



JUNE 2013
DULLES CORRIDOR ENTERPRISE
REPORT OF THE FINANCIAL ADVISORS

The Airports Authority established the Dulles Corridor Enterprise (DCE) Fund to segregate the financial activity associated with the operation, maintenance and improvement of the Dulles Toll Road (DTR) and construction of the Dulles Corridor Metrorail Project (the Rail Project) from the financial operations of the Airports. This report provides an update on the status of capital financing activities and other issues related to the DCE Fund.

Action Items

No Action Items.

Informational Items

- ***Transportation Infrastructure Finance and Innovation Act (TIFIA) Program.*** Staff and advisors for the Airports Authority, Fairfax County, and Loudoun County are assisting USDOT and its advisors with the due diligence phase of the TIFIA Letter of Interest review process. In addition to preparing responses to numerous questions and comments on existing project documents, the working group has been refining the budget, schedule and risk mitigation strategies for Phase 2.
- ***Litigation on Use of Tolls to Fund the Midtown Tunnel Project.*** On May 1, 2013, the Circuit Court in Portsmouth, Virginia, ruled that certain provisions of an agreement executed under Virginia's Public-Private Transportation Act (PPTA) violate the state constitution.

The PPTA agreement that is being challenged is between the Virginia Department of Transportation (VDOT) and Elizabeth River Crossings LLC (ERC), a joint venture of Skanska Infrastructure Development and Macquarie Group Limited. ERC is responsible for the financing, design, construction, operation and maintenance of the \$2.1 billion Midtown Tunnel Project. The scope of work includes constructing a new two-lane tunnel under the Elizabeth River parallel to the Midtown Tunnel between Norfolk and Portsmouth, rehabilitating the existing Midtown and Downtown Tunnels, and extending the MLK Expressway to Interstate 264.

VDOT has committed to provide approximately \$400 million to fund construction of the project. The balance has been financed by ERC with senior project debt, a TIFIA loan and private equity. The financing is payable from net revenue that will be generated by tolling the new and existing tunnels and the Martin Luther King (MLK) Freeway Extension for a period of 58 years.

The plaintiffs in the lawsuit, a group called Citizens Against Unfair Tolls, argued that the proposed tolls would technically be taxes and that the procedures for imposing taxes in the

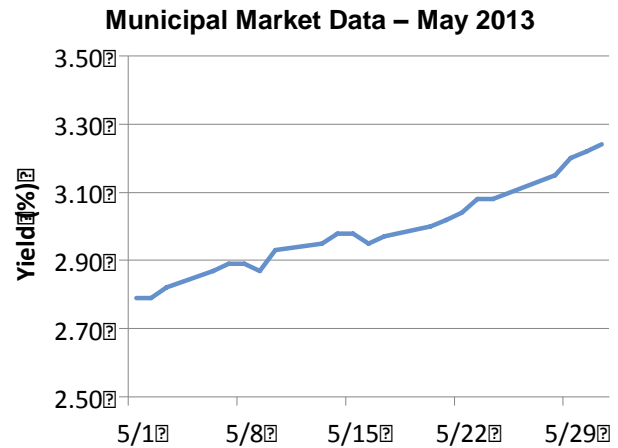
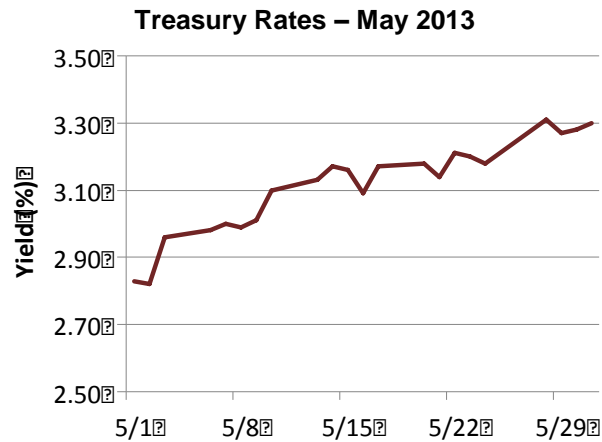
Virginia constitution were not followed. Lawyers for VDOT and ERC challenged all of their claims, including the theory that tolls are taxes, and submitted a motion for summary judgment.

