension of the date for making any scheduled mandatory redemption without the consent of all of the Bondholders of the affected Series; (iv) the establishment of a privilege or priority of any Bond or Bonds over any other Bond or Bonds (other than Subordinate Bonds) without the consent of all the Bondholders; (v) a reduction in the percentage of the aggregate principal amount of Bonds the holders of which are required to consent to any such supplemental agreement without the consent of the holders of all the Bonds at the time outstanding which would be affected by the action to be taken; (vi) a release of collateral granted under the CFC Trust Agreement without the consent of all of the Bondholders, except as expressly provided herein or therein; or (vii) a modification of the rights, duties or immunities of the Authority or the Trustee without the written consent of the affected party.

If at any time the Authority shall request the Trustee to enter into any supplemental agreement pursuant to the foregoing provisions, the Trustee shall, upon being satisfactorily indemnified with respect to expenses, cause notice of the proposed execution to be made in the manner required for redemption of principal of Bonds; provided, however, that failure to give such notice, or any defect therein, shall not affect the validity of the proceedings.

Such notice shall briefly set forth the nature of the proposed supplemental agreement and shall state that copies thereof are on file at the principal corporate trust office of the Trustee for inspection by all Bondholders. Except as otherwise provided in the CFC Trust Agreement, if, within 60 days or such longer period (not to exceed two years) as shall be prescribed by the Authority following the final mailing of such notice, not less than a Majority of the Bondholders at the time of the execution of any such supplemental agreement shall have consented to and approved the execution thereof, no holder of any Bond shall have any right to object to any of the terms and provisions contained therein, or the operation thereof, or in any manner to question the propriety of the execution thereof, or to enjoin or restrain the Trustee or the Authority from executing the same or from taking any action pursuant to the provisions thereof. Upon the execution of any such supplemental agreement, the CFC Trust Agreement shall be and be deemed to be modified and amended in accordance therewith.

Amendments to ConRAC Lease Agreements and Concession Agreements

The provisions of the CFC Trust Agreement providing for Bondholder consent to certain Supplemental Agreements shall also apply to the modification of the provisions of the ConRAC Lease Agreements relating to the collection and remittance of CFCs by the RACs and to the definitions of terms used therein as so used in a manner that could materially, adversely affect the Bondholders, but shall not apply to any other provisions of the ConRAC Lease Agreements, including without limitation the rights reserved by the Authority; and with respect to the modification or waiver of such other provisions of the ConRAC Lease Agreements, the consent of the Bondholders shall not be required.

Modification by Unanimous Consent

Notwithstanding anything contained elsewhere in the CFC Trust Agreement, the rights and obligations of the Authority, the Trustee and the holders of the Bonds, and the terms and provisions of the Bonds and the CFC Trust Agreement, or any supplemental agreement may be modified or altered in any respect with the consent of the Authority, the Trustee and the holders of all of the Bonds then outstanding.

APPENDIX C

SUMMARY OF CERTAIN PROVISIONS OF THE CONRAC LEASE AGREEMENTS AND CONCESSION AGREEMENTS

The following is a summary of the ConRAC Lease Agreements and the Related Concession Agreements. The summaries do not purport to set forth all of the provisions of such documents, to which reference is made for the complete and actual terms thereof.

DEFINITIONS OF CERTAIN TERMS

The terms defined below are among those used in this Official Statement and not otherwise defined in the forepart of the Official Statement, and in the preceding summary of the CFC Trust Agreement.

"Additional Rent" shall mean from and after the Date of Beneficial Occupancy, each RAC shall pay to or on behalf of the Authority the following as additional rent: utility charges, sewer use and fire pipe charges, utility service not provided by the Authority, common area/Airport facilities charges, CATS Fee, moving costs and other amounts due as further explained in the ConRAC Lease Agreements.

"Additional Special Facilities" shall mean either (x) additional improvements to the ConRAC during construction of the Project that constitute material changes to the Project and/or that result in costs that will exceed the Project Budget by at least Five Million Dollars ($5,000,000), or (y) any improvements after DBO of the Project, in each case, made to the ConRAC by the Authority pursuant to the ConRAC Lease Agreements.

"Annual Concession Payment" shall mean the amount payable by a RAC for each Fiscal Year or portion thereof during the Term of the Related Concession Agreements.

"CATS" or ***"Common Airport Transit System"*** shall mean the Airport's consolidated bus transportation system which provides passenger service to the ConRAC, including without limitation, the buses used for transport, the maintenance facility for such buses (***"Bus Maintenance Facility"***), and related equipment and associated improvements.

"CATS Fee" or ***"Common Airport Transit System Fee"*** is defined in the "Additional Rent" Section below.

"Commencement Date" shall mean, with respect to the Related Concession Agreements, the Date of Beneficial Occupancy; provided, however, that for Off-Airport RACs, the Commencement Date shall mean the date of the applicable Concession Agreement.

"Concession Percentage Fee" shall mean ten percent (10%) of the Gross Revenue for the Fiscal Year or portion thereof in question, as further provided in the Related Concession Agreements.

"Concessionaire" or ***"Tenant"*** shall mean each of: (i) Avis Rent A Car System, LLC.; (ii) Budget Rent A Car System, Inc.; (iii) DTG Operations Inc., d/b/a Thrifty Rent A Car; (iv) Enterprise Rent-A-Car Company of Boston, LLC, Alamo Rental (US) Inc d/b/a Alamo Rent A Car; (v) Enterprise Rent-A-Car Company of Boston, LLC, d/b/a Enterprise Rent-A-Car; (vi) Enterprise Rent-A-Car Company of Boston, LLC, National Rental (US) Inc. d/b/a National Car Rental; (vii) The Hertz Corporation; (viii) Simply Wheelz LLC d/b/a Advantage Rent A Car; and (ix) Traveler's Rental Co., Inc d/b/a Dollar Rent A Car.

"Courtesy Vehicle" shall have the meaning set forth in Section 23.02 of the Rules and Regulations at 740 CMR 23.00 et seq., except that a Commercial Ground Transportation Service Vehicle as defined in such Section shall be deemed a Courtesy Vehicle for these purposes only if it is owned, leased, operated or controlled by an Authorized Subcontractor or an Off-Airport Concessionaire.

“ConRAC Lease Agreement Effective Date” shall be the date the Series 2011 Bonds are issued.

“ConRAC Lease Agreement Expiration Date” shall be 11:59 p.m. (Boston time) on the date which is fifteen (15) years from the Date of Beneficial Occupancy (as defined below) of the CSC and Garage, unless earlier terminated pursuant to the ConRAC Lease Agreements.

“CSC” shall mean the portion of the ConRAC Facility consisting of the customer service center.

“Date of Beneficial Occupancy” or ***“DBO”*** shall mean the date as of which the counter and office space at the CSC, the ready/return stalls and the staging areas in the ConRAC, and the QTA Areas known as “QTA 1” and “QTA 2” are functionally operational, which date shall be stipulated in a written notice from the Airport Director to the RACs to the effect that (i) all necessary occupancy permits have been obtained, (ii) a reasonable period of time has been provided to the RACs for operational testing of their premises, and (iii) the Authority has completed testing the shuttle buses comprising the CATS.

“*Facility Access Charge”* shall mean the charge each Off-Airport RAC shall pay to the Authority in consideration for the Off-Airport RAC’s Airport RAC Customers’ use of the CATS and a portion of the ConRAC, separate from and not including the CATS Fees, annually during the term of the Concession Agreement, which shall be a fee calculated by the Authority to recover the share of the Authority’s actual capital costs of providing the CATS allocable to the Off-Airport RACs, other than those capital costs included in the CATS Fee, and the actual capital and operating costs of the portions of the ConRAC allocable to the Off-Airport RACs.

“Garage” shall mean that portion of the ConRAC Facility consisting of a four-story structure for ready-return of Vehicles on three levels and a fourth level for storage of Vehicles.

“Gross Revenue” shall mean all revenue received or receivable by a RAC from, or billed by a RAC to, such RAC’s Airport RAC Customers, regardless of where, how or by whom payment is made, where the Vehicle is picked up or returned and whether or not collection is made; except that the term “Gross Revenue” shall not include certain excluded items set forth in the Concession Agreements.

“Maintenance Reserve Fund Requirement” shall be equal to one half of one percent (0.50%) of the Replacement Value (as described below) for Fiscal Years one through ten (1-10), one percent (1.0%) of the Replacement Value for Fiscal Years eleven (11) through twenty (20), and one and one-half percent (1.5%) for Fiscal Year twenty-one (21) and thereafter.

“Market Share” shall mean, for each RAC, the proportion that its Gross Sales bear to the aggregate Gross Sales of all RACs and Off-Airport RACs for any twelve-month period of time. The aggregate of all of the RACs’ and Off-Airport RACs’ Market Shares must equal 100% for any period.

“Monthly Certified Statement” shall mean the statement in the form of the “Monthly Gross Revenue Report” attached to each Concession Agreement as Exhibit A which sets forth a RAC’s calculation of its Gross Revenue for the prior calendar month or portion thereof during the Term. The Monthly Certified Statement shall be signed and certified by a person authorized to sign for each RAC. The Authority may change the form of Monthly Certified Statement from time to time by notice to a RAC.

“Off Airport Rental Car Concessionaire” or ***“Off-Airport RAC”*** shall mean and refer to any Person operating a rental car concession servicing Airport RAC Customers from a location other than the ConRAC.

“Person” shall mean a corporation, association, partnership, limited partnership, limited liability partnership, limited liability company, joint venture, trust, organization, business, individual or government or any governmental agency or political subdivision thereof.

“QTA” shall mean shall mean the four quick turn-around areas of the ConRAC, numbered respectively as QTA #1, QTA #2, QTA #3, and QTA #4, for the purpose of rental vehicular maintenance, fueling, servicing and temporary storage. Each such numbered QTA Area shall include components exclusively leased by a RAC (the "Exclusive QTA Space") and components which are shared with certain other RACs ("RAC Shared QTA Area").

"RAC" shall mean a company that operates a rent-a-car business serving Airport RAC Customers under terms of a Concession Agreement with the Authority and who leases space within the ConRAC.

"RAC's Allocable Share" with respect to each of the CSC, the Garage Structure and the QTA, as applicable, shall be a fraction, the numerator of which is the total square footage of each RAC's Exclusive Use Area within the CSC, the Garage Structure or the QTA, respectively, and the denominator of which is the total square footage of all of the Exclusive Use Area within the CSC, the Garage or the QTAs, respectively, then leased to RACs, and the RAC's Allocable Share shall be adjusted whenever space within the ConRAC is reallocated pursuant to the ConRAC Lease Agreements.

"Related Concession Agreement" means, for any RAC or Off-Airport RAC, the Rental Auto Company Concession Agreement between such RAC or Off-Airport RAC and the Authority that authorizes such RAC or Off-Airport RAC to carry out its rental car activities at the Airport and provides for the payment to the Authority of a Concession Percentage Fee (as defined in the Concession Agreement), as supplemented, amended or superseded from time to time.

"Rent" shall mean, collectively, ConRAC Rent, Contingent Rent and Additional Rent.

"Replacement Value" shall mean the replacement cost of the ConRAC, other than the foundation and any equipment owned by any RAC in the ConRAC, and the share of the CATS (including the Bus Maintenance Facility) allocable to the ConRAC. Replacement Value shall be determined annually by the Authority's Consulting Engineer.

"Substantial Damage" shall mean damage to the extent that the Authority reasonably determines that (i) the ConRAC or the Premises is rendered unusable and not viable for the principal purpose of operating a car rental business and restoration is unfeasible or (ii) it would take twelve (12) months or more to substantially complete repair to such damage.

"Term" shall be, for each ConRAC Lease Agreement, that period commencing on the Date of Beneficial Occupancy and ending on the ConRAC Lease Agreement Expiration Date, unless sooner terminated as provided in the ConRAC Lease Agreements.

"*Vehicle*" shall mean any type of passenger motor vehicle, including without limitation full-size sedans, station wagons, four wheel drive passenger vehicles, vans, sport utility vehicles ("**SUVs**"), compacts and subcompacts, motorcycles, pickup trucks or similar motor vehicles rented or available for rental to Airport RAC Customers by a RAC or an Off-Airport RAC.

SUMMARY OF CERTAIN PROVISIONS OF THE CONRAC LEASE AGREEMENTS

Term

Commencement Date

Each ConRAC Lease Agreement shall be effective as of its respective Effective Date. Each Term shall commence on the Date of Beneficial Occupancy.

Each RAC shall commence its rental car operations, including without limitation, its customer service in the ConRAC, on the DBO and shall complete its relocation of all of its rental car operations from all other portions of the Airport to the Premises not later than thirty (30) days after the DBO.

Termination

Each ConRAC Lease Agreement shall terminate on the specified Expiration Date, unless sooner terminated as provided therein without the necessity of, and RAC thereby waives all rights to, any notice to terminate, vacate or quit the Premises. RAC waives any and all rights to recover or regain possession of the Premises and all rights of redemption, granted by or under any present or future law in the event it is evicted or dispossessed for any cause, or in the event the Authority obtains possession of the Premises in any lawful manner.

Surrender

Each RAC covenants and agrees to surrender possession of the Premises upon termination of its ConRAC Lease Agreement (whether by termination, expiration or otherwise) in accordance with Section 12.7 of its ConRAC Lease Agreement and in as good condition as on the Date of Beneficial Occupancy (or in the case of improvements or alterations made or fixtures installed subsequent thereto, then as of the date such improvements, alterations, or fixtures were made or installed), reasonable wear and tear, and damage from casualty as described in Article 14 of each CRC Lease Agreement resulting in the termination of the ConRAC Lease Agreement and repairs which are the responsibility of the Authority, excepted. No act or thing done by the Authority during the Term shall be deemed an acceptance of a surrender of the Premises and no agreement to accept such surrender shall be valid, unless in writing signed by the Authority.

In the event a RAC shall claim under any provision of the applicable ConRAC Lease Agreement that the Authority has unreasonably withheld or delayed its consent or approval to some request of such RAC, such RAC shall have no claim for damages by reason of such alleged withholding or delay, and such RAC's sole remedy therefor shall be declaratory or injunctive relief, but in any event without the recovery of damages.

If a RAC shall, with the written consent of the Authority, hold over in any portion of the Premises after the expiration or termination of the Term applicable thereto, the resulting tenancy, unless otherwise mutually agreed, shall be on a month-to-month basis until such time as a RAC shall surrender the Premises with thirty (30) days' prior written notice to the Authority or until such time as the Authority shall terminate the month-to-month agreement by giving such RAC thirty (30) days' prior written notice or re-enters the Premises with thirty (30) days' prior written notice to such RAC. During such month-to-month tenancy, the RAC shall be bound by all applicable provisions of the Agreement to the extent not inconsistent with a month-to-month tenancy and shall be liable for use and occupancy in an amount no less than the Rent and Additional Rent payable during the last full month of the Term, which shall be established by the Authority in its sole and absolute discretion at the time the Authority grants its consent.

If a RAC, without the written consent of the Authority, holds over in any portion of the Premises after the expiration or termination of its ConRAC Lease Agreement, such RAC shall be deemed to be a Tenant-at-sufferance and shall be bound by all applicable provisions of its ConRAC Lease Agreement and shall be liable for the use and occupancy of the Premises for each month in an amount equal to one hundred and fifty percent (150%) of the Rent and Additional Rent payable during the last full month of the Term, unless the Authority expressly consents in writing to a different amount of Rent and Additional Rent. The foregoing provisions shall not serve as permission to RAC to hold over, nor serve to extend the Term (although each RAC shall remain bound to comply with all provisions of the applicable ConRAC Lease Agreement until such RAC vacates the Premises). The provisions of the ConRAC Lease Agreements shall not operate as a waiver of any right of re-entry provided to the Authority in the ConRAC Lease Agreement.

CFCs and Contingent Rent

Each RAC shall pay CFCs and Contingent Rent directly to the Trustee for the benefit of the Authority in the amounts equal to the following:

Collection of CFC by RAC

In accordance with the vote of the Board of the Authority dated September 18, 2008, as amended on October 27, 2009 (collectively, as amended, the "Board Vote"), as such Board Vote may be further amended from time to time during the Term, each RAC shall charge, collect and remit to the Trustee a CFC in accordance with the Board Vote and as follows:

(a) Commencing on the first day of the month that follows the Effective Date, and continuing at the same rate until and unless such amount is modified by the Authority as provided in the ConRAC Lease Agreements, and thereafter through the end of the Term, each RAC shall charge and collect a CFC from each of its Airport RAC Customers in the amount of six dollars ($6.00) per twenty-four hour period (or fraction thereof) (each a "***Transaction Day***") for the total time period that a Vehicle is rented by an Airport RAC Customer. In the event a RAC's Vehicle rental contract contains a grace period for the Vehicle's return at the end of the Vehicle's rental period of no more than fifty-nine (59) minutes, during which grace period such RAC will not charge a customer a further Vehicle rental fee or other form of late return fee, then the CFC shall not be imposed during such grace period and such grace period shall not be considered a further Transaction Day. The CFC charged to an Airport RAC Customer shall not be reduced if the Vehicle is returned to a location other than the Airport.

(b) The amount of the CFC may be changed from time to time by the Authority, in its sole discretion. Any change in the amount of the CFC to be collected shall be communicated to the RAC by written notice as provided in the ConRAC Lease Agreements. The CFC shall be set forth as a separate line item in each Airport RAC Customer's Vehicle rental contract and identified as a "Customer Facility Charge". The collection of the CFC shall be separately stated from the other aspects and undertakings of the RAC. RACs shall not identify the CFC in their Airport RAC Customer Vehicle rental contracts or other similar agreements as a tax, fee, or charge which is payable to the Authority, or as a tax, fee, or charge which represents a monetary benefit to the Authority. The CFC shall not be included in a RAC's calculation of Gross Sales.

(c) Each RAC shall collect the CFC at the time the first payment is made for a Vehicle rental transaction, and each RAC shall remit the full amount of such CFC to the Trustee, for the benefit of the Authority, regardless of whether or not the full amount of such CFC is actually collected by the RAC from the person who rented the Vehicle; provided, however, that upon payment in full of all outstanding Bonds, CFCs shall be paid directly to the Authority. All such CFCs collected by the RACs shall be held in trust by the RACs for the Authority until remitted as provided in the ConRAC Lease Agreements. Each RAC shall remit all CFCs collected by such RAC each calendar month during the Term on or before the fifteenth (15th) day of each succeeding month. Each RAC shall maintain records and controls which are sufficient to demonstrate the correctness of the CFCs collected by the RAC and the amount of the CFCs paid to the Trustee for the benefit of the Authority or to the Authority. Such records shall be available for inspection and examination at all times by the Authority and the Trustee and shall be otherwise subject to the requirements set forth in the ConRAC Lease Agreements. Each RAC's chief financial officer shall provide the Authority and the Trustee with his or her written certification of such RAC's compliance with the provisions of its ConRAC Lease Agreement within thirty (30) days after the close of each Fiscal Year during the term of the ConRAC Lease Agreement, and promptly after any written request by the Authority or the Trustee for such certification.

(d) The CFC collections by RACs prior to remittance to the Trustee or the Authority shall be subject at all times to a first lien for the repayment of the Bonds. Each RAC has agreed that it shall not grant to any third party any liens or encumbrances on CFCs, and that any lien or encumbrance on CFCs granted by a RAC to a third party or otherwise purported to be obtained by a third party shall be void and of no force or effect.

(e) Each RAC has acknowledged and agreed that all CFCs collected by such RAC are not income, revenue or any other asset of such RAC; that such RAC has no legal or equitable ownership or property interest in the CFCs; and that such RAC has waived any claim to a possessory or legal or equitable ownership interest in the

CFCs. Each RAC has agreed that it holds such CFCs as trust funds in trust for the benefit of the Authority, and that the Authority (or the Trustee on its behalf) has complete possessory and legal and equitable ownership rights to the CFCs. Consistent with the nature of the Customer Facility Charge as funds held in trust for the Authority, until such CFCs are paid to the Trustee or the Authority, each RACs shall hold CFCs in a separate account into which no funds that are not CFCs will be deposited, and each RAC shall describe the CFCs in its financial statements as trust funds held for the benefit of the Authority.

CFC Determination by Authority

Subject only to any covenants made in connection with the issuance of any Bonds, the Authority shall have the sole authority to determine the amount of the CFC. Prior to the commencement of each Fiscal Year during the Term, the Authority shall review and may adjust, effective on the first day of each Fiscal Year, the level of the CFC, based upon factors including the anticipated debt service on the Bonds and the Authority Loan for the coming Fiscal Year, amounts necessary to fund the other accounts, as provided for below, shortfalls in CFC revenue that may have occurred in the then-current Fiscal Year, projections of the level of demand for rental car services at the Airport in the next Fiscal Year, projected additional capital costs of Additional Special Facilities or of capital maintenance of the ConRAC, and such other factors as the Authority may determine in its sole discretion. Notwithstanding the foregoing, the Authority shall have the right to make an unscheduled adjustment to the level of the CFC in any Fiscal Year in the event that the Authority determines in its sole discretion that there has been a material change in any of the assumptions utilized in the Authority's calculation of the CFC, and that such change should not be addressed solely through withdrawals from the CFC Stabilization Fund established by the Authority or the imposition of Contingent Rent. The Authority shall provide no less than sixty (60) days advance, written notice of the adjusted amount of the CFC for the coming Fiscal Year or of any unscheduled adjustment to the CFC to the RACs and each Off-Airport RAC. Each RAC has agreed that it shall commence quoting to its customers any change in the level of the CFC thirty (30) days prior to the effective date of the changed CFC; provided, however, that the CFC charged to any Airport RAC Customer that has made a reservation for rental of a Vehicle from RAC prior to the date on which the Authority provides notice of the adjustment to the CFC shall be the CFC in force at the time such reservation was made, and; provided, further, that if an Airport RAC Customer's Transaction Days encompass a period before and after the date of an adjustment to the CFC, notwithstanding the adjustment to the CFC, the Airport RAC Customer shall be charged the CFC in force on the date such Airport RAC Customer's rental commenced for the entire period of such Vehicle rental. Without limiting the foregoing, each RAC has acknowledged and agreed that the Authority expects to set the amount of the CFC (when multiplied by the total number of projected Transaction Days) at an annual level sufficient to provide sufficient funds to pay: (i) principal of and interest on the Bonds coming due during such Fiscal Year, plus (ii) any and all additional requirements set forth in the CFC Trust Agreement, including amounts sufficient to reimburse the Reserve Funds for any prior drawings thereon over a period not to exceed twenty-four months (as determined by the Authority), plus (iii) amounts sufficient to pay current interest accruing on the Authority Loan (if any), plus (iv) amounts sufficient to maintain the balance in the CFC Stabilization Fund at no less than Five Million Dollars ($5,000,000) (the "***Minimum Balance***"), plus (v) amounts sufficient to pay the RACs' allocable share of the Bus Facility Debt, plus (vi) amounts sufficient to pay the Debt Management Fee, plus (vii) amounts sufficient to fund the Maintenance Reserve Fund, plus (viii) amounts sufficient to pay a portion of the principal of the Authority Loan, plus (ix) amounts sufficient to reimburse the Authority over a reasonable period of time as determined by the Authority for any previously unreimbursed costs of the Project paid by the Authority (other than an Authority Loan). In setting the level of the CFC, the Authority specifically has the right to establish reserves that it reasonably believes to be prudent to either minimize significant year-over-year increases or decreases in the CFC or meet future capital needs associated with either the ConRAC or the CATS that are not funded on a current basis or through the Maintenance Reserve Fund.

The Authority will provide the RACs with a reasonable opportunity to review the CFC and the method of its calculation. In addition, annually in connection with establishing the CFC, Contingent Rent (if any), ConRAC Rent and the CATS Fee for the forthcoming Fiscal Year, the Authority will provide an accounting of the use charges collected from Off-Airport RACs and credited against costs of the ConRAC ("ConRAC Use Charges"); the principal amount of the Bonds and the Authority Loan (if any) then outstanding; the amounts paid into and out of any Reserve Fund, the Maintenance Reserve Fund or the CFC Stabilization Fund; and the aggregate amount of CFC revenues reported by all of the RACs for the prior Fiscal Year.

CFC Application

CFCs shall be applied each month, first, as provided in the CFC Trust Agreement, by the Trustee to pay principal of and interest on the Bonds and to repay any draws on the Reserve Funds over a period not to exceed twenty four (24) months, as determined by the Authority.

All CFCs available each month after application in accordance with the CFC Trust Agreement shall be applied, as directed by the Authority, as follows:

(1) First, if there has been a drawing on the CFC Stabilization Fund that has not been fully reimbursed, CFCs shall be deposited directly to the CFC Stabilization Fund over a period not to exceed twelve (12) months until the amount on deposit therein is equal to the Minimum Balance;

(2) Second, to payment of interest accrued and unpaid on the Authority Loan (if any);

(3) Third, to payment of the Bus Facility Debt, including additional capital costs of the Bus Maintenance Facility allocable to the ConRAC;

(4) Fourth, to payment to the Authority of one-twelfth (1/12) of an annual ***"Debt Management Fee"*** in consideration of the Authority's assistance in connection with the issuance of the Bonds, which shall be an annual amount equal to one-tenth of one percent (.10%) of the aggregate principal amount of the Bonds outstanding on the first day of such Fiscal Year;

(5) Fifth, to the Maintenance Reserve Fund one twelfth (1/12) of the annual Maintenance Reserve Fund Requirement; provided, however, to the extent that any deposit to the Maintenance Reserve Fund would cause the amount on deposit in the Maintenance Reserve Fund to exceed six percent (6%) of the Replacement Value, the deposit of CFCs to the Maintenance Reserve Fund (to the extent that any such deposit would exceed such 6% threshold) will be suspended until and unless such amount on deposit falls below such threshold; and

(6) Sixth, the remaining amount, if any, shall be deposited in the CFC Stabilization Fund, and applied as provided below.

