

NEW ISSUE – Book-Entry Only

Interest on the Series 2002 Bonds will be includable in gross income for federal income tax purposes. In the opinion of Bond Counsel, by the terms of the Enabling Legislation, the Series 2002 Bonds, their transfer, the principal and interest payable thereon (including any profit made in the sale thereof) shall be and remain exempt from any and all taxation by the State of Maryland or by any of its political subdivisions, municipal corporations or public agencies of any kind. See “Tax Matters.”

\$117,345,000
Maryland Transportation Authority
Taxable Limited Obligation Revenue Bonds
Baltimore/Washington International Airport Consolidated Rental Car Facility
Series 2002

The Series 2002 Bonds are issuable as fully registered bonds without coupons in denominations of \$5,000 or any integral multiple thereof. The Series 2002 Bonds initially will be maintained under a book-entry system and registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company, New York, New York (“DTC”), which will act as securities depository for the Series 2002 Bonds. Interest on the Series 2002 Bonds is payable from the date of delivery, semiannually on January 1 and July 1 of each year, commencing January 1, 2003. So long as the Series 2002 Bonds are maintained under a book-entry system, payments of principal of and the redemption premium, if any, and interest on the Series 2002 Bonds will be made when due by The Bank of New York, Trustee, to DTC in accordance with the Trust Agreement described herein, and the Trustee will have no obligation to make any payments to any beneficial owner of any Series 2002 Bonds. See “The Series 2002 Bonds – DTC and Book-Entry Only System.”

Payment of the principal of and interest on the Series 2002 Bonds will be insured by a municipal new issue insurance policy to be issued simultaneously with the issuance of the Series 2002 Bonds by



The Series 2002 Bonds are subject to redemption prior to their respective maturities, as more fully described herein.

The Series 2002 Bonds are being issued to provide funds sufficient, together with other available funds, to finance the costs of construction of a consolidated rental car facility and certain related projects located at Baltimore/Washington International Airport, to fund a deposit to the Coverage Fund and to pay certain costs of issuance. The Series 2002 Bonds are being issued under a Trust Agreement, dated as of June 1, 2002, between the Maryland Transportation Authority (the “Authority”) and The Bank of New York, as Trustee. The Series 2002 Bonds are secured in part by the Debt Service Reserve Fund, to be funded initially with a surety bond.

The Series 2002 Bonds are limited obligations of the Authority payable, as to principal and interest, solely from the revenues and funds pledged thereto under the Trust Agreement and are not and shall not be deemed (i) to be general obligations of the Authority, (ii) to constitute obligations of the Department of Transportation of Maryland (the “Department”), (iii) to constitute obligations of the Maryland Aviation Administration (the “MAA”); or (iv) to constitute a debt or a pledge of the faith and credit of the State of Maryland (the “State”) or any political subdivision thereof.

FOR MATURITY SCHEDULES, INTEREST RATES AND PRICES
SEE INSIDE FRONT COVER

The Series 2002 Bonds are offered for delivery when, as and if issued by the Authority and accepted by the Underwriters, subject to the approving opinion of Piper Rudnick LLP, Baltimore, Maryland, Bond Counsel to the Authority, and to the approval of certain legal matters for the Underwriters by their counsel, Venable, Baetjer and Howard, LLP, Baltimore, Maryland. Certain legal matters will also be passed upon by Deborah A. Donohue, Assistant Attorney General and Counsel to the Authority, and by Louisa Goldstein, Assistant Attorney General and Counsel to MAA. It is expected that the Series 2002 Bonds in definitive form will be available for delivery through the facilities of DTC in New York, New York in the United States or through the Euroclear System and Clearstream, Luxembourg in Europe on or about June 19, 2002.

MORGAN STANLEY & CO. INC.

UBS PaineWebber Inc.

FERRIS, BAKER WATTS, INC.

LEGG MASON WOOD WALKER
Incorporated

LOOP CAPITAL MARKETS, LLC

SIEBERT BRANDFORD SHANK & CO., LLC

\$117,345,000
Maryland Transportation Authority
Taxable Limited Obligation Revenue Bonds
Baltimore/Washington International Airport Consolidated Rental Car Facility
Series 2002

Dated: Date of Delivery

Due: July 1, as shown below

\$18,305,000 Serial Bonds

<u><i>Maturity</i></u>	<u><i>Amount</i></u>	<u><i>Interest Rate</i></u>
2003	\$ 600,000	2.74 %
2004	1,630,000	3.63
2005	1,690,000	4.16
2006	1,760,000	4.70
2007	1,840,000	5.01
2008	1,935,000	5.26
2009	2,035,000	5.49
2010	2,145,000	5.68
2011	2,270,000	5.84
2012	2,400,000	5.89

\$34,285,000 6.48% Term Bonds due July 1, 2022

\$64,755,000 6.65% Term Bonds due July 1, 2032

All prices @100

No dealer, broker, salesman or any other person has been authorized by the Authority to give any information or to make any representation, other than those contained in this Official Statement, and if given or made, such other information or representation must not be relied upon as having been authorized by the Authority. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Series 2002 Bonds by any person, in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth herein has been provided by the Authority, the Department, the MAA and other sources. The Authority believes that the information contained in this Official Statement is correct and complete and has no knowledge of any inaccuracy or incompleteness as to any of the information herein contained. The information set forth herein is not guaranteed as to accuracy or completeness by the Authority or the Department or the MAA and is not to be construed as a representation by the Authority or the Department or the MAA as to information from sources other than the Authority or the Department or the MAA. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances create any implication that there has been no change in the affairs of the Authority since the date hereof.

No quotations from or summaries or explanations of provisions of laws and documents herein purport to be complete, and reference is made to such laws and documents for full and complete statements of their provisions. This Official Statement is not to be construed as a contract or agreement between the Authority and the purchasers or owners of any of the Series 2002 Bonds. Any statements made in this Official Statement involving estimates or matters of opinion, whether or not expressly so stated, are intended merely as estimates or opinions and not as representations of fact. The cover page hereof, inside front cover, and the appendices attached hereto are part of this Official Statement.

IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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Public Financial Management
Columbia Equity Financial Corp.

OFFICIAL STATEMENT
of the
MARYLAND TRANSPORTATION AUTHORITY
relating to
\$117,345,000
Maryland Transportation Authority
Taxable Limited Obligation Revenue Bonds
(Baltimore/Washington International Airport Consolidated Rental Car Facility)
Series 2002

INTRODUCTION

General. This Official Statement sets forth information concerning the sale by the Maryland Transportation Authority (the “Authority”), acting on behalf of the Maryland Department of Transportation (the “Department”), of \$117,345,000 aggregate principal amount of Taxable Limited Obligation Revenue Bonds (Baltimore/Washington International Airport Consolidated Rental Car Facility), Series 2002 (the “Series 2002 Bonds”). The Series 2002 Bonds and any Additional Bonds (defined below) issued under the Trust Agreement (defined below) are collectively referred to as the “Bonds.” The Series 2002 Bonds are limited obligations of the Authority, authorized pursuant to Sections 4-101 through 4-405 of the Transportation Article of the Annotated Code of Maryland, as amended (the “Enabling Legislation”) and by resolutions of the Authority. The Series 2002 Bonds will be issued under and secured by a Trust Agreement, dated as of June 1, 2002, (the “Trust Agreement”), between the Authority and The Bank of New York, as trustee (the “Trustee”).

Use of Proceeds of the Series 2002 Bonds. The proceeds of the Series 2002 Bonds will be used: (i) to finance a portion of the costs of the acquisition, construction and equipping of a new consolidated car rental facility and certain related projects (collectively, the “Project”) located at Baltimore/Washington International Airport (the “Airport”); (ii) to fund the Coverage Fund in the amount of the Coverage Fund Requirement; and (iii) to pay certain costs of issuing the Series 2002 Bonds. See “SOURCES AND USES OF FUNDS.”

The Project will be located on an approximately 92.5-acre tract of land along Stoney Run Road on the Airport property in Anne Arundel County, Maryland, approximately two miles from the Airport terminal. The Project will provide a comprehensive, centralized rental car service facility, including (i) a common customer service building complex containing customer service and administrative areas for up to ten rental car companies (each, an “Operator”); (ii) a ready-return parking area, divided into exclusive-use and common-use areas; (iii) individual service center and vehicle

storage facilities; (iv) a common shuttle bus maintenance facility; and (iv) related roadways, utilities, landscaping and associated infrastructure. See “THE PROJECT.”

Security for the Series 2002 Bonds. The Series 2002 Bonds are payable as to principal and interest solely from: (i) Pledged Revenues (the “Pledged Revenues”) derived from all Customer Facility Charges (“CFCs”) and Contingent Rent payable to the Maryland Aviation Administration (“MAA”) to be deposited with the Trustee in the CFC Revenue Fund established under the Trust Agreement and interest earnings on amounts on deposit in the funds and accounts established under the Trust Agreement, and (ii) amounts on deposit from time to time in other pledged funds and accounts maintained under the Trust Agreement, including the Debt Service Reserve Fund. See “SECURITY FOR THE SERIES 2002 BONDS.”

Each Operator has entered into a Lease and Concession Contract to Establish and Operate a Non-exclusive on-Airport Rental Auto Concession at Baltimore/Washington International Airport (each a “Lease and Concession Contract”) with MAA, pursuant to which each Operator is obliged to charge and collect the CFCs from each rental car customer, in the initial amount of \$3.00 per transaction day. Under the Lease and Concession Contracts, MAA may increase the CFC amount; there is no legal limit on such amount. In addition, the Lease and Concession Contracts obligate each Operator to pay Contingent Rent. See “THE RENTAL CAR COMPANIES – Lease and Concession Contracts.”

THE OPERATORS HAVE NOT GUARANTEED THE PAYMENT OF PRINCIPAL OF OR INTEREST ON THE SERIES 2002 BONDS, AND NO PROPERTIES OR REVENUES OF THE OPERATORS ARE PLEDGED AS SECURITY THEREFOR. IN ADDITION, THE OPERATORS HAVE NOT GUARANTEED THE COLLECTION OR PAYMENT OF THE CFCs FROM PERSONS TO WHOM IT IS CHARGED.

