

INDUSTRIAL DEVELOPMENT CORPORATION AGENDA
SPECIAL MEETING

Item No. 1

Date of Meeting September 11, 2012

DATE: August 31, 2012

TO: Tay Yoshitani, Chief Executive Officer

FROM: Elizabeth Morrison, Sr. Manager Corporate Finance

SUBJECT: Resolution No. 80. Authorizing the issuance and sale of its Special Facilities Revenue Refunding Bonds, Series 2012 (Delta Air Lines, Inc. Project) in a principal amount not to exceed \$75,000,000; approving the documentation in connection with the issuance of said bonds; appointing a trustee; and providing for other matters relating thereto.

ACTION REQUESTED:

Introduction and Approval of Resolution No. 80: A Resolution of the Board of Directors of the Industrial Development Corporation of the Port of Seattle authorizing the issuance and sale of its Special Facilities Revenue Refunding Bonds, Series 2012 (Delta Air Lines, Inc. Project) in a principal amount not to exceed \$75,000,000; approving the documentation in connection with the issuance of said bonds; appointing a trustee; and providing for other matters relating thereto. The resolution also designates the IDC board member and Port staff authorized to execute documents on behalf of the IDC related to the 2012 bonds.

BACKGROUND:

In May 2001, under Resolution No. 61, the Industrial Development Corporation (IDC) of the Port of Seattle authorized the issuance of the 2001 bonds for leasehold acquisition and construction of a two-bay wide-body maintenance hangar facility and cargo handling and ground service equipment maintenance facilities by Northwest Airlines at Sea-Tac International Airport in the amount of \$64,300,000. The 2001 bonds were nonrecourse to the Port and to the IDC. The Port of Seattle, as the creating municipality of the IDC, was required by state law to approve agreements by the IDC to issue 2001 bonds.

When Delta Air Lines and Northwest Airlines merged in 2008, Delta assumed the hangar lease and the obligations for the 2001 bonds. Delta has now applied to the IDC to refund the entire outstanding principal balance of the 2001 bonds (\$64,300,000) for the purpose of reducing interest costs over the life of the bonds. The 2012 bonds will have a final maturity in 2030; consistent with the 2001 bonds. Bond proceeds will be used solely to refund the 2001 bonds and to pay any costs associated with the issuance of the 2012 bonds; there will be no additional proceeds. Delta Air Lines has submitted a letter supporting this transaction.

The structure of the transaction is identical to that of the 2001 bonds. The 2012 bonds authorized in IDC Resolution No. 80 are nonrecourse to the Port and to the IDC. The 2012 bonds are

INDUSTRIAL DEVELOPMENT CORPORATION AGENDA

Tay Yoshitani, Chief Executive Officer

August 31, 2012

Page 2 of 2

structured using a Sublease of the property by Delta to the IDC and a Financing Lease of the property by the IDC back to Delta. Lease payments from Delta under the Financing Lease will be assigned to the Trustee who will make debt service payments to the bondholders. Delta's obligations under the Financing Lease will be secured by a Leasehold Deed of Trust by Delta in favor of the IDC, to be assigned to the Trustee, of Delta's leasehold interest under the Port hangar lease and the Project. In a separate Guaranty Agreement, Delta Air Lines will provide the Trustee a guarantee of payment of debt service on the bonds; the IDC is not a party to that agreement. All costs associated with this transaction are paid by Delta and Delta selects the underwriter and Trustee. Delta also pays the costs of the Port's bond counsel and pays a fee to the IDC. The IDC fee is calculated based on the final bond sale and estimated to be approximately \$150,000.

The 2012 bonds are expected to be issued as fixed rate bonds in minimum denominations of \$100,000 with one or more maturities. The 2012 bonds will be Private Activity Bonds exempt from regular federal income tax, but subject to alternative minimum tax (AMT). Bond pricing is expected to occur the week of September 17, 2012. Delta selected Citigroup Global Markets Inc. to serve as underwriter on the bonds, U.S. Bank as the Trustee, and K&L Gates LLP as bond counsel on the transaction.

RESOLUTION NO. 80:

Resolution No. 80, when adopted, authorizes the issuance and sale of its Special Facilities Revenue Refunding Bonds, Series 2012 (Delta Air Lines Inc. Project); approving the documentation in connection with the issuance of said bonds; appointing a trustee; and providing for other matters relating thereto. The resolution also designates the IDC board member and Port staff authorized to execute documents on behalf of the IDC related to the 2012 bonds.

The Port Commission, as the governing body of the creating municipality of the IDC must approve the authorization provided for in Resolution No. 80. This approval is provided for in Port Commission Resolution No. 3667. First and Second Reading and Final Passage of Resolution No. 3667 will be held on September 11, 2012, subsequent to this action by the IDC Board.

OTHER DOCUMENTS ASSOCIATED WITH THIS REQUEST:

- Resolution No. 80 of the Industrial Development Corporation
- Letter from Delta Air Lines dated August 20, 2012
- Notice of IDC Special Meeting

PREVIOUS COMMISSION ACTIONS OR BRIEFINGS:

- August 14, 2012 – The Commission received a preliminary briefing on the bond refunding.