MERCATOR ADVISORS LLC FRASCA & ASSOCIATES, LLC

JUNE 2015
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 (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 to Report

Informational Items

- ***Commercial Paper Program Extension.*** Finance Staff, the Financial Advisors and Bond Counsel are working to complete the documentation required to extend the term of the existing $300 million Letter of Credit with JP Morgan for the Dulles Toll Road Second Senior Lien Commercial Paper (CP) Program which expires on August 11, 2015. The bank facility and the CP Program will be extended one year, to August 11, 2016, and the annual fee will be reduced by 10 basis points. All other terms and conditions for the CP Program will remain the same.

Relevant News Items

- ***Transform Interstate 66 (I-66) Outside the Beltway.*** Four public hearings were held between May 27, 2015, and June 3, 2015, to provide opportunities for the public to review and comment on the Tier 2 Draft Environmental Assessment for the proposed improvements to I-66 outside the Capital Beltway. All comments received by June 18, 2015 will be included in the public record.

  A significant amount of the testimony from residents and community groups relates to the potential right-of-way impacts. The current design concepts show between 11 and 18 residential relocations and the need to acquire some property in public parks and recreation areas. The Virginia Department of Transportation (VDOT) and Department of Rail and Public Transportation (DRPT) expect to complete the environmental review in late 2015 and present final designs to the public in mid-2016.

  On May 19, 2015, Virginia Transportation Secretary Aubrey Layne announced that a preliminary analysis of procurement options for the I-66 improvements outside the

Beltway indicates that a publicly-financed design-build contract managed by VDOT may generate greater public benefit than a public-private partnership approach with private investment. The procurement options will be reviewed by the Transportation Public-Private Partnership Advisory Committee, a new entity established by recent state legislation that includes two members of the Commonwealth Transportation Board and appointees from the House Committee on Appropriations and Senate Committee on Finance.

- ***Transform I-66 Inside the Beltway.*** Public information meetings for the proposed improvements to I-66 inside the Beltway are scheduled for June 16, 2015, in Falls Church and June 17, 2015, in Arlington.

- ***Maryland Toll Reduction.*** On May 7, 2015, Governor Larry Hogan announced that the Maryland Transportation Authority (MdTA) Board had approved a package of toll reductions and changes at all Maryland toll facilities that includes:

  - Reducing the two-axle cash rate at the Bay Bridge from $6.00 to $4.00 round trip and the rate for E-ZPass Maryland customers from $5.40 to $2.50 round trip;

  - Increasing the E-ZPass Maryland discount from 10 percent to 25 percent for the Baltimore Harbor (I-895) and Fort McHenry (I-95) tunnels, the Francis Scott Key Bridge (I-695), the Harry W. Nice Memorial Bridge (US 301), the Thomas J. Hatem Memorial Bridge (US 40) and the John F. Kennedy Memorial Highway (I-95);

  - Reducing two-axle toll rates on the Intercounty Connector and I-95 Express Toll Lanes for all pricing periods by $.03 per mile; and

  - Eliminating the E-ZPass Maryland monthly $1.50 account fee for Maryland residents.

  The changes are effective July 1, 2015. MdTA expects to offset the estimated $54 million reduction in gross annual toll revenue with reductions in its operating and capital budgets. The estimated gross annual toll revenue for FY 2016 prior to the toll adjustments was $684.8 million.

MONTHLY UPDATE: OUTSTANDING DULLES CORRIDOR ENTERPRISE DEBT

SHORT-TERM NOTES AND LOANS

Commercial Paper Notes. The aggregate principal amount of Dulles Toll Road Second Senior Lien Commercial Paper Notes outstanding as of June 1, 2015, was $180 million. The Airports Authority can draw an additional $120 million under this program.

Program	Authorized Amount	Letter of Credit Provider	Cost	Dated Date	Expiration Date
Commercial Paper Series One	***Up to $300 Million***	***JP Morgan***	***75 bps***	***August 1, 2011***	***August 11, 2015***

The following table shows the rolling three-month averages of the variable rates for the Commercial Paper Notes and the Securities Industry and Financial Markets Association (SIFMA) Index on a monthly basis for 2015.[1]

2015 Variable Interest Rates (3-Month Rolling Average)

Monthly	CP 1 JPM	SIFMA	Spread
May 2015	0.07%	0.06%	0.01%
April 2015	0.07%	0.03%	0.04%
March 2015	0.07%	0.02%	0.05%
February 2015	0.08%	0.03%	0.05%
January 2015	0.08%	0.04%	0.04%

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

Calendar Year	CP 1 JPM	SIFMA	Spread
2014	0.10%	0.05%	0.05%
2013	0.15%	0.09%	0.06%
2012	0.20%	0.16%	0.04%
2011 [2]	0.18%	0.15%	0.03%

[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.

[2] 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. The total amount outstanding as of June 1, 2015, is $156,317,308.