CFC Stabilization Fund

The Authority has established a separate fund (the "CFC Stabilization Fund") to be maintained and held by the Authority into which CFCs remaining after application as described above shall be deposited. Amounts on deposit in the CFC Stabilization Fund in excess of the Minimum Balance shall, until DBO, be applied to pay costs of the Project and, following DBO, shall be applied as follows:

(1) Any amount then remaining on deposit in the CFC Stabilization Fund in excess of the Minimum Balance at the end of each Fiscal Year shall be applied to pay principal of the Authority Loan, if any shall be outstanding;

(2) Provided, however, that if on any (x) day that is two (2) days before any Rebate Installment Date (as defined in the CFC Trust Agreement), the amount on deposit in the Rebate Fund is insufficient to pay the amount then due to the United States, as determined pursuant to the CFC Trust Agreement, or (y) Draw Down Date (as defined in the CFC Trust Agreement) the amount to be deposited to the Debt Service Fund is insufficient to pay one-twelfth (1/12) of the principal of or one-sixth (1/6) of the interest on the CFC Bonds coming due on the next succeeding Principal Payment Date or Interest Payment Date (as each are defined in the CFC Trust Agreement), the Authority shall pay to the Trustee from the funds on deposit in the CFC Stabilization Fund, notwithstanding the Minimum Balance, the amount of such shortfall up to the

full amount on deposit in the CFC Stabilization Fund, or (z) day that is two (2) days before any Principal Payment Date or Interest Payment Date the amount on deposit with the Trustee for payment of principal of or interest on the CFC Bonds is insufficient to pay the principal of or the interest on the CFC Bonds coming due on the next succeeding Principal Payment Date or Interest Payment Date, the Authority shall pay to the Trustee from the funds on deposit in the CFC Stabilization Fund, notwithstanding the Minimum Balance, the amount of such shortfall up to the full amount on deposit in the CFC Stabilization Fund.

The CFC Stabilization Fund shall be held by the Authority and, except as provided above, if the Authority Loan shall have been repaid in full, any funds held therein in excess of the Minimum Balance may be applied in the sole discretion of the Authority to fund any of the following costs payable with CFCs:

- to fund the capital replacement costs of either the ConRAC or the share of the CATS allocable to the ConRAC (including, without limitation, capital costs of the Bus Maintenance Facility allocable to the ConRAC);

- to pay capital costs of relocating affected RACs, as provided in the ConRAC Lease Agreements;

- to add funds to the Maintenance Reserve Fund in excess of the Maintenance Reserve Requirement; or

- to pay additional principal of the Bonds in advance of the date such payments are due.

All interest earned on moneys and investments held within the CFC Stabilization Fund shall be credited to the Debt Service Fund. To the extent that CFCs on deposit in the CFC Stabilization Fund are not then required for any of the foregoing purposes, the amount on deposit in the CFC Stabilization Fund shall be held as a reserve against future shortfalls in CFC collections or used for purposes of rate stabilization to permit the Authority to establish the CFC in each Fiscal Year with less fluctuation, or as reserves to fund anticipated capital costs of either the ConRAC or the share of the CATS allocable to the ConRAC.

No Abatement or Offset

Under no circumstances and notwithstanding any provision of the ConRAC Lease Agreements, the Concession Agreements or otherwise to the contrary, will any RAC's obligation to collect and remit the Customer Facility Charge be subject to abatement, offset, or any deduction whatsoever. This requirement specifically includes, but is not limited to, any event of any damage or destruction of the ConRAC or any termination of the ConRAC Lease Agreements and in the event of such termination, the RAC continues to occupy, possess and use any portion of the ConRAC. Each RAC has agreed that it will not, directly or indirectly, divert Airport RAC Customers away from the ConRAC or assist any Airport RAC Customer in avoiding payment of the Customer Facility Charge.

Imposition of Contingent Rent

If Contingent Rent is imposed by the Authority in any Fiscal Year or portion thereof, each RAC shall pay to the Trustee the RAC's Allocable Share of Contingent Rent. The RAC's annual Contingent Rent for each Fiscal Year shall be derived by multiplying the total Contingent Rent for that Fiscal Year by the RAC's Allocable Share. "Contingent Rent" shall be a temporary fee levied by the Authority in order to respond to an unexpected actual or forecasted decrease in Transaction Days. The Authority shall impose Contingent Rent in order to supplement CFC revenues in the event that the CFCs collected in any Fiscal Year are (or are projected to be) insufficient (i) to pay principal of and interest on the Bonds due in such Fiscal Year, (ii) to reimburse Reserve Funds for any drawings upon such funds over a period not to exceed twenty four (24) months, as determined by the Authority, (iii) to provide funds necessary to pay any "yield reduction payments" or rebate amounts due to the United States under the CFC Trust Agreement for which funds in the Rebate Fund or the CFC Stabilization Fund are not otherwise available, (iv) to maintain the balance of the CFC Stabilization Fund in an amount of no less than the Minimum Balance and to reimburse any drawings below the Minimum Balance over a period not to exceed twelve (12) months, as determined by the Authority, (v) to pay interest on the Authority Loan due in that Fiscal Year, (vi) to pay the ConRAC's share of the Bus Facility Debt due in that Fiscal Year, (vii) to pay the Debt Management Fee due in that Fiscal Year, and (viii) to make the deposit to the Maintenance Reserve Fund required in that Fiscal Year (collectively, the sum of the amounts required by (i) through (viii) above, the ***"Minimum Annual Requirement"***). The amount of Contingent Rent shall be determined by the Authority and shall be an amount projected to be sufficient, together with CFCs projected to be collected in such Fiscal Year or portion thereof, to provide sufficient funds to meet the Minimum Annual Requirement for such Fiscal Year and provide additional funds equal to the difference between the CFCs and Contingent Rent (if any) received in the prior Fiscal Year and the Minimum Annual Requirement for such prior Fiscal Year. Contingent Rent may be levied by the Authority only for the period necessary to generate sufficient revenues to respond to the projected decrease in Transaction Days. In lieu of or in addition to imposing Contingent Rent, the Authority shall consider and evaluate whether to temporarily or permanently increase the level of CFCs which are collected from Airport RAC Customers by the RACs. Contingent Rent shall be paid directly to the Trustee and pledged under the CFC Trust Agreement as additional security to ensure payment of the Bonds. Contingent Rent will be imposed only after six (6) months prior written notice to the RAC and only after (x) a withdrawal from the any of the Reserve Funds or (y) the Authority determines that the projected collections of CFCs will be insufficient to provide the Minimum Annual Requirement in any Fiscal Year.

Each RAC shall pay to the Trustee, one twelfth (1/12) of the annual Contingent Rent (if any), in advance, on the first day of each month during the Term. If payment is due on a day that is not a Business Day, then the payment shall be due on the immediately preceding Business Day. The Authority shall provide the RACs with no less than sixty (60) days notice of the date on which the obligation to pay Contingent Rent shall terminate.

Inspection and Audit Right

Each RAC's books and records relating to its collection of CFCs and Transaction Days under the ConRAC Lease Agreements (including without limitation, the books and records required to be maintained under the ConRAC Lease Agreements) shall be available for inspection by the Authority or its duly authorized representative upon seventy two (72) hours advance notice and during normal business hours. The Authority shall have the right, upon such notice and during such business hours to cause an audit to be made of such books and records in order to determine each RAC's compliance with the provisions of the ConRAC Lease Agreement governing CFCs imposed, collected, owed, remitted or payable to or for the benefit of the Authority and compliance with the remaining terms and conditions of the ConRAC Lease Agreements. Failure to provide the Authority with accounts, books, records and data as the Authority determines in its reasonable discretion to be necessary or convenient in connection with its review or audit thereof may be deemed to be an Event of Default of the ConRAC Lease Agreements.

If such audit discloses any willful and intentional inaccuracies, the ConRAC Lease Agreements, at the Authority's option, may thereupon be immediately canceled and terminated.

Adjustment of Overpayment/Underpayment

As a result of the audit, if it is established that the amount of CFCs was understated, or the amount of any adjustments was overstated, so that the Authority shall have received less CFCs than it was entitled to receive under the applicable ConRAC Lease Agreement, such RAC shall pay to the Trustee, as long as any Bonds remain outstanding, and thereafter to the Authority, the difference between the amount that should have been paid and the amount that was paid, plus interest from the time such amount was originally due. Such payment shall be made within thirty (30) days of receipt of written notice from the Authority. If the amount underpaid exceeds by one percent (1%) or more the amount that should have been paid, or if the audit reveals that such RAC's records are in such a state that the CFCs due the Authority cannot be properly determined, the entire expense of said audit and any costs of collection incurred by the Authority shall be borne by the RAC.

If the audit establishes that the RAC has overpaid the Authority, then such overpayment shall, at the option of the Authority be credited to the RAC against future CFCs due under the ConRAC Lease Agreements or reimbursed to RAC within sixty (60) days thereafter.

The provisions in the ConRAC Lease Agreements pertaining to the adjustment of overpayment and/or underpayment shall survive the termination or expiration of the ConRAC Lease Agreements.

Payment of ConRAC Rent

Each RAC shall pay to the Authority the RAC's Allocable Share of ConRAC Rent for each of the portions of the ConRAC, including without limitation the Garage Space, the CSC Space and the Exclusive QTA Space comprising the RAC's exclusive use area (***"Exclusive Use Area"***) of the RAC's leased premises. The RAC's annual ConRAC Rent shall be derived by multiplying the total ConRAC Rent for the Fiscal Year for each type of space by RAC's Allocable Share of such space, as defined below; provided, however that the rental rate per square foot for the space on the fourth level of the Garage shall be fifty percent (50%) of the rate per square foot for space in levels one through three of the Garage. ConRAC Rent shall be calculated by the Authority under which the following costs or fees allocable to the ConRAC are fully recovered by the Authority:

(a) Ground Rent, calculated as set forth below,

(b) The Authority's actual direct and undistributed operating costs of the ConRAC calculated by the Authority, in accordance with the Authority's compensatory rate model, plus a general and administrative markup of 17%,

(c) The Authority's direct costs of the Project, Additional Special Facilities or capital maintenance of the ConRAC (other than those paid with proceeds of CFCs, Bonds, the Maintenance Reserve Fund or the CFC Stabilization Fund), and

(d) The ConRAC common area utility expenses at prevailing retail rates,

(e) Less a credit for any Facility Access Charges collected from Off-Airport RACs.

The amount of annual ConRAC Rent shall be established by the Authority prior to the commencement of each Fiscal Year based upon the Authority's budget for such year, with an adjustment to the ConRAC Rent for each Fiscal Year for the difference between the actual costs, budgeted costs and ConRAC Rent collected for the prior Fiscal Year at such year's end. As a result of such year-end adjustment process, any overpayments of a RAC's Allocable Share of ConRAC Rent for the prior Fiscal Year shall be a credit issued by the Authority to the RAC, and any underpayments of a RAC's Allocable Share of ConRAC Rent shall be billed to the RAC and shall be due within thirty (30) days of such invoice; provided, however, that the Authority reserves the right to recalculate ConRAC Rent during any Fiscal Year if changes to the annual budget, ConRAC expenses and/or an overall reduction in space leased collectively by the RACs in the ConRAC warrant such a recalculation in the Authority's judgment.

Ground Rent

A portion of the ConRAC Rent shall be consideration paid by each RAC for the use of the land upon which the ConRAC is located (***"Ground Rent"***). As of the Effective Date, Ground Rent shall be $4.09 per square foot of the total ground area of the ConRAC site. Ground Rent shall be adjusted annually on each July 1 following the Effective Date, to increase (but not decrease) such Ground Rent in an amount equal to the greater of (i) 100% of the CPI Adjustment (as defined below) or (ii) one and one-half percent (1.5%) (***"Minimum Adjustment"***).

Limitation on Capital Charges

In the event that the Bonds and the Authority Loan (if any) are paid in full prior to the due date thereof, the Rent to be paid by each RAC under its ConRAC Lease Agreement shall be limited to recovery of the Authority's operating costs and Ground Rent, as provided in the ConRAC Lease Agreement, and any additional capital costs of the ConRAC not funded with proceeds of the Bonds or the Authority Loan, as applicable.

Additional Rent

From and after the Date of Beneficial Occupancy, each RAC shall pay to or on behalf of the Authority the following as additional rent:

(a) Utility Charges. Each RAC shall pay the Authority, on a metered basis, at prevailing retail rates, for all utilities that are not included in the ConRAC Rent and that are supplied by the Authority to its premises, including water and electricity. If charges are determined on a pro-rata basis, each RAC shall pay the Authority such RAC's Allocable Share of such charges. Meters to measure utility usage shall be installed in the ConRAC as part of the Project.

(b) Sewer Use and Fire Pipe Charges. With respect to the such RAC's premises, such RAC shall pay to the Authority any non-discriminatory sewer use charge and/or fire pipe charge assessed for such facilities at the Airport. The sewer use charge shall be calculated in accordance with the total amount of water used as separately metered. The fire pipe charge shall be calculated in accordance with the diameter of the pipe.

(c) Utility Service not Provided by the Authority. Each RAC shall be solely responsible for the usage charges for natural gas provided to the RAC's premises by the applicable natural gas utility. Each RAC shall be solely responsible for and shall purchase all Vehicle fuel anticipated to be used by the RAC.

(d) Common Area/Airport Facilities Charges. Each RAC shall pay to the Authority any other fees and charges relating to the Authority's operation and maintenance of the Airport, provided such fees and charges are assessed to such RAC on a non-discriminatory basis in accordance with standard rates established by the Authority from time to time. Such other fees and charges shall include, but not be limited to State Police charges, and fees for security badges, and parking stickers, but not including fees and charges payable under another effective agreement between the Authority and such RAC.

(e) CATS Fee. Each RAC shall pay to the Authority annually during the Term, a fee calculated by the Authority to recover the share of the Authority's actual costs of providing the CATS allocable to the ConRAC (the ***"CATS Fee"***), which shall include the following CATS costs:

(1) direct and undistributed operating and maintenance costs of the buses serving the ConRAC plus a general and administrative markup of 10%,

(2) any direct capital costs of providing the CATS (including without limitation an allowance for major maintenance and replacement of the buses serving the CATS), and

(3) the allocable share of the costs associated with operating and maintaining the Bus Maintenance Facility,

using a methodology established by the Authority from time to time that allocates the costs of the CATS system to users of the system. The RAC shall pay as Additional Rent the projected CATS Fee allocable to the ConRAC, multiplied by a fraction, the numerator of which is the RAC's number of rental Vehicle transactions with Airport RAC Customers for the prior Fiscal Year, and the denominator of which is the total number of such transactions by all RACs and Off-Airport RACs in the prior Fiscal Year. The CATS Fee applicable in any Fiscal Year shall be established by the Authority prior to the commencement of each Fiscal Year based upon the Authority's budget for its Fiscal Year with an adjustment for the difference between the CATS Fees collected, actual costs and budgeted costs for such year at such year's end. As a result of such year-end adjustment process, any overpayments of the RAC's CATS Fee for the prior Fiscal Year shall be a credit issued by the Authority to the RAC, and any underpayments of the RAC's CATS Fee shall be billed to the RAC, and shall be due and payable within thirty (30) days of such invoice; provided, however, that the Authority reserves the right to recalculate the CATS Fee during any Fiscal Year if changes to the annual budget warrant such a recalculation in the Authority's judgment. The RACs may not state the CATS Fee as a separate line item in its Airport RAC Customer Vehicle rental contracts.

The CATS Fee allocated specifically to the ConRAC shall be calculated in accordance with the following formula:

(x) First, the Authority shall allocate to the ConRAC two percent (2%) of the total CATS costs, which represents the increased trip frequency required by ConRAC operating hours and/or operations; provided, however, that if the Director, in his or her sole discretion, determines that there has been a material change in the hours of operation and/or operations of the ConRAC or the MBTA Blue Line that justifies a revision of the percentage of costs allocated to the ConRAC, such percentage shall be adjusted to reflect the then-current trip frequency required by ConRAC operating hours and/or operations compared to other users of the CATS;

(y) Second, the remaining portion of the total CATS costs shall be allocated and charged by the Authority to the RACs and the Off-Airport RACs based on the proportion of the passengers using the CATS to travel to and from the ConRAC compared to the passengers using the CATS to travel to other destinations. The proportion shall be in the form of a ratio, the numerator being the number of passengers on the CATS accessing the ConRAC in such Fiscal Year, and the denominator being the total number of passengers on the CATS in such Fiscal Year; and

(z) After adding the charges set forth in subsections (x) and (y) above for such Fiscal Year, such sum shall be allocated among the ConRAC users (including the RACs and Off-Airport RACs, if any) on the basis of each such user's share of the total transaction volume, determined by multiplying the projected CATS Fee allocable to the ConRAC by a fraction, the numerator of which is the user's number of rental Vehicle transactions with Airport RAC Customers for the prior Fiscal Year, and the denominator of which is the total number of such transactions by all RACs and Off-Airport RACs in the prior Fiscal Year.

(f) Moving Costs. The Director, in his or her sole discretion, may impose an additional fee on each RAC as Additional Rent that, in the aggregate, shall be sufficient to compensate each affected RAC for its operating costs associated with a Reallocation where such affected RAC's Market Share has not diminished. The Director shall calculate the total of the actual direct operating costs of such affected RACs associated with such Reallocation and then each RAC shall pay, as Additional Rent, its Allocable Share of such costs, amortized over such period, not to exceed twelve months, as the Director may determine.

(g) Other Amounts Due. Each RAC shall pay to the Authority any other amount owing by such RAC to the Authority pursuant to a term of its ConRAC Lease Agreements, which shall include amounts paid or costs incurred by the Authority to cure such RAC's default under or other failure to comply with the provisions of its ConRAC Lease Agreement.

No Waiver or Setoff. Each RAC's obligations to collect and remit CFCs and to pay Rent shall be absolute and unconditional and shall not be subject to any right of recoupment or set-off and each RAC shall make all payments in full without notice or demand and without deduction, setoff or counter-claim of any form or nature. Until its ConRAC Lease Agreement has terminated and ceased to have effect, each RAC will not (i) suspend or discontinue any payments required by the ConRAC Lease Agreement, (ii) suspend or fail to collect CFCs and remit them as provided in the ConRAC Lease Agreement, or (iii) fail to fulfill its other agreements in the ConRAC Lease Agreement for any cause, including without limitation, any damage to the ConRAC, any failure of consideration or commercial frustration of purpose, any change in federal or state or other laws or administrative rulings or actions or any failure of the Authority to fulfill any agreement, duty, liability or obligation related to the ConRAC Lease Agreement. Acceptance by the Authority of any payment or partial payment of Rent, fees or charges shall not constitute a waiver of any right on the part of Authority. No such payment shall be deemed to be other than a payment on account of the earliest rental payment then due, nor shall any endorsement of any check or payment be deemed an accord and satisfaction unless specifically agreed to in writing by the Authority and the Authority may accept such check or payment without prejudicing in any way its right to recover the balance of such Rent.

Common Area Transit System

Common Area Transit System ("CATS")

Airport RAC Customers will be transported between the Terminals and the ConRAC exclusively on the Common Area Transit System operated by or on behalf of the Authority. The Authority will require all Airport RAC Customers of all RACs operating at the Airport (including without limitation all Off Airport RACs) to transport their Airport RAC Customers between the Terminals and the ConRAC exclusively on the CATS. All Airport RAC Customers of each RAC shall exclusively use the CATS for such transportation. RACs may not use their own Courtesy Vehicles or another transportation system, and shall not contract with a third party transportation system, or use vouchers, or use its rental Vehicles to pick up or drop off Airport RAC Customers at the Terminals. The RACs shall have no right to transport any rental car customers between the ConRAC and any terminals at the Airport that are open to the public for the purpose of flight ticket purchase, public lobby, waiting, baggage check-in and other services related to air travel at the Airport ("***Terminals***") except by use of the CATS.

Double-Busing

The Authority will require that all Airport RAC Customers of Off-Airport RACs will be "double-bused," meaning that those Airport RAC Customers will be transported between the Terminals and the ConRAC via the CATS and may only be picked up and dropped off at a curb position at the ConRAC designated for Off Airport RACs.

The Authority reserves the right to subcontract the management and operation of the CATS to a third party and to include the costs of such subcontract in the calculation of the CATS Fee.

Operation and Maintenance of ConRAC Facility

Authority Maintenance and Repair

(a) CSC and Garage. From and after the Date of Beneficial Occupancy, the Authority shall repair and maintain, or cause to be repaired and maintained the structural portions of the CSC and Garage, including the roof and any building systems not required to be maintained by each RAC, and also shall maintain the RAC Common Use Areas located within the CSC and Garage. Monies held in the Maintenance Reserve Fund may be applied by the Authority to pay the costs of capital repair and maintenance activities.

(b) Access Roadways and RAC QTA Common Use Area. From and after the Date of Beneficial Occupancy, the Authority shall perform, or cause to be performed maintenance and repairs to the Access Roadways and the RAC QTA common use Area.

(c) Limitation on Authority's Obligations. The Authority shall not be responsible to make any repairs other than as expressly provided in the ConRAC Lease Agreements. The Authority shall undertake any such required maintenance and repairs within a reasonable time after the Authority determines the need for such maintenance or repairs provided that the Authority shall not be liable for any failure to make such repairs unless such RAC has given the Authority notice of the need to make such repairs and the Authority has failed to commence such repairs within a reasonable time thereafter. Throughout the Term, the Authority shall not be liable for such maintenance and repairs that are necessitated in part or in whole by the negligence or willful misconduct of any RAC, its agents, servants, employees, suppliers, contractors, subcontractors or furnishers of service, or by any other RAC or by the presence or installation of any tenant improvements. There shall be no liability of the Authority by reason of any injury to or interference with any RAC's business arising from the making of any repairs, alterations or improvements in or to any portion of the premises, and there will be no abatement of Rent or Additional Rent on account of any such injury or interference.

RACs' Maintenance and Repair

(a) CSC Space and Garage Space. From and after the Date of Beneficial Occupancy, each RAC shall, at all times, at each RAC's sole cost and expense, keep and maintain and repair, within a reasonable time, the portions of the Premises located within the CSC and the ConRAC, and any systems which are unique to and exclusively serve its premises.

(b) QTA. From and after the Date of Beneficial Occupancy, each RAC shall, at all times, at each RAC's sole cost and expense, keep and maintain and repair, within a reasonable time, its exclusive QTA Space within the QTA, and any systems which are unique to and exclusively serve such RAC's exclusive portion of its premises.

(c) RAC Shared QTA Area. From and after the Date of Beneficial Occupancy, each RAC shall, together with the other RACs assigned by the Authority to use the RAC Shared QTA Area, at their sole cost and expense, keep and maintain and repair, within a reasonable time, the portions of the premises located within the RAC Shared QTA Area, and any systems which are unique to and exclusively serve the such portion of the premises.

(d) RAC Shared Garage Area. From and after the Date of Beneficial Occupancy, each RAC shall, together with the other RACs using the ConRAC, at their sole cost and expense, keep and maintain and repair, within a reasonable time, the portions of the Premises located within the RAC shared Garage Area, and any systems which are unique to and exclusively serve the such portion of the Premises.

(e) Maintenance Plan. Prior to the Date of Beneficial Occupancy, each RAC shall provide the Authority with a comprehensive maintenance plan in form and substance reasonably acceptable to the Authority detailing its procedures for and schedules of maintenance for the portions of the ConRAC and the equipment that such RAC is responsible for maintaining pursuant to the ConRAC Lease Agreements (hereinafter referred to as the "Maintenance Plan"). In addition, each RAC shall, on each anniversary of the Date of Beneficial Occupancy, provide the Authority with an update of the Maintenance Plan in form and substance reasonably acceptable to the Authority.

Each RAC has covenanted that at all times during the Term such RAC will be a party to a Concession Agreement with the Authority. Each RAC has represented and warranted that it holds all certificates, permits, licenses or other entitlements required by Laws in order to enable such RAC to conduct its operations and to engage in its Permitted Uses and that said certificates, permits, licenses or other entitlements are and will be kept current, valid and complete.

Permitted Uses. Each RAC has covenanted and agreed that its premises at the ConRAC shall be used only for the following authorized uses ("***Permitted Uses***") in accordance with the provisions specified in the ConRAC Lease Agreements, and for no other purposes whatsoever.

(a) The Authority has granted to each RAC the permission and the privilege of utilizing, and each RAC has covenanted to so use its premises, for the location, and operation of a car rental service business which shall be limited to the following, in addition to the RAC's actual rental of Vehicles thereon:

(1) Administrative, training, executive or clerical activities incidental to conduct the car rental service business, which activities may be housed in the CSC, QTA or the Garage;

(2) Parking and/or active storage in the Garage, of those Vehicles being used in Tenant's car rental business at the Airport;

(3) Bulk delivery of Vehicles to the Premises and bulk removal of Vehicles from the Premises;

(4) Storage of a limited number of damaged Vehicles as required by related legal proceedings;

(5) Washing, cleaning, fueling, and light maintenance in the QTA Area, of the Vehicles being used in the RAC's car rental business at the Airport;

(6) Checking in and checking out of Vehicles in the process of renting to or by customers;

(7) Storage in the QTA Area, of motor vehicle fuel, oil (including the use of storage tanks and related pumps and piping), cleaning, and maintenance supplies; and

(8) Limited employee parking in the areas of the premises which may be requested by RAC and approved therefor by Authority, in its sole discretion.

