MERCATOR ADVISORS LLC FRASCA & ASSOCIATES, LLC

JULY 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

- ***Commonwealth of Virginia Funding for Phase 2***. On June 24, 2015, the Airports Authority received the second $100 million installment of the $300 million state grant for the Rail Project authorized by the Virginia General Assembly in 2013. Pursuant to the funding agreement with the Commonwealth, the last $100 million will be delivered on or before June 30, 2016.

- ***Credit Ratings Affirmed.*** As required under the TIFIA Loan Agreement, the Airports Authority has obtained written confirmation of the credit ratings on the Dulles Toll Road Revenue Bonds. On June 25, 2015, Moody's Investors Service affirmed its ratings of A2 for the Airports Authority's first senior bonds, Baa1 for the second senior bonds, and Baa2 for the subordinate lien bonds and the junior lien TIFIA loan. Moody's maintains a "Stable" outlook for the DTR credit.

- ***Commercial Paper Program Extension.*** The documentation associated with the extension of the existing $300 million Dulles Toll Road Second Senior Lien Commercial Paper (CP) Program is expected to be executed by July 14, 2015. The CP program and the supporting bank facility 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

- ***Maryland Transportation Funding.*** On June 25, 2015, Governor Larry Hogan announced that $1.97 billion in funding will be provided for 84 highway and bridge projects across Maryland. The new funding will be combined with existing resources to improve all state-owned structurally deficient bridges and to expedite several priority roadway projects identified by local and state elected officials.

  Governor Hogan also announced that he has given the Maryland Department of Transportation conditional approval to move forward with a streamlined version of the Purple Line, the proposed 16-mile light rail link between Bethesda in Montgomery County and New Carrollton in Prince George's County. The estimated capital cost of the Purple Line project is $2.37 billion. The state's share of construction funding was reduced from approximately $700 million to $168 million by modifying the project scope and increasing the amount that the private sector partner selected to build and operate the light rail line will be required to invest.

  Given the reduction in state funding, Montgomery and Prince George's Counties may have to contribute more than the combined local contribution of $220 million previously anticipated. The Maryland Transit Administration is seeking a $900 million grant for the project under the Federal Transit Administration's New Starts Capital Investment Grant Program.

  At the same press conference, Governor Hogan announced that the state will not move forward with the $2.64 million Baltimore Red Line light rail project as currently conceived. The proposed 14.1-mile, east-west light rail would have connected Woodlawn in Baltimore County with downtown Baltimore.

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 July 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
June 2015	0.08%	0.08%	0.00%
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 July 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 July 1, 2015, including accretion, is $2,127,653,771.[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 $217 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 7/1/2015	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	275,766,004	Second Senior	Tax-Exempt CABs	Baa1/ A2(Insured)	BBB+/ AA(Insured)	$188,266,435 Assured Guaranty
2009C	8/12/2009	158,234,960	230,609,764	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	76,411,604	Second Senior	Tax-Exempt CABs	Baa1	BBB+	None
2010B	5/27/2010	137,801,650	190,914,097	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	183,308,728	184,192,301	Junior	Federal Loan	Baa2	BBB-	None
		$ 1,910,975,246	$ 2,127,653,771					

[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 7/1/2015	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	275,766,004	Second Senior	Tax-Exempt CABs	2012-2040	3.50% to 7.91%	Non-Callable
2009C	230,609,764	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	76,411,604	Second Senior	Tax-Exempt CABs	2029-2037	6.625%	Non-Callable
2010B	190,914,097	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	184,192,301	Junior	Federal Loan	2023-2044	3.21%	Any Business Day at Par
	$ 2,127,653,771					

[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.