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

DULLES TOLL ROAD REVENUE BONDS

The total amount of outstanding Dulles Toll Road Revenue Bonds as of June 1, 2015, including accretion, is $2,109,984,538.[3] The tables on the following pages provide detail on each series of bonds.

Refunding Opportunities

The Series 2009A First Senior Current Interest Bonds may be refunded in advance of the 2019 call date. Under current market conditions, a refunding will not generate sufficient debt service savings to pursue a transaction due to the significant negative arbitrage in the required refunding escrow.

[3] The amount outstanding includes approximately $213 million of net accreted value on outstanding capital appreciation bonds, convertible capital appreciation bonds and the TIFIA loan. 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 applicable maturity date, conversion date or payment commencement date, whereupon interest will be payable semi-annually.

Table 1: Dulles Toll Road Revenue Bonds
Amount Outstanding by Series and Credit Ratings

Series [4]	Dated Date	Originally Issued Par Amount	Outstanding as of 6/1/2015	Lien	Tax Status	Moody's Rating	S&P Rating	Credit Enhancement [5]
2009A	8/12/2009	$ 198,000,000	$ 198,000,000	First Senior	Tax-Exempt Current Interest Bonds	A2	A	None
2009B	8/12/2009	207,056,689	274,267,840	Second Senior	Tax-Exempt CABs	Baa1/ A2(Insured)	BBB+/ AA(Insured)	$188,266,435 Assured Guaranty
2009C	8/12/2009	158,234,960	229,380,871	Second Senior	Tax-Exempt Convertible CABs	A2 (Insured)	AA (Insured)	$158,234,960 Assured Guaranty
2009D	8/12/2009	400,000,000	400,000,000	Second Senior	Taxable Build America Bonds	Baa1	BBB+	None
2010A	5/27/2010	54,813,219	75,996,621	Second Senior	Tax-Exempt CABs	Baa1	BBB+	None
2010B	5/27/2010	137,801,650	189,896,515	Second Senior	Tax-Exempt Convertible CABs	Baa1	BBB+	None
2010D	5/27/2010	150,000,000	150,000,000	Subordinate	Taxable Build America Bonds	Baa2	BBB	None
2014A	5/14/2014	421,760,000	421,760,000	Second Senior	Tax-Exempt Current Interest Bonds	Baa1	BBB+	None
TIFIA Series 2014[6]	8/20/2014	169,799,117	170,682,690	Junior	Federal Loan	Baa2	BBB-	None
		$1,897,465,635	$ 2,109,984,538					

[4] Series 2010C was authorized but not issued.

[5] Bonds insured by Assured Guaranty are rated "AA" (stable outlook) by S&P and "A2" (stable outlook) by Moody's.

[6] The Airports Authority can issue up to $1,278 million of TIFIA Series 2014 Bonds (excluding capitalized interest) to finance eligible Phase 2 project costs.

Table 2: Dulles Toll Road Revenue Bonds
Interest Rates and Call Provisions

Series	Outstanding as of 6/1/2015	Lien	Tax Status and Structure	Principal Amortization	Yields [7]	Call Provisions [8]
2009A	$ 198,000,000	First Senior	Tax-Exempt Current Interest Bonds	2030-2044	5.18% to 5.375%	October 1, 2019 at Par
2009B	274,267,840	Second Senior	Tax-Exempt CABs	2012-2040	3.50% to 7.91%	Non-Callable
2009C	229,380,871	Second Senior	Tax-Exempt Convertible CABs	2038-2041	6.50%	October 1, 2026 at Accreted Value
2009D	400,000,000	Second Senior	Taxable Build America Bonds	2045-2046	7.462% (4.85% net of full subsidy)	Any Business Day at Make-Whole Redemption Price
2010A	75,996,621	Second Senior	Tax-Exempt CABs	2029-2037	6.625%	Non-Callable
2010B	189,896,515	Second Senior	Tax-Exempt Convertible CABs	2040-2044	6.50%	October 1, 2028 at Accreted Value
2010D	150,000,000	Subordinate	Taxable Build America Bonds	2042-2047	8.00% (5.20% net of full subsidy)	Any Business Day at Make-Whole Redemption Price
2014A	421,760,000	Second Senior	Tax-Exempt Current Interest Bonds	2051-2053	4.40%	April 1, 2022 at Par
TIFIA Series 2014	170,682,690	Junior	Federal Loan	2023-2044	3.21%	Any Business Day at Par
	$ 2,109,984,538					

[7] The all-in interest cost for the Series 2009, 2010 and 2014A bond issues is 6.044 percent, 6.154 percent and 4.824 percent, respectively, which results in an overall average cost of capital of 5.843 percent. The potential cost of capital including TIFIA will vary depending on when funds are drawn and the timing of future TIFIA payments and prepayments.

[8] 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.