(b) RAC's Rights Conditioned on Concession Agreement. Each RAC's right to operate a rental car concession at the ConRAC is expressly conditioned upon such RAC's Concession Agreement being in force at all times. If the Authority terminates a RAC's Concession Agreement for any reason, its ConRAC Lease Agreement shall automatically terminate upon the effective date of the termination of the Concession Agreement and the RAC shall have no further right to occupy the ConRAC or operate at the ConRAC.

(c) Use of Premises by Others. The premises leased by each RAC will be used solely by (i) such RAC, or by (ii) a sublessee or assignee operating with the consent of the Authority, which may be granted or withheld in the Authority's sole discretion, and only as provided under the provisions of the ConRAC Lease Agreements.

Prohibited Uses. RACs shall not use the ConRAC for any use not specifically granted in the ConRAC Lease Agreements without the prior written approval of the Authority, which approval may be withheld based on any factor which the Authority, in its sole determination, determines has or may have an impact upon the Authority, the Airport or its efficient or productive operations, provided that any approval of any additional use may be conditioned upon a reasonable increase in the Rent reflective of such RAC's additional use and inclusion of additional provisions in its ConRAC Lease Agreement.

Quality of Products and Services

(a) First Class. It is an express condition of the ConRAC Lease Agreements that each RAC conducts the Permitted Uses under the ConRAC Lease Agreements in a first class, business-like, safe, efficient, courteous and accommodating manner, in accordance with all of the requirements of the ConRAC Lease Agreements. Each RAC shall ensure that a decor is established and maintained substantially in accordance with Authority design and facility plans, that the Premises is maintained and operated in a first-class manner and that at all times the Premises is kept in a safe, clean, orderly and inviting condition, satisfactory to Authority. To accomplish these desires, each RAC must periodically review or cause to be reviewed operations of the Premises operated by such RAC at the Airport.

(b) Adequate Vehicles and Service. Each RAC has agreed to furnish good, prompt and efficient service and to maintain a sufficient number and variety of Vehicles on its parking area in the ConRAC or that it leases or owns on or off the Airport adequate to meet all reasonable demands for its services at the Airport; to furnish services on a fair, equal and nondiscriminatory basis to all Airport RAC Customers, and to charge fair, reasonable and nondiscriminatory prices for each unit of service; and such RAC further agrees that its rental Vehicles shall be maintained in good operating order, free from known mechanical defects, and in good, clean, neat and attractive condition, inside and outside, all at such RAC's own cost and expense.

Each RAC shall offer for rental in its operations under the ConRAC Lease Agreements only Vehicles of recent manufacture (no more than two years older than the current model year) and antique, vintage, classic or other luxury or prestige Vehicles authorized in writing by the Director.

(c) Concession Rates and Prices. No RAC shall misrepresent to the public its prices or the terms, provisions and availability of its Vehicles or those of its competitors. Each RAC shall fully inform each Airport RAC Customer, prior to the execution of such Airport RAC Customer's rental agreement, of all rates and fees applicable to such Airport RAC Customer's rental. Each RAC shall, upon receipt of written notice, immediately cease any business practices that the Director determines to be deceptive.

(d) Rental Agreements. Each RAC shall provide to the Authority on July 1 of each year its then current form of rental agreement covering the rental of such RAC's Vehicles.

Brand Name

Each RAC shall operate at the Airport only under the brand name set forth in its respective ConRAC Lease Agreement (the ***"Brand Name"***) and no others without the express, written consent of the Authority, which may be granted or withheld at the Authority's sole discretion. Each RAC has represented and warranted to Authority that such RAC has full right, title and interest in and to the Brand Name or has duly been granted a license to use the Brand Name and that such RAC will maintain ownership of or a valid license to use such Brand Name at all times during the Term of its respective ConRAC Lease Agreement. Each RAC has indemnified Authority to the fullest extent under its respective ConRAC Lease Agreement, agreed to hold Authority harmless and will defend Authority against and pay all of Authority's costs (including without limitation attorney's fees) arising from any claim that such RAC's use of a Brand Name is unauthorized or in violation of any Law.

RACs' Operating Hours

Each RAC agrees that its respective Vehicle rental services shall be available at the ConRAC each day commencing at least one and one half (1-1/2) hours before the first passenger flight is scheduled to depart the Airport and ending at least one (1) hour after the last scheduled passenger flight has arrived at the Airport, and during such additional hours as the Director may direct. Each RAC shall operate every day of the year, subject to the Force Majeure provisions of its ConRAC Lease Agreement.

Reallocation of Space

Each RAC's premises may be reallocated or relocated (each referred to as ***"Reallocation"***) during the Term of its ConRAC Lease Agreement, by the Airport Director in the following circumstances:

(a) On or about the date which is thirty (30) months after DBO and thereafter on the date which is at the end of each subsequent thirty (30) month period during the Term, provided a RAC has provided a notice to Director and each other RAC, together with supporting data, indicating that such RAC's Market Share has significantly increased since the initial allocation of Premises or the last Reallocation of Premises, as applicable, so that it requires an increase (proportional to the change in its Market Share) in the amount of square feet of space that it occupies as ready-return space on its current level of the Garage and/or its storage space within the Garage of the ConRAC and/or its QTA space;

In such event of Reallocation on or about the date which is thirty (30) months after DBO, the RAC requesting such Reallocation shall pay all costs and expenses associated with the Reallocation of space within the ConRAC for its accommodation therein, including without limitation the cost of reallocating the Garage and its QTA space between and among the RACs being moved to provide additional space for such RAC ("affected RACs") and the cost and expense of moving the affected RACs' furniture, moveable equipment and materials.

(b) On or about the date which is sixty (60) months after DBO, provided a RAC has provided a notice to Director and each other RAC, together with supporting data, indicating that such RAC's Market Share has increased since the initial allocation of Premises by an amount of such significance, and as a result such RAC requires an increase (proportional to the increase in its Market Share) of space that it occupies for its QTA Space and/or its ticket counter and/or office within its CSC Space, and/or its storage space or ready-return space that it occupies, provided that with respect to the latter, such increase includes a relocation from its current floor level to another floor level within the Garage.

In such event of Reallocation on or about the date which is sixty (60) months after DBO, the RAC requesting such Reallocation shall pay all of its own costs and expenses associated with the reallocation of space within the ConRAC for its accommodation therein. Each of the affected RACs shall pay its own operating costs associated with such Reallocation, including moving the affected RACs' furniture, moveable equipment and materials, and the capital costs of any Reallocation of such affected RACs shall be paid from funds on deposit in the CFC Stabilization Fund in excess of the Minimum Balance or the Maintenance Reserve Fund; provided, however, that the Director, in his/her sole discretion, may impose on all RACs an additional fee to be paid as Additional Rent as provided in Section the ConRAC Lease Agreements that shall, in the aggregate, be sufficient to compensate any affected RAC that has not had its Market Share diminish for the operating costs of any such Reallocation.

(c) A ***"New Entrant"*** (defined as a Person operating a rent-a-car company which operates such business off-Airport and has access to Airport RAC Customers under the terms of a Concession Agreement executed with the Authority after the Effective Date of the ConRAC Lease Agreements) notifies the Director in writing that it desires to operate as a New Entrant within the ConRAC.

In such case, if the Director determines that the potential New Entrant has achieved a Market Share that, in the Director's sole and absolute judgment, justifies reallocating space at the ConRAC to accommodate such New Entrant, the New Entrant shall be permitted to enter into a lease agreement for space at the ConRAC in substantially the same form as the ConRAC Lease Agreements, as previously amended or superseded, under which any RAC and the other RACs are then operating. In the event of such a Reallocation as described in this subsection (c), the New Entrant shall pay all costs and expenses associated with the reallocation of space within the ConRAC for its accommodation therein, including without limitation the cost of reallocating the CSC, Garage and QTA space between and among the affected RAC or RACs.

(d) Another RAC's ConRAC lease agreement has been terminated for any reason (whether by default, rejection of the lease agreement in bankruptcy, or otherwise).

In such case, the Director may reallocate the vacated RAC premises between and among any RAC and the remaining RACs in the ConRAC, as soon as practicable in accordance with each RAC's then respective Market Shares. Each RAC understands and agrees that it is the intent of the parties to ensure that one hundred percent (100%) of the rentable area within the ConRAC shall be leased at all times to and among, as applicable, each remaining RAC.

(e) The Director determines, in his or her sole discretion, that there has been a shift in Market Share between two or more of the RACs so substantial as to have a substantial negative effect on the efficiency of operations at the ConRAC.

In each such event of Reallocation as described in subsections (d) and (e) above, each RAC who benefit from such Reallocation (by having an increase in the size of its premises within the ConRAC or otherwise) shall pay all of its own costs and expenses associated with the reallocation of space within the ConRAC for its accommodation therein. Each of the affected RACs shall pay its own operating costs associated with such Reallocation, including moving the affected RACs' furniture, moveable equipment and materials, and the capital costs of any Reallocation of such affected RACs shall be paid from funds on deposit in the CFC Stabilization Fund in excess of the Minimum Balance or the Maintenance Reserve Fund; provided, however, that the Director, in his/her sole discretion, may impose on all RACs an additional fee to be paid as Additional Rent as provided in the Related Concession Agreements that shall, in the aggregate, be sufficient to compensate any affected RAC that has not had its Market Share diminish for the operating costs of any such Reallocation.

Director's Determination

The Director will use reasonable efforts to hold a consultation meeting with all of the RACs (including any proposed New Entrant) no less than sixty (60) days after receipt of a notice from a RAC requesting a Reallocation or a notice from a proposed New Entrant requesting to lease space within the ConRAC. In the event the Director decides to reallocate spaces within the ConRAC, the Director will determine, in his or her sole discretion, how to best to reallocate the space within the ConRAC. The Authority specifically reserves the right to completely relocate one or more RACs and, in turn, reallocate their vacated space(s). For example, if a RAC increases its Market Share and is interested in space vacated by a RAC that previously had a larger Market Share, the Authority may completely relocate the RAC with the increased Market Share to the space formerly occupied by the RAC with the previously larger Market Share and, in turn, reallocate the space vacated by the RAC whose Market Share has increased.

In the event there are any funds in the CFC Stabilization Fund in excess of the Minimum Amount at the time that the Director has determined that a Reallocation should occur as a result of any situation described in any of the ConRAC Lease Agreements, then, the capital costs of such Reallocation may be funded, in whole or in part, as determined by the Director, by the proceeds then contained in the CFC Stabilization Fund in excess of the Minimum Amount.

The Director shall provide to each RAC then leasing space at the ConRAC with a notice (the ***"Reallocation Notice"***) including revised exhibits to the ConRAC Lease Agreements and each other agreement with a RAC reflecting the reallocated space at the ConRAC to be occupied by each RAC and the resulting recalculated ConRAC Rent and Additional Rent and each RAC that is affected by such Reallocation shall be bound by such amendment to its lease agreement reflecting its new premises as of the Reallocation Date set forth in such Reallocation Notice.

The Director shall determine the date on which such Reallocation shall be completed (the ***"Reallocation Date"***), which shall be the first day of a calendar month no more than ninety (90) days after the Director provides the Reallocation Notice to the RACs, except in the case of a Reallocation that includes a Reallocation of space between floors of the Garage, the Reallocation Date shall be no more than two hundred seventy (270) days after the Director provides the Reallocation Notice to the RACs. The ConRAC Rent and Additional Rent shall be adjusted as of the Reallocation Date for each RAC that is affected by such a Reallocation to reflect the adjusted space then leased by such RAC.

Alterations, Maintenance and Repair

Tenant Improvements

No RAC shall place or construct any improvements, structures, alterations, modifications, signs (other than signs not visible to the public) or additions in, to, or upon the premises without the prior written approval of the Authority. Any such improvements, structures, alterations, modifications, signs (other than signs not visible to the public) or additions are hereinafter referred to as the "Tenant Improvements". In addition, each RAC shall obtain the Authority's prior written approval for any Tenant Improvements in accordance with the process described in the

ConRAC Lease Agreements. In the event any RAC fails to obtain the Authority's prior written approval, the Authority may, without limiting other remedies available to it, direct in writing that such RAC modify, reconstruct or remove any work done without the approval of the Authority and if such RAC fails to so modify, reconstruct or remove such unapproved work within a reasonable time, the Authority may exercise its rights under the ConRAC Lease Agreements to effect such modification, reconstruction or removal and the cost of such undertaking shall be charged to such RAC as Additional Rent as set forth in the ConRAC Lease Agreements.

Ownership of RAC Improvements. Each RAC shall own any Tenant Improvements until the termination of such RAC's occupancy of its premises or the expiration of the Term, whichever occurs later. Tenant Improvements placed or installed in its premises by any RAC, shall remain such RAC's property at such RAC's sole risk, and such RAC shall have the right to remove such property at any time during the Term that no Event of Default has occurred and is continuing, provided such RAC repairs any damage caused or alteration made to the premises as a result of such installation, placement or removal. Upon termination of such RAC's occupancy of its premises or the expiration of the Term, whichever occurs first, such RAC shall upon request of the Authority remove any such Tenant Improvements and restore its premises to the condition as of the Date of Beneficial Occupancy, reasonable wear and tear excepted.

Performance of Tenant Improvements, Maintenance and Repairs

Each RAC shall perform all Tenant Improvements, maintenance or repairs in conformance with all applicable laws and the Authority's Guide to Tenant Construction (2009), as such Guide may be supplemented or amended, and in a good and workmanlike manner, in accordance in all material respects with the drawings and specifications as may be approved by the Authority. Each RAC (or, with the approval of the Authority, the Maintenance Reserve Fund) shall bear any and all costs of compliance with such requirements under the ConRAC Lease Agreements related to Tenant Improvement, maintenance and repair requirements.

Prior to commencing construction of any Tenant Improvement, a RAC shall provide the Authority with: (i) copies of the final plans for such RAC Improvement, approved by the Authority in writing; (ii) copies of fully executed construction contract(s) satisfying the requirements of the ConRAC Lease Agreements; (iii) a statutory lien bond and a performance and payment surety bond in a form and amount reasonably satisfactory to the Authority from a surety company licensed to do business in the Commonwealth and acceptable to the Authority, naming such RAC and the Authority as obligees, as their respective interest may appear, in the amount of the entire construction cost of such Tenant Improvement; (iv) copies of all permits required under law in order to undertake such Tenant Improvement; (v) all policies of insurance required under the terms of the ConRAC Lease Agreements; and (vi) a current budget for the Tenant Improvement, including an allocation of all costs in accordance with the finance codes then in use by the Authority.

All Tenant Improvements shall be constructed: (a) in accordance with plans approved by the Authority in writing; (b) pursuant to one or more written construction contracts entered into between such RAC and its contractors (which term, as used in the ConRAC Lease Agreements, shall also include such RAC's construction manager) named therein, which contracts, and any amendments thereto shall be in form and substance reasonably acceptable to the Authority; (c) and installed in a good and workmanlike manner using only new materials in accordance with a schedule approved by the Authority; (d) in compliance with all applicable laws; and (e) at such RAC's sole expense and at such times and in such manner as the Authority may from time to time designate without unreasonable interference with or disruption of the operations of RACs or other occupants of the ConRAC or the Airport. Such RAC shall make available to the Authority within ten (10) days after receipt by such RAC thereof all quality assurance or quality control test results or reports prepared with respect to any such Tenant Improvement. Such RAC shall be solely responsible for implementing and monitoring all safety measures relating to undertaking all such Tenant Improvements.

Right of the Authority

If a RAC does not, upon reasonable notice and reasonable opportunity to such RAC to cure, considering the nature of the maintenance or repair, commence the maintenance and repairs required to be undertaken by such RAC as set forth herein or fails to diligently continue to complete such maintenance or repairs, then the Authority, in addition to any other remedy which may be available to it, may enter the RAC's leased premises and perform such maintenance or repair, as the Authority determines, in its sole and absolute discretion, is required. Such RAC shall indemnify and save harmless the Authority from all injury, loss or damage to any person or property occasioned by the Authority's completion of such maintenance or repair, except to the extent such loss or damage is the result of the negligence or willful misconduct of the Authority, its employees, agents or contractors. Such RAC shall reimburse the Authority, as Additional Rent, for any and all reasonable costs incurred in completing such maintenance or repair, together with interest thereon from the date the Authority incurred such costs, unless the Authority elects to fund such costs from the Maintenance Reserve Fund.

Trade Fixtures

Except to the extent provided in repair or substitution of any improvements provided by the Authority, a RAC shall retain ownership of: (i) all trade fixtures and business equipment and furnishings from time to time installed by such RAC at its expense, and (ii) all RAC Improvements that such RAC is required to remove upon the termination of its ConRAC Lease Agreement. Such RAC may remove any of such fixtures; equipment or furnishings at any time during the Term that no Event of Default has occurred or is continuing and shall remove all thereof prior to the expiration of the Term. Any such property not removed at the expiration of the Term shall, at the election of the Authority, become the property of the Authority without payment to such RAC, or be deemed abandoned and removed by the Authority, at such RAC's expense. Upon any removal of such property, such RAC shall promptly repair any and all damage to the Premises caused thereby and reimburse the Authority for its costs and expenses in removing any such property not removed by such RAC and repairing any such damage not repaired by such RAC; this covenant shall survive the termination of the ConRAC Lease Agreements.

Environmental

Environmental Laws

Each RAC has expressly warranted, represented and covenanted that such RAC, its employees, agents, contractors and subcontractors, and licensees shall strictly comply with the requirements of all Environmental Laws affecting the Premises and shall immediately notify the Authority of any release or threat of release of hazardous materials at, upon, under or within the Premises.

Environmental Indemnity. Each RAC under its ConRAC Lease Agreement has unconditionally, irrevocably and absolutely agreed to pay, indemnify, defend with counsel acceptable to the Authority and save harmless the Authority, its members, officers, employees, agents, successors and assigns (the "Indemnified Parties") for, from and against any and all damages, losses, liabilities, obligations, claims, litigation, demands, defenses, judgments, suits, proceedings, fines, penalties, costs, disbursements and expenses (including, without limitation attorneys' and experts' fees and expenses, clean-up costs, waste disposal costs and those costs, expenses, penalties and fines within the meaning of CERCLA), of any kind or nature whatsoever which may at any time be imposed upon, incurred by or asserted or awarded against any of the Indemnified Parties and arising from any violation or alleged violation of environmental laws, or other environmental matter described herein relating to the RAC's leased premises, or as a consequence of such RAC's interest in or operations at the Premises, including, without limitation, matters arising out of any breach of such RAC's covenants, representations and warranties. Each RAC has further agreed and covenanted that none of the Indemnified Parties shall assume any liability or obligation for loss, damage, fines, penalties, claims or duty to clean up or dispose of hazardous materials, or other wastes or materials on or relating to the Premises regardless of any work or other actions made or taken by the Authority on such property or as a result of any re-entry by the Authority onto the premises or otherwise.

Notwithstanding the foregoing, the indemnity obligation of each RAC shall not apply to any liability, loss, or claim (a) caused by actions taken by or on behalf of the Authority which are caused solely by the negligence or willful misconduct of the Authority or (b) caused by existing contamination, except that such RAC shall be responsible for any such existing contamination (x) to the extent that the scope, boundaries or level of contamination, or the cost of clean-up, is increased as a result of such RAC's failure, after such RAC knows, or has a reasonable basis to believe that hazardous materials are on the premises or other Authority property, promptly and reasonably to (A) notify Authority in writing of such hazardous materials, (B) take precautionary measures to alter its operations and the activities of other parties on the premises in order to assure that such operations or activities do not increase such scope or cost; and (C) provide Authority prompt and adequate access to the premises in order to undertake all clean-up activities that the Authority, at its sole discretion, may take; (y) if such hazardous materials were present on the premises due to the negligent or intentional acts or omission of such RAC; or (z) that is discovered, released or disturbed as the result of any testing, excavation or other subsurface activity made or undertaken on the premises by such RAC, unless the Authority has given to such RAC in writing prior approval for such testing, excavation or subsurface activity including the work-plan for such testing, excavation or subsurface activity (which approval may be given or withheld in the Authority's sole discretion and which approval may also be conditioned upon RAC's compliance with the Authority's directive to modify such RAC's testing, excavation or subsurface activity plans so as to minimize the testing, excavation, release or disturbance of Existing Contamination on, under or beneath the Premises) or (c) to the extent such RAC demonstrates that such liability, loss or claim was caused by the negligent or intentional misconduct of any contractor working at the direction of the Authority or any other third party not under the direction or control of such RAC or its employees, agents, contractors, licensees and invitees. All warranties, representations and obligations shall be deemed to be continuing and shall survive the expiration or termination of the ConRAC Lease Agreements. In addition, the covenants and indemnities of RACs contained therein shall survive any exercise of any remedy by the Authority under the ConRAC Lease Agreements. Each RAC has agreed that the indemnification granted therein may be enforced by any of the Indemnified Parties; provided, however, that nothing contained therein shall prevent the Authority from exercising any other rights under the ConRAC Lease Agreements. Each RAC shall give the Authority prompt written notice of any claims threatened or made or suit instituted against it which could result in a claim of indemnification under the ConRAC Lease Agreements.

Each RAC's obligations under the environmental hazard provisions of the ConRAC Lease Agreements shall not apply to the extent such RAC demonstrates that the discharge of Hazardous Materials giving rise to such RAC's obligations was caused (i) solely by the negligence or willful misconduct of the Authority or (ii) by the negligent or intentional misconduct of any contractor working at the direction of the Authority or (iii) by any other third party not under the direction or control of such RAC or its employees, agents, contractors, licensees and invitees.

Insurance

RAC's Insurance

Each RAC, at its expense, shall maintain the following insurance coverage at all times during the Term:

(a) Liability Insurance. Commercial general liability insurance naming the Authority as an additional insured on a primary basis against claims for personal injury, death or property damage arising out of or in connection with such RAC's use, occupancy or activities under the ConRAC Lease Agreements or occurring upon, in or about the Airport, with primary plus excess coverage limits of not less than Five Million Dollars ($5,000,000) per occurrence. The policies shall include coverage for claims made by one insured against another, and coverage provided under these policies of insurance shall be primary to all policies issued to the Authority.

(b) All Risk Property Insurance. Property insurance insuring (i) any personal property (including Vehicles) of the RACs at the Premises (including without limitation, inventory, trade fixtures, floor coverings and furniture) or at the ConRAC, (ii) any items of equipment owned or leased by RACs and physically attached to the interior or the exterior of the Premises or the ConRAC, and (iii) any RAC Improvements made by any RAC to the Premises against all risk of direct physical loss or damage as may from time to time be included within the definition of an "All Risk Insurance Policy" with extended broad form coverage, and such other risks as the Authority may reasonably designate; provided, however, that each RAC may self insure for the risks described in the ConRAC Lease Agreements. Such insurance shall be in an amount equal to the full replacement cost of the insured property. With respect to the coverage described in clauses (ii) and (iii) above, the Authority shall be named as an additional insured as its interest may appear.

(c) Workers' Compensation Insurance. Workers' compensation insurance as required by Law, and employers' liability insurance with minimum limits of One Million Dollars ($1,000,000). Each RAC shall require all of its contractors and consultants to carry workers' compensation insurance as required by Law.

(d) Builder's Risk Insurance. During any construction or alteration of any Tenant Improvements, all risk builder's risk insurance against loss or damage in an amount equal to one hundred percent (100%) of the replacement cost of all Tenant Improvements, from such hazards and in such amounts as the Authority may reasonably require.

(e) Comprehensive Automobile Liability Insurance. For bodily injury and property damage in the combined single limit of Five Million Dollars ($5,000,000.) for all vehicles, which policies of insurance shall be endorsed to include all owned, hired and non-owned vehicles used by each RAC or its contractors on or about the premises and naming the Authority as an additional insured on a primary basis.

(f) Pollution Legal Liability Insurance. The Authority shall purchase Pollution Legal Liability Insurance coverage with such limits as the Authority may reasonably determine are necessary or desirable on behalf of the Authority and all of the RACs. Such coverage shall include, without limitation, coverage for pollution exposure arising from fueling and servicing Vehicles, and shall name the Authority and each RAC as an additional insured on a primary basis.

(g) Professional Liability Insurance. If any RAC retains an architect or engineering professional in connection with any RAC Improvements, such architect and/or engineer shall be required to carry professional liability insurance coverage for errors, omissions and negligent acts in an amount of not less than Two Million Dollars ($2,000,000).

Policy Requirements

Each policy of insurance required to be carried by each RAC under the ConRAC Lease Agreements shall (a) be in a form and with a company reasonably satisfactory to the Authority that is authorized to do business in the Commonwealth having an A.M. Best rating of A-VII or better; (b) other than certain policies required under the ConRAC Lease Agreements, name the Authority, its members, officers, employees and agents as additional insureds on a primary basis; (c) provide that it shall not be altered or cancelled by the insurer during its term, or not renewed, without first giving at least thirty (30) days prior written notice to the Authority; (d) provide that any act or omission of any RAC or the Authority shall not prejudice the rights of the Authority as a party insured under said policy; and (e) be subject to a commercially reasonable deductible in an amount not greater than generally maintained by companies of similar size and reasonably acceptable to the Authority, which amount shall be subject to the Authority's written approval which shall not be unreasonably withheld and shall be stated on the policy or certificate of insurance. The comprehensive general liability policy shall be endorsed specifically to recognize and insure certain indemnification provision appearing in the ConRAC Lease Agreement. Each RAC has acknowledged that the minimum insurance limits and types established herein may become inadequate during the Term, and each RAC has agreed that it shall provide such increased limits or types of insurance to such levels and/or coverage that the Authority may reasonably and in a non-discriminatory manner require during the Term. If any RAC shall fail to perform any of its obligations under the ConRAC Lease Agreements, then in addition to any other right or remedy of the Authority, the Authority may perform the same and the cost thereof shall be payable as Additional Rent.

