



SEPTEMBER 2014
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

- ***Transportation Infrastructure Finance and Innovation Act (TIFIA) Loan.*** On August 20, 2014, the Airports Authority and the United States Department of Transportation (USDOT) executed the TIFIA Loan Agreement which provides up to \$1.278 billion of financing for Phase 2 of the Rail Project. There were no material changes to the draft loan and bond documents approved by the Board on July 16, 2014.

The interest rate on the TIFIA Loan is 3.21 percent. Interest does not accrue until loan proceeds are drawn and no debt service payments are required before April 1, 2019. The first mandatory principal payment is October 1, 2023 and the final maturity of the TIFIA Loan is October 1, 2044. The TIFIA loan is subject to mandatory prepayment from certain reserves after substantial completion of Phase 2.

Fairfax County and Loudoun County continue to negotiate the final business terms for their TIFIA loans (in amounts not to exceed \$403.3 million and \$195.1 million, respectively.)

Relevant News Items

- ***Dulles Greenway.*** On July 22, 2014, Macquarie Atlas Roads, the entity that holds an estimated 50 percent economic interest in the ownership of the Dulles Greenway, reported that gross toll revenue for the six-month period from January through June 2014 was 3.3 percent higher than the same period last year. The increase reflects higher average daily traffic (an increase of approximately 1.8 percent) and the toll

increase implemented on April 11, 2014. The current toll rate for 2-axle vehicles is \$4.20 (a 10-cent increase) and the Congestion Management Toll (applicable only to weekday traffic in the peak period and direction) is \$5.10 (a 20-cent increase).

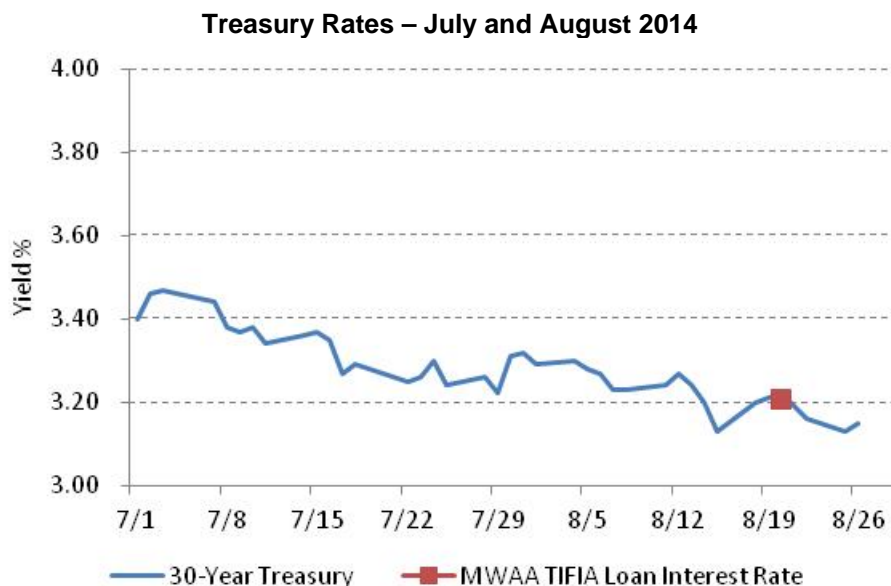
- **495 Express Lanes.** On August 5, 2014, Transurban, the private operator of the 495 Express Lanes on the Capital Beltway, released its financial results for the fiscal year ended June 30, 2014. The total toll revenue generated during the fiscal year was approximately \$24.5 million.

During the last quarter of the fiscal year, average daily toll revenue grew 45.4 percent to \$90,654 from \$62,357 for the quarter ending March 31, 2014. Traffic for the same period increased 23 percent from an average of 28,637 daily trips to 35,309 daily trips. The average toll per trip during the fourth quarter was \$2.83 and the maximum toll charged to travel the full length of the Express Lanes was \$11.85.

Transurban also reported that it completed the financial restructuring of the 495 Express Lanes. On June 4, 2014, it contributed \$281 million of additional equity and released \$151 million of existing project reserves to repay \$433 million of construction debt and the associated swap termination costs. Transurban also acquired the 10 percent ownership stake in Capital Beltway Express LLC that was held by Fluor Enterprises.

Market Update

The chart below shows 30-year Treasury rates for July and August along with the TIFIA rate on August 20. Long-term Treasury rates generally decreased in July and August amidst mixed economic data and geopolitical concerns in the Ukraine and Middle East.



MONTHLY UPDATE: OUTSTANDING DULLES CORRIDOR ENTERPRISE DEBT**SHORT-TERM NOTES AND LOANS**

Commercial Paper Notes. The outstanding balance of Dulles Toll Road Second Senior Lien Commercial Paper Notes, Series One as of September 1, 2014, was \$114,455,000. The Airports Authority can draw an additional \$185,545,000 under this program.

| 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, 2015</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 2014.¹

2014 Variable Interest Rates (3-Month Rolling Average)

| Monthly | CP 1 JPM | SIFMA | Spread |
|---------------|----------|-------|--------|
| August 2014 | 0.09% | 0.05% | 0.04% |
| July 2014 | 0.09% | 0.06% | 0.03% |
| June 2014 | 0.09% | 0.08% | 0.01% |
| May 2014 | 0.09% | 0.07% | 0.02% |
| April 2014 | 0.10% | 0.06% | 0.04% |
| March 2014 | 0.12% | 0.04% | 0.08% |
| February 2014 | 0.13% | 0.04% | 0.09% |
| January 2014 | 0.13% | 0.05% | 0.08% |

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.

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> |

DTR Subordinate Lien Revenue Notes. On May 22, 2014, the Airports Authority refunded \$150 million of Dulles Toll Road Subordinate Lien Revenue Notes, Series 2013, with proceeds of the Series 2014A Bonds. As of July 1, 2014, no Subordinate Notes are outstanding. \$250 million of Subordinate Notes has been authorized but not issued.

| Program | Authorized Amount | Purchaser | Dated Date | Scheduled Final Maturity |
|--|----------------------------|-----------------------------|--------------------------|--------------------------|
| <i>DTR Subordinate Lien Revenue Notes, Series 2013</i> | <i>Up to \$400 Million</i> | <i>JP Morgan Chase Bank</i> | <i>November 22, 2013</i> | <i>November 19, 2014</i> |

MONTHLY UPDATE: OUTSTANDING DULLES CORRIDOR ENTERPRISE DEBT**DULLES TOLL ROAD REVENUE BONDS**

The total amount of outstanding Dulles Toll Road Revenue Bonds as of September 1, 2014, including accretion, is \$1,908,117,147.² The tables below provide details on each series of bonds.

Amount Outstanding by Series and Credit Ratings

| Series ³ | Dated Date | Originally Issued Par Amount | Outstanding as of 9/1/2014 | Lien | Tax Status | Moody's Rating | S&P Rating | Credit Enhancement ⁴ |
|---------------------|------------|------------------------------|----------------------------|---------------|-----------------------------------|----------------|------------|---------------------------------|
| 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 | 266,369,449 | Second Senior | Tax-Exempt CABs | Baa1 | BBB+ | \$188,266,435 Assured Guaranty |
| 2009C | 8/12/2009 | 158,234,960 | 218,626,392 | Second Senior | Tax-Exempt Convertible CABs | Baa1 | BBB+ | \$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 | 72,367,796 | Second Senior | Tax-Exempt CABs | Baa1 | BBB+ | None |
| 2010B | 5/27/2010 | 137,801,650 | 180,993,510 | 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 | 8/20/2014 | 1,278,000,000 | 0 | Junior | Taxable Loan | Baa2 | BBB- | None |
| | | <u>\$3,005,666,518</u> | <u>\$1,908,117,147</u> | | | | | |

² The amount outstanding includes approximately \$180 million of net 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 "A2" (stable outlook) by Moody's.

Interest Rates and Call Provisions

| Series | Outstanding as of 9/1/2014 | Lien | Tax Status and Structure | Principal Amortization | Yields ⁵ | Call Provisions ⁶ |
|-------------------|----------------------------|---------------|-----------------------------------|------------------------|------------------------------------|---|
| 2009A | \$ 198,000,000 | First Senior | Tax-Exempt Current Interest Bonds | 2030-2044 | 5.18% to 5.375% | October 1, 2019 at Par |
| 2009B | 266,369,449 | Second Senior | Tax-Exempt CABs | 2012-2040 | 3.50% to 7.91% | Non-Callable |
| 2009C | 218,626,392 | 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 | 72,367,796 | Second Senior | Tax-Exempt CABs | 2029-2037 | 6.625% | Non-Callable |
| 2010B | 180,993,510 | 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 | 0 | Junior | Taxable Loan | 2023-2044 | 3.21% | Any Business Day at Par |
| | <u>\$ 1,908,117,147</u> | | | | | |

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.

⁵ 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.

⁶ 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.