The Series 2002 Bonds are not secured by any mortgage or other interest in the Project, nor are they secured by any pledge of revenues from the Project or any other revenues of MAA besides the Pledged Revenues. See “INTRODUCTION – Agreements between the Authority and MAA.”

The funds and accounts established under the Trust Agreement and pledged as security for the Series 2002 Bonds include the CFC Revenue Fund, the Construction Fund, the Bond Fund, the Debt Service Reserve Fund, the Redemption Fund, the Coverage Fund and the Facility Improvements Fund.

Municipal Bond Insurance. MBIA Insurance Corporation (“MBIA” or the “Insurer”) has made a commitment to issue its municipal bond new issue insurance policy simultaneously with the delivery of the Series 2002 Bonds, insuring payment when due of the principal (including Sinking Fund Installments) of and interest on the Series 2002 Bonds. For information concerning the Insurer and its policy, see

“MUNICIPAL BOND INSURANCE” and APPENDIX E, which contains a specimen form of the Municipal Bond Insurance Policy.

The Authority. The Authority, an agency of the State of Maryland, acting on behalf of the Department, is authorized under the Enabling Legislation to finance the cost of transportation facilities projects such as the Project through the issuance of revenue bonds. The Authority currently owns, operates and maintains certain revenue-producing transportation facilities projects; however, revenues from such other projects will not be available to make any payments with respect to the Series 2002 Bonds. See “THE AUTHORITY.”

The Airport. The Airport is one of three major airports serving the Baltimore-Washington metropolitan area. The Airport is located on a 3,200-acre site in Anne Arundel County, Maryland between Baltimore, Maryland and Washington, D.C. The Airport is owned and operated by MAA, an agency of the State of Maryland and a unit within the Department. See “THE MARYLAND AVIATION ADMINISTRATION.” As of May 2, 2002, the Airport was served by 16 major/national passenger airlines, as well as 11 regional/commuter airlines, five foreign-flag carriers and nine all-cargo carriers. During calendar year 2001, total domestic and international enplanements at the Airport were 10,187,558. Enplanements increased at an annual compounded growth rate of 7.4% between calendar years 1991 and 2001, compared with 3.8% for the nation during the same period. Enplanements at the Airport in calendar year 2001 were approximately 36% higher than in calendar year 1998, largely as the result of the expansion of service at the Airport by Southwest Airlines. In calendar year 2002, growth has continued at a more moderate pace. See “BALTIMORE/WASHINGTON INTERNATIONAL AIRPORT.”

Agreements between the Authority and MAA. In connection with the financing of the Project, as of May 1, 2002 the Authority and MAA have entered into the Lease and Assignment (hereinafter defined), pursuant to which (i) MAA has leased the site of the Project to the Authority and the Authority has subleased the site back to MAA, and (ii) MAA has assigned to the Authority the CFCs and Contingent Rent. In addition, the Authority and MAA have entered into the Financing Agreement (hereinafter defined) whereby the Authority will finance and MAA will develop, construct, operate and maintain the Project on behalf of the Authority. Under the Financing Agreement, MAA will direct all CFCs and Contingent Rent payable under the Lease and Concession Contracts to be paid to the Trustee for deposit by the Trustee in the CFC Revenue Fund established under the Trust Agreement. See “THE LEASE AND ASSIGNMENT AND THE FINANCING AGREEMENT.”

Feasibility Report. Unison-Maximus, Inc. (the “Feasibility Consultant”) has prepared a report dated as of May 24, 2002 (the “Feasibility Report”), which is included as APPENDIX A hereto. The Feasibility Report describes key factors that will affect rental car demand at the Airport for Fiscal Years 2002 through 2011, projects rental car demand (in transaction days) and Pledged Revenues for Fiscal Years 2002 through 2011, and sets forth assumptions on which such projections are based. The Feasibility Report

should be read in its entirety for an understanding of the projections and the underlying assumptions.

Other Facilities and Revenues of the Authority Not Pledged. Under the Enabling Legislation, the Authority, an agency of the State of Maryland acting on behalf of the Department, is responsible for the supervision, financing, construction, operation and maintenance of transportation facilities projects as defined in the Enabling Legislation. Under the 1985 Trust Agreement (the “1985 Trust Agreement”), the Authority has pledged and assigned the revenues of certain facilities to secure certain revenue bonds issued by the Authority. The revenues pledged under the 1985 Trust Agreement will not be available to pay the principal of or interest or redemption premium (if any) on the Series 2002 Bonds.

Additional Parity Indebtedness. The Trust Agreement establishes limitations on the Authority’s power to issue additional bonds, notes or other evidences of obligation (“Additional Bonds”) on parity with the Series 2002 Bonds as to the security of the Pledged Revenues. See “SECURITY FOR THE SERIES 2002 BONDS -- Additional Debt” and APPENDIX B – “SUMMARY OF LEGAL DOCUMENTS – Summary of Certain Provisions of the Trust Agreement - Additional Bonds.”

Capitalized terms not defined elsewhere in this Official Statement have the same meanings assigned to such terms in the Trust Agreement. See APPENDIX B -- “SUMMARY OF LEGAL DOCUMENTS – Summary of Certain Provisions of the Trust Agreement - Definitions.”

No quotations from or summaries or explanations of provisions of laws and documents herein purport to be complete, and reference is made to such laws and documents for full and complete statements of their provisions. Copies of the Trust Agreement and other agreements described in this Official Statement may be obtained upon written request from the Executive Secretary of the Authority.

Investment Considerations. The purchase and ownership of the Series 2002 Bonds involves certain risks. Prospective purchasers of the Series 2002 Bonds are urged to read this Official Statement in its entirety. For a discussion of certain investment considerations relating to the Series 2002 Bonds, see “INVESTMENT CONSIDERATIONS.”

THE SERIES 2002 BONDS

Description of the Series 2002 Bonds

The Series 2002 Bonds will be dated as of the date of delivery (expected to be June 19, 2002), and will mature on July 1 in the years and principal amounts, all as set forth on the inside front cover of this Official Statement. The Series 2002 Bonds shall bear interest from their date, until paid, at the rate or rates set forth on the inside front cover (computed on the basis of a 360-day year, composed of twelve 30-day months)

payable on January 1, 2003 (approximately six and one-half months) and semi-annually thereafter on January 1 and July 1 of each year (the “Interest Payment Dates”) while such Series 2002 Bonds are outstanding.

The Series 2002 Bonds are issuable only as fully registered bonds without coupons in the denomination of \$5,000 or any integral multiple thereof. So long as the Series 2002 Bonds shall be maintained under a book-entry system, payments of the principal and redemption price of and interest on the Series 2002 Bonds will be made as described below under the heading “DTC and Book-Entry Only System.” At any other time, interest on the Series 2002 Bonds will be payable by check or draft mailed on each Interest Payment Date, or the next ensuing Business Day if such Interest Payment Date is not a Business Day, to each registered owner thereof at his address as it appears on the registration books of the Registrar at the close of business on the 15th day of the month next preceding the interest payment date (the “Record Date”), and the principal of the Series 2002 Bonds will be payable upon presentation and surrender of the Series 2002 Bonds, when due, at the corporate trust office of The Bank of New York, the Trustee.

Registration and Exchange of Bonds

So long as the Series 2002 Bonds are maintained under a book-entry only system, Beneficial Owners (hereinafter defined) thereof will have no right to receive physical possession of the Series 2002 Bonds, and transfers of ownership interests in the Series 2002 Bonds will be made through book-entries by DTC (hereinafter defined) and the Direct Participants (hereinafter defined). See “DTC and Book-Entry Only System” below.

If the book-entry only system is discontinued, the Series 2002 Bonds, upon surrender thereof at the corporate trust office of the Registrar, together with an assignment duly executed by the registered owner or his attorney or legal representative in such form as shall be satisfactory to the Registrar, may be exchanged for an equal aggregate principal amount of Series 2002 Bonds of the same maturity, of any authorized denomination or denominations, and bearing interest at the same rate as the Series 2002 Bonds surrendered for exchange.

The transfer of any Series 2002 Bond may be registered only upon the books kept for the registration and registration of transfer of bonds upon surrender of such Bond to the Registrar, together with an assignment duly executed by the registered owner or his attorney or legal representative in such form as shall be satisfactory to the Registrar.

Upon any exchange or registration of transfer, the Authority shall execute, and the Registrar shall authenticate and deliver in exchange for such Bond, a new Series 2002 Bond or Bonds, registered in the name of the transferee, of an authorized denomination or denominations, in an aggregate principal amount equal to the principal amount of the Series 2002 Bond surrendered, of the same maturity and bearing interest at the same rate.

The Authority or the Trustee may make a charge for every such exchange or registration of transfer of Bonds sufficient to reimburse it for any tax or other governmental charge required to be paid with respect to such exchange or registration of transfer, but no other charge shall be made to any bondholder for the privilege of exchanging or registering the transfer of Bonds under the provisions of the Trust Agreement.

Redemption

Mandatory Sinking Fund Redemption. The Series 2002 Bonds due July 1, 2022 are subject to mandatory sinking fund redemption, pro rata among holders of the Series 2002 Bonds due July 1, 2022, at a redemption price equal to the principal amount thereof plus accrued interest thereon on July 1 of the following years and in the following amounts:

<u>Year</u>	<u>Sinking Fund Installment</u>
2013	\$2,545,000
2014	2,710,000
2015	2,885,000
2016	3,070,000
2017	3,270,000
2018	3,480,000
2019	3,705,000
2020	3,945,000
2021	4,200,000
2022	4,475,000 (maturity)

The stated average life of the Series 2002 Bonds due July 1, 2022 is approximately 16.047 years.

The Series 2002 Bonds due July 1, 2032 are subject to mandatory sinking fund redemption, pro rata among holders of the Series 2002 Bonds due July 1, 2032, at a redemption price equal to the principal amount thereof plus accrued interest thereon on July 1 of the following years and in the following amounts:

[chart appears on following page]

<u>Year</u>	<u>Sinking Fund Installment</u>
2023	\$4,765,000
2024	5,080,000
2025	5,420,000
2026	5,780,000
2027	6,165,000
2028	6,575,000
2029	7,010,000
2030	7,480,000
2031	7,975,000
2032	8,505,000 (maturity)

The stated average life of the Series 2002 Bonds due July 1, 2032 is approximately 26.061 years.