Indemnification of Authority

To the extent not prohibited by applicable Law, each RAC shall defend, indemnify and save harmless the Authority and its respective members, directors, officers, employees and agents and those in privity of estate with the Authority (each, an "Indemnified Party") against and from any and all liability and expenses arising from (a) any and all claims, causes of action, suits by or on behalf of any Person arising out of (i) occupancy of the premises by such RAC, the conduct of any operations of such RAC on the premises, ConRAC, or elsewhere on the Airport, or the exercise by such RAC of its rights under the applicable ConRAC Lease Agreement, or (ii) the design, acquisition, installation, construction, equipping, furnishing, conduct of any work or anything whatsoever done or omitted to be done in or about the project by or on behalf of such RAC (except to the extent such RAC demonstrates that any such accident, injury or damages is attributable to the negligent or intentional misconduct of any other Person (other than the Authority)) until the date of final acceptance thereof, or (iii) the design, acquisition, installation, construction, reconstruction, improvement, equipping, furnishing, use, occupancy, or conduct of any work in or about the premises by or on behalf of such RAC (except to the extent such RAC demonstrates that any such accident, injury or damages is attributable to the negligent or intentional misconduct of any other Person (other than the Authority)), or (iv) any breach or default by such RAC of any of its obligations under the applicable ConRAC Lease Agreement, or (v) any act, omission or negligence of such RAC or any of its agents, contractors, servants, employees or licensees, or (vi) the failure of such RAC, such RAC's contractors, licensees, agents, servants or employees to comply with any rule, order, regulation or lawful direction of any governmental agency or public authority, in each case to the extent the same are related, directly or indirectly, to the Premises or such RAC's use thereof, or (vii) directly or indirectly, from any accident, injury or damage, however caused, to any Person or property on or about the premises (except to the extent such RAC demonstrates that any such accident, injury or damage is attributable to the negligent or intentional misconduct of any other Person (other than the Authority)); or (viii) any accident, injury or damage to any Person or property occurring outside of the Premises but within the ConRAC or the general area of the ConRAC, where such accident, injury or damage results, or is claimed to have resulted from, any act, omission or negligence on the part of such RAC, or such RAC's contractors, licensees, agents, servants or employees, or anyone claiming by, through or under such RAC; (b) any and all losses, costs, reasonable counsel fees, investigation costs, adjusting fees or any other expenses or liabilities incurred in connection with any such claim or any action or proceeding brought thereon (including without limitation costs and fees of any experts in connection therewith); (c) all attorneys' reasonable fees and out-of-pocket expenses incurred by the Authority and all costs and expenses associated with travel on behalf of the Authority, which costs and expenses are directly or indirectly related to the efforts of the Authority to collect or enforce the obligation to pay Rent under the ConRAC Lease Agreements or other obligations under the ConRAC Lease Agreements, or any of the rights, remedies, powers, privileges or discretion of the Authority against or in respect to such RAC thereunder (whether or not suit is instituted in connection with the foregoing) and (d) any action, suit, claim or proceeding arising on or after the Effective Date in connection with the initial offering, issuance or sale of the Bonds, or any remarketing or resale of the Bonds or any action, suit, claim or proceeding instituted or threatened in connection with the financing transactions contemplated by the CFC Trust Agreement and arising on or after the Effective Date; provided, however, that such RAC shall not be required to indemnify any Indemnified Party for any liabilities or expenses incurred by such Indemnified Party to the extent such liabilities or expenses are caused by or result solely from the negligence or willful misconduct of an Indemnified Party.

RAC's Risk

The Authority shall not be responsible or liable to any RAC, or to those claiming by, through or under any RAC, for any loss or damage to persons or property resulting from any patent or latent defect in the premises, the ConRAC or any appurtenant areas or occasioned by or through the acts or omissions of Persons occupying space adjoining the Premises or any other part of the Airport, or, to the maximum extent permitted by Law, for any loss or damage resulting to such RAC, or those claiming by, through or under such RAC, or its or their property, from fire, snow, the breaking, bursting, stoppage or leaking of electrical cable and wires, or water (including sprinkler systems), gas, sewer or steam pipes, or from any other cause of whatever nature except to the extent such loss or damage results solely from the negligence or willful misconduct of the Authority, its officers, agents and employees. To the maximum extent permitted by Law, each RAC has agreed to use and occupy the Premises, and to use such other portions of the ConRAC, Common Areas and Airport, as such RAC has been given the right to use, at such RAC's own risk and the Authority shall have no responsibility or liability for any loss of or damage to furnishings, fixtures, equipment or other personal property of such RAC, or of those claiming by, through or under such RAC.

Casualty and Condemnation

No Surrender or Abatement

No destruction of or damage to the ConRAC or a RAC's premises or any part thereof by fire or any other casualty whether or not insured, shall permit any RAC to surrender its ConRAC Lease Agreement or shall relieve any RAC from its liability to collect and remit CFCs and to pay the Rent or Additional Rent or from any of its other obligations under the ConRAC Lease Agreements. Each RAC has agreed that the restoration or relocation obligations contained in its ConRAC Lease Agreement shall be each RAC's sole recourse in the event of casualty or condemnation, and each RAC has waived any rights now or hereafter conferred upon it by Law to quit or surrender its ConRAC Lease Agreement or its premises or any part thereof, or to any suspension, diminution, abatement or reduction of Rent or Additional Rent on account of any such destruction or damage.

Casualty

In the event there is Substantial Damage to the ConRAC, then the Authority may elect to terminate the ConRAC Lease Agreements effective as of the date of such damage by written notice to each RAC of its election within one hundred eighty (180) days of the date of the damage and the ConRAC Lease Agreements shall terminate as of the date of such notice as if such date were the originally scheduled Expiration Date under the ConRAC Lease Agreements. Upon any such termination, the Authority agrees to use reasonable efforts to accommodate each RAC's operations elsewhere at the Airport. In the event the Authority does not terminate the ConRAC Lease Agreements, the Authority shall promptly repair any and all damage to the ConRAC except those portions of the Premises which are required to be repaired by each RAC pursuant to the ConRAC Lease Agreements.

Notwithstanding the foregoing, the Authority shall not be required to repair or restore any damage if an Event of Default by any RAC under the ConRAC Lease Agreements shall have occurred and shall not be remedied prior to the commencement of the repair or restoration in question.

Condemnation

In the event that there is a taking or condemnation (or conveyance under threat of a taking or condemnation) of all of the ConRAC or any portion of the ConRAC such that the Authority reasonably determines within sixty (60) days after notice of such taking that the balance of the ConRAC are not Useable and Viable, then the ConRAC Lease Agreements shall terminate effective as of the date of such taking, condemnation or conveyance. "Usable and Viable" shall mean useable and viable for the principal purpose of operating a car rental business. In the event of any taking of a portion of the ConRAC and the Authority does not make such determination, then the Authority shall promptly restore the ConRAC to the extent feasible, in the Authority's reasonable determination, but in no event shall the Authority or any RAC be required to undertake such restoration if the cost thereof would exceed the amount of the Taking Proceeds. The awards of damages on account of such taking or condemnation which represent payments on account of the ConRAC or portions thereof ("Taking Proceeds") shall be paid to the Authority. Each RAC and the Authority shall cooperate in order to recover Taking Proceeds, provided that no settlement on account of any damages caused by such condemnation shall be effective without the consent of the Authority. The Authority and each RAC shall deduct from the Taking Proceeds before transfer to the Authority their respective out-of-pocket costs and expenses, including reasonable attorneys' fees incurred in connection with obtaining the same.

Default and Termination

Events of Default

Notwithstanding other provisions of the ConRAC Lease Agreements, it shall be an Event of Default if:

(a) A RAC fails to collect or remit CFCs or to pay any Rent, Additional Rent, or other charge or any portion thereof when due under the ConRAC Lease Agreement and such failure continues for five (5) Business Days;

(b) A RAC fails to replenish any application of its security deposit in accordance with its ConRAC Lease Agreement;

(c) A RAC fails to enter into a Related Concession Agreement with the Authority concurrently with or prior to the execution of the applicable ConRAC Lease Agreement or such Related Concession Agreement shall be terminated prior to the Expiration Date unless such RAC enters into a successor Concession Agreement;

(d) An Event of Default occurs under the Related Concession Agreement and is not cured within any applicable cure period;

(e) A RAC shall fail to carry insurance as required under the ConRAC Lease Agreement or to comply with any applicable Law concerning security, and such failure continues for 48 hours after notice from the Authority thereof;

(f) A RAC fails to keep or perform any other covenant, condition or provision in its ConRAC Lease Agreement within the time provided, or in the event no time is specified, within thirty (30) days after written notice from the Authority of such failure (unless such default is of a nature that it cannot be cured within such thirty day period, in which event no Event of Default shall occur so long as such RAC shall commence the curing of the default within the thirty day period and promptly prosecute the curing of the same);

(g) A RAC abandons for a period of thirty (30) successive days or more, the conduct of its operations at the Premises (provided that a temporary suspension of operations due to a labor dispute shall not be considered an abandonment of operations);

(h) A governmental authority, board, agency or officer of the United States or with competent jurisdiction terminates, or suspends for more than forty-five (45) days, any certificate, license, permit or authority held by a RAC without which such RAC shall not be lawfully empowered to operate its rental car operations at the Airport;

(i) A court of competent jurisdiction enters a judgment or an injunction which remains in force for a period of at least sixty (60) days, the effect of which is to prevent or prohibit RAC from operating its rental car operations at the Airport;

(j) Except as otherwise provided by applicable law, if after the Effective Date the estate hereby created shall be taken on execution or by other process of law, or a RAC shall be judicially declared bankrupt or insolvent according to law, or any assignment shall be made of the property of such RAC for the benefit of creditors, or a receiver, guardian, conservator, trustee in involuntary bankruptcy or other similar officer shall be appointed to take charge of all or any substantial part of such RAC's property by a court of competent jurisdiction, or a petition shall be filed for the reorganization of such RAC under any provisions of law now or hereafter enacted, and such proceeding is not dismissed within sixty (60) days after it is begun, or such RAC shall file or consent to a petition for such reorganization, or for arrangements under any provisions of such laws providing a plan for a debtor to settle, satisfy or extend the time for the payment of substantially all or general payment of debts; and

(k) If the Authority receives a written notice (a "Third Party Default Notice") from one or more RACs stating that:

> (1) RAC has failed to make any payment due to a third party manager of all or a portion of the ConRAC (a "Manager") under an agreement entered into among RAC and two or more other RACs and such Manager (a "Management Agreement"), and
>
> (2) thirty (30) days has passed since delivery to RAC of a written notice from one or more RACs that such payment is overdue under the Management Agreement, and
>
> (3) such Management Agreement has been consented to by the Authority in the Authority's sole and absolute discretion; and

(4) the Third Party Default Notice includes (x) a statement from the Manager of the amount due and the period such amount has been outstanding, (y) a summary of the steps taken by the Manager to notify RAC of and to collect such outstanding amount, including copies of correspondence and other evidence of the efforts taken to collect the outstanding amount; and

(5) the other RACs that are parties to such Management Agreement agree in writing to indemnify, defend and hold harmless the Authority and each of its members, officers, employees and agent from and against any and all costs, claims, liabilities or other expenses (including without limitation reasonable attorney's fees and expenses of internal staff and counsel of the Authority) arising from or caused by the Authority taking any action under the ConRAC Lease Agreements, including without limitation, provision of a Default Notice (defined below) alleging a RAC's failure to pay any sum due under a Management Agreement and the exercise by the Authority of any remedies under the applicable ConRAC Lease Agreement arising from such an Event of Default, and the Authority shall bill such RAC and the other RACs monthly for their Allocable Share of such costs as Additional Rent;

(6) Then the Authority, may send such RAC a notice (a "Default Notice") stating that such RAC must pay all amounts overdue under the Management Agreement within thirty (30) days from the date of the Default Notice, and if such RAC fails to make such payment within such thirty day period, the Authority may, in its sole and absolute discretion, declare an Event of Default under the applicable ConRAC Lease Agreement.

Authority's Remedies

Upon the occurrence of an Event of Default, the Authority may, without notice to a RAC do one or more of the following, in its sole discretion:

(a) Without demand or notice (and RAC has expressly waived any notice to quit the Premises), the Authority may elect to terminate the ConRAC Lease Agreements and the tenancy created hereby; thereupon the Authority may re-enter the Premises, by summary proceedings or otherwise.

(b) Exercise its right of self-help provided in the ConRAC Lease Agreements.

(c) With or without terminating the ConRAC Lease Agreement, the Authority may reenter, by summary proceedings or otherwise, terminate possession of the Premises by a RAC and relet the Premises and bring an action for Rent and/or damages. Notwithstanding any such reentry or termination, such RAC shall remain liable for the full Rent and Additional Rent. The Authority may bring an action from month to month for the Rent and/or damages which accrue in accordance with this subsection, and in addition to the other rights of the Authority.

(d) By any suitable action or proceeding in equity or at law, enjoin such Event of Default and/or any threatened breach by a RAC of any of the agreements, terms, covenants or conditions contained in the ConRAC Lease Agreements and invoke any right or remedy allowed at law or in equity or by statute or otherwise as though re entry, summary proceedings, and other remedies were not provided for in the ConRAC Lease Agreements.

(e) The Authority will be entitled to recover from each RAC all unpaid Rent, unremitted Customer Facility Charges, unpaid Concession Percentage Fees, unpaid Additional Rent and other sums or charges otherwise payable by such RAC, or any other payments and damages incurred because of such RAC's default including, but not limited to, the reasonable and necessary costs of re-letting, including any RAC improvements reasonably required, renovations or repairs reasonably required, any advertising reasonably required, any leasing commissions reasonably required, and attorney's fees and costs reasonably required ("Termination Damages"), together with interest on all Termination Damages, from the date such Termination Damages are incurred by the Authority until paid.

(f) In addition to Termination Damages, and notwithstanding termination and reentry, a RAC's liability for all Rent, Additional Rent, Concession Percentage Fees, CFCs, other sum or charge otherwise payable by such RAC, or other charges which, but for termination of the ConRAC Lease Agreement, would have become due over the remainder of the Term ("Future Charges") will not be extinguished and each RAC has agreed that the Authority will be entitled, upon termination for default, to collect as additional damages, a Rental Deficiency. "Rental Deficiency" means, at the Authority's election, either:

(1) An amount equal to Future Charges, less the amount of actual rent and fees, if any, which the Authority receives during the remainder of the Term from others to whom the RAC's premises may be rented, in which case such Rental Deficiency will be computed and payable at calendar month following termination of the ConRAC Lease Agreements and continuing until the date on which the Term would have expired but for such termination, and any suit or action brought to collect any portion of Rental Deficiency attributable to any particular month or months, shall not in any manner prejudice the Authority's right to collect any portion of Rental Deficiency by a similar proceeding; or

(2) An amount equal to Future Charges less the aggregate fair rental value of the RAC's premises over the remaining Term, reduced to present worth. In this case, the Rental Deficiency must be paid to the Authority in one lump sum, on demand, and will bear interest at the Default Rate until paid. For purposes of this subsection, "present worth" is computed by applying a discount rate equal to one percentage point above the discount rate then in effect at the Federal Reserve Bank in, or closest to, Boston, Massachusetts.

(g) If any ConRAC Lease Agreement is terminated for default as provided therein, the Authority shall use reasonable efforts to relet the RAC's premises in whole or in part, alone or together with other premises, for such term or terms (which may be greater or less than the period which otherwise would have constituted the balance of the Term), for such use or uses and, otherwise on such terms and conditions as the Authority, subject to the terms of the ConRAC Lease Agreements but otherwise in its sole discretion, may determine, but the Authority will not be liable for, nor will any RAC's obligations under the ConRAC Lease Agreements be diminished by reason for any failure by the Authority to relet the Premises or any failures by the Authority to collect any rent due upon such reletting. Notwithstanding the foregoing, the Authority and each of the RACs agree that in the event that the ConRAC Lease Agreement is terminated for default, the Authority must, prior to leasing the premises subject to the ConRAC Lease Agreement to anyone other than a RAC first make reasonable efforts to relet the premises to one or more RACs. Allocation of the Premises shall generally comply with the ConRAC Lease Agreements. In the event that the Authority is unable to relet the premise to one or more RACs, the Authority may then lease the premises to any other Person; provided, however, the Premises may not be use for purposes of providing shuttle, limousine or other ground transportation service in competition with the rental car industry.

Additional Provisions

(a) The Authority's re-entry or taking of possession of a RAC's premises shall not be construed as an election to terminate the ConRAC Lease Agreement unless the Authority gives written notice of such termination. Any re-entry or taking of possession by the Authority shall not affect or diminish the ongoing obligation or liability of any RAC for all Rent and Additional Rent and other obligations due and owing under the applicable ConRAC Lease Agreement.

(b) The covenant to collect and remit CFCs and to pay Rent, Additional Rent and other amounts under the ConRAC Lease Agreement and to perform all obligations thereunder are independent covenants from the other terms and provisions of the ConRAC Lease Agreements and, except as expressly provided therein, each RAC shall have no right to hold back, offset or fail to pay any such amounts for any alleged default by the Authority or for any other reason whatsoever.

(c) The remedies described in the ConRAC Lease Agreements are not exclusive and are cumulative, and the Authority will be entitled to any and all other remedies provided by law in the event of any default or breach by any RAC of the terms of the applicable ConRAC Lease Agreement. The Authority may pursue one or more remedies against any RAC and need not elect its remedy until such time as findings of fact have been made by judge or jury, whichever is applicable, in a trial court of competent jurisdiction. To the extent permitted by law, each RAC has waived any right of redemption, re-entry or repossession.

(d) Each RAC has acknowledged that the continued operation of a rent a car business in the Premises in the manner and upon the terms set forth in the ConRAC Lease Agreements are of a special importance to the Authority and its operations at the Airport. Therefore, in the event the ConRAC Lease Agreements are not canceled and terminated upon the occurrence of the events set forth therein, then such RAC, and the trustee in bankruptcy or other representative of such RAC, or, in the event of an assignment, RAC's assignee shall, prior to the assumption of the applicable ConRAC Lease Agreement by such representative or trustee or assignee, comply with all of the provisions of the ConRAC Lease Agreements and, in addition, provide adequate assurance to the Authority of each of the following: the source of Rent, Additional Rent and other consideration payable under the ConRAC Lease Agreement; the continued use of the Premises in accordance with the Permitted Uses only; that the operation of the business in the Premises shall continue to be of the high standard compatible with the Authority's other RACs in the Airport; the continuous operation of business in the Premises in strict accordance with the requirements of the ConRAC Lease Agreements; that the design and furnishings of the Premises shall continue to be acceptable to the Authority in accordance with the terms hereof; and such other matters as the Authority may reasonably require at the time of such assumption or assignment. The furnishing of assurances in accordance with the foregoing, or as may be directed by a court of competent jurisdiction, shall not be deemed to waive any of the covenants or obligations of such RAC set forth in the ConRAC Lease Agreements. In the event that any Person assuming the ConRAC Lease Agreements, or taking the same by assignment, shall desire to make alterations to the Premises, the Authority may further require adequate assurance, by lien and completion bond, cash deposit or such other means as the Authority may approve, of the source of payment for the estimated cost of any work to be performed in connection therewith. Notwithstanding the foregoing, such alterations shall be subject in all respects to the rights and obligations of the Authority or such RAC relating to such alterations, including, without limitation, those set forth in the ConRAC Lease Agreements.

Default by Authority. The Authority shall in no event be in default in the performance of any of the Authority's obligations under the ConRAC Lease Agreements unless and until the Authority shall have failed to perform such obligations within thirty (30) days after written notice by any RAC to the Authority properly specifying wherein the Authority has failed to perform any such obligation (unless such default is of a nature that it cannot be cured within such thirty day period, in which event no default shall occur so long as the Authority shall commence the curing of the default within the thirty day period and promptly prosecute the curing of the same). In no event shall the Authority ever be liable to such RAC for indirect or consequential damages.

Assignment and Subletting

Restriction on Transfers.

Except as expressly provided in the ConRAC Lease Agreements, RACs shall not (i) assign, transfer, license, permit, contract or otherwise transfer the ConRAC Lease Agreements or the term and estate hereby granted, (ii) sublet their premises or any part thereof or allow the same to be occupied by others or (iii) mortgage, pledge, license, or encumber the ConRAC Lease Agreements or their premises or any part thereof in any manner by reason of any act or omission on the part of a RAC without, in each instance, obtaining the prior written consent of the Authority, which approval may be withheld in the Authority's sole discretion. Any attempted transfer of a ConRAC Lease Agreement in violation of the provisions thereof shall, at the Authority's option, terminate the ConRAC Lease Agreement. Except as specifically provided, this prohibition includes any subletting or assignment which would otherwise occur by operation of law, merger, consolidation, reorganization, transfer, takeover or other change of a RAC's corporate or proprietary structure, or an assignment or subletting to or by a receiver or trustee in any Federal or state bankruptcy, insolvency, or other proceedings or a transfer of stock or other ownership interests which result in a change of control. As used herein, the term "control" shall mean the power and ability to direct the management and affairs of the corporation, partnership or other Person involved. Consent by the Authority to any assignment or subletting shall not constitute a waiver of the requirement for such consent to any subsequent assignment or subletting.

Merger, Change of Control. If a RAC's interest is proposed to be assigned by sale of all or a majority of a RAC's capital stock or assets, by sale or transfer of sufficient stock to accomplish a change of control, or by consolidation, merger or other corporate transaction and if in each such case after such transaction all of the rental car operations of a RAC will be in or subject to control by a single entity (a "Permitted Transfer", and such entity shall be referred to as a "Permitted Transferee"), the Authority's consent will not be required, subject to each of the following conditions:

(a) Such RAC shall notify the Authority promptly after execution of any agreement entered into by such RAC which would provide for or contemplate a change of control, and will inform the Authority as to the ownership of the Permitted Transferee after such change of control and provide all such information as the Authority may reasonably request with respect to the change of control and the Permitted Transferee, provided that as long as a RAC is a public company subject to regulation by the SEC, the RAC shall not be required to provide material, non-public information to the Authority regarding any such change of control.

(b) The Authority may, as a condition to a Permitted Transfer, require the Permitted Transferee to deliver a security deposit to secure its obligations to the Authority, to the extent its then-current policies at the Airport would require a security deposit from the Permitted Transferee.

(c) The Permitted Transferee assuming the ConRAC Lease Agreement shall be and remain a rental car operator.

(d) The Permitted Transferee shall assume the RAC's then applicable Concession Agreement.

Conditions of Assignment/Transfer. Any assignment or transfer (including a Permitted Transfer) shall be made only if, and shall not be effective until, the assignee shall execute, acknowledge and deliver to the Authority a recordable agreement, in form and substance reasonably satisfactory to the Authority, whereby the assignee shall assume the obligations and performance of the ConRAC Lease Agreement and agree to be bound by and upon all of the covenants, agreements, terms, provisions and conditions hereof on the part of a RAC to be performed or observed and whereby the assignee shall agree that the provisions regarding subletting and assignment shall, notwithstanding such an assignment or transfer, continue to be binding upon it in the future or if such assignment or assumption is effected as a matter of law, then the assignee shall execute, acknowledge and deliver an instrument in form and substance reasonably satisfactory to the Authority confirming the assumption of the obligations and performance of the ConRAC Lease Agreement as aforesaid and shall deliver to the Authority such evidence as the Authority may reasonably request that an assumption in accordance with the terms of the ConRAC Lease Agreement has been effected as a matter of law.

Subletting. A RAC may not sublet all or any portion of its lease premises without the prior written approval of the Authority, which shall not be unreasonably withheld. In the event the Authority consents to a RAC's request to sublet all or a portion of its leased premises, the Authority is expressly entitled to condition its approval to any sublease on the following:

(a) RAC shall pay the Authority as Additional Rent ten percent (10%) of RAC's gross revenue from such sublease (unless such sublease is either at the express request of the Authority or the sub-lessee is an affiliate of the RAC);

(b) The inclusion of the following provisions in each sublease:

(1) The sublessee, if a New Entrant, shall be required to enter into a Concession Agreement with the Authority satisfactory to assure the payment of the Concession Percentage Fee, and other applicable fees and otherwise govern the sublessee's operation at the Airport, provided such fees must be reasonable and non-discriminatory;

(2) The sublessee, if a New Entrant, shall consent to terms and conditions assuring protection to the interests of the Authority which are commensurate with the protections afforded the Authority by the ConRAC Lease Agreement;

(3) The sublessee, if a New Entrant, shall be required to enter into such other arrangements, agreements, permits or operating agreements with the Authority as may be required by the Authority;

(4) Each sublease shall specifically state that (a) it is subject and subordinate to all the terms, covenants, agreements, provisions, and conditions of the ConRAC Lease Agreement, (b) the subtenant or assignee of the subtenant, as the case may be, will not have the right to a further assignment thereof or sublease or assignment thereunder, or to allow the demised premises to be used by others, without the consent of the Authority in each instance, (c) sublessee shall collect from each Airport RAC Customer, account for and remit a CFC for each Transaction Day, and (d) it may be terminated with or without cause upon ninety (90) days notice;

(5) RAC shall, together with requesting the Authority's consent, have paid the Authority any reasonable out-of-pocket costs incurred by the Authority to review the proposed assignment or subletting (including reasonable attorneys' fees) incurred by the Authority; and

(6) The sublessee shall be required to comply with all applicable laws, including but not limited to, those relating to Airport operations, security and access.