In an oral ruling, Judge James Cales dismissed several counts in favor of the defendants, but said the General Assembly exceeded its power by “bundling of the Downtown Tunnel with the Midtown Tunnel and the Martin Luther King Freeway Extension... solely to produce revenue” and by “unfettered power to the Department of Transportation to set toll rates without any real or meaningful parameters.”

Toll collection on the existing tunnels was scheduled to begin in February 2014. On May 21, the Circuit Court denied VDOT’s request for a stay, which would have allowed toll collection to begin during the appeals process. VDOT filed an appeal with the state Supreme Court on May 23.

Market Update

During May, an uptick in consumer sentiment, as measured by the Conference Board's consumer confidence index (which reached its highest level since February 2008), lower than expected jobless claims and a rise in the value of the dollar against a basket of other currencies led to gains in the stock market. As investors cashed out of bonds to buy stocks, the Treasury and Municipal markets weakened, with rates rising in excess of 30 basis points. There were two turnpike issuers that came to market during the month: Kansas (NR/AA-/NR) and New Jersey (A3/A+/A). Both transactions were under \$100 million.



On June 4th, the interest rate for a 35-year TIFIA loan was 3.29 percent.

MONTHLY UPDATE: OUTSTANDING DULLES CORRIDOR ENTERPRISE DEBT

Short-Term Notes and Loans

Commercial Paper Notes. As of June 1, 2013, the Airports Authority has issued \$149,550,000 of Dulles Toll Road Second Senior Lien Commercial Paper Notes, Series One. There is \$150,450,000 of additional liquidity available to draw.

Program	Authorized Amount	Letter of Credit Provider	Dated Date	Expiration Date
<i>Commercial Paper Series One</i>	<i>Up to \$300 Million</i>	<i>JP Morgan</i>	<i>August 1, 2011</i>	<i>August 11, 2014</i>

The following table shows the rolling three-month averages of the Commercial Paper Notes and the Securities Industry and Financial Markets Association (SIFMA) Index on a monthly basis for 2013 and the rolling 12-month averages for previous years.¹

2013 Variable Interest Rates (3-Month Rolling Average)

Monthly	CP 1 JPM	SIFMA	Spread
May 2013	0.16%	0.15%	0.01%
April 2013	0.16%	0.13%	0.03%
March 2013	0.17%	0.10%	0.07%
February 2013	0.18%	0.11%	0.07%
January 2013	0.20%	0.14%	0.06%

Previous Years Variable Interest Rates (12-Month Rolling Average)

Calendar Year	CP 1 JPM	SIFMA	Spread
2012	0.20%	0.16%	0.03%
2011*	0.18%	0.15%	0.03%

* 08/11/11 through the end of the calendar year

FFGA Notes. On December 17, 2012, the Airports Authority issued \$200 million of fixed rate notes secured by the remaining Federal funding anticipated to be received pursuant to a Full Funding Grant Agreement (FFGA) with the Federal Transit Administration for Phase 1 of the Rail Project.

Program	Amount Issued	Rate	Lender	Dated Date	Scheduled Final Maturity
<i>FFGA Notes, Series 2012</i>	<i>\$200 Million</i>	<i>2.16%</i>	<i>Bank of America</i>	<i>December 1, 2012</i>	<i>December 1, 2016</i>

¹ The SIFMA index is a national rate based on a composite of approximately 250 issuers of high-grade, seven-day tax-exempt variable rate demand obligation issues of \$10 million or more.

MONTHLY UPDATE: OUTSTANDING DULLES CORRIDOR ENTERPRISE DEBT

Dulles Toll Road Revenue Bonds

The total par amount of outstanding Dulles Toll Road Revenue Bonds as of June 1, 2013 is \$1,305,906,518.² The tables below provide details on each series of bonds.