Optional Redemption of Series 2002 Bonds. The Series 2002 Bonds are subject to redemption prior to maturity at any time, at the option of the Authority, as a whole or in part at any time at a Redemption Price equal to the unpaid principal amount of such Series 2002 Bonds to be redeemed, plus accrued and unpaid interest thereon through the date fixed for redemption, plus the Make-Whole Premium (hereinafter defined) on such principal amount, if any. The Make-Whole Premium will in no event be less than zero.

As used herein, the following terms shall have the meanings specified:

(i) “Make-Whole Premium” means, when used with respect to any Series 2002 Bond or portion thereof, an amount equal to the excess, if any, of the Discounted Value of the principal amount of such Series 2002 Bond to be redeemed over the outstanding principal amount thereof.

(ii) “Discounted Value” means the amount obtained by discounting all Remaining Scheduled Payments of the principal amount of such Series 2002 Bond from the due dates for such payments to the Settlement Date in accordance with accepted financial practice and at a discount factor (applied on a semi-annual basis) equal to the Reinvestment Yield with respect to such Series 2002 Bond.

(iii) “Reinvestment Yield” means the rate equal to the mean of the bid and ask quotations, (A) with respect to any Serial Bond the rate on the United States Treasury obligation (the “Treasury Rate”) having a term equal to the Remaining Average Life of such Serial Bond, plus 0.25% and (B) with respect to any Term Bond, based upon a year of 360 days consisting of twelve 30-day months, of the Swap Rate calculated using the United States Dollar Denominated Fixed Rate to the LIBOR floating rate, as reported at 1:00 EST as of the Business Day next preceding the Settlement Date on Telerate Page 19901 (or any successor page number) for a term equal to the Remaining Average Life of such Term Bond. With respect to any Bond, such implied yield will be determined, if necessary, by interpolating linearly between (1) the reported Treasury Rate or Swap Rate,

as the case may be, with the term closest to and greater than the remaining average life of such Bond and (2) the reported Treasury Rate or Swap Rate, as the case may be, with the term closest to and less than the remaining average life of such Bond. If Telerate does not exist or no longer publishes the Swap Rate, then the Authority shall use the average of the quotations from among five leading dealers, if available.

(iv) “Remaining Average Life” means with respect to any Series 2002 Bond, the number of years (calculated to the nearest one-twelfth (1/12) year) obtained by dividing (A) the sum of the products obtained by multiplying (1) each Remaining Scheduled Payment on such Bond (but not of interest thereon) by (2) the number of years (calculated to the nearest one-twelfth (1/12) year) which will elapse between the Settlement Date with respect to such Bond and the scheduled date of such Remaining Scheduled Payment (taking into consideration any mandatory redemption from Sinking Fund Installments) by (ii) the principal amount of such Series 2002 Bond to be redeemed.

(v) “Remaining Scheduled Payments” means all payments of the principal of and interest on such Series 2002 Bond which would be due on or after the Settlement Date if no payment of such Bond were made prior to its scheduled due date.

(vi) “Settlement Date” means the date fixed for redemption.

(vii) “Serial Bonds” means, collectively, the Series 2002 Bonds maturing July 1, 2003 through July 1, 2012, inclusive.

(viii) “Term Bonds” means, collectively, the Series 2002 Bonds maturing July 1, 2022 and July 1, 2032.

Notice of Redemption. The Authority shall give written notice to the Trustee of its election to optionally redeem Series 2002 Bonds and the Trustee shall give notice thereof at least 30 days prior to the redemption date of such Bonds. The Trustee shall select Series 2002 Bonds for scheduled sinking fund redemption and give notice thereof at least 30 days prior to the redemption date. So long as the Series 2002 Bonds are maintained under a book-entry system, notice of any call for redemption of any Series 2002 Bonds shall be given as described below under “DTC and Book-Entry Only System.” At any other time, the Trustee shall mail notice of the call for redemption of any Series 2002 Bonds to the registered owners of the Series 2002 Bonds to be redeemed at their addresses as they appear on the registration books maintained by the Registrar. Any notice of redemption may be conditioned on the receipt of moneys for such redemption or other circumstance.

Selection for Redemption

Mandatory Sinking Fund Redemption of Series 2002 Bonds. Series 2002 Bonds due on July 1, 2022 and on July 1, 2032 will be redeemed pro rata from each Sinking Fund Installment for such Bonds. **So long as the Series 2002 Bonds are maintained under a book-entry only system as described under “DTC and Book-Entry Only System” below, there will be only one holder of the Series 2002 Bonds and neither**

the Authority nor the Trustee will have responsibility for pro rating the Sinking Fund Installments among Beneficial Owners of Series 2002 Bonds to be redeemed from such Sinking Fund Installments.

Other Redemptions. If fewer than all of the Bonds are called for redemption (other than mandatory sinking fund redemption of Series 2002 Bonds as described above), the series and maturities of Bonds to be redeemed shall be selected by the Authority. If fewer than all of the Series 2002 Bonds of any one maturity are called for redemption (other than mandatory sinking fund redemption of Series 2002 Bonds as described above), so long as such Bonds are maintained in book-entry form, the selection of individual ownership interests in such Bonds to be credited with any such partial redemption shall be made through DTC as described below under “DTC and Book-Entry Only System.” At any other time, the Bonds of such maturity to be redeemed will be selected by lot or in such other manner as the Trustee in its discretion may deem proper.

Denominations. The portion of any Series 2002 Bond to be redeemed shall be in a principal amount equal to an Authorized Denomination and, in selecting Series 2002 Bonds for redemption, each Bond shall be treated as representing the number of Bonds that is obtained by dividing the principal amount of such Bond by \$5,000.

DTC and Book-Entry Only System

The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the Series 2002 Bonds. The Series 2002 Bonds will be issued as fully-registered bonds registered in the name of Cede & Co. (DTC’s partnership nominee). One fully-registered Series 2002 Bond of each maturity will be issued in the aggregate principal amount of such maturity and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds securities that its participants (“Participants”) deposit with DTC. DTC also facilitates the settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Participants’ accounts, thereby eliminating the need for physical movement of securities certificates. “Direct Participants” include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks, and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). The Rules applicable to DTC and its Participants are on file with the Securities and Exchange Commission.

Purchases of Series 2002 Bonds under the DTC system must be made by or through Direct Participants, who will receive a credit for such Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2002 Bond (each, a "Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmation providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Series 2002 Bonds, except in the event that use of the book-entry system for the Series 2002 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2002 Bonds deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. The deposit of Series 2002 Bonds with DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2002 Bonds; DTC's records reflect only the identify of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to Cede & Co. If less than all of the Series 2002 Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. will consent or vote with respect to Series 2002 Bonds. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2002 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal of and interest payments on the Series 2002 Bonds will be made to DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding information on the applicable payment date in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on payable date. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, or

the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the Authority or the Trustee, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Series 2002 Bonds at any time by giving reasonable notice to the Authority and the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, Series 2002 Bond certificates are required to be printed and delivered.

The Authority may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Series 2002 Bond certificates will be printed and delivered.

THE INFORMATION PROVIDED IMMEDIATELY ABOVE UNDER THIS CAPTION HAS BEEN PROVIDED BY DTC. NO REPRESENTATION IS MADE BY THE AUTHORITY, EITHER AS TO THE ACCURACY OR ADEQUACY OF SUCH INFORMATION PROVIDED BY DTC OR AS TO THE ABSENCE OF MATERIAL ADVERSE CHANGES IN SUCH INFORMATION SUBSEQUENT TO THE DATE HEREOF. NEITHER THE AUTHORITY NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DTC PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE PAYMENTS TO OR THE PROVIDING OF NOTICE TO THE DTC PARTICIPANTS, OR THE INDIRECT PARTICIPANTS, OR BENEFICIAL OWNERS. THE AUTHORITY CANNOT AND DOES NOT GIVE ANY ASSURANCE THAT DTC PARTICIPANTS OR OTHERS WILL DISTRIBUTE PRINCIPAL AND INTEREST PAYMENTS TO DTC OR ITS NOMINEES AS THE REGISTERED OWNER OF SERIES 2002 BONDS, OR ANY REDEMPTION OR OTHER NOTICES, TO THE BENEFICIAL OWNERS, OR THAT THEY WILL DO SO ON A TIMELY BASIS OR THAT DTC WILL SERVE AND ACT IN THE MANNER DESCRIBED IN THIS OFFICIAL STATEMENT.

Special Considerations

Because DTC can only act on behalf of Participants, who in turn act on behalf of Indirect Participants and Beneficial Owners, the ability of a Beneficial Owner to pledge Series 2002 Bonds to persons or entities that do not participate in the DTC system, or otherwise take actions in respect of such Bonds, may be limited due to the lack of a physical certificate for such Bonds.

Under its current procedures, DTC does not automatically forward redemption and other notices to its Participants who have bonds credited to their accounts. Rather, a notice that DTC has received a notice is entered onto an electronic computer network which DTC shares with its Direct Participants, and such Direct Participants may obtain

the full text of such notices upon request. The Authority and the Trustee have no control over whether or how timely redemption and other notices are made available by DTC to its Direct Participants, by Direct Participants to Indirect Participants and by Direct Participants and Indirect Participants to Beneficial Owners of the Series 2002 Bonds.

Termination of Book-Entry Only System

The Authority may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In the event that the book-entry only system is discontinued, the Series 2002 Bonds will be delivered by DTC to the Trustee and such Series 2002 Bonds will be exchanged for Series 2002 Bonds registered in the names of the Direct Participants or the Beneficial Owners identified to the Trustee. In such event, certain provisions of the Series 2002 Bonds pertaining to ownership of the Series 2002 Bonds will be applicable to the registered owners of the Series 2002 Bonds as described above under the heading “THE SERIES 2002 BONDS -- Registration and Exchange of Bonds.”

MBIA Deemed Owner of Series 2002 Bonds

So long as no Insurance Default (defined herein) shall have occurred and be continuing, MBIA shall be deemed the holder of all of the Series 2002 Bonds for all purposes of the Trust Agreement (other than for purposes of receiving payment of the principal or redemption price of and interest on the Series 2002 Bonds), including (without limitation) consenting to any amendment or waiver of the Trust Agreement or directing any remedial proceedings under the Trust Agreement. Such amendments could result in the modification, waiver or removal of any covenant or restriction contained in the Trust Agreement. See “MUNICIPAL BOND INSURANCE.”

SECURITY FOR THE SERIES 2002 BONDS

General

The principal of and interest on the Series 2002 Bonds are payable solely from the Pledged Revenues (*i.e.*, CFCs and Contingent Rent directed by MAA to be paid to the Trustee for deposit in the CFC Revenue Fund pursuant to the Trust Agreement and interest earnings on the funds and accounts created by the Trust Agreement). CFCs consist of the fee charged and collected by each Operator from its rental car customers on behalf of MAA for each 24-hour period or fraction thereof that an auto is rented under a rental agreement entered into on the Airport, or elsewhere with the pick-up at the Airport pursuant to a Lease and Concession Contract, or other similar agreement between such Operator and MAA, as amended and supplemented, or any other revenues designated in writing by MAA to the Authority and the Trustee to be charged and collected by MAA to provide for the payment of the principal of and interest and premium, if any, on the Series 2002 Bonds, and the Administrative Expenses, and to maintain the reserves required by the Trust Agreement and acceptable to the Authority and MBIA.

Nothing in the Series 2002 Bonds or in the Trust Agreement shall be construed as obligating the State of Maryland, the Authority, the Department or MAA to pay the Series 2002 Bonds or the interest thereon, except from the Pledged Revenues and other moneys pledged under the Trust Agreement, or as pledging the faith and credit or taxing power of the State of Maryland or the revenues of the Authority, the Department or MAA. The Authority and MAA have no taxing power. The Series 2002 Bonds are limited obligations of the Authority and do not constitute a debt or a pledge of the faith and credit of the State of Maryland, the Department or MAA, and neither the faith and credit nor the taxing power of the State nor the revenues of the Department, MAA or the Authority (other than the Pledged Revenues) are pledged to the payment of the principal of or the interest on the Series 2002 Bonds. The Trust Agreement does not convey title to or mortgage the Project or any other property. The Authority has no obligation to rebuild any damaged or destroyed portion of the Project regardless of the existence of insurance proceeds. The Series 2002 Bonds are not secured by a pledge of revenues of any facilities (other than the Pledged Revenues), and no such revenues will be available to pay debt service on the Series 2002 Bonds.

No revenues derived from the Transportation Facilities Projects or the General Account Projects as referenced in the 1985 Trust Agreement will be available to pay debt service on the Series 2002 Bonds.

Rate Covenant

The Authority has covenanted in the Trust Agreement (subject to any lawful federal and State law and regulations) to cause MAA to fix, charge and collect such CFCs and Contingent Rent as will be sufficient in each Bond Year, together with amounts transferred to the Bond Fund from the Coverage Fund during such Bond Year, amounts on deposit in the Coverage Fund as of the last day of such Bond Year and interest earnings on the funds and accounts created by the Trust Agreement in such Bond Year, to produce Pledged Revenues in each Bond Year (July 2 through July 1) in an amount not less than the sum of (a) 125% of the Debt Service Requirements of all outstanding Bonds for such Bond Year and (b) 100% of the Debt Service Requirements of all other outstanding Long-Term Indebtedness for such Bond Year. The covenant described in this paragraph is referred to herein as the “Rate Covenant.” See APPENDIX B - “SUMMARY OF LEGAL DOCUMENTS – Summary of Certain Provisions of the Trust Agreement – Definitions.”

If in any Bond Year the amount of the CFCs and Contingent Rent imposed and collected by MAA on behalf of the Authority in connection with operation of the Facilities is less than the amount required under the Rate Covenant, as soon as practicable after the last day of such Bond Year (but in no event more than 120 days after the last day of such Bond Year), the Authority shall employ an Independent Consultant to prepare a report including recommendations with respect to the CFCs and Contingent Rent. The Authority shall require the Independent Consultant to file its report with the Authority, MAA and the Trustee within 30 days after the date of its employment by the Authority (subject to certain extension rights).

The Independent Consultant may recommend with respect to the CFCs and Contingent Rent imposed and collected in connection with operation of the Project, either that MAA (i) make no change, or (ii) make some change, even though such recommendation is not calculated to result in compliance with the Rate Covenant, if the Independent Consultant includes in its report a statement to the effect that compliance with such recommendations should result in the generation of the maximum feasible amount of Pledged Revenues.

The Authority shall cause MAA, to the extent allowed by federal and State law and regulations, to revise the CFCs and Contingent Rent, in conformity with any practicable recommendation of the Independent Consultant and otherwise to follow any practicable recommendation of the Independent Consultant. If MAA complies with the reasonable recommendations of such Independent Consultant, then the failure of the Authority to meet the requirements of the Rate Covenant for such Bond Year shall not constitute an Event of Default under the Trust Agreement.

Debt Service Reserve Fund

The Trust Agreement requires the Authority to deposit with the Trustee to the credit of the Debt Service Reserve Fund an amount of money or securities equal to the Maximum Annual Debt Service on the Series 2002 Bonds. The Trust Agreement authorizes the Authority to satisfy the Debt Service Reserve Fund Requirement in whole or part by providing to the Trustee a Debt Service Reserve Fund Credit Facility meeting the requirements of the Trust Agreement.

In order to satisfy the Debt Service Reserve Fund Requirement, the Authority has received a commitment from MBIA to issue a surety bond (the “Debt Service Reserve Fund Surety Bond”). The Debt Service Reserve Fund Surety Bond constitutes a “Debt Service Reserve Fund Credit Facility” within the meaning of the Trust Agreement. The Debt Service Reserve Fund Surety Bond will provide that upon notice from the Trustee to the Insurer to the effect that insufficient amounts are on deposit in the Bond Fund to pay the principal of (at maturity or pursuant to mandatory redemption requirements) and interest on the Series 2002 Bonds, the Insurer will promptly deposit with the Trustee an amount sufficient to pay the principal of and interest on the Series 2002 Bonds or the available amount of the Debt Service Reserve Fund Surety Bond, whichever is less. Upon the later of: (i) three (3) days after receipt by the Insurer of a Demand for Payment in the form attached to the Debt Service Reserve Fund Surety Bond, duly executed by the Trustee; or (ii) the payment date of the Series 2002 Bonds as specified in the Demand for Payment presented by the Trustee to the Insurer, the Insurer will make a deposit of funds in an account with State Street Bank and Trust Company, N.A., in New York, New York, or its successor, sufficient for the payment to the Trustee, of amounts which are then due to the Trustee (as specified in the Demand for Payment) subject to the Surety Bond Coverage (hereinafter defined).

The available amount of the Debt Service Reserve Fund Surety Bond is the initial face amount of the Debt Service Reserve Fund Surety Bond less the amount of any

previous deposits by the Insurer with the Trustee which have not been reimbursed by the Authority (the “Surety Bond Coverage”). The Authority and the Insurer have entered into a Financial Guaranty Agreement dated as of June 1, 2002 (the “Agreement”). Pursuant to the Agreement, the Authority is required to reimburse the Insurer, within one year of any deposit, the amount of such deposit made by the Insurer with the Trustee under the Debt Service Reserve Fund Surety Bond. Such reimbursement shall be made only after all required deposits to the Bond Fund and the Coverage Fund have been made.

Under the terms of the Agreement, the Trustee is required to reimburse the Insurer, with interest, until the face amount of the Debt Service Reserve Fund Surety Bond is reinstated before any deposit is made to the payment of any fees and expenses of the Trustee or to the Facility Improvements Fund. No optional redemption of Series 2002 Bonds may be made until the Insurer’s Debt Service Reserve Fund Surety Bond is reinstated. The Debt Service Reserve Fund Surety Bond will be held by the Trustee in the Debt Service Reserve Fund and is provided as an alternative to the Authority depositing funds equal to the Debt Service Reserve Fund Requirement for outstanding Series 2002 Bonds. The Debt Service Reserve Fund Surety Bond will be issued in the face amount equal to Maximum Annual Debt Service on the Series 2002 Bonds and the premium therefor will be fully paid by the Authority at the time of delivery of the Series 2002 Bonds.

For a description of the Insurer, see “MUNICIPAL BOND INSURANCE – MBIA” herein.

Deficiencies in the amounts on deposit in the Debt Service Reserve Fund are to be made up in the months immediately succeeding the Authority’s receipt of notice of such deficiency, as described below under “Flow of Funds.”

Flow of Funds Under Trust Agreement

Pledged Revenues will be assigned to the Authority pursuant to the Lease and Assignment and will be paid to the Trustee for deposit in the CFC Revenue Fund promptly upon the receipt thereof. On the first day of each month, the Trustee will transfer from the CFC Revenue Fund as follows:

- to the Bond Fund, the sum of:
 - (A) one-sixth (1/6) of the interest becoming due on the Series 2002 Bonds on the immediately succeeding Interest Payment Date;
 - (B) one-twelfth (1/12) of the amount of any principal of the Series 2002 Bonds Outstanding becoming due on the immediately succeeding July 1;
 - (C) one-twelfth (1/12) of the amount of any Sinking Fund Installment for the Series 2002 Bonds Outstanding becoming due on the immediately succeeding July 1; and

(D) any deficiency in the amount required to be deposited in the Bond Fund in any prior month in accordance with this paragraph;

- to the Coverage Fund, the balance on deposit in the CFC Revenue Fund until the amount on deposit therein shall equal the Coverage Fund Requirement;
- to MBIA any amount required to be paid to MBIA under the Agreement with respect to the Debt Service Reserve Fund Surety Bond;
- to the payment of any fees and expenses of the Trustee then due and any other Administrative Expenses then due under the Trust Agreement;
- to the Debt Service Reserve Fund, beginning on any date on which the Authority receives notice of any deficiency in the Debt Service Reserve Fund, such amount as shall be required to make the amount on deposit in the Debt Service Reserve Fund equal the Debt Service Reserve Fund Requirement; and
- to the Facility Improvements Fund, the balance on deposit in the CFC Revenue Fund.

If on any Interest Payment Date the amount in the Bond Fund shall be less than the amount of interest then due on the Outstanding Bonds, or if on any date on which the principal amount of any Outstanding Bond becomes due the amount in the Bond Fund shall be less than the amount of the principal and the Sinking Fund Installment (either or both, as the case may be) then due on the Outstanding Bonds, the Trustee forthwith shall transfer moneys from the Debt Service Reserve Fund to the Bond Fund, to the extent necessary to make good any deficiency.

Facility Improvements Fund

Amounts on deposit in the Facility Improvements Fund shall be applied in accordance with requisitions of the Authority to the payment of (a) costs of operating the transportation system in connection with the rental car facilities prior to the completion of the Project, (b) costs of acquisition of the Common Shuttle Bus Fleet, costs of additions, improvements or betterments to, or design, expansion, construction, replacement, remodeling or equipping of the Facilities, including (without limitation) any extraordinary maintenance of or repairs to the Facilities, and such other costs of the Facilities as shall be permitted under applicable law, and (c) any amounts required to be refunded to any Operators as an overpayment of Contingent Rent under the Lease and Concession Contracts or other similar agreements between MAA and such Operators.

So long as no Event of Default shall have occurred and be continuing, upon the Order of the Authority, any amount from time to time on deposit in the Facility Improvements Fund in excess of the amount determined by the Authority to be required for the purposes of the Facility Improvements Fund shall be transferred to the Coverage Fund, the Bond Fund or the Redemption Fund.

Coverage Fund

If on any Interest Payment Date the amount in the Bond Fund shall be less than the amount of interest then due on the Outstanding Bonds, or if on any date on which the principal amount of any Outstanding Bond becomes due the amount in the Bond Fund shall be less than the amount of the principal and the Sinking Fund Installment (either or both, as the case may be) then due on the Outstanding Bonds, the Trustee forthwith shall transfer moneys from the Coverage Fund to the Bond Fund, to the extent necessary to make good any deficiency, prior to the transfer of amounts on deposit in the Debt Service Reserve Fund.

Amounts on deposit in the Coverage Fund in excess of the Coverage Fund Requirement shall be transferred to the Bond Fund, the Redemption Fund or the Facility Improvements Fund (or applied for any purpose for which amounts on deposit in the Facility Improvements Fund may be applied) in accordance with requisitions of the Authority.

Additional Debt

The Trust Agreement permits the issuance of Additional Bonds for any purpose for which obligations may be issued by the Authority under the Enabling Legislation, including (without limitation) to (i) refinance, refund or advance refund any outstanding Indebtedness (“Refunding Purposes”); (ii) obtain funds to pay the Cost of any Additional Facilities; (iii) obtain funds to pay the Cost of completing the Project or any Additional Facilities (“Completion Purposes”); and (iv) obtaining funds necessary to pay the costs of extraordinary maintenance or repairs or improvements to any Facilities, including (without limitation) repairs, replacements or improvements required as a result of any casualty or taking or other extraordinary occurrence. Additional Bonds may be issued to pay the costs incurred in connection with the issuance and sale of any Bonds, to pay interest on any Bonds prior to and during acquisition and construction and to establish reserves. See APPENDIX B - “SUMMARY OF LEGAL DOCUMENTS – Summary of Certain Provisions of the Trust Agreement -- Additional Bonds” for a further description of the conditions under which Additional Bonds may be issued.

The Series 2002 Bonds will be secured equally and ratably on a parity with any Additional Bonds as to the security of the Pledged Revenues to the extent provided in the Trust Agreement. The Authority may determine to create separate funds and accounts for any series of Additional Bonds, in which case the funds and accounts created for such Additional Bonds would not secure the Series 2002 Bonds and the Additional Bonds would not be secured by the funds and accounts created by the Trust Agreement for the Series 2002 Bonds and any other Outstanding Bonds. See APPENDIX B - “SUMMARY OF LEGAL DOCUMENTS – Summary of Certain Provisions of the Trust Agreement -- Additional Bonds” and “-- Events of Default and Remedies -- Priority of Payments Following Default.”

The Authority may issue or incur other Indebtedness payable in whole or in part from any portion of the Trust Estate on the conditions described in APPENDIX B -

“SUMMARY OF LEGAL DOCUMENTS – Summary of Certain Provisions of the Trust Agreement – Additional Indebtedness.”

MUNICIPAL BOND INSURANCE

Set forth below is a brief summary of certain information concerning MBIA and the terms of its Municipal Bond Insurance Policy for the Series 2002 Bonds. Information with respect to MBIA and the Municipal Bond Insurance Policy has been supplied by MBIA. No representation is made herein by the Authority as to the accuracy or adequacy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof. Reference is made to APPENDIX E for a specimen form of the Municipal Bond Insurance Policy.

The MBIA Insurance Corporation Insurance Policy

The following information has been furnished by MBIA for use in this Official Statement. Reference is made to Appendix E for a specimen of MBIA’s policy.

MBIA’s policy unconditionally and irrevocably guarantees the full and complete payment required to be made by or on behalf of the Authority to the Trustee or its successor of an amount equal to (i) the principal of (either at the stated maturity or by an advancement of maturity pursuant to a mandatory sinking fund payment) and interest on, the Series 2002 Bonds as such payments shall become due but shall not be so paid (except that in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments guaranteed by MBIA’s policy shall be made in such amounts and at such times as such payments of principal would have been due had there not been any such acceleration); and (ii) the reimbursement of any such payment which is subsequently recovered from any owner of the Series 2002 Bonds pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such owner within the meaning of any applicable bankruptcy law (a “Preference”).

MBIA’s policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Series 2002 Bonds. MBIA’s policy does not, under any circumstance, insure against loss relating to: (i) optional or mandatory redemptions (other than mandatory sinking fund redemptions); or (ii) any Preference relating to (i) above. MBIA’s policy also does not insure against nonpayment of principal of or interest on the Series 2002 Bonds resulting from the insolvency, negligence or any other act or omission of the Trustee or any other paying agent for the Series 2002 Bonds.

Upon receipt of telephonic or telegraphic notice, such notice subsequently confirmed in writing by registered or certified mail, or upon receipt of written notice by registered or certified mail, by MBIA from the Trustee or any owner of a Series 2002 Bond the payment of an insured amount for which is then due, that such required

payment has not been made, MBIA on the due date of such payment or within one business day after receipt of notice of such nonpayment, whichever is later, will make a deposit of funds, in an account with State Street Bank and Trust Company, N.A., in New York, New York, or its successor, sufficient for the payment of any such insured amounts which are then due. Upon presentment and surrender of such Series 2002 Bonds or presentment of such other proof of ownership of the Series 2002 Bonds, together with any appropriate instruments of assignment to evidence the assignment of the insured amounts due on the Series 2002 Bonds as are paid by MBIA, and appropriate instruments to effect the appointment of MBIA as agent for such owners of the Series 2002 Bonds in any legal proceeding related to payment of insured amounts on the Series 2002 Bonds, such instruments being in a form satisfactory to State Street Bank and Trust Company, N.A., State Street Bank and Trust Company, N.A. shall disburse to such owners or the Trustee payment of the insured amounts due on such Series 2002 Bonds, less any amount held by the Trustee for the payment of such insured amounts and legally available therefor.

MBIA

MBIA is the principal operating subsidiary of MBIA Inc., a New York Stock Exchange listed company (the “Company”). The Company is not obligated to pay the debts of or claims against MBIA. MBIA is domiciled in the State of New York and licensed to do business in and subject to regulation under the laws of all 50 states, the District of Columbia, the Commonwealth of Puerto Rico, the Commonwealth of the Northern Mariana Islands, the Virgin Islands of the United States and the Territory of Guam. MBIA has three branches, one in the Republic of France, one in the Republic of Singapore and one in the Kingdom of Spain. New York has laws prescribing minimum capital requirements, limiting classes and concentrations of investments and requiring the approval of policy rates and forms. State laws also regulate the amount of both the aggregate and individual risks that may be insured, the payment of dividends by MBIA, changes in control and transactions among affiliates. Additionally, MBIA is required to maintain contingency reserves on its liabilities in certain amounts and for certain periods of time.

MBIA does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding the policy and MBIA set forth under the headings “MUNICIPAL BOND INSURANCE” and “SECURITY FOR THE SERIES 2002 BONDS – Debt Service Reserve Fund.” Additionally, MBIA makes no representation regarding the Series 2002 Bonds or the advisability of investing in the Series 2002 Bonds.

MBIA’s policy is not covered by the Property/Casualty Insurance Security Fund specified in Article 76 of the New York Insurance Law.

MBIA Information

The following document filed by the Company with the Securities and Exchange Commission (the “SEC”) is incorporated herein by reference:

- (1) The Company’s Annual Report on Form 10-K for the year ended December 31, 2001; and
- (2) The Company’s Quarterly Report on Form 10-Q for the quarter ended March 31, 2002.

Any documents filed by the Company pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934, as amended, after the date of this Official Statement and prior to the termination of the offering of the Series 2002 Bonds offered hereby shall be deemed to be incorporated by reference in this Official Statement and to be a part hereof. Any statement contained in a document incorporated or deemed to be incorporated by reference herein, or contained in this Official Statement, shall be deemed to be modified or superseded for purposes of this Official Statement to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Official Statement.

The Company files annual, quarterly and special reports, information statements and other information with the SEC under File No. 1-9583. Copies of the SEC filings (including (1) the Company’s Annual Report on Form 10-K for the year ended December 31, 2001, and (2) the Company’s Quarterly Report on Form 10-Q for the quarter ended March 31, 2002), are available (i) over the Internet at the SEC’s web site at <http://www.sec.gov>; (ii) at the SEC’s public reference room in Washington D.C.; (iii) over the Internet at the Company’s web site at <http://www.mbia.com>; and (iv) at no cost, upon request to MBIA Insurance Corporation, 113 King Street, Armonk, New York 10504. The telephone number of MBIA is (914) 273-4545.

As of December 31, 2001, MBIA had admitted assets of \$8.5 billion (audited), total liabilities of \$5.6 billion (audited), and total capital and surplus of \$2.9 billion (audited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities. As of March 31, 2002, MBIA had admitted assets of \$8.6 billion (unaudited), total liabilities of \$5.7 billion (unaudited), and total capital and surplus of \$2.9 billion (unaudited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities.

Financial Strength Ratings of MBIA

Moody’s Investors Service, Inc. rates the financial strength of MBIA “Aaa.”

Standard & Poor's, a division of The McGraw-Hill Companies, Inc., rates the financial strength of MBIA "AAA."

Fitch Ratings, Inc. rates the financial strength of MBIA "AAA."

Each rating of MBIA should be evaluated independently. The ratings reflect the respective rating agency's current assessment of the creditworthiness of MBIA and its ability to pay claims on its policies of insurance. Any further explanation as to the significance of the above ratings may be obtained only from the applicable rating agency.

The above ratings are not recommendations to buy, sell or hold the Series 2002 Bonds, and such ratings may be subject to revision or withdrawal at any time by the rating agencies. Any downward revision or withdrawal of any of the above ratings may have an adverse effect on the market price of the Series 2002 Bonds. MBIA does not guaranty the market price of the Series 2002 Bonds nor does it guaranty that the ratings on the Series 2002 Bonds will not be revised or withdrawn.

THE AUTHORITY

General

The Authority was established by the Maryland General Assembly on July 1, 1971. Pursuant to the Enabling Legislation, the Authority is responsible for the construction, operation, maintenance and repair of certain revenue-producing transportation facilities projects.

Relationship of the Department and the Authority

The Department is responsible for all State-owned transportation facilities and programs (except for certain transportation facilities projects of the Authority), including the planning, financing, construction, operation and maintenance of various transportation facilities, including the Project, and the performance of related licensing and administrative functions. The modal administrations of the Department created by statute are MAA, the Maryland Port Administration, the Motor Vehicle Administration, the Maryland Transit Administration and the State Highway Administration. The Department provides funds for the construction and operation of transportation facilities through a combination of taxes and fees, user charges, federal aid and bond proceeds credited to and expended from the Transportation Trust Fund of the Department.

Acting on behalf of the Department, the Authority has various powers and duties relating to the supervision, financing, construction, operation, maintenance and repair of transportation facilities projects. In addition to its existing transportation facilities projects, the Authority may authorize the acquisition, financing, or construction of any other projects for transportation facilities, including airport, highway, port, rail and transit facilities, as "transportation facilities projects." The Authority is empowered to finance the cost of transportation facilities projects by the issuance and sale of revenue bonds,

notes, or other obligations. The Maryland Secretary of Transportation, by statute, is the Chairman of the Authority.

Pursuant to the terms of the Financing Agreement, MAA, as the agent of the Authority, has agreed to construct, operate and maintain the Project. See “THE LEASE AND ASSIGNMENT AND THE FINANCING AGREEMENT – The Financing Agreement.”

Authority Membership

The Authority comprises the Maryland Secretary of Transportation, as Chairman, and six members appointed by the Governor of Maryland with the advice and consent of the Maryland Senate. The Chairman, John D. Porcari, serves at the pleasure of the Governor. The remaining members of the Authority are appointed for terms of three years, with the terms of two members expiring each year. The Authority acts by motions or resolutions that must be adopted by the affirmative vote of a majority of the appointed members of the Authority and concurred in by the Chairman.

The appointed members of the Authority, their principal occupations and the expiration of their terms of office are:

Andrew N. Barrow - Member since April 2002; term expires June 30, 2002.

Vice President for commercial lending, for commercial and retail banking institution.

Rev. Dr. William C. Calhoun, Sr. – Member since April, 1999; term expires June 30, 2002.

Pastor and civic leader.

Carolyn Wilson Evans – Member since July, 1995; term expires June 30, 2004.

Lawyer.

Louise P. Hoblitzell – Member since July, 1983; term expires June 30, 2004.

Consultant for investor communications.

John B. Norris, Jr., P. E. – Member since October 1997; term expires June 30, 2003.

Professional Engineer and president of civil engineering firm.

Walter E. Woodford, Jr., P. E. – Member since July, 1991; term expires June 30, 2003.

Consultant and former Vice President of the Rouse Company.

The Authority meets once a month to approve Authority contracts and to review and determine policies affecting the operation and management of the facilities owned and operated by the Authority. The day-to-day operation of such facilities is performed by the management and staff of the Authority, supervised by the Authority's Executive Secretary.

The members of the Authority receive nominal compensation for their services, as well as reimbursement for expenses incurred in the performance of their duties.

Organization of the Authority Staff

The Executive Secretary of the Authority is appointed by and reports directly to the Chairman and members of the Authority. The Executive Secretary is responsible for the overall operation, maintenance and coordination of the Authority's facilities.

The staff of the Authority is organized into the Divisions of Administration, Finance, Engineering, Strategic Development, and Organizational Development.

The Division of Administration provides all general and administrative services related to the Authority's employment, procurement and support facilities.

The Division of Finance is responsible for all financial and accounting services for the Authority. The Division of Finance oversees the investment of all Authority funds, prepares and maintains all financial records, reports and statistics, establishes procedures and methods for monitoring the collection, safeguarding and deposit of toll revenues, and prepares the audits and records of toll collectors' transactions. The Division of Finance also reviews and processes for payment all Authority expenditures. MAA, rather than the Authority's Division of Finance, will be responsible for these functions with respect to the Project.

The Division of Engineering develops plans for maintenance and capital improvement of the Authority's facilities and supervises all engineering and construction activities of the Authority. The Engineering Division is also responsible for developing invitations to bid or requests for proposals for all Authority construction and engineering consultant contracts. MAA, rather than the Authority's Division of Engineering, will be responsible for these functions with respect to the Project.

The Division of Strategic Development provides overall direction and management for the development of new facilities, projects, techniques, partnerships, and ventures for the Authority. MAA, rather than the Authority's Division of Strategic Development, will be responsible for these functions with respect to the Project.

The Division of Organizational Development integrates the functions of the Authority's former Office of Fair Practices (Equal Opportunity, Minority Business Enterprise, and Diversity Programs), Managing for Results/Continuous Quality Improvement Initiatives, and the Workforce Development Program. The Division of

Organizational Development also is responsible for developing Authority employee talent and recognizing Authority employee contributions.

In 1996, the Authority reorganized its operating administrations from division among bridges, tunnels and turnpikes to division on a regional basis. The Northern Regions consists of the John F. Kennedy Memorial Highway and the Susquehanna River Bridge. The Central Region includes the Fort McHenry Tunnel, the Baltimore Harbor Tunnel and the Baltimore Harbor Outer Bridge. The Southern Region includes the Chesapeake Bay Bridge and the Potomac River Bridge. The Authority created a new position of Assistant Executive Secretary to oversee all regional operations, law enforcement, and traffic management services. The Director of Facilities, also a new position, supervises toll and maintenance operations for the three regional administrations.

The Chief of the Maryland Transportation Authority Police manages the law enforcement activities at each of the Authority's facilities (except for the John F. Kennedy Memorial Highway, which is patrolled by the Maryland State Police by agreement with the Authority), at the Airport and at the Maryland Port Administration facilities. As of December 31, 2001, there were 401 sworn officers of the Maryland Transportation Authority Police.

As of December 31, 2001, 1,452 full-time and part-time employee positions were authorized by the Authority (including the Maryland Transportation Authority Police officers), of which 1,284 positions were filled.

Management

The following comprise the management of the Authority in connection with the issuance of the Series 2002 Bonds:

John D. Porcari, Chairman: Mr. Porcari was appointed Secretary for the Department in January, 1999. Prior to his appointment as Secretary, Mr. Porcari served as Deputy Secretary of Transportation since March, 1997. Before his work with the Department, he served as Vice President for Loiederman Associates, a civil engineering and land use consulting firm. Prior to Loiederman Associates, Mr. Porcari served as Assistant Secretary for Economic Development Policy for the Maryland Department of Business and Economic Development. He holds a Bachelor of Arts Degree in Political Science from the University of Dayton in Ohio and a Master of Public Administration degree from the Nelson A. Rockefeller College of Public Affairs and Policy, State University of New York at Albany.

Thomas L. Osborne, Executive Secretary: Mr. Thomas L. Osborne exercises overall management and operational responsibility for the Authority. He was appointed in March, 1997. Mr. Osborne is a former Deputy Secretary of the Department. Previously, he held positions as director of the Department's office of policy and governmental affairs, and director of planning and director of inspections and permits for

Anne Arundel County, Maryland. He has served on many boards and commissions, including the Chesapeake Bay Critical Areas Commission, and he is a past president of the Maryland Chapter of the American Planning Association. Mr. Osborne holds a Bachelor's degree in business and transportation from the University of Maryland and a Master's degree from the Urban Planning Program at the University of New Orleans.

Daniel F. McMullen, III, Assistant Executive Secretary: Appointed in August, 1999, Mr. McMullen assists the Executive Secretary with the overall management of the Authority. Prior to this appointment, Mr. McMullen served as Director of the Strategic Development Division for the Authority. Previously, Mr. McMullen served as one of the Authority's six governing members, appointed by the Governor with the advice and consent of the State Senate. Mr. McMullen also served as County Administrator for Allegany County in Western Maryland. Mr. McMullen was a corporate officer with the Times and Alleganian Company, publishers of Cumberland Maryland's daily newspaper, for 25 years.

Deborah A. Donohue, Esq., Principal Counsel: Ms. Donohue was named Principal Counsel for the Authority in February, 2000. Ms. Donohue had served in this position in an acting capacity since August, 1999, and she previously served as an Assistant Attorney General for the Authority from February, 1991 until February, 1997. From 1997 through August, 1999 Ms. Donohue was an Assistant Attorney General for the Department. As Principal Counsel, Ms. Donohue supervises the activities of the Authority's legal staff, drafts and reviews agency contracts, supervises tort defense and contract claim litigation, and advises the Authority and its employees regarding operations, management, financial, real-estate, risk-management and information-technology issues. Ms. Donohue received a Bachelor's degree from the College of Notre Dame of Maryland, earned a Juris Doctor degree at the University of Maryland School of Law, and holds a Master of Public Administration degree from the Yale Gordon College of Liberal Arts, University of Baltimore. She is a member of the Maryland and District of Columbia Bars.

Steven E. Welkos, Director of Finance: Mr. Welkos was named Director of Finance for the Authority in July, 2000. Prior to joining the Authority, Mr. Welkos served as Director of Finance for the St. Mary's County government since 1995. Previously, Mr. Welkos was a fiscal/management specialist with Johnson, Bassin, and Shaw, Inc., as well as finance director and budget director for the Anne Arundel County government. As Director of Finance, Mr. Welkos supervises the activities of the division's staff, advises the Authority's Chairman, members and executive management on the Authority's fiscal issues, prepares and monitors an annual budget of more than \$200 million and manages the Authority's public bond activities. Mr. Welkos was awarded his B.A. degree from the University of Delaware and has an M.S. degree in Administration from George Washington University concentrating in public financial management and budgeting. He studied accounting at Towson University. He is a member of the Maryland Government Finance Officers Association and the Government Finance Officers Association of the United States.

Joseph C. Waggoner Jr., Director of Strategic Development: Prior to joining the Authority, Mr. Waggoner served as Assistant Director for the Department's Office of Planning and Capital Programming since May, 1989. Previously, Mr. Waggoner was a planner for both MAA's Office of Planning and Engineering, and the Maryland State Highway Administration's Bureau of Highway Planning and Program Development. As Director of Strategic Development, he oversees the Authority's role in creating new projects, partnerships and other ventures that benefit the State's transportation system, manages the Authority's public-private-partnership program, and provides direction for Authority operations through development of the Authority's strategic plan and six-year business plan. Mr. Waggoner received a Bachelor's degree from Towson University and is pursuing a Master's degree in public policy from the University of Maryland, College Park.

Gregory A. Brown, Director of Intergovernmental Projects: Mr. Brown joined the Authority in September, 2000. Prior to joining the Authority, Mr. Brown served as Deputy Chief Financial Officer for the District of Columbia's Department of Corrections since 1998. Previously, Mr. Brown was Branch Chief for Public Education and Community Services with the District's Office of Budget and Planning and also held fiscal oversight positions with Baltimore City Community College, the National Association of State Budget Officers, and the Maryland General Assembly. As Director of Intergovernmental Projects, he oversees Authority projects that involve the Department, other State agencies and local governments, and, as part of the Authority's management team, he joins other senior managers in the overall administration of Authority activities, while meeting established goals within the Authority's mission and strategic plan. Mr. Brown holds undergraduate and graduate degrees in economics from Morgan State University.

THE MARYLAND AVIATION ADMINISTRATION

MAA was established by the Maryland General Assembly on July 1, 1971. MAA, as provided by Title 5 of the Transportation Article of the Annotated Code of Maryland, as amended, is responsible for fostering and developing aviation activity and facilities throughout the State and operating State-owned airports. By legislative action in the 1972 Session of the General Assembly, ownership of the Airport was acquired by the State from the City of Baltimore on July 26, 1972 and responsibility for its operation, maintenance, protection and development was assigned to MAA. Martin State Airport ("MTN") was purchased by the State on July 1, 1975. MAA operates MTN as a joint facility, serving the needs of private and corporate aircraft owners and two squadrons of the Maryland Air National Guard and the Maryland State Police. In addition to filling the present need for such facilities, MTN serves as a federally designated reliever airport for noncommercial air carrier traffic at the Airport.

MAA Staff

The Executive Director is responsible for carrying out the powers and duties vested by law in MAA and for adopting and carrying out regulations.

The Executive Office includes a Chief of Staff, two Deputy Executive Directors, one for Airport Operations and the other for Development and Administration, an Assistant Deputy Executive Director working within Development and Administration, the Assistant Attorneys General and the Office of Fair Practices. Also included in the Executive Office is the Division of Information Technology, the Office of Regional Aviation Assistance, which provides inspection, financial support and technical assistance to non-State-owned airport sponsors, and the Office of Marketing and Air Service Development.

Within Airport Operations are the Office of Airfield Operations and Security; the Office of Landside Operations, Safety and Martin State Airport, which includes the BWI Fire and Rescue Department, the Communications Center, Terminal and Transportation Services, and Martin State Airport; and the Office of Airport Maintenance and Utilities.

Within Development and Administration are the Office of Facilities Development, Office of Facilities Planning, Office of Commercial Management and Office of Finance and Administration. The Office of Facilities Development is composed of five areas: procurement, real estate, facilities design, facilities construction, and responsibility for the preparation of MAA's capital program. The Office of Facilities Planning emphasizes airport and aviation planning functions to include facilities planning, aviation noise, programs, environmental planning and comprehensive programs. The Office of Commercial Management is responsible for developing, negotiating and monitoring leases, concession agreements and contracts. The Office of Finance and Administration includes the Division of Finance and the Division of Aviation Financial Planning and Analysis, in addition to the Division of Human Resources and Administration. In addition, Risk Management and Strategic Services are located within this office.

The Office of Commercial Management is responsible for the overall monitoring of the Lease and Concession Contracts. Working along with the Office of the Attorney General, the Office of Finance and Administration (including the Accounting Section), the Office of Facilities Planning (including the Division of Environmental Planning) and the Division of Terminal and Transportation Services, the Office of Commercial Management is responsible for ensuring timely payments of all monies due to MAA and the Trustee; ensuring the continuing quality of service; and dealing with any issues that might arise in customer service. The Office of Commercial Management develops all contracts and agreements pertaining to the operation of the Project.

The following comprise the principal managerial staff of MAA:

Paul J. Wiedefeld, Executive Director. On April 17, 2002, Mr. Wiedefeld was appointed as Executive Director of MAA. Mr. Wiedefeld began his career in transportation in 1981, holding transportation planning positions in both State and local governments. In 1991, Mr. Wiedefeld was named Director of the Maryland Department of Transportation's Office of Systems Planning and Evaluation, in which capacity he

oversaw the development of the State's \$4.6 billion six-year transportation capital building program, including improvement projects at the Airport. He also was responsible for managing in-depth and independent peer reviews of major Department of Transportation projects including the International Concourse at the Airport and the Light Rail extension to the Airport. From 1994 until his appointment, Mr. Wiedefeld served as Vice President with the engineering firm of Parsons, Brinckerhoff, Quade and Douglas, Inc. and was the business unit manager for that company's Baltimore office. Mr. Wiedefeld holds a Bachelor's degree in political science from Towson University and a Master's degree in City and Regional Planning from Rutgers University.

Kirk Wineland, Deputy Executive Director. Kirk Wineland was named Deputy Executive Director of MAA in December, 1998. In this capacity, Mr. Wineland is responsible for managing MAA's Offices of Facilities Development, Facilities Planning, Finance & Administration and Commercial Management. Previously, Mr. Wineland was in general practice of law, with an emphasis on corporate, medical malpractice, negligence and family law. Before starting his own law practice, Mr. Wineland served on the Prince George's County Council from 1986 to 1994. He served as Chairman of the County Council in 1994. On the council, his responsibilities included managing the County's \$2 billion annual budget, overseeing planning and zoning, and directing the growth and operation of a regional public water and sewer program. Mr. Wineland also hosted a cable television program that highlighted issues of community and regional interest. Mr. Wineland is a past Chairman of the Board of Directors of the Washington Metropolitan Area Transit Authority and a commissioner for the Washington Suburban Transit Commission. He is a member of the Prince George's County Bar Association and admitted to practice in the Court of Appeals of Maryland and the United States District Court for Maryland. Mr. Wineland received his Juris Doctor degree from the Columbus School of Law at the Catholic University of America in Washington, D.C., and his Bachelor of Arts degree in Political Science from Washington College in Chestertown, Maryland.

Stephen D. Sheehan, Deputy Executive Director, Airport Operations. Mr. Sheehan came to MAA from Cleveland Hopkins International Airport in July, 1998 to serve as the Associate Administrator, Office of Airport Operations. In July, 2001, he was named Deputy Executive Director, Airport Operations. While at Cleveland, he served as Deputy Commissioner for Operations for 18 months and as the Airport Commissioner for over four years. Mr. Sheehan retired from the U. S. Air Force in 1992 with the rank of Colonel. From 1989 through 1991, he was base commander for the largest U. S. airlift airbase in England. His base responsibilities included airfield operations, civil engineering, disaster response, airfield security and firefighting. Mr. Sheehan previously served as group and squadron commander, inspector general, chief of air operations training and test pilot. He is a Vietnam veteran. Mr. Sheehan began his military career in 1965 with a Bachelor's degree from the U. S. Air Force Academy. He earned a Master's degree in aviation management from Embry Riddle Aeronautical University, graduating with honors. He also attended the U. S. Air Force Air War College and Base Commanders School.

Louisa Goldstein, Principal Counsel: Ms. Goldstein has served as Principal Counsel for MAA since February, 1989. From 1980 through February, 1989, Ms. Goldstein served as Assistant Attorney General for the State Highway Administration. As Principal Counsel, Ms. Goldstein supervises the activities of MAA's legal staff, drafts and reviews agency contracts, supervises tort defense and contract claim litigation, and advises MAA and its employees regarding federal law relating to airports, operations, security, management, financial, real estate, risk-management, environmental, land use and noise, procurement and personnel issues. Ms. Goldstein received a Bachelor of Arts degree from the American University, earned a Juris Doctor degree from the Washington College of Law, American University, and holds a Master of Taxation degree from the Georgetown University Law Center. She is a member of the Airports Council International – North America Legal Steering Committee. She is a member of the Maryland and District of Columbia Bars.

Patricia E. Crosby, Director, Finance & Administration. Ms. Crosby was appointed Director of Finance & Administration in June, 1998. She has worked over 29 years with the State of Maryland of which over 17 years have been with transportation-related activities. From 1980 to 1994, Ms. Crosby worked for the Department as a Budget Analyst, Senior Budget Analyst, Director of Budget and Director of Accounting. Ms. Crosby is a graduate of the University of Maryland, College Park with a Bachelor of Science degree in Accounting and a Master of Public Policy degree with a concentration in Public Sector Financial Management from the University of Maryland School of Public Affairs.

THE BALTIMORE/WASHINGTON INTERNATIONAL AIRPORT

General

The Airport is one of the three major airports serving the Baltimore-Washington metropolitan area, which is the fourth largest population and travel market in the United States. Located 10 miles south of Baltimore and 29 miles north of Washington, D.C., the Airport is situated on a 3,200-acre site in Anne Arundel County, Maryland. The Airport is a major commercial air carrier airport, ranking 24th in the U.S. based on total calendar year 2001 passenger traffic. As of January 24, 2002, the Airport's domestic and international carriers conducted over 369 daily departing flights, providing nonstop service to 63 domestic and international markets.

Recent Market Trends

The Baltimore/Washington region consists of the Baltimore Metropolitan Statistical Area ("MSA") and the Washington MSA. The primary Air Trade Area ("Air Trade Area") for the Airport comprises the Baltimore MSA, which includes Baltimore City and the Maryland counties of Anne Arundel, Baltimore, Carroll, Harford, Howard and Queen Anne's. The secondary Air Trade Area extends to the Washington MSA as well as the York-Lancaster-Harrisburg area of southcentral Pennsylvania. In addition to serving the 2.6 million residents of the Baltimore Air Trade Area, the Airport functions as

a mid-Atlantic gateway airport, with direct access to the interstate highway and Northeast Corridor rail systems. During Fiscal Year 2001, approximately 10.3 million passengers were enplaned at the Airport, up from 9.2 million in Fiscal Year 2000. This 12.0% increase made the Airport the fastest growing major commercial air carrier airport in the United States, based on a comparison of statistics compiled by the Airports Council International-North America.

The large market area served by the Airport, combined with a convenient terminal layout, an uncongested airfield system, and close proximity to many East Coast destinations has made the Airport an East Coast focus for air carriers launching high-frequency, low-cost service. Southwest Airlines, pursued by many U.S. communities seeking its service, selected the Airport as its first East Coast airport in Fiscal Year 1994. According to the U.S. Department of Transportation (the "USDOT"), Southwest Airlines has significantly changed the West Coast and other markets in the past four years by introducing low-priced, high-frequency service, spearheading a structural shift in the air transportation industry through its low operating costs and point-to-point service patterns. The resulting impact on airports and markets served by Southwest Airlines, characterized by the USDOT as the "Southwest effect," is that Southwest Airlines, as well as incumbent carriers making a competitive response in the same or similar markets, has generated traffic at unprecedented levels in a number of service areas.

Southwest Airlines' decision to bring its high-frequency low cost service to the Airport has had a substantial, positive impact on the Airport's local origin and destination ("O&D") traffic base. From a modest beginning in 1994 with 14 flights to three cities, Southwest Airlines has increased operations to 137 flights to 32 destinations, an annual compound growth rate in excess of 32%. Passenger enplanements for Southwest Airlines increased from 774,300 in Fiscal Year 1996 to approximately 3.8 million in Fiscal Year 2001.

Also during the period of Fiscal Year 1996 through Fiscal Year 2001, strong growth occurred in America West operations. Additionally, growth was also experienced for Delta, United and Northwest. US Airways, on the other hand, experienced a decline in enplaned passengers during this period due to a continued reduction in service at the Airport. Once the dominant carrier at the Airport, its role has been replaced by Southwest Airlines.

International air carriers serving the Airport benefit from many of the same favorable market conditions. Nonstop service is provided from the Airport to Iceland, England, Gambia (with one-stop service to Ghana), Jamaica, Canada and Puerto Rico. Icelandair has service to Scandinavia and other European points via its hub in Reykjavik. Air Canada has nonstop service from the Airport to Toronto, with connections to points throughout Canada. British Airways provides the Airport with daily nonstop service to London's Heathrow Airport. In addition, scheduled Airport international services are also offered by Air Jamaica and Ghana Airways. Scheduled charters and similar international services include seasonal service by Apple Vacations and Vacations Express from the Airport with direct flights to Cancun, Nassau, Punta Cana, and Puerto Vallarta.

The closest alternative international facilities are Washington Dulles International Airport and Philadelphia International Airport.

Existing Airport Facilities

The major airfield facilities at the Airport consist of four runways: east-west Runway 10/28 is currently 10,500 feet long and 200 feet wide; northwest-southeast Runway 15R/33L is 9,500 feet long and 150 feet wide; northeast-southwest Runway 4/22 is 6,000 feet long and 150 feet wide; and northwest-southeast commuter Runway 15L/33R is 5,000 feet long and 100 feet wide. Runways 10/28, 15R/33L, and 15L/33R are all equipped with precision Instrument Landing Systems (“ILS”). Runway 10/28 is equipped with Category II landing aids and the other runways are Category I qualified. Associated taxiways provide efficient access from the runways to the airline parking, general aviation, and air cargo ramps.

The passenger terminal, consisting of approximately 850,000 square feet, comprises five concourses and 76 gates (62 jet and 14 commuter). The terminal contains facilities for a number of activities, including; baggage claim, federal inspection services, rental cars, ground transportation, airline ticket counters, airline operations, food and beverage, news and gift, retail, restrooms, telephones, and public circulation areas.

The air cargo complex at the Airport comprises five buildings located adjacent to Aviation Boulevard (Md. Rte. 170), and three buildings located on Elm Road. The eight buildings combined contain approximately 335,000 square feet of cargo building space. The Airport also recently opened the first phase of a mid-field cargo complex. The complex is operated by a private company, AFCO Cargo BWI II, LLC.

General aviation facilities are located on the northeast side of the Airport. These general aviation facilities include several hangar buildings and the fixed base operator facilities, along with a 22-acre aircraft and parking ramp.

Amtrak’s BWI Airport Rail Station is located on the intercity high-speed rail line that extends from Washington, D.C. to New York City, and on to Boston. The Station also accommodates the local Maryland Rail Commuter (“MARC”) service between the Baltimore metropolitan area and Washington, D.C. MAA operates shuttle services to and from the Airport passenger terminal and the MARC BWI Airport Rail Station. Howard County Transit, Annapolis Transit, and the Washington Metropolitan Area Transit Authority (“WMATA”) also provide bus service to the Airport from Columbia, Maryland, Annapolis, Maryland and the Greenbelt Metro Station along the WMATA metrorail system within Maryland, Virginia and Washington, D.C., with stops at the BWI Airport Rail Station. These services have been introduced within the past year.

THE LEASE AND ASSIGNMENT AND THE FINANCING AGREEMENT

The Lease and Assignment

Pursuant to the terms of a Lease of Consolidated Rental Car Facility at the Baltimore/Washington International Airport and Assignment of Pledged Revenues dated May 1, 2002 (the “Lease and Assignment”), (i) MAA has leased to the Authority the site on which the Project will be built and the improvements thereon, and the Authority has leased back such property to MAA, and (ii) MAA has assigned to the Authority all of its right, title and interest in and to the Pledged Revenues. The Lease and Assignment conveys an interest in approximately 92.5 acres of land, for a term extending to the earlier of July 1, 2035, and the date on which the principal of and interest and premium, if any, on all of the Bonds shall have been paid or provision for the payment thereof shall have been made in accordance with the Trust Agreement and all other amounts payable under the Financing Agreement shall have been paid. As agent of the Authority, MAA retains control of and operational responsibility for the Project. The Authority is not obliged to pay rent under the Lease and Assignment.

The Financing Agreement

The Authority and MAA have entered into an Agreement on Financing Airport Facilities Project at Baltimore/Washington International Airport (Consolidated Rental Car Facility) dated as of May 1, 2002 (the “Financing Agreement”), whereby the Authority, subject to certain conditions, has agreed to finance the Project and has designated MAA as its agent for the development, design, operation, insurance, security and maintenance of the Project. The financing of Project by the Authority is authorized under Titles 4 and 5 of the Transportation Article of the Annotated Code of Maryland.

The Authority and MAA have each agreed in the Financing Agreement to take any actions necessary to comply with federal and State law, regulations, directives and executive orders and federal grant assurances with respect to the Project or the Airport and any existing or future agreements between MAA and the United States Government relative to the operation and maintenance of the Project or the Airport, the execution of which has been or may be required as a condition precedent to the transfer of federal rights or property to MAA for Airport purposes, or to the expenditure of federal funds for the development of the Airport, in accordance with any applicable federal law.

THE PROJECT

General Description

The Project will be located on an approximately 92.5-acre tract of land along Stoney Run Road on the Airport property, approximately two miles from the Airport terminal. The Project will consolidate all rental car operations at the Airport in a single facility, with new consolidated and maintenance/storage facilities for the Operators, plus common shuttle buses, a shuttle bus maintenance facility and certain infrastructure

improvements. The Project will accommodate approximately 8,300 vehicles, with room for expansion if additional capacity is needed.

The Project will include the following components:

- an approximately 46,000-square-foot common customer service building complex containing customer service and administrative areas for up to ten Operators, public circulation areas, public restrooms, the potential for a small concession area, vending areas, administrative offices and support space;
- a two-level, 2.1-million-square-foot ready-return parking area, with the first level primarily devoted to customer rental/return activities and the second level devoted to storage facilities dedicated to individual Operators;
- a pick-up and drop-off area for shuttle buses;
- on-grade vehicle service and storage facilities dedicated to individual Operators;
- a shuttle bus maintenance facility; and
- related roadways, utilities, landscaping and associated infrastructure.

As a part of the development of the consolidated rental car facility, MAA has already acquired all of the land needed for the site for the Project, and will be acquiring 25 shuttle buses to provide customer access to and from the terminals. Neither this land nor these shuttle buses are being financed with the proceeds of the Series 2002 Bonds; the land was acquired with moneys appropriated by the Maryland General Assembly, and the shuttle buses are expected to be acquired with CFCs collected in