The Authority's written consent to any sublease or assignment shall not be deemed or construed to modify, amend or affect the terms and provisions of a ConRAC Lease Agreement, or a RAC's obligations thereunder, which shall continue to apply to the occupants thereof, as if the sublease or assignment had not been made. Notwithstanding any assignment or sublease, a RAC shall remain fully liable for the payment of Rent and Additional Rent and for the other obligations of the ConRAC Lease Agreement on the part of such RAC to be performed or observed. Approval by the Authority of any sublease shall not be in any way be construed to relieve a RAC from obtaining further approval for any subsequent sublease.

SUMMARY OF CERTAIN PROVISIONS OF THE CONCESSION AGREEMENTS

Term

Commencement and Expiration

The term of each Related Concession Agreement shall commence on the Commencement Date, and shall continue thereafter for a period that is conterminous with each RAC's respective ConRAC Lease Agreement unless sooner terminated in accordance with the provisions of the appropriate Concession Agreement; provided, however, that for Off-Airport RACs, the term of its Concession Agreement shall commence on the Commencement Date and shall continue thereafter for a period of five (5) years unless sooner terminated in accordance with the provisions of its respective Concession Agreement.

Holding Over

If, with the consent of the Authority, a RAC holds over and continues to operate after the expiration of the Term, the RAC's Concession Agreement shall be deemed extended, on a month-to-month basis, upon the terms such Concession Agreement. No such holdover shall be deemed to operate as a renewal or extension of the Term. Such month-to-month Concession Agreement may be terminated by the Authority or the RAC giving at least thirty (30) days' prior written notice of termination to the other at any time.

Annual Concession Payments

In consideration of the Concession Agreements and of the rights and privileges granted thereunder, each RAC shall pay to the Authority for each and every Fiscal Year or portion thereof during the Term, an Annual Concession Payment in an amount equal to the greater of:

(a) the Minimum Annual Guarantee, which for the first year of the Term shall be equal to the RAC's minimum annual guarantee which is in effect immediately prior to the Commencement Date or, for RACs that have not entered into a prior rental car concession agreement with the Authority prior to the Concession Agreement, $200,000 per Fiscal Year, or

(b) the Concession Percentage Fee, such fee being ten percent (10%) of the Gross Revenue for the Fiscal Year or portion thereof in question.

Annual Adjustment of Rates

The Minimum Annual Guarantee shall be adjusted annually to an amount equal to the greater of (i) eighty-five percent (85%) of the prior Fiscal Year's total Annual Concession Payment, or (ii) Two Hundred Thousand Dollars ($200,000.). The annual adjustment shall be made effective as of July 1 of each year of the Term commencing on the first July 1 following the Commencement Date, based upon the Monthly Certified Statements for the prior Fiscal Year. The adjustment shall be confirmed (or revised) by the Authority following delivery by RAC of its annual certified statement for the prior Fiscal Year.

The Authority shall notify RAC of the amount of the annual adjustment of the Minimum Annual Guarantee for the then current Fiscal Year and the Minimum Annual Guarantee due for such Fiscal Year. On or before the first day of the month following receipt of the Authority's notice of adjustment of such Minimum Annual Guarantee, RAC shall adjust its monthly payment of the Minimum Annual Guarantee to reflect the adjustment set forth in the Authority's notice so that by the end of such Fiscal Year, the RAC shall have paid in full, the Minimum Annual Guarantee for that Fiscal Year as set forth in the Authority's notice.

Security

In order to guarantee each RAC's performance of its obligations under its respective Concession Agreement, including, without limitation, payment to the Authority of the Annual Concession Fee and all other fees and charges thereunder, RAC shall deliver to the Authority, upon execution of its Concession Agreement, a Security Instrument complying with the terms thereof. The Security Instrument shall be effective as of the Commencement Date and shall be maintained by RAC continuously throughout the Term and until one hundred eighty (180) days after expiration of the Term. The initial Security Instrument provided by RAC shall be in the amount of the greater of (a) fifty percent (50%) of the Minimum Annual Guarantee or (b) fifty percent (50%) of RAC's payments to the Authority as concession fees for the preceding Fiscal Year, which amount may be rounded to the nearest $1,000. Beginning on January 1 following the Commencement Date and again on each subsequent first day of January during the Term, RAC shall cause the amount of the Security Instrument to be adjusted, effective on such date(s), so that such Security Instrument is in an amount equal to the greater of (a) fifty percent (50%) of the Minimum Annual Guarantee, or (b) fifty percent (50%) of the Annual Concession Payment for the preceding Fiscal Year, which amount may be rounded to the nearest $1,000. Each and every Security Instrument provided under the Concession Agreements shall be for a period of no less than twelve months. RAC shall provide the Authority with the form of any renewal or replacement Security Instrument at least sixty (60) days prior to the date when the previous Security Instrument expires. Failure to deliver and maintain the Security Instrument required under the Concession Agreements shall be grounds for termination of the Concession Agreements.

Default and Remedies

A RAC shall be deemed in default under its Concession Agreement if:

(a) A RAC fails to make any payments due under the Concession Agreement on the date(s) when such fees or moneys were due;

(b) A RAC fails to maintain the security or the insurance required under the Concession Agreements, and such lapse in maintenance of the security and insurance is not cured within five (5) days;

(c) A RAC fails to comply with any of the Authority's directives or requirements related to the Authority's roadway operational requirements, and the public health and safety of the Airport's users as provided in the Concession Agreements, including;

(d) A RAC fails to comply with and perform its obligations not to separately state a CFC or with respect to recovery of taxes and charges set forth in its Concession Agreement;

(e) A RAC fails to perform any other obligations under its Concession Agreement for a period of fourteen (14) days after notice from the Authority of such failure (or fails to commence performance within such 14-day period of any such obligations requiring a longer period of time for performance and fails to diligently prosecute the same to completion thereafter);

(f) A RAC is in default under any lease, sublease, license or occupancy agreement with the Authority or with respect to Airport property, or its ConRAC Lease Agreement terminates for any reason;

(g) A RAC ceases its operations under its Concession Agreement for twenty-one (21) consecutive days; or

(h) A RAC is insolvent or unable to pay its debts generally or is the subject of a voluntary or involuntary bankruptcy, insolvency, liquidation or reorganization proceeding or makes an assignment for the benefit of its creditors.

Authority's Remedies upon RAC's Default.

In the event of any such default by a RAC, at the Authority's option, the Authority may (i) cure on the RAC's behalf any such default which is capable of cure, and charge the RAC with any and all costs associated with such cure together with interest from the date when the Authority incurs such costs, in which event the Concession Agreement shall continue in full force and effect, or (ii) terminate the Concession Agreement by written notice at any time while such default shall be continuing, in which event the Concession Agreement shall forthwith terminate. Regardless of whether or not the Authority exercises either of the options provided in the Concession Agreement, such RAC shall be liable to the Authority for any and all loss, cost or damage on account of any default under its Concession Agreement and, if applicable, termination thereof, together with interest thereon. The Authority shall have the right to realize upon the Security Instrument maintained under the Concession Agreement in accordance with the terms thereof in order to reimburse itself for the damages resulting from such default or termination (including, without limitation, Annual Concession Payments which would otherwise have been payable over the remainder of the Term) and such act shall not constitute a waiver of any default under its Concession Agreement or preclude recovery by the Authority of additional damages from such RAC.

Additionally, in the event a RAC fails to comply with the provisions of its Concession Agreement prohibiting picking up its customers at the Terminal curbs, the Authority may, at its option, impose an Additional Concession Fee of One Thousand Dollars ($1,000.00) per day on each day a RAC fails to comply with such Sections; provided, however, that in the event of the first such failure by a RAC to comply with such provisions of its Concession Agreement during any rolling twelve-month period during the Term, the Authority shall, prior to imposing an Additional Concession Fee, provide written notice to such RAC of such failure, (which notice may be in the form of an electronic mail transmission to the Local Manager); in which case, such RAC shall have forty-eight hours from receipt of such notice to either (i) cure such failure to comply, or (ii) commence performance within such forty-eight hour period if such obligations require a longer period of time for performance and thereafter to diligently prosecute the same to completion provided that in no case shall such completion occur later than ten (10) days after commencement. If such RAC chooses, it may meet with the Authority's representative named in the written notice within twenty-four hours after its receipt of such notice, (unless such date falls on a weekend or a holiday, in which case such RAC may meet with the Authority's representative on the next business day) and offer a reasonable alternative plan for the timing of its compliance with such Sections, which if approved by the Authority may substitute for the time frame stated in its Concession Agreement.

For any subsequent failure by such RAC to comply with such requirements during any rolling twelve month period during the Term, the Authority may at its option, without first providing written notice to such RAC, impose an Additional Concession Fee of One Thousand Dollars ($1,000.00) per day on each day such RAC fails to comply with such Section, and if such non-compliance by such RAC continues for a period longer than ten (10) days, the Authority may at its option terminate the Concession Agreement.

Any Additional Concession Fee imposed by the Authority under the Concession Agreements shall be paid by such RAC as liquidated damages, and not as a penalty, to partially cover losses and expenses to the Authority.

PROPOSED FORM OF
CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the Massachusetts Port Authority (the "Issuer") in connection with the issuance of one or more series of bonds secured by certain customer facility charges ("CFCs") and other funds under a Trust Agreement dated as of May 18, 2011 (the "CFC Trust Agreement") between the Issuer and U.S. Bank National Association, as Trustee (the "Trustee"), by or on behalf of the Issuer and designated by duly adopted resolution of the Issuer as subject to and having the benefits of this Disclosure Certificate (such bonds referred to herein collectively as the "CFC Bonds"). The Issuer covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Issuer for the benefit of the owners of CFC Bonds and in order to assist Participating Underwriters in complying with the Rule (as defined below).

SECTION 2. Definitions. In addition to terms defined elsewhere in this Disclosure Certificate, the following capitalized terms shall have the following meanings:

"Annual Filing" shall mean any Annual Filing provided by the Issuer pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"Dissemination Agent" shall mean Digital Assurance Certification, L.L.C., acting in its capacity as dissemination agent for the Issuer pursuant to the Disclosure Dissemination Agent Agreement dated as of January 8, 2010, between the Issuer and Digital Assurance Certification, L.L.C., or any successor thereto designated in writing by the Issuer as its agent for purposes of satisfying the filing and notice requirements assumed by the Issuer under this Disclosure Certificate, and which successor has filed with the Issuer a written acceptance of such designation.

"Listed Events" shall mean any of the events listed in Section 5(a) of this Disclosure Certificate.

"MSRB" means the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934, or any successor thereto or to the functions of the MSRB contemplated by this Disclosure Certificate. Until otherwise designated by the MSRB or the Securities and Exchange Commission, filings with the MSRB are to be made through the Electronic Municipal Market Access (EMMA) website of the MSRB, currently located at http://emma.msrb.org.

"Owners of the CFC Bonds" or "Owners" shall mean the registered owners, including beneficial owners, of the CFC Bonds.

"Participating Underwriters" shall mean the original underwriters of any CFC Bonds required to comply with the Rule in connection with the offering of such CFC Bonds.

"Rule" shall mean Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

SECTION 3. Provision of Annual Filings.

(a) The Issuer shall, or shall cause the Dissemination Agent to, not later than January 1 of each year, commencing January 1, 2012, provide to the MSRB an Annual Filing that is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Filing may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the Issuer may be submitted, when available, separately from the balance of the Annual Filing.

(b) If the Issuer is unable to provide the Annual Filing to the MSRB by the date required in subsection (a), the Issuer shall send, or cause the Dissemination Agent to send, a notice in a timely manner to the MSRB in substantially the form attached as Exhibit A.

SECTION 4. Content of Annual Filings. The Issuer's Annual Filing shall contain or incorporate by reference the following:

(a) the most recently available audited financial statements of the Issuer, prepared in accordance with generally accepted accounting principles (if audited financial statements for the preceding fiscal year are not available when the Annual Filing is submitted, the Annual Filing will include unaudited financial statements for the preceding fiscal year); and

(b) to the extent not included in or with the audited financial statements of the Issuer provided in subsection 4(a) above, annual, updated historical financial and operating data for the Issuer of the type included in the sections of the Official Statement, dated June 8, 2011, captioned (i) "CUSTOMER FACILITY CHARGES AND RENTAL CAR OPERATIONS," consisting of information provided in the table titled "Total Enplaned Passengers, by Type of Passenger," and (ii) "REPORT OF THE AIRPORT CONSULTANT AND RATE COVENANT FORECAST," consisting of the information provided in the table "Debt Service Coverage – Rate Covenant" (provided only information on an historic basis for the prior fiscal year need be provided);

Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues of the Issuer or related public entities, which (i) are available to the public on the MSRB's Internet Web site or (ii) have been filed with the Securities and Exchange Commission. The Issuer shall clearly identify each such other document so incorporated by reference.

SECTION 5. Reporting of Significant Events.

(a) The Issuer shall give notice, or shall cause the Dissemination Agent to give notice, in accordance with subsection 5(b) below, of the occurrence of any of the following events with respect to any CFC Bonds:

(i) Principal and interest payment delinquencies.

(ii) Non-payment related defaults, if material.

(iii) Unscheduled draws on debt service reserves reflecting financial difficulties.

(iv) Unscheduled draws on credit enhancements reflecting financial difficulties.

(v) Substitution of credit or liquidity providers, or their failure to perform.

(vi) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determination of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the CFC Bonds, or other material events affecting the tax status of the CFC Bonds.

(vii) Modifications to rights of any Owners of the CFC Bonds, if material.

(viii) Optional, contingent or unscheduled calls of CFC Bonds, if material, and tender offers.

(ix) Defeasance of any CFC Bonds or any portion thereof.

(x) Release, substitution or sale of property securing repayment of any CFC Bonds, if material.

(xi) Rating changes.

(xii) Bankruptcy, insolvency, receivership or similar event of the Issuer.*

(xiii) The consummation of a merger, consolidation, or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.

(xiv) Appointment of a successor or additional trustee or the change of name of the Trustee, if material.

(b) Whenever the Issuer obtains knowledge of the occurrence of a Listed Event described in subsections (a)(ii), (vi), (vii), (viii), (x), (xiii) or (xiv), the Issuer shall as soon as possible determine if such event is material under applicable federal securities laws.

(c) Upon the occurrence of a Listed Event described in subsections (a)(i), (iii), (iv), (v), (ix), (xi) or (xii), and in the event the Issuer determines that the occurrence of a Listed Event described in subsections (a)(ii), (vi), (vii), (viii), (x), (xiii) or (xiv) is material under applicable federal securities laws, the Issuer shall, in a timely manner not in excess of ten (10) business days after the occurrence of the event, file, or cause the Dissemination Agent to file, a notice of such occurrence with the MSRB.

(d) Anything in this Section 5 to the contrary notwithstanding, the Issuer shall have no obligation to give notice of or otherwise report any Listed Event with respect to any series of CFC Bonds as to which another obligated person (as such term is defined in the Rule) has entered into an undertaking to provide such notice in accordance with the Rule.

SECTION 6. Transmission of Information and Notices. Unless otherwise required by law, all notices, documents and information provided to the MSRB shall be provided in electronic format as prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB.

SECTION 7. Termination of Reporting Obligation. The Issuer's obligations under this Disclosure Certificate shall terminate upon the defeasance, prior redemption or payment in full of all of the CFC Bonds.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Issuer may amend this Disclosure Certificate and any provision of this Disclosure Certificate may be waived, if such amendment or waiver is permitted by the Rule, as evidenced by an opinion of counsel expert in federal securities laws to the effect that such amendment or waiver would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule.

If the amendment provides for a change in the accounting principles to be followed in preparing financial statements, the Annual Filing for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information in order to provide information to investors to enable them to evaluate the ability of the Issuer to meet its obligations. To

* As noted in the Rule, this event is considered to occur when any of the following occur: (i) the appointment of a receiver, fiscal agent or similar officer for the Issuer in a proceeding under the U.S. Bankruptcy Code or in any proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Issuer, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or (ii) the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Issuer.

the extent reasonably feasible, the comparison shall also be quantitative. A notice of the change in the accounting principles shall be sent to the MSRB.

SECTION 9. Default. In the event of a failure of the Issuer to comply with any provision of this Disclosure Certificate, any Owner of any CFC Bonds may seek a court order for specific performance by the Issuer of its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an event of default under the CFC Trust Agreement, and the sole remedy under this Disclosure Certificate in the event of any failure of the Issuer to comply with this Disclosure Certificate shall be an action to compel performance of the Issuer's obligations hereunder and not for money damages in any amount.

SECTION 10. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Issuer, Participating Underwriters and Owners from time to time of the CFC Bonds, and shall create no rights in any other person or entity.

SECTION 11. Governing Law. This instrument shall be governed by the laws of The Commonwealth of Massachusetts.

[Remainder of page intentionally left blank.]

IN WITNESS WHEREOF, the Issuer has caused this Disclosure Certificate to be duly executed under seal as of the date hereof.

Date: June 15, 2011

MASSACHUSETTS PORT AUTHORITY

By____________________________
Title:

APPENDIX D

EXHIBIT A

NOTICE OF FAILURE TO FILE ANNUAL FILING

Name of Issuer: Massachusetts Port Authority

NOTICE IS HEREBY GIVEN that the Issuer has not provided an Annual Filing as required by the Continuing Disclosure Certificate of the Issuer dated as of June 15, 2011. The Issuer anticipates that the Annual Filing will be filed by ___________________.

Dated: ________________

[DISSEMINATION AGENT],
on behalf of the Issuer

By__________________________________

cc: Massachusetts Port Authority

APPENDIX E

INFORMATION STATEMENT OF THE AUTHORITY

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Page

THE AUTHORITY

Purpose

This Information Statement provides certain information concerning the Massachusetts Port Authority (the "*Authority*") in connection with the sale by the Authority of its Special Facilities Revenue Bonds (ConRAC Project), Series 2011A (the "*Series 2011A Bonds*") and its Special Facilities Revenue Bonds (ConRAC Project), Series 2011B (Federally Taxable) (the "*Series 2011B Bonds*," and collectively with the Series 2011A Bonds, the "*2011 CFC Bonds*"). Capitalized terms not defined in this Appendix E are used as defined in the Official Statement.

This Information Statement has been prepared by the Authority for informational purposes only. The 2011 CFC Bonds are limited obligations of the Authority. Payment of the principal of and premium, if any, and interest on the 2011 CFC Bonds is secured by and payable solely from CFC Pledged Receipts pledged under the CFC Trust Agreement. The Series 2011 Bonds are not secured by any other revenues of the Authority.

The Authority

The Authority, created pursuant to Chapter 465 of the Massachusetts Acts of 1956 (as amended to date, the "*Enabling Act*"), is a body politic and corporate and a public instrumentality of The Commonwealth of Massachusetts (the "*Commonwealth*" or "*Massachusetts*"). The Authority owns, operates and manages the following two Projects (as defined in the Enabling Act): the "*Airport Properties*," which consist of Boston-Logan International Airport (the "*Airport*" or "*Logan Airport*"), Laurence G. Hanscom Field ("*Hanscom Field*") and Worcester Regional Airport ("*Worcester Regional Airport*"); and the "*Port Properties*," which consist of certain facilities in the Port of Boston (the "*Port*") and other properties further described herein.

Powers and Facilities

Under the Enabling Act, the Authority has general power, *inter alia* (a) to issue its revenue bonds and to borrow money in anticipation thereof, (b) to fix, revise, charge and collect tolls rates, fees, rentals and charges for use of the Projects, (c) to maintain, repair and operate and to extend, enlarge and improve the Projects, and (d) to construct or acquire Additional Facilities (as defined in the Enabling Act) within the Commonwealth when authorized by the Legislature of the Commonwealth. The Authority has the power to acquire property by purchase or through the exercise of the right of eminent domain in certain circumstances. The Authority has no taxing power.

The Authority's facilities include the Airport Properties, consisting of the Airport, Hanscom Field and Worcester Regional Airport, and the Port Properties, consisting of Moran Terminal, Hoosac Pier (site of Constitution Center), Mystic Piers 1, 48, 49 and 50 and the Medford Street Terminal, all of which are located in Charlestown; Conley Terminal, the North Jetty and Fargo Street Terminals, the former Army Base (including Black Falcon Cruise Terminal), the Boston Fish Pier, Commonwealth Pier (site of World Trade Center Boston), and a portion of Commonwealth Flats, all of which are located in South Boston; and the East Boston Piers and the Boston Marine Works, both located in East Boston.

Members and Management

The Enabling Act provides that the Authority shall consist of seven Members (collectively, the "*Board*") appointed by the Governor of the Commonwealth, one of whom shall be the Secretary of Transportation of the Commonwealth. Four Members of the Board constitute a quorum and the affirmative vote of four Members is necessary for any action taken by the Board. With the exception of the Secretary of Transportation, the Members are appointed for staggered seven-year terms. Members completing a term in office are eligible for reappointment and remain in office until their successors are appointed, except that any Member appointed to fill a vacancy shall serve only for the unexpired term. The Members of the Board serve without compensation, although they are reimbursed for expenses they incur in carrying out their duties. There is currently one vacancy among the Members of the Board.

The Chairman of the Board is elected annually by the Members. The Members also annually elect a Vice Chairman and a Secretary-Treasurer (who need not be a Member of the Board), both of whom serve at the pleasure of the Members. The current Members of the Board and the expiration dates of their terms are as follows:

Members of the Board	**Expiration of Term (June 30)**
Jeffrey B. Mullan, Chairman Secretary of Transportation and Chief Executive Officer of the Massachusetts Department of Transportation (MassDOT), Commonwealth of Massachusetts	**
Ranch C. Kimball, Vice Chairman Senior Advisor, Boston Consulting Group	2011
Paul J. McNally Retired, former Business Manager, Massachusetts Laborers' District Council	2012
Frederic Mulligan President, Cutler Associates, Inc.	2013
Douglas Husid Co-Managing Director, Goulston & Storrs	2015
Michael P. Angelini Chairman, Bowditch & Dewey	2017

** The Secretary of Transportation is an *ex officio* Member of the Board.

The management of the Authority and its operations is carried out by a staff headed by the Chief Executive Officer and Executive Director, who is appointed by and reports directly to the Board.

The Authority has two operating Departments – Aviation and Maritime – each of which is charged with profit and loss responsibility. The staff members overseeing the operation of the Authority's facilities are charged with balancing financial performance with operational demands, customer service and community impacts, as well as forecasting the implications of any proposed capital programs or operating initiatives, and for the collection of accounts receivable.

The senior staff of the Authority currently includes the following persons, who are each aided by administrative, operating and maintenance personnel:

David S. Mackey, Acting Chief Executive Officer and Executive Director and Chief Legal Counsel, joined the Authority as Chief Legal Counsel in April 2001. Formerly First Assistant United States Attorney and Chief of the Civil Division of the U.S. Attorney's Office for the District of Massachusetts, Mr. Mackey was also a partner at Goodwin, Procter and Hoar. He holds a B.A. degree from Amherst College and a J.D. degree from Harvard Law School. Mr. Mackey was appointed Acting Chief Executive Officer and Executive Director by the Board, effective June 1, 2011, upon the retirement of Thomas J. Kinton, Jr. The Board has hired a search firm to assist in selecting a new Chief Executive Officer and Executive Director. An appointment is expected in the summer of 2011; Mr. Mackey shall serve as Acting Chief Executive Officer and Executive Director until a permanent successor is appointed. Mr. Mackey will also continue to serve as the Authority's Chief Legal Counsel.

George K. Hertz, Chief of Staff, was appointed in April 2007. Previously he served as the Executive Vice President of the Authority from 2002 through 2006. Prior to joining the Authority, Mr. Hertz had over 20 years of executive level private sector business experience, most recently as Managing Director and Senior Vice President of the Business Services Group of Fidelity Capital. From 1979 through 1982 he was the State Budget Director for the Commonwealth. Mr. Hertz holds both an M.A. in Public Administration and a B.A. from the University of Massachusetts, Amherst.

John P. Pranckevicius, Director of Administration and Finance and Secretary-Treasurer, joined the Authority in May 2007. He oversees the Authority's financial responsibilities including treasury, budgeting, accounting, debt and investment management and administration, and serves as Treasurer-Custodian of the Massachusetts Port Authority Employees' Retirement System and Chair of the Authority's Retiree Benefits Trust. Prior to joining the Authority, he served as the Chief Financial Officer for the City of Worcester, Massachusetts. Mr. Pranckevicius is licensed in the Commonwealth as a Certified Public Accountant, and holds a B.A. degree and a Masters in Public Administration from the University of Maine and an M.S. in Accountancy from Bentley College.

Edward C. Freni, Director of Aviation, joined the Aviation Division of the Authority in 2000 as the Deputy Director of Aviation Operations at Boston Logan International Airport, Hanscom Field and Worcester Regional Airport and was appointed to his current position in 2007. He is responsible for administering, coordinating and managing all airside and landside activities and operations at all three airports. Prior to joining the Authority, Mr. Freni worked for 23 years at American Airlines. He holds a B.S. degree from the University of New Hampshire.

Michael A. Leone, Port Director, joined the Authority in 1993 as Senior Legal Counsel Maritime. Mr. Leone was named Port Director in 1998. Prior to joining the Authority, Mr. Leone served for 22 years with the United States Coast Guard. Mr. Leone is a graduate of the United States Coast Guard Academy and George Washington University School of Law.

Joseph F. McCann, Comptroller, joined the Authority in 2010 and is responsible for coordinating all accounting activities throughout the Authority and administering the Authority's internal controls and financial reporting efforts. Prior to joining the Authority, Mr. McCann was the Chief Financial Officer for the Massachusetts Turnpike Authority. Mr. McCann is licensed in the Commonwealth as a Certified Public Accountant, and holds a B.S. degree from Northeastern University.

Lowell L. Richards, III, Chief Development Officer, joined the Authority in May 1999. Previously, he was Assistant Secretary for Capital Resources and Chief Development Officer in the Executive Office of Administration and Finance of the Commonwealth. Prior to that he was a senior finance officer in Cabot, Cabot & Forbes, a Boston-based commercial real estate development company, and Deputy Mayor for Fiscal Affairs and Collector-Treasurer in the City of Boston. He holds a B.A. degree from Dartmouth College, a Master of City Planning degree from the Massachusetts Institute of Technology and a J.D. degree from Harvard Law School.

Houssam H. Sleiman, Director of Capital Programs and Environmental Affairs, joined the Authority in October 1993 and was appointed to his current position in May 2006. He directs the overall management of the Authority's capital investment program, safety program, utilities management, in-house design and environmental permitting and management. He also served as the Authority's Director of Aviation Administration and Development. Prior to joining the Authority, he worked for the Town of Lexington, Massachusetts. He is a licensed registered Professional Engineer in the Commonwealth. He holds an M.S. degree in Civil Engineering and a B.S. degree in Civil Engineering from Northeastern University.

Elizabeth L. Taylor, Director of Finance & Treasury, joined the Authority in 1978, and was appointed to her current position in June 1999. She is responsible for developing and implementing the financial strategy for the Authority's capital program, for structuring the Authority's debt issues, for developing and implementing the investment policy for the Authority's cash and cash equivalents, for managing the Treasury Department and for submitting and monitoring the Airport's passenger facility charge ("*PFC*") applications. Formerly Assistant Budget Director of the University of Massachusetts, she holds an M.B.A. degree from the Stanford Graduate School of Business and a B.A. degree from Oberlin College.

Gail S. Titus, Director of Internal Audit, joined the Authority in August 2000. Reporting directly to the Board, she manages the internal audit function to assist senior management in achieving business goals without undue business risk. Previously, she was the Chief Audit Executive for C&S Wholesale. Prior to that, she was with

Coopers & Lybrand (now PricewaterhouseCoopers LLP). Ms. Titus is licensed in the Commonwealth as a Certified Public Accountant and holds a B.S. degree, *summa cum laude*, from Western New England College.

Dennis P. Treece, Director of Corporate Security, joined the Authority in September 2002. Mr. Treece is responsible for all aspects of corporate security within the Authority. Mr. Treece has 32 years of security-related experience and has provided security services to Global 1000 companies on four continents as well as a wide array of military and Executive Branch clients during his 30 years in Military Intelligence. Retiring from the U.S. Army in 2000 as a full Colonel, he held key intelligence and security related command and staff positions in Europe, the Balkans, the United States, the Middle East and Asia. Mr. Treece holds an M.A. in History from the University of La Verne and a B.S. in Business Administration from Arizona State University. He has also attended the U.S. Army Command and General Staff College and the U.S. Army War College.

AIRPORT PROPERTIES

Boston-Logan International Airport

The Airport is the principal source of the Authority's revenues, operating expenses and net revenues and is the dominant factor in the determination of the Authority's financial condition. The Airport is situated principally in East Boston (with a small portion situated in the Town of Winthrop), approximately three miles from downtown Boston and adjacent to Boston Harbor. The total land area of the Airport is approximately 2,400 acres.

Air Service Region. The Airport serves the greater Boston area and plays the leading role in New England's air service infrastructure. Based upon information provided by the United States Department of Transportation ("*USDOT*") and Airport traffic statistics for calendar year 2010, approximately 95% of total domestic and international passengers at the Airport begin or end their air travel ("*origin-destination*" travel) at Logan Airport. See APPENDIX A – Report of the Airport Consultant.

The high percentage of origin-destination passengers in both the business and leisure markets is in contrast to many other major airports that are used in large part by airlines as connecting hubs for passengers en route to another point as their final destination. As a result of this traffic base, overall activity levels at Logan Airport are less vulnerable to fluctuations in connecting traffic resulting from route restructuring by individual airlines or other factors affecting particular airlines. Rather, Airport activity levels tend to reflect general economic conditions, regional economic and demographic trends and the economics of the airline industry. See APPENDIX A – Report of the Airport Consultant.

Massachusetts continues to recover from the recent global recession. The Boston metropolitan area had an unemployment rate of 7.8% in January 2011, below the national average of 9.0%, and 1.5 percentage points lower than a year ago. Boston had the seventh-lowest unemployment rate among the nation's 49 large metropolitan areas (*i.e.*, those with populations of larger than one million). In the greater Boston area, six key industry sectors have contributed to the region's economic growth since the early 1990s: high technology, biotechnology, health care services, financial services, higher education and tourism. Residents of the Boston metropolitan area have higher levels of education relative to the nation, with nearly half of area residents over the age of 25 having post-secondary degrees compared to 35% for the nation overall. Since 2000, the Boston metropolitan area's per capita personal income level has exceeded the national average by approximately 36% and, since 2005, Boston's per capita income has increased at a slightly higher rate than the national average. See APPENDIX A – Report of the Airport Consultant

Airport Traffic Levels. In calendar year 2010, based upon total passenger volume, Logan Airport was the most active airport in New England with over 27 million total passengers, the 19th most active in the United States based on calendar year 2010 and the 48th most active in the world, according to preliminary data from the Airports Council International ("*ACI*"). The Airport increasingly provides service to long- and mid-range domestic destinations as well as to international destinations.

The following table summarizes Airport operations and passenger traffic statistics for the most recent five fiscal years and the nine-month periods ended March 31, 2010 and 2011. Both operations and passengers are grouped by origin and destination regardless of whether the carrier was a U.S. air carrier or a foreign flag carrier.

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SELECTED BOSTON-LOGAN INTERNATIONAL AIRPORT TRAFFIC STATISTICS
(fiscal year ended June 30)

	FY06	FY07	FY08	FY09	FY10	9 Months Ended 3/31/10	9 Months Ended 3/31/11
Aircraft Operations (1)							
Domestic (2)	206,426	214,441	207,693	190,271	200,015	147,400	159,490
International (3)	36,772	37,368	39,094	34,919	33,814	25,090	24,310
Regional	128,337	126,097	115,529	109,208	100,148	76,101	69,253
General Aviation	31,016	30,716	27,724	16,690	13,766	9,590	11,772
Total Operations	402,551	408,622	390,040	351,088	347,743	258,181	264,825
Aircraft Landed Weights	20,376,000	20,408,164	20,506,788	19,202,902	19,139,435	14,188,543	14,702,982
Passengers Traffic							
Domestic (2)							
Enplaned	10,292,917	10,438,225	10,223,459	9,314,138	10,062,680	7,325,658	8,140,701
Deplaned	10,324,060	10,485,949	10,279,164	9,344,673	10,085,288	7,293,385	8,098,677
International (3)							
Enplaned	2,071,481	1,995,778	2,064,293	1,868,603	1,818,370	1,327,084	1,305,583
Deplaned	2,071,740	2,013,591	2,100,097	1,884,406	1,834,023	1,357,857	1,341,016
Regional							
Enplaned	1,297,303	1,433,466	1,326,073	1,270,475	1,236,145	929,287	849913
Deplaned	1,272,474	1,432,862	1,322,741	1,272,569	1,223,010	923,560	844245
Subtotal Commercial Passenger Traffic	27,329,975	27,799,871	27,315,827	24,954,864	26,259,516	19,156,831	20,580,135
General Aviation							
Total Passengers	116,630	117,704	108,058	65,212	54,946	38,330	47,380
Total Passengers	27,446,605	27,917,575	27,423,885	25,020,076	26,314,462	19,195,161	20,627,515
Total Enplaned Passengers	13,661,701	13,867,469	13,613,825	12,453,216	13,117,195	9,582,029	10,296,197
Average Passengers Per Flight							
Domestic (2)	99.9	97.6	98.7	98.1	100.7	99.2	101.8
International (3)	112.7	107.3	106.5	107.5	108.0	107.0	108.9
Regional	20.0	22.7	22.9	23.3	24.6	24.3	24.5
Air Carrier and Passenger Metrics							
Primary carrier (4)	Delta	US Airways	American	JetBlue	JetBlue	JetBlue	JetBlue
Primary carrier market share (4)	15.0%	13.8%	14.1%	14.7%	16.9%	15.8%	20.9%
Two top carriers market share (4)	30.0%	27.6%	27.6%	28.8%	29.9%	29.8%	32.3%
Origination & destination share (5)	NA	87.7% (6)	88.4% (7)	NA	87.5% (8)	NA	NA

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(1) Includes all-cargo flights, but excludes helicopters.
(2) Includes domestic flights on jets and charters.
(3) Includes international flights on jets, charters and commuter carriers.
(4) Does not include affiliates or associated regional carriers.
(5) Source: This statistic has been estimated by Simat, Halliesen & Eichner, Inc. in the market studies published in the Authority's prior Official Statements and has also been quoted in the Authority's CAFR; it is only published when the Authority issues bonds. This statistic reflects the percentage of domestic origin and destination travelers as compared to all domestic passengers;
(6) Data for twelve months ended September 30, 2006.
(7) Data for twelve months ended September 30, 2007.
(8) Data for calendar year 2009.
Source: Authority reports.

Passenger traffic at the Airport totaled 27.4 million passengers for calendar year 2010, a 7.5 increase from the 25.5 million passengers for calendar year 2009. Passenger traffic decreased 2.3% in calendar year 2009 and decreased 7.1% in calendar year 2008. For the nine-month period ending March 31, 2011, passenger traffic was 7.5% greater than passenger traffic for the nine-month period ending March 31, 2010.

The following tables show monthly growth in deplaned passengers for the 12 months ended March 31, 2010 and 2011. On a calendar year basis, the Airport handled 13.7 million deplaning passengers in 2010, a 7.47% increase from calendar year 2009. Significant increases in October and November 2011 over the same two months in 2010 are directly related to the increased activity of JetBlue and Southwest Airlines. During the first three months of calendar year 2011, the Airport continues to experience positive growth in deplaned passengers.

BOSTON-LOGAN INTERNATIONAL AIRPORT
MONTHLY GROWTH IN DEPLANED PASSENGER (Year over Year)
12 Months ended 3/31/2010 and 3/31/2011

	12 Mos. Ended 3/31/2010	12 Mos. Ended 3/31/2011	Growth (%)
April	1,102,175	1,150,243	4.36%
May	1,112,664	1,188,218	6.79
June	1,157,110	1,237,366	6.94
July	1,266,054	1,341,196	5.94
August	1,265,677	1,349,564	6.63
September	1,077,778	1,183,009	9.76
October	1,147,500	1,276,917	11.28
November	989,248	1,117,544	12.97
December	939,227	993,545	5.78
January	921,316	942,728	2.32
February	842,611	871,628	3.44
March	1,144,556	1,231,497	7.60
Total 12 months	**12,965,916**	**13,883,455**	**7.08%**

Source: Authority.

In calendar year 2010, domestic jet passengers accounted for 77.9% of passenger traffic. In calendar year 2009, domestic jet passengers accounted for 75.1% of passenger traffic. The Airport's domestic large jet passenger traffic reached a peak of 21.4 million in calendar year 2010, beating the Airport's previous record for domestic jet passengers of 21.1 million in calendar year 2007. This represents an 11.5% increase for calendar year 2010, following a decrease of 1.4% and 7.7% in calendar years 2009 and 2008, respectively, due first to rising fuel costs and then to the national recession.

In calendar years 2010 and 2009, passengers traveling domestically on regional airlines accounted for approximately 8.4% and 10.2% of total passenger traffic at the Airport, respectively, or approximately 2.4 million passengers each calendar year. The number of regional passengers (excluding passengers traveling internationally) decreased by 11% in calendar year 2010, was essentially unchanged (0%) in 2009, and decreased by 6.3% in calendar years 2008. Beginning with the fuel spike in 2008, airlines began to cut back on smaller 50-seat regional jets. Operations of larger regional jets as well as fuel-efficient turbo-props increased in calendar year 2010.

International passengers, including those traveling on foreign flag and U.S. flag carriers (including U.S. regional carriers) accounted for 13.4% of passenger traffic in calendar year 2010, or approximately 3.7 million passengers. This segment decreased by 0.4% in calendar year 2010 following a decrease of 7.1% in calendar year 2009. Of the 13.4% of passengers traveling internationally in calendar year 2010, 72.6% traveled to or from Europe and the Middle East, 13.2% to or from Bermuda and the Caribbean, 14.1% to or from Canada and 0.1% to or from Central and South America.

In calendar year 2010, there were approximately 352,643 commercial airline operations at the Airport. While commercial operations at the Airport decreased more than 27.7% between 2000 and 2010, the Airport's commercial passengers decreased by only 1.1% over the same period.

Airline Passenger Services. As primarily an origin-destination airport, Logan Airport is served today, as it has been in the past, by a wide variety of carriers. As of December 31, 2010, airline service at the Airport, both scheduled and non-scheduled, was provided by 54 airlines, including eight U.S. major air carrier airlines, 14 non-major domestic carriers, 18 non-U.S. flag ("*foreign flag*") carriers and 14 regional and commuter airlines ("*regional airlines*" or "*regional carriers*"). The Authority maintains separate statistical data for regional airlines. For purposes of the Authority's data compilation, regional airlines are defined as domestic commuter carriers that exclusively operate smaller regional jet and turbo-prop aircraft with fewer than 100 seats. These carriers are generally subsidiaries or affiliates of major domestic carriers. Approximately nine of the 14 non-major domestic carriers and three of the 18 foreign flag carriers provide non-scheduled service.

The relative share of various carriers at the Airport has fluctuated with no individual carrier having a market share of over 20% in any of the past ten years (excluding regional partners). The following chart presents the relative shares of the U.S. air carrier airlines carrying the highest shares of total passenger traffic at the Airport, as well as the relative shares of the regional airlines and foreign flag carriers, during the last five fiscal years, the nine-month periods ended March 31, 2010 and 2011, and the first three months of calendar year 2011. In fiscal year 2010, the largest market share was JetBlue Airways ("*JetBlue*") with 16.3% of all passengers. For the nine months ended on March 31, 2011, the air carrier with the largest share was also JetBlue with 20.9%. The eight carriers with the highest market shares—American Airlines, US Airways (including US Airways Shuttle), JetBlue, Delta Air Lines (which merged with Northwest Airlines in January 2010), United Air Lines, AirTran Airlines, Southwest Airlines and Continental Airlines—carried an aggregate of 84.8% of all passengers traveling through the Airport during fiscal year 2010.

The market share held by the largest carrier (not including affiliated regional carriers) fell from 18.7% in fiscal year 2006 to 16.3% in fiscal year 2010. Over the same period, the market share held by the top two carriers fell from 36.9% to 31.4%, while the market share of the top three carriers decreased from 52.9% to 43.9%.

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BOSTON-LOGAN INTERNATIONAL AIRPORT
MARKET SHARES OF TOTAL PASSENGER TRAFFIC
(fiscal year ended June 30)

Air Carrier	2006	2007	2008	2009	2010	Nine Months Ended 3/31/10	Nine Months Ended 3/31/11	Jan to Mar CY2011
AirTran Airways	4.9%	5.7%	5.5%	4.9%	5.1%	5.3%	4.4%	4.0%
American Airlines [(1)]	18.7	17.0	16.7	16.8	16.1	16.6	12.9	11.8
Continental Airlines [(2)]	4.6	4.4	4.5	4.7	4.5	4.4	4.1	4.0
Delta Air Lines [(3)]	18.2	16.5	16.0	14.6	13.9	13.1	14.9	14.5
JetBlue Airways	9.5	12.4	13.5	14.7	16.3	15.8	20.9	24.9
Northwest Airlines [(4)]	5.3	5.4	5.6	5.7	2.9	4.0	--	--
United Airlines [(5)]	9.5	10.1	9.3	9.4	9.0	9.1	8.4	8.0
US Airways, Inc. [(6)]	16.0	16.0	15.7	15.3	13.9	14.0	13.3	14.0
Southwest Airlines [(7)]	--	--	--	--	3.2	2.7	5.8	5.9
Foreign Flag	9.9	9.4	9.8	9.8	9.6	9.5	9.6	8.2
Regional U.S. Carriers	0.0	0.1	0.2	0.6	0.7	0.7	0.7	0.3
Other U.S. Carriers	3.4	3.0	3.2	3.5	4.8	4.8	5.0	4.4
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

(1) Includes American Eagle and associated regional carriers.
(2) Includes Continental Express and associated regional carriers.
(3) Includes Delta Shuttle, Delta Express and Song (no longer in service as of May 1, 2006) and associated regional carriers. As of January 2010, includes Northwest Airlines.
(4) Includes associated regional carriers. In January 2010, Northwest Airlines merged into Delta and discontinued service as an independent entity.
(5) Includes United Express and associated regional carriers.
(6) Includes US Airways Shuttle and associated regional carriers.
(7) Southwest Airlines commenced service at Logan Airport in August 2009.
Source: Authority.

The market share of foreign flag carriers serving the Airport has decreased slightly over the five years ending in fiscal year 2010, decreasing from 9.9% of passenger traffic in fiscal year 2006 to 9.6% in fiscal year 2010, and international passenger traffic on foreign flag carriers decreased 7.1% from fiscal year 2006. The foreign flag carriers with the largest market shares in calendar year 2010 were British Airways, Lufthansa German Airlines, Air France and Aer Lingus, with 11.5%, 10.4%, 7.6% and 6.8% of international passenger traffic, respectively.

The market share of the regional U.S. carriers has remained steady, fluctuating between 0.0% in fiscal year 2006 and 0.7% in fiscal year 2010. As of March 31, 2011, American Eagle, owned by AMR Corp., parent of American Airlines, accounted for the greatest share of all domestic regional traffic at the Airport, with 20.7% of domestic regional passengers, followed by Comair, owned by Delta, with 19.7% of domestic regional passengers.

The following charts show the annual growth and decline rate of passenger traffic for the eight largest carriers serving Logan Airport, as well as the growth and decline rates of passenger traffic for such carriers over the twelve (12) months ended March 31, 2011. For the nine months ending March 31, 2011, Continental Airlines, Delta Air Lines, JetBlue, US Airways, Southwest, the foreign flag carriers as a group and the regional U.S. carriers as a group have each shown a positive rate of passenger growth.

BOSTON-LOGAN INTERNATIONAL AIRPORT
ANNUAL GROWTH IN PASSENGERS BY CARRIER
(fiscal year ended June 30, except as noted)

Air Carrier	2006	2007	2008	2009	2010	Nine Months Ended 3/31/2011
AirTran Airways	33.6%	18.6%	(6.1%)	(18.1%)	10.1%	(9.6%)
American Airlines [1]	(8.7)	(7.3)	(3.7)	(8.2)	1.2	(16.4)
Continental Airlines [2]	6.0	(3.1)	1.4	(5.9)	0.4	1.0
Delta Air Lines [3]	(3.6)	(5.3)	(2.7)	(14.2)	(12.7)	22.6
JetBlue Airways	69.5	32.6	7.2	(0.7)	16.9	42.3
United Airlines [4]	6.4	8.3	(9.7)	(7.2)	0.9	(0.6)
US Airways, Inc. [5]	(2.5)	4.2	(3.8)	(11.0)	(4.3)	2.5
Southwest Airlines [6]	--	--	--	--	--	100.0
Foreign Flag	(1.1)	(4.1)	2.4	(7.9)	2.7	7.7
Regional U.S. Carriers	1.7	7.6	8.4	3.9	9.4	1.4
Other U.S. Carriers	(17.6)	(19.5)	7.8	11.7	43.2	10.6
Total	2.2%	1.7%	(1.7%)	(8.6%)	5.2%	7.5%

(1) Includes American Eagle and associated regional carriers.
(2) Includes Continental express and associated regional carriers.
(3) Includes Delta Shuttle, Delta Express and Song (no longer in service as of May 1, 2006) and associated regional carriers. In January 2010, Northwest Airlines merged into Delta and discontinued service as an independent entity. For purposes of comparison, data reflects consolidated Delta and Northwest Airlines passenger growth information for all fiscal years.
(4) Includes United Express and associated regional carriers.
(5) Includes US Airways Shuttle and associated regional carriers.
(6) Southwest Airlines commenced service at Logan Airport in August 2009, thus the first full fiscal year for which annual growth can be shown is fiscal year 2011
Source: Authority.

BOSTON-LOGAN INTERNATIONAL AIRPORT
MONTHLY GROWTH IN PASSENGERS BY CARRIER (Year over Year)
12 Months ended 3/31/2011

Air Carrier	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
AirTran Airways	14.17%	0.80%	(7.74%)	(12.72%)	(8.90%)	(1.46%)	4.83%	(10.53%)	(12.73%)	(21.61%)	(18.10%)	(8.97%)
American Airlines[1]	(3.50)	(8.40)	(11.69)	(13.20)	(11.24)	(9.83)	(12.31)	(17.18)	(23.32)	(23.39)	(22.19)	(20.47)
Continental Airlines [2]	1.57	(1.03)	9.87	0.05	(1.25)	6.01	2.20	19.11	3.00	(3.09)	(10.85)	(5.78)
Delta Air Lines [3]	8.86	21.45	34.20	31.30	40.43	35.67	39.23	49.02	33.43	(12.86)	(9.10)	8.63
JetBlue Airways	24.06	36.91	36.91	39.99	36.75	43.44	51.25	49.28	36.43	49.05	42.20	36.46
Southwest Airlines [4]	--	--	--	--	290.31	92.89	123.24	110.26	107.93	60.70	65.86	52.70
United Airlines [5]	(1.70)	2.93	(0.96)	(4.43)	(2.27)	1.27	0.95	8.81	3.25	(4.40)	(4.15)	(3.63)
US Airways, Inc. [6]	0.38	(4.28)	(6.16)	(5.13)	1.55	9.80	3.18	11.26	2.64	(0.68)	0.03	0.75
Foreign Flag	(4.19)	8.48	8.54	7.44	5.98	11.85	12.00	4.30	(1.96)	2.55	0.65	21.22
Regional U.S. Carriers	66.07	5.59	11.95	11.97	3.30	0.02	(9.13)	(12.51)	(1.70)	0.38	(2.58)	5.91
Other U.S. Carriers	14.31	10.24	12.21	9.79	7.89	11.97	18.42	14.02	13.00	10.93	9.73	(0.91)

(1) Includes American Eagle and associated regional carriers.
(2) Includes Continental express and associated regional carriers.
(3) Includes Delta Shuttle and Delta Express and associated regional carriers.
(4) Southwest Airlines commenced service at Logan Airport in August 2009.
(5) Includes United Express and associated regional carriers.
(6) Includes US Airways Shuttle and associated regional carriers.

Source: Authority.

Recent Airline Consolidation. In response to competitive pressures, the U.S. airline industry has consolidated over the past several years. In September 2005, for example, US Airways and America West merged, and in October 2008, Delta and Northwest Airlines merged. In October 2010, United Airlines and Continental Airlines completed a merger transaction, thereby creating the largest airline in the world as measured by domestic and international seat-miles. The merged airline, which will operate under the United name, expects to integrate most of its operations by mid-2012. In May 2011, Southwest Airlines and Airtrain Airlines completed a merger transaction, thereby creating the largest U.S. domestic airline as measured by passengers enplaned. The merged airline, which will operate under the Southwest Airlines name, expects to obtain a single operating certificate from the Federal Aviation Administration (the "*FAA*") in the first quarter of 2012, although it estimates it will take several years to integrate all of its operations.

Passenger Markets. As of December 31, 2010 and December 31, 2009, scheduled non-stop service from the Airport was offered to 70 domestic and 27 international destinations. Some of the carriers at Logan Airport are expected to decrease total scheduled seat capacity in the second half of 2011, while others (including JetBlue) have announced increases of up to 27%.

The destinations chosen by passengers using the Airport have changed over the years, reflecting the impacts of domestic and international economic cycles, September 11 and the relative cost of air travel. The percentage of passengers traveling by air between Boston and New York/Newark has declined while international traffic and long-haul domestic traffic have increased. In calendar year 2000, approximately 15.7% of total domestic Airport passenger traffic was with New York/Newark, compared to 11.4% in calendar year 2010. Conversely, during that same period, domestic traffic with airports in Florida grew from approximately 13.3% to 13.7%. In addition, the Chicago market (from 6.8% in calendar year 2000 to 7.8% in calendar year 2010) and Washington, D.C. market (from 9.5% in calendar year 2000 to 11.4% in calendar year 2010) have increased in their respective market shares over the same period. International traffic at the Airport decreased slightly as a percentage of overall traffic from approximately 13.7% to 13.3% during the same period. In calendar year 2010 (through August 2010), the top five international markets were London, Paris, Frankfurt, Amsterdam and Toronto.

The following table shows the percentage of passengers traveling on U.S. air carriers between the Airport and other final domestic destinations for calendar year 2010, as reported by USDOT. Passengers traveling on international flights are not included. It also shows the comparative ranking of the top 20 domestic destinations for calendar year 2000.

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BOSTON-LOGAN INTERNATIONAL AIRPORT
TOP TWENTY DOMESTIC PASSENGER MARKETS
U.S. CERTIFICATED CARRIERS
(12 Months Ended December 31, 2000 and December 31, 2010)

Market	Calendar 2010 Percentage	Calendar 2010 Rank	Calendar 2000 Rank
New York, New York/ Newark, New Jersey	9.0%	1	1
Chicago, Illinois	7.4	2	4
Washington, D.C.	6.6	3	2
Atlanta, Georgia	5.4	4	3
Florida South*	4.6	5	5
Baltimore, Maryland	4.6	6	22
San Francisco, California	3.9	7	9
Los Angeles, California	3.8	8	10
Charlotte-Douglas, North Carolina	3.5	9	14
Philadelphia, Pennsylvania	3.1	10	6
Dallas/Fort Worth, Texas	2.8	11	7
Orlando, Florida	2.8	12	8
Denver, Colorado	2.6	13	12
Detroit, Michigan	1.8	14	13
Minneapolis/St. Paul, Minnesota	1.7	15	11
Houston-Intercontinental, Texas	1.7	16	19
Fort Myers, Florida	1.3	17	24
San Juan, Puerto Rico	1.3	18	16
Milwaukee, Wisconsin	1.3	19	25
Raleigh/Durham, North Carolina	1.2	20	21
Total for Cities Listed	70.7%		

* Florida South consists of Miami and Fort Lauderdale.
Source: USDOT.

Other Factors. The future level of aviation activity and enplaned passenger traffic at the Airport will depend upon factors such as general regional, national and international economic conditions, potential security threats and the financial condition of individual airlines and their continued service at the Airport. The Authority strives to manage operating and capital costs to relieve the burden on aeronautical rates and charges for airlines and their passengers when possible.

There are two regional airports in New England, T.F. Green Airport in Providence, Rhode Island ("*T.F. Green*") and Manchester-Boston Regional Airport in Manchester, New Hampshire ("*Manchester*"), that compete with Logan Airport. Logan Airport is by far the largest airport in the region and the only one providing direct service to Europe or the Caribbean. Also, the growth of low cost service at Logan Airport has resulted in a shift in the market dynamics between the three airports.

Logan Airport deplaned 13.7 million passengers in calendar year 2010. Over the same period, T.F. Green and Manchester deplaned 1.9 million and 1.4 million passengers, respectively. In calendar years 2008 and 2009, deplanements at Logan Airport decreased by an average annual rate of 4.8%, while declining at an average annual rate of 9.6% at Manchester and 7.2% at T.F. Green during the same period.

Airport Facilities

Airside Facilities. The Airport has four major runways totaling 34,946 feet in length, all of which can accept the largest types of aircraft currently in commercial service, and a 5,000 foot uni-directional runway. Inclined safety over-run areas have been constructed at the end of two of the Airport's runways and a fire and rescue access road at the approach end of two runways provides emergency access in the event of a water rescue operation. In addition, an Engineered Material Arresting System ("*EMAS*") was installed in 2005 on one runway end and in 2006 on a second runway end. EMAS is an engineered bed of ultra-light, crushable concrete blocks, designed to slow an aircraft that has overrun the end of a runway. The Airport also has a 2,557-foot runway used primarily by general aviation aircraft and some small commuter aircraft, approximately 93 acres of concrete apron, 144 acres of asphalt apron and 16.3 miles of taxiway. This includes the 9,300 foot long Centerfield Taxiway that was completed in 2009, which provides alternative taxi routings for more efficient movement of aircraft between runways and terminal areas. The airfield is equipped with a 250-foot high control tower staffed by the FAA, high intensity runway lights, four approach light systems, threshold lights, touchdown zone lights, airport surveillance radar, aircraft radio communication facilities, radio navigation installations, a Category III Instrument Landing System ("*ILS*") operational at one runway approach, a Category II ILS system operational at another runway approach and Category I ILS systems at four other runway approaches. Navigational equipment is operated and maintained by the FAA. A state-of-the-art fire and rescue facility and a satellite fire and rescue facility on the airfield were completed in the late 1990s.

Terminal Facilities. Four terminals (the "*Terminals*") serve commercial passengers at the Airport. As of December 31, 2010, the Terminals in operation included: (1) Terminal A with 18 gates and seven regional jet parking positions, which opened in March 2005; (2) Terminal B with 36 gates, completed in 1976, with renovations of portions of the Terminal completed by American in 1995 and US Airways in 1998 and 2000; (3) Terminal C with 27 gates, completed in 1967, with renovations completed by the Authority in 1987, by United in 2002 and by JetBlue in May 2005, and which is currently undergoing further renovations including the construction of a consolidated security checkpoint; and (4) Terminal E with access to 13 gates, which was renovated and expanded by the International Gateway project completed in August 2008. Terminal A is currently used by Continental, Delta, including Delta Shuttle and Comair (Delta Connection), and Alaska Air. Terminal B is used by Air Canada/Air Jazz, American, American Eagle, Midwest, Spirit Airlines, US Airways/US Airways Express/US Airways Shuttle and Virgin America. Terminal C is used by AirTran, Cape Air, JetBlue, Sun Country and United/United Express. Terminal E is used for all arriving international flights requiring federal inspection services and most departures by foreign flag carriers, including Aer Lingus, Air France, Alitalia, British Airways, Iberia, Icelandair, Lufthansa, Porter Air, SATA International Airlines, Swiss International, TACV Cabo Verde airlines and Virgin Atlantic Airways. Terminal E is also used by Southwest Airlines. The majority of charter airlines utilize Terminal E, although charter airlines also operate from other Terminals. The Airport also has general aviation facilities located in the North Cargo Area currently occupied by Signature Flight Support.

Lease Arrangements for Terminal Facilities. The Authority exercises significant control over Terminal facilities at Logan Airport through the leasing arrangements it has entered into with the carriers operating at the Airport. The Authority uses a combination of short-term leases, preferential use provisions, recapture provisions and forced subletting provisions to allow it to allocate its gate resources effectively and accommodate new entrant carriers. In connection with significant investments of capital in Terminal facilities, however, the Authority has granted carriers making such Terminal improvements leases with terms longer than one year. All leases with air carriers for Terminal space at the 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 the leased space. The Authority resets these rates each fiscal year to recover its actual capital and budgeted operating costs.

Parking Facilities. Private automobiles are the primary means of ground transportation to and from the Airport. Based upon a 2010 passenger survey, the Authority estimates that approximately 40% of all passengers arrive at Logan Airport in private automobiles, and of those, 32.5% (or 13% of total passengers) use the Airport's parking facilities.

The number of on-airport commercial and employee parking spaces is currently limited by the State Implementation Plan ("*SIP*") filed by the Commonwealth with the United States Environmental Protection Agency

("*EPA*") under the federal Clean Air Act to 20,692, of which 18,019 spaces are currently designated for commercial use and 2,673 for employee parking. Under the Airport parking freeze, the Authority may shift the location of on-Airport parking spaces or convert employee spaces to commercial spaces. Once parking spaces have been converted from employee to commercial use, however, they cannot be converted back to employee use.

There is no regulatory limit to the number of parking spaces that are available to the rental car industry at the Airport.

Cargo Facilities. Logan Airport's cargo facilities include, as of December 31, 2010, seven buildings containing approximately 259,002 square feet of warehouse space. Tenants of cargo facilities at the Airport include Federal Express (occupying 99,564 square feet of warehouse space), American, Continental, Delta, United, United Parcel Service, Servisair, Swissport and East Coast. The majority of the remaining cargo airlines or companies occupy facilities under short-term leases in various areas of the Airport. In addition, a number of air cargo operations have moved to off-Airport locations using through-put facilities operated by cargo handlers.

Aircraft Fuel Systems. Aircraft fuel is currently stored in and distributed through an integrated fuel storage and distribution system, which provides for a redundant underground distribution system of aircraft fuel to all gates between terminals. The fuel system, financed with special facilities revenue bonds of the Authority, is leased to BOSFUEL Corporation ("*BOSFUEL*"), a membership corporation whose members consist of the principal air carriers serving the Airport, and the system is operated by Swissport, Inc. See "OTHER OBLIGATIONS – Special Facilities Revenue Bonds." The lease between the Authority and BOSFUEL requires BOSFUEL to pay ground rent and other fees for the use of the fuel system, including amounts sufficient to pay the debt service on the BOSFUEL Bonds (defined herein), and BOSFUEL is responsible for the operation and maintenance of the fuel system.

Service and Support Facilities. Airport facilities also currently include six car rental service areas, two facilities for preparation of in-flight meals, a Hilton hotel, a Hyatt conference center and hotel and six aircraft maintenance hangars. The Authority operates field maintenance facilities, a water pumping station, electrical sub-stations and distribution system, and a plant that supplies steam, hot water and chilled water. For more information on the planned redevelopment of the service and support facilities in the Southwest Service Area, including the ConRAC Facility, see APPENDIX A – Report of the Airport Consultant.

Hanscom Field

Hanscom Field is located principally in the Town of Bedford, Massachusetts, approximately 15 miles northwest of Boston. It encompasses approximately 1,300 acres, of which about 55 acres are occupied by the United States Air Force. Hanscom Field has two principal runways of 5,100 and 7,000 feet, hangars, a terminal building, taxiways and ramps. The Air Force owns approximately 850 acres adjacent to Hanscom Field. In July 1974, the Authority assumed full responsibility for operating and maintaining the airfield by agreement with the United States Air Force.

Hanscom Field is a corporate jet reliever for Logan Airport. It is anticipated that Hanscom Field will continue to develop as an alternative to the Airport for general aviation and niche commercial service. General aviation operations, including business related activity, charters and light cargo, as well as flight training and recreational flying, currently represent 99% of the activity at Hanscom Field; military aircraft conduct about 1% of the operations. The airfield is currently served by two full service fixed base operators, as well as several limited service fixed base operators.

Worcester Regional Airport

On July 1, 2010, the Authority purchased the Worcester Regional Airport for approximately $15.5 million, in accordance with the terms of Chapter 25 of the Acts of 2009, as amended (the "*Transportation Reform Act*"). Previously, in April 1999, the Authority entered into a Memorandum of Understanding with the City of Worcester, Massachusetts ("*Worcester*") and the Worcester Airport Commission, and the Authority assumed operating responsibility for Worcester Airport pursuant to an operating agreement (the "*Worcester OA*") among the Authority, Worcester, and the Worcester Airport Commission in January 2000. The Worcester OA provided that the Authority would pay a portion of Worcester Airport's annual operating deficit. In fiscal years 2008 and 2009, the Authority paid $1.8 million in each year for the net operating deficit at Worcester Regional Airport. Worcester remained liable for all capital costs not funded with federal or state grants through June 30, 2010. The Authority assumed responsibility for capital costs of Worcester Regional Airport as of July 1, 2010.

In 2010, Worcester Regional Airport had 76 aircraft based on site and a total of 50,762 operations were recorded, of which approximately 65% were business oriented using aircraft ranging from small single-engine aircraft to large corporate business jets. Business jets represented approximately 10% of Worcester Regional Airport's operations in 2010. Also in 2010, commercial passenger traffic increased 55% with Direct Air flying 71,114 passengers, as compared to 46,007 passengers in 2009. Commercial operations increased 23% due to increase of frequency to the existing Direct Air markets (Punta Gorda, Orlando/Sanford, and Myrtle Beach, South Carolina), and the addition of West Palm Beach in November 2010.

PORT PROPERTIES

The Authority owns, develops, operates and maintains Port Properties comprising certain waterfront properties transferred to it from the Commonwealth in 1959, as well as additional properties subsequently acquired. The Authority administers and develops these Port Properties through the Maritime Department and the Economic Planning and Development Department for mixed-use commercial properties. The Maritime Department plans, develops and manages cargo and passenger terminals and related maritime properties in the Port, and also plans, develops and manages real estate for maritime, industrial and commercial uses. The Authority believes that in the long-term, this diversified land use strategy will provide a non-maritime revenue stream to finance the continuing capital development of the Port's cargo and passenger terminals, reducing the burden on the Authority's other revenue sources. The Authority views the Port Properties as an important component of its goal to facilitate the participation of the Massachusetts economy in international trade.

Boston is New England's major port and the only port in the region providing a full range of container handling, cruise ship, bulk, breakbulk, automobile processing, petroleum, and ship repair services. The Authority's maritime business activities include cargo handling (including containers, bulk materials and automobiles), serving as a home port and port of call for cruise ships, and leasing property for maritime industrial uses.

The Authority owns, manages, develops, operates and markets the public cargo and passenger terminals and related maritime properties of the Port. Conley Terminal is a container facility in South Boston, served weekly by nine international steamship lines. Moran Terminal in Charlestown is leased almost entirely to Boston Autoport L.L.C., which also leases the nearby Medford Street Terminal. The Black Falcon Cruise Terminal at the former Boston Army Base in South Boston handled 310,000 cruise passengers during the 2010 summer cruise season. The Authority also controls several other facilities that are used for warehousing, or for importing, processing or distributing bulk and other waterborne commodities such as cement and seafood.

CAPITAL PROGRAM

The following information is provided for information purposes only, as evidence of the Authority's experience in engaging in and completing large capital projects. The 2011 CFC Bonds are secured solely by the CFC Pledged Receipts pledged under the CFC Trust Agreement and not by any other sources of revenue that might be reflected or referenced under this heading.

In 1995, the Authority embarked on a major capital program to repair, modernize and revitalize the physical plant at the Airport and to improve the infrastructure at each of the Authority's facilities. Since then, the Authority has completed the land-side projects referred to as Logan Modernization. This $1 billion program included doubling the size of Terminal E, double decking the on-airport roadway system, refurbishing the central heating and cooling plant, expanding central parking and building elevated and enclosed walkways that connect the various unit terminals, and has been completed within the $1.0 billion budget.

The Authority also completed several other large and complex projects. In 2001, in conjunction with Delta Airlines, the Authority negotiated a special facility financing that rebuilt Terminal A. The $478 million project opened in March 2005 and was completed within budget. The Authority rebuilt the Central Garage at the Airport, adding three new floors. This $217 million project was completed on budget in 2007. In 2004, the FAA awarded the Authority a $90.8 million Letter of Intent in support of a series of airfield projects scheduled for FY05-FY12. The Authority has contracts in place for all of these projects, has completed the majority of the construction and will complete the work in fiscal year 2012 below budget.

On February 16, 2011, the Authority approved the Fiscal Year 2011-2015 Capital Program (the "*FY11-FY15 Capital Program*"). The FY11- FY15 Capital Program represents a comprehensive and coordinated capital improvement and financial master plan for all Authority facilities. The program was developed to be consistent with the Authority's goals of funding security initiatives and airfield operation enhancements, maximizing FAA Transportation Security Administration ("*TSA*") grants, utilizing a $4.50 PFC and a $6.00 CFC and avoiding increasing Airport rates and charges to levels that could lead to significant service reductions. The FY11-FY15 Capital Program includes forecasted total expenditures of $1.0 billion for on-going projects and for projects to be commenced during the five-year program period, including $243.5 million in work on the ConRAC project that will be funded solely from CFC revenue. The remainder of the costs of the $300 million ConRAC project were either spent before FY11 and/or will be paid with the Authority's own funds.

Set forth in the following table is a summary of the estimated funding sources for the FY11-FY15 Capital Program and a summary of the uses, showing capital projects by funding category.

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SUMMARY OF ESTIMATED FUNDING SOURCES AND CAPITAL PROJECTS

FISCAL YEAR 2011-FISCAL YEAR 2015
(in thousands)

Funding Sources		
	Maintenance Reserve Fund	$250,726
	Improvement and Extension Fund	200,691
	PFCs pay-as-you-go	917
	PFC Commercial Paper	20,033
	FAA Entitlement Grants	38,900
	FAA Discretionary Grants	75,000
	FAA Logan Soundproofing Grants	4,800
	Other Grants	12,380
	2010 Bond proceeds	89,951
	2012 Bond proceeds	86,579
	CFC's pay-as-you-go	51,083
	CFC Bond proceeds	192,433
	Other - Third Party	719,651
	Total Funding Sources	**$1,743,144**
Project Costs Funded with Revenue Bonds		
	Airline Relocation	$30,000
	Hangar Upgrades	13,376
	Terminal B Substations 26, 27, 28, 29	19,965
	4R & 33L Light Pier Rehab	5,315
	Substation Replacement	12,923
	Terminal C Checkpoint & HVAC Improvements (2)	18,000
	Economy Parking Structure	31,500
	Bus Maintenance Facility	20,000
	Other Logan Airport Improvements (1)	25,451
Projects Costs Funded with PFCs and Grants		
	Runway Status Lights & Electrical System Upgrades	9,768
	Other Airfield Projects	132,530
	Terminal C Checkpoint (2)	33,969
	Residential Sound Insulation Program and Related Projects	5,717
Other Project Costs Funded with Massport Internally Generated Funds		
	South Boston Haul Road	25,000
	Chelsea Bypass Road	25,000
	Airfield Projects	65,435
	Bus Maintenance Facility & T Roadway Improvements (2)	19,400
	Energy and Utility Projects	7,268
	Security Projects Funded	6,945
	Additional capital improvements for other Airport projects	47,476
	Capital Improvements for Maritime	19,973
	Capital Improvements for Hanscom Field and Worcester Airport	29,620
	Major maintenance all facilities	175,346
Project Costs Funded with Customer Facility Charges		
	Consolidated Rental Car Facility (2) (3)	243,516
Project Costs Funded Third Party Sources		
	Additional third party development ventures	719,651
	Total Capital Program	**$1,743,144**

(1) Proceeds amount shown here does not include bond reserves, costs of issuance or capitalized interest outside the FY2011-FY2015 time period.
(2) Projects with multiple funding sources.
(3) The remainder of the costs of the $300 million ConRAC project were either spent before FY11 and/or will be paid with the Authority's own funds.

OTHER OBLIGATIONS

The following describes the indebtedness and obligations of the Authority that are not secured under the CFC Trust Agreement. CFC Pledged Receipts are not available to pay such indebtedness and obligations.

General Airport Revenue Bonds

Pursuant to the 1978 Trust Agreement, the Authority is authorized to issue General Airport Revenue Bonds, which are secured by the pledge of the Authority's Revenues (as defined in the 1978 Trust Agreement), which include all tolls, rates, fees, rentals and other charges from its Projects (subject to limited exclusions) and certain investment income and other revenues, as more fully described in the 1978 Trust Agreement. Exclusions from Revenues pledged to secure the General Airport Revenue Bonds include passenger facility charges ("*PFCs*") assessed by the Authority on enplaning passengers at the Airport and certain revenues derived from facilities financed by debt that has limited recourse to the Authority, including the CFC Pledged Receipts. As of December 31, 2010, Authority had Outstanding under the 1978 Trust Agreement 13 Series of General Airport Revenue Bonds in the aggregate principal amount of $1,180,460,000.

PFC Revenue Bonds

In June 1999, the Authority issued its PFC Revenue Bonds, Series 1999A and 1999B (the "*1999 PFC Revenue Bonds*") pursuant to the PFC Trust Agreement by and between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the "*PFC Trustee*"), dated as of May 6, 1999 (the "*PFC Trust Agreement*"), and a First Supplemental Agreement by and between the Authority and the PFC Trustee dated as of May 6, 1999 (the "*First Supplemental PFC Trust Agreement*"). In June 2007, the Authority issued its PFC Revenue Bonds, Series 2007B and PFC Revenue Refunding Bonds, Series 2007D (the "*2007 PFC Revenue Bond*s"), pursuant to the PFC Trust Agreement, the First Supplemental PFC Trust Agreement, and a Second Supplemental Agreement dated as of May 17, 2007 (the "*Second Supplemental PFC Trust Agreement*") between the Authority and the PFC Trustee. In August 2010, the Authority issued its PFC Revenue Refunding Bonds, Series 2010-E (the "*2010 PFC Revenue Bonds*"), pursuant to the PFC Trust Agreement, the First Supplemental PFC Trust Agreement, the Second Supplemental PFC Trust Agreement and a Third Supplemental PFC Trust Agreement dated as of July 15, 2010 between the Authority and the PFC Trustee.

The 1999 PFC Revenue Bonds, the 2007 PFC Revenue Bonds, the 2010 PFC Revenue Bonds and any additional bonds that may be issued under the PFC Trust Agreement on a parity with the 1999 PFC Revenue Bonds (collectively, the "*PFC Revenue Bonds*") are secured by the PFCs imposed by the Authority at the Airport. The PFC Revenue Bonds are not secured by the Revenues that secure the General Airport Revenue Bonds or the CFC Pledged Receipts, and PFCs are not included in such Revenues or CFC Pledged Receipts.

As of December 31, 2010, the PFC Revenue Bonds in an aggregate principal amount of $159.2 million were the only PFC Revenue Bonds outstanding under the PFC Trust Agreement.

Special Facilities Revenue Bonds

The Authority has issued, and expects to issue, special facilities revenue bonds to finance various capital projects on a non-recourse basis. The principal of and interest on the special facilities revenue bonds issued by the Authority are special obligations of the Authority, payable solely from the sources provided; none of such special facilities bonds are secured by the Revenues of the Authority. Each special facility bond issue is secured differently and under a separate trust agreement. The 2011 CFC Bonds will constitute a new issue of special facilities revenue bonds issued for the purposes set forth in the Official Statement.

As of December 31, 2010, the Authority had approximately $703 million of special facilities revenue bonds outstanding, in eight separate series as follows:

1. Special Facilities Revenue Bonds (BOSFUEL Project), Series 2007 (the "*BOSFUEL Bonds*")
2. Special Facilities Revenue Bonds (Delta Air Lines, Inc. Project), Series 2001A, 2001B and 2001C
3. Special Facilities Revenue Refunding Bonds (Harborside Hyatt Conference Center and Hotel Project), Series 2001-A (Tax-Exempt) and 2001-B (Taxable)
4. Special Facilities Revenue Bonds (USAir Project), Series 1996A and Special Facilities Revenue Bonds (US Airways Project), Series 1999

Subordinated Revenue Bonds

On December 29, 2000 and January 2, 2001, as a component of the ParkEX Acquisition, the Authority issued its Subordinated Revenue Bonds, Series 2000-A, 2000-B and 2000-C, and Series 2001-A, 2001-B and 2001-C, respectively (collectively, the "*Subordinated Bonds*"). The Subordinated Bonds, which as of December 31, 2010 were outstanding in the aggregate principal amount of $74.0 million, are payable solely from funds on deposit in the Improvement and Extension Fund and in a separate account not subject to the pledge of the 1978 Trust Agreement, the PFC Trust Agreement or the CFC Trust Agreement.

Commercial Paper

On April 11, 2007, the Authority renewed its commercial paper program in an aggregate principal amount not to exceed $150 million, and entered into a five-year Letter of Credit and Reimbursement Agreement with The Bank of New York Mellon Trust Company, N.A., to provide security for the commercial paper program. As of March 31, 2011, the Authority had outstanding $89.0 million of commercial paper notes. The obligations of the Authority with respect to its commercial paper notes are secured by the Improvement and Extension Fund and the proceeds of Bonds subsequently issued.

LEGISLATIVE DEVELOPMENTS

From time to time legislation has been introduced in the Massachusetts Legislature for the purpose of altering the responsibilities of the Authority, reducing its independence, limiting its planning and operations, taxing its commercial tenants directly, or requiring it to make payments to other governmental entities in the Commonwealth, as described herein. It is not possible to predict whether additional legislation will be enacted in the future.

In addition, the Authority is subject to state and federal laws of general application, changes to which could have a material effect on the operations or financial position of the Authority.

LITIGATION

No litigation is pending or, to the knowledge of the Authority, threatened against or affecting the Authority seeking to restrain or enjoin the issuance, sale or delivery of the Series 2011 Bonds or in any way contesting or affecting the validity of the Series 2011 Bonds.

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, New York. 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 ("*ATSSSA*"), which provides, among other things, that victims who suffered physical injury or death as a result of the events of September 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.

ATSSSA also provides a limitation on liability of various entities, including airport sponsors such as the Authority, for the events of September 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 $500,000,000 per occurrence, and consequently, under ATSSSA, 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 May 1, 2011, there was one wrongful death lawsuit (brought by representatives of a passenger on United Airlines Flight 175) and three property damage lawsuits (brought by World Trade Center Properties, LLP) pending against the Authority. The court has set a trial date of November 7, 2011 for the wrongful death lawsuit. All other wrongful death and property damage lawsuits against the Authority and other defendants have been settled or dismissed. The settlements have been achieved without any financial contribution from the Authority or its insurer, though the settling plaintiffs have provided the Authority with a release of all claims.

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

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 employees; disputes with contractors, subcontractors, engineers and others arising out of construction and maintenance of its properties; disputes over leases and concessions; and property, theft and damage claims arising from the Authority's parking operations, 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 have a material effect on the operations or financial position of the Authority.

[End of Information Statement of the Authority.]

APPENDIX F

MASSACHUSETTS PORT AUTHORITY

Financial Statements, Required Supplementary Information, and Supplementary Schedules

June 30, 2010 and 2009

(With Independent Auditors' Report Thereon)

MASSACHUSETTS PORT AUTHORITY

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PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers LLP
125 High Street
Boston, MA 02110-1707
Telephone (617) 530 5000
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Report of Independent Auditors

To the Members of the Massachusetts Port Authority:

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

Management's Discussion and Analysis presented on pages 3 through 21 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The Schedule of Pension Funding Progress and the Schedule of OPEB Funding Progress on page 61 are not a required part of basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. Such information has been subjected to the auditing procedures applied in our audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements as a whole. The supplementary schedules presented on pages 62 through 65 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

PricewaterhouseCoopers LLP

September 29, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

Introduction

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

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

The Financial Statements

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

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

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

(Continued)

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

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

Financial Highlights

- The Authority serviced 26.3 million passengers in fiscal year 2010, a 1.3 million, or 5.2% increase in passengers when compared to last year. The addition of four new airlines, increased low cost carrier service to preferred destinations, and a recovering economy are factors driving increasing passenger volume to Logan Airport.

- The Board authorized an increase to its CFC to $6.00 per transaction day on rental cars to customers originating on Authority owned Airport properties. The proceeds of the CFC will be used to evaluate, design and construct a consolidated rental car facility on Airport property. The Authority recognized $20.7 million and $5.2 million in CFCs during fiscal years 2010 and 2009 respectively.

- The Authority's net assets grew to $1.624 billion, a $6.5 million increase over last year.

- The Authority's increase in net assets before a special item for fiscal year 2010 was $84.5 million, a 7.8% increase over the prior fiscal year as operating revenues exceeded operating expenses by $20.4 million, non-operating revenues were $29.8 million, and capital grant revenue was $34.3 million.

- The Authority transferred the Tobin Bridge to MassDOT on January 1, 2010 without consideration, resulting in a $78.0 million special charge against earnings in fiscal year 2010 as noted in the Authority's Statement of Revenues, Expenses and Changes in Net Assets.

- The Authority's bonds payable were reduced by $88.2 million as a result of a $20.9 million debt defeasance in July 2009 and $67.3 million in principal payments made to its bond holders during fiscal year 2010.

(Continued)

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

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

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

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

(Continued)

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

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

Operating Revenues

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

The Authority's Condensed Operating Revenues

	(in millions)		2010 vs. 2009	
	2010	**2009**	**$ Change**	**% Change**
Operating revenues:				
Fees, tolls and other services	$ 277.8	$ 298.4	$ (20.6)	-6.9%
Rentals	167.2	166.0	1.2	0.7%
Concessions	62.3	60.8	1.5	2.5%
Other, including operating grants	20.6	17.6	3.0	17.0%
Total operating revenues	$ 527.9	$ 542.8	$ (14.9)	-2.7%

			2009 vs. 2008	
	2009	**2008**	**$ Change**	**% Change**
Operating revenues:				
Fees, tolls and other services	$ 298.4	$ 312.3	$ (13.9)	-4.5%
Rentals	166.0	166.4	(0.4)	-0.2%
Concessions	60.8	65.4	(4.6)	-7.0%
Other, including operating grants	17.6	21.4	(3.8)	-17.8%
Total operating revenues	$ 542.8	$ 565.5	$ (22.7)	-4.0%

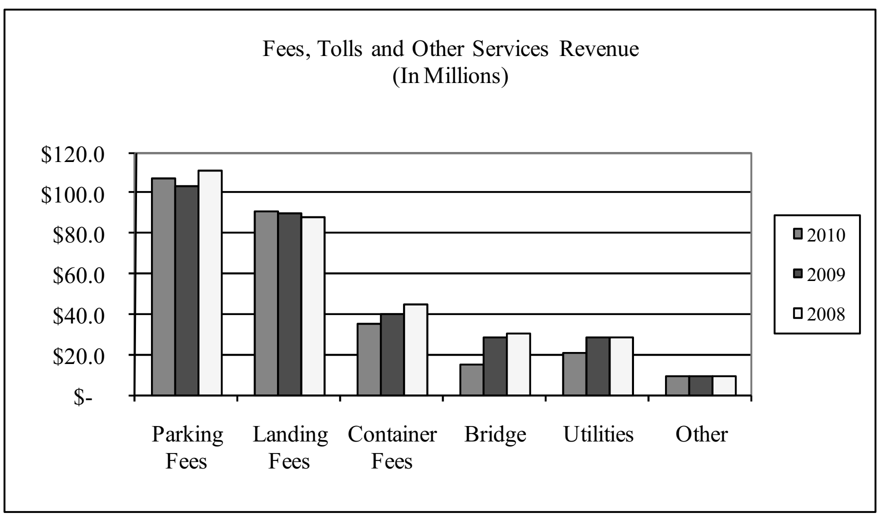
(Continued)

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

Fees, Tolls and Other Services

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

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



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

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

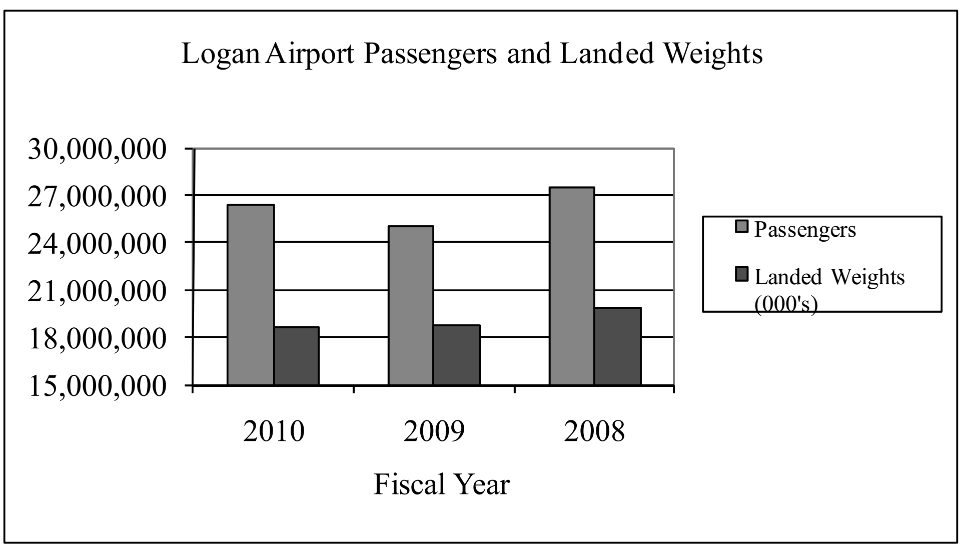
(Continued)

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

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

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

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



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

(Continued)

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

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

Rentals

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

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

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

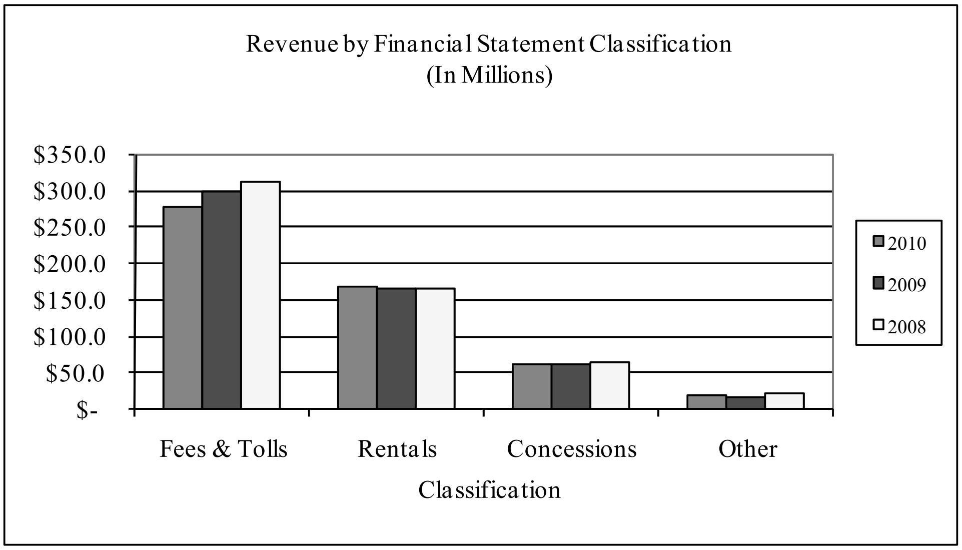
Concessions

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

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

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

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



Operating Expenses

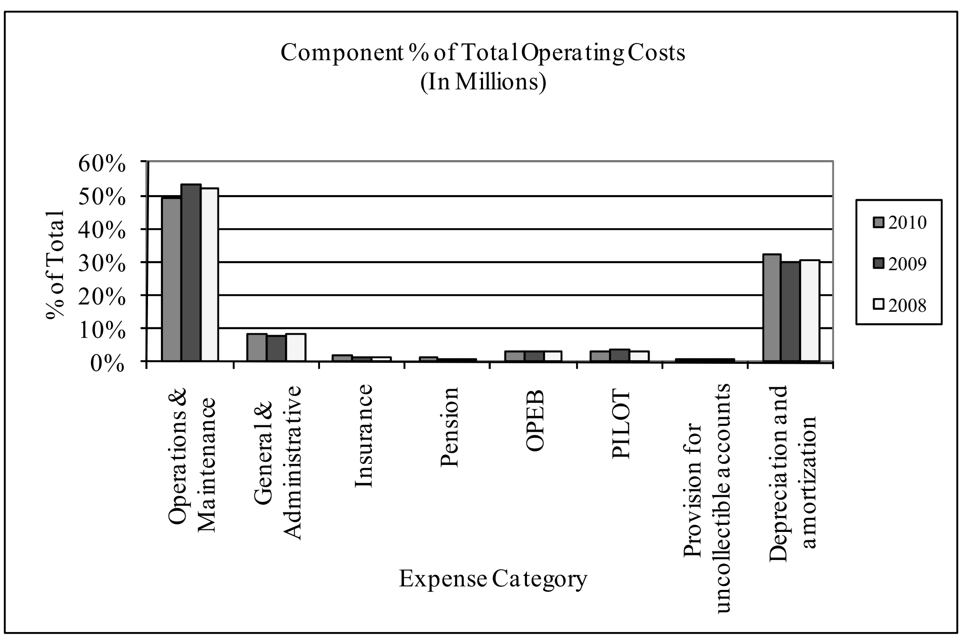
Fiscal year 2010 operating expenses for the Authority were $507.5 million, a decrease of $12.0 million or 2.3% compared to fiscal year 2009. The Authority implemented a series of cost containment initiatives that resulted in a $19.4 million decrease in operating expenses. These initiatives included the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

(Continued)

The Authority's Condensed Operating Expenses

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

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



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

Operations and Maintenance

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

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

General and Administrative

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

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

Risk Management

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

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

(Continued)

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

Other Post-employment Benefits

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

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

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

Payment in Lieu of Taxes

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

Depreciation and Amortization

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

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

Non-operating Revenue and Expense

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

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

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

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

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

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

(Continued)

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

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

Capital Grant Revenues

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

The Authority's Statements of Net Assets

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

(Continued)

The Authority's Condensed Statements of Net Assets

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

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

(Continued)

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

Cash, Cash equivalents and Investments

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

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

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

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

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

(Continued)

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

Capital Assets and Debt Administration

Capital Assets

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

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

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

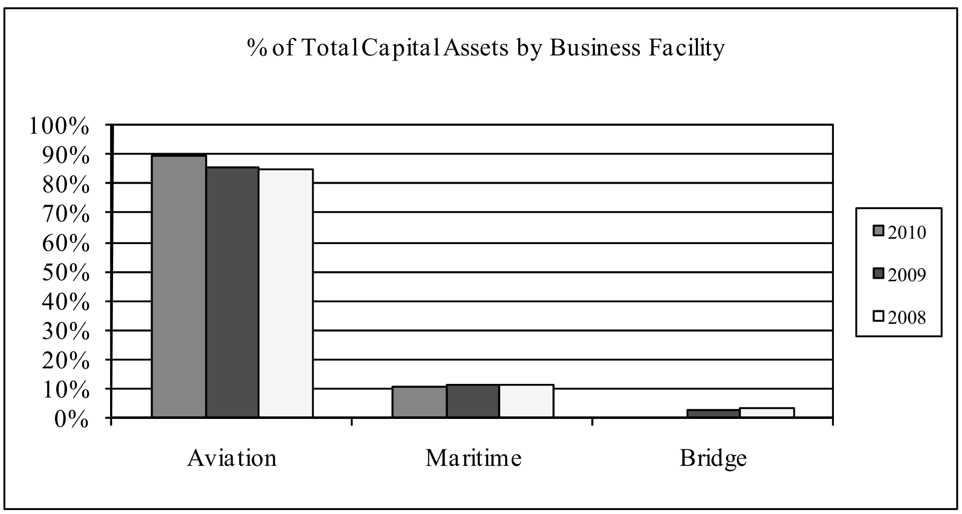
Major projects in progress or completed during fiscal year 2009 included the continued investment in the Centerfield Taxiway, the acquisition of additional airport roadways, Tobin Bridge roadway redecking, relocation of the State Police Headquarters, acquisition of an MBTA parcel near Wood Island Station,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

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

(Continued)

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

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



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

Debt Administration

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

(Continued)

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

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

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

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

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

Please see Note 5 in the financial statements attached hereto.

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

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

(Continued)

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

Contacting the Authority's Financial Management

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

MASSACHUSETTS PORT AUTHORITY

Statements of Net Assets

June 30, 2010 and 2009

(In thousands)

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

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

MASSACHUSETTS PORT AUTHORITY

Statements of Revenues, Expenses, and Changes in Net Assets

Years ended June 30, 2010 and 2009

(In thousands)

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

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

MASSACHUSETTS PORT AUTHORITY

Statements of Cash Flows

Years ended June 30, 2010 and 2009

(In thousands)

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

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

MASSACHUSETTS PORT AUTHORITY
RETIREE BENEFITS TRUST

Statements of Trust Net Assets

June 30, 2010 and 2009

(in thousands)

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

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

MASSACHUSETTS PORT AUTHORITY
RETIREE BENEFITS TRUST

Statements of Changes in Trust Net Assets

Years ended June 30, 2010 and 2009

(in thousands)

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

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

1. Summary of Significant Accounting Policies and Practices

Reporting Entity

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

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

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

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

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

(Continued)

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

Basis of Accounting

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

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

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

Accounting per Applicable Trust Agreements

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

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

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

Net Assets

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

(Continued)

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

(a) Cash and Cash Equivalents

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

(b) Investments

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

(c) Restricted Cash and Investments

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

(d) Capital Assets

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

The capitalization threshold is noted below:

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

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

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

(e) Depreciation

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

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

(f) Other Assets and Prepaid Items

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

(Continued)

(g) Amortization

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

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

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

(h) Revenue Recognition

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

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

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

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

(Continued)

(i) Customer Facility Charges

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

(j) Passenger Facility Charges

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

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

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

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

(k) Compensated Absences

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

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

(l) Use of Estimates

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

(m) Financial Statement Reclassification and Revision

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

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

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

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

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

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

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

(Continued)

3. Deposits and Investments

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

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

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

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

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

(Continued)

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

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

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

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 byeach reserve.
3.Underlying rating of security held.
4. Credit quality of fund holdings.

(Continued)

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

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

Credit Risk

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

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

(a) Custodial Credit Risk – Deposits

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

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

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

(b) *Custodial Credit Risk – Investments*

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

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

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

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

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

(c) *Concentration of Credit Risk – Investments*

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

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

(Continued)

(d) Credit Ratings

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

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

(e) Interest Rate Risk – Investments

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

(f) Cash, cash equivalents and Investments by Fund

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

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

(Continued)

4. Capital Assets

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

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

(Continued)

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

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

(Continued)

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

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

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

5. Bonds and Notes Payable

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

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

(Continued)

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

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

(Continued)

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

	2009 Beginning balance	Additions	Reductions	2010 Ending balance	Due within one year
Revenue Bonds					
Senior Debt-1978 Trust Agreement:	$ 1,218,560	—	71,635	1,146,925	53,855
Subordinated debt- 1978 Trust Agreement	74,000	—	—	74,000	—
Senior Debt - PFC Trust Agreement:	209,310	—	16,540	192,770	17,390
	$ 1,501,870	—	88,175	1,413,695	71,245

	2008 Beginning balance	Additions	Reductions	2009 Ending balance	Due within one year
Revenue Bonds					
Senior Debt-1978 Trust Agreement:	$ 1,264,355	38,015	83,810	1,218,560	50,870
Subordinated debt- 1978 Trust Agreement	74,000	—	—	74,000	—
Senior Debt - PFC Trust Agreement:	224,850	—	15,540	209,310	16,540
	$ 1,563,205	38,015	99,350	1,501,870	67,410

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

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

(Continued)

a) ***Senior Debt - 1978 Trust Agreement***

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

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

b) Subordinate Debt – 1978 Trust Agreement

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

c) ***Senior Debt - PFC Trust Agreement***

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

(Continued)

d) Defeased Bonds

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

e) *Special Facility Bonds*

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

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

f) Commercial Notes Payable

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

		2010	2009
Commercial paper notes	$	89,000	102,000
Principal paid on commercial paper notes		—	13,000
Commercial paper notes	$	89,000	89,000

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

(Continued)

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

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

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

g) Arbitrage – Rebate Liability

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

6. Employee Benefit Plans

a) Plan Description – Pension Plan

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

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

b) Funding Policy

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

c) Annual Pension Cost

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

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

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

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7. Other Postemployment Benefits

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

a) Plan Description

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

(Continued)

b) Annual OPEB Costs and Net OPEB Obligation

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

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

c) Funded Status and Funding Progress

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

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

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the Authority are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

d) Actuarial Methods and Assumptions

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

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

8. Leases

a) Commitments

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

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

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

(Continued)

b) Rental Income

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

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

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

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

9. Risk Management

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

(Continued)

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

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

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

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

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

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10. Payments in Lieu of Taxes

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

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

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

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

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

(Continued)

11. Commitments

a) Contractual Obligations for Construction

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

b) Third Harbor Tunnel

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

c) Worcester Airport

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

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

d) Seaport Bond Bill

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

(Continued)

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

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

12. Litigation

a) Events of September 11, 2001

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

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

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

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

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

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

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

b) Environmental Contamination

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

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

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

c) Other litigation

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

(Continued)

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

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

13. Interagency Agreements

a) Transportation Reform Act

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

b) Investment in Joint Venture

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

c) Logan Airport Silver Line Transportation Agreement

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

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

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

14. Subsequent Events

a) Bond issue

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

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

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

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

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

b) Acquisition of Worcester Regional Airport

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

MASSACHUSETTS PORT AUTHORITY

Required Supplementary Information

Schedule of Pension Funding Progress / OPEB Funding Progress

June 30, 2010

(In thousands)

Schedule of Pension Funding Progress

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

Schedule of OPEB Funding Progress

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

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

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

See accompanying independent auditors' report.

MASSACHUSETTS PORT AUTHORITY **Schedule I**

Combining Schedule of Net Assets

June 30, 2010

(In thousands)

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

See accompanying independent auditors' report.

Schedule II

MASSACHUSETTS PORT AUTHORITY

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

Year ended June 30, 2010

(In thousands)

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

See accompanying independent auditors' report.

Schedule III

MASSACHUSETTS PORT AUTHORITY

Combining Schedule of Net Assets

June 30, 2009

(In thousands)

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

See accompanying independent auditors' report.

Schedule IV

MASSACHUSETTS PORT AUTHORITY

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

Year ended June 30, 2009

(In thousands)

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

See accompanying independent auditors' report.

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APPENDIX G

FORM OF BOND COUNSEL OPINION

FOLEY

FOLEY & LARDNER LLP

ATTORNEYS AT LAW

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CLIENT/MATTER NUMBER
071193-0118

June ___, 2011

Massachusetts Port Authority
One Harborside Drive, Suite 200S
East Boston, MA 02128

Re: $__________ Massachusetts Port Authority
Special Facilities Revenue Bonds
(ConRAC Project), Series 2011A and
Series 2011B (Federally Taxable)

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance and sale of the $__________ Special Facilities Revenue Bonds (ConRAC Project), Series 2011A (the "Series 2011A Bonds") and $______________ Special Facilities Revenue Bonds (ConRAC Project), Series 2011B (Federally Taxable) (the "Series 2011B Bonds" and, with the Series 2011A Bonds, the "Bonds") of the Massachusetts Port Authority (the "Authority"), a body politic and corporate and a public instrumentality of The Commonwealth of Massachusetts (the "Commonwealth") duly created by Chapter 465 of the Acts of 1956 of the Commonwealth, as heretofore amended (as so amended, the "Enabling Act"). The Bonds are issued under and pursuant to the Enabling Act and under and pursuant to a Trust Agreement dated as of May 18, 2011 (the "Trust Agreement") between the Authority and U.S. Bank National Association, as trustee (the "Trustee"). All terms used herein in capitalized form and not otherwise defined herein shall have the respective meanings assigned to such terms in the Trust Agreement.

As bond counsel, we have examined a record of proceedings relating to the issuance of the Bonds and we have examined the Act, the Internal Revenue Code of 1986, as amended (the "Code"), including particularly Sections 103, and 141 through 150 thereof, and the rules and regulations thereunder, the Trust Agreement, the form of the Boston-Logan International Airport Consolidated Rental Car Facility Lease dated as of the date hereof between the Authority and each of the nine rental car companies (the "RACs") operating at Boston-Logan International Airport (collectively, the "Leases"), the resolutions of the Members of the Authority approving the issuance of the Bonds, and such other papers and documents as we have deemed necessary in connection with this opinion.

The proceeds of the Bonds will be applied to finance the design, construction, equipping and furnishing of a new consolidated rental car facility and related facilities at General Edward Lawrence

Logan International Airport located in the East Boston section of the City of Boston, Massachusetts ("Logan Airport"), which will be leased to the RACs, and certain roadways and other related infrastructure to be used by the general public.

The Bonds are being issued on the date hereof registered in the name of Cede & Co, as nominee of the Depository Trust Company, New York, New York. The Bonds have the stated maturities, are subject to redemption prior to stated maturity and bear interest, as set forth in the Trust Agreement. We have examined one Bond of each series, as executed and authenticated, and we are of the opinion that the form of each such Bond and the forms of its execution and authentication are regular and proper.

For the purposes of this opinion, we have assumed that each of the parties to the Trust Agreement (other than the Authority) has all requisite power and authority and has taken all necessary governmental or corporate action to execute and deliver the Trust Agreement and to effect the transactions contemplated thereby. In rendering our opinion contained in paragraph 6 below, we have assumed that the information and certifications required by the Trust Agreement to be contained in the requisitions to be submitted to the Trustee in order to withdraw moneys from the Project Fund established by the Trust Agreement will be complete and correct in all material respects. We have also relied upon certain covenants of the Authority, and upon certifications and representations of fact made by the Authority and on certified proceedings and other certifications of public officials and others made to us, in each case without undertaking to verify the same by independent investigation.

We express no opinion as to laws other than the laws of the Commonwealth and the federal laws of the United States of America.

Based on the foregoing, we are of the opinion that:

1. The Authority is a body politic and corporate and public instrumentality of the Commonwealth duly created by the Enabling Act, with all necessary power and authority to enter into the Trust Agreement and to perform its obligations under the Trust Agreement.

2. The Bonds have been duly authorized and issued for the purpose of providing funds for the development of the Project (as that term is defined in the Trust Agreement) at Logan Airport.

3. The Trust Agreement has been duly authorized, executed and delivered on behalf of the Authority. The Trust Agreement is a valid, legally binding, limited obligation of the Authority, and is enforceable against the Authority in accordance with its terms, subject to the qualifications that enforcement of the rights and remedies created thereby is subject to bankruptcy, insolvency, reorganization, moratorium and similar laws of general application affecting the rights and remedies of creditors and secured parties, and that the availability of the remedy of specific enforcement, injunctive relief or other equitable relief is subject to the discretion of the court before which any proceeding therefore may be brought.

4. The Bonds, executed and authenticated as above indicated, have been delivered against payment of the agreed upon consideration and are valid, legally binding, limited obligations of the Authority, enforceable against the Authority in accordance with their terms, subject to the qualifications that enforcement of the rights and remedies created thereby is subject to bankruptcy, insolvency, reorganization, moratorium and similar laws of general application affecting the rights and remedies of creditors and secured parties, and that the availability of the remedy of specific enforcement, injunctive relief or other equitable relief is subject to the discretion of the court before which any proceeding therefore may be brought. The Bonds are entitled to the benefits of the Trust Agreement.

5. The principal of and premium, if any, and interest on the Bonds are payable from and secured by a pledge of the right, title and interest of the Authority in and to the Pledged Receipts (as that term is defined in the Trust Agreement). The Bonds do not constitute a general debt or liability, or a pledge of the faith and credit, of the Authority or the Commonwealth or any political subdivision or municipality thereof.

6. The interest on the Series 2011A Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Code. Interest on the Series 2011A Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although we observe that such interest is included in adjusted current earnings in calculating federal alternative minimum taxable income of certain corporations. The opinion set forth in this paragraph is subject to the condition that the Authority comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Series 2011A Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes, including without limitation requirements relating to the use and expenditure of the proceeds of the Series 2011A Bonds, the investment thereof and the rebate of certain earnings thereon to the United States government. The Authority has covenanted to comply with each such requirement. Failure to comply with certain other requirements may cause the inclusion of interest on the Series 2011A Bonds in gross income for federal income tax purposes to be retroactive to the date hereof. We express no opinion regarding other federal tax consequences arising with respect to the Series 2011A Bonds.

7. Interest on the Series 2011B Bonds is not excluded from gross income for federal income tax purposes. We express no opinion regarding other federal tax consequences arising with respect to the Series 2011B Bonds.

8. Under existing Massachusetts law, the Bonds, their transfer and the income therefrom (including any profit made on the sale thereof) are exempt from taxation within the Commonwealth. We express no opinion as to whether the Bonds or the interest thereon are included in the measure of Massachusetts estate and inheritance taxes and certain Massachusetts corporation excise and franchise taxes. We express no opinion regarding other Massachusetts tax consequences arising with respect to the Bonds, or regarding the tax consequences of states other than the Commonwealth.

Very truly yours,

MASSACHUSETTS PORT AUTHORITY • SPECIAL FACILITIES REVENUE BONDS (CONRAC PROJECT), SERIES 2011A (NON-AMT) AND SERIES 2011B (FEDERALLY TAXABLE)

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