Structure and Credit Ratings

SERIES ³	2009A	2009B	2009C	2009D	2010A	2010B	2010D
DATED DATE	8/12/2009	8/12/2009	8/12/2009	8/12/2009	5/27/2010	5/27/2010	5/27/2010
LIEN	First Senior	Second Senior	Second Senior	Second Senior	Second Senior	Second Senior	Subordinate
STRUCTURE	Tax-Exempt Current Interest Bonds	Tax-Exempt CABs	Tax-Exempt Convertible CABs	Taxable Build America Bonds	Tax-Exempt CABs	Tax-Exempt Convertible CABs	Taxable Build America Bonds
ORIGINALLY ISSUED PAR AMOUNT	\$198,000,000	\$207,056,689	\$158,234,960	\$400,000,000	\$54,813,219	\$137,801,650	\$150,000,000
AMT OUTSTANDING as of 6/1/2013	\$198,000,000	\$256,180,548	\$201,871,735	\$400,000,000	\$66,720,892	\$167,122,268	\$150,000,000
MOODY'S RATING	A2	Baa1	Baa1	Baa1	Baa1	Baa1	Baa2
S&P RATING	A	BBB+	BBB+	BBB+	BBB+	BBB+	BBB
CREDIT ENHANCEMENT ⁴	None	\$188,266,435 Assured Guaranty	\$158,234,960 Assured Guaranty	None	None	None	None

² The par amount does not include approximately \$134 million of accreted value on outstanding capital appreciation bonds and convertible capital appreciation bonds. Interest on those securities is not paid currently. It accretes from the date of issuance and is compounded semi-annually on each April 1 and October 1 until the maturity date, or if applicable, the conversion date, whereupon interest will be payable semi-annually.

³ Series 2010C was authorized but not issued.

⁴ Bonds insured by Assured Guaranty are rated "AA-" (stable outlook) by S&P and "Aa3" (review for possible downgrade) by Moody's.

MONTHLY UPDATE: OUTSTANDING DULLES CORRIDOR ENTERPRISE DEBT

Dulles Toll Road Revenue Bonds***Interest Rates and Call Provisions***

SERIES ⁵	2009A	2009B	2009C	2009D	2010A	2010B	2010D
AMT OUTSTANDING as of 6/1/2013	\$198,000,000	\$254,772,314	\$200,754,159	\$400,000,000	\$66,344,484	\$166,197,038	\$150,000,000
LIEN	First Senior	Second Senior	Second Senior	Second Senior	Second Senior	Second Senior	Subordinate
STRUCTURE	Tax-Exempt Current Interest Bonds	Tax-Exempt CABs	Tax-Exempt Convertible CABs	Taxable Build America Bonds	Tax-Exempt CABs	Tax-Exempt Convertible CABs	Taxable Build America Bonds
PRINCIPAL AMORTIZATION	2030-2044	2012-2040	2038-2041	2045-2046	2029-2037	2040-2044	2042-2047
YIELDS ⁶	5.18% to 5.375%	3.50% to 7.91%	6.50%	7.462% (4.85% net of subsidy)	6.625%	6.500%	8.00% (5.20% net of subsidy)
CALL PROVISIONS ⁷	October 1, 2019 at Par	Non-Callable	October 1, 2026 at Accreted Value	Any Business Day at Make-Whole Redemption Price	Non-Callable	October 1, 2028 at Accreted Value	Any Business Day at Make-Whole Redemption Price

Refunding Opportunities

There are no currently callable Dulles Toll Road revenue bonds outstanding. The Series 2009A First Senior Current Interest Bonds may be refunded in advance of the 2019 call date. Under current market conditions, a refunding transaction would not generate any debt service savings due to significant negative arbitrage in the required refunding escrow.

⁵ Series 2010C was authorized but not issued.

⁶ The all-in interest cost for the Series 2009 and 2010 bond issues is 6.044 percent and 6.154 percent, respectively, which results in an overall average cost of capital to date of 6.073 percent.

⁷ The Make-Whole Redemption Price is the greater of (i) 100 percent of the principal amount of the Bonds to be redeemed and (ii) the sum of the present value of the remaining scheduled payments of principal and interest to the maturity date of the Bonds to be redeemed discounted to the date on which the Bonds are to be redeemed on a semi-annual basis, assuming a 360-day year consisting of twelve 30-day months, at the adjusted Treasury Rate plus 50 basis points, plus accrued and unpaid interest on the Bonds to be redeemed on the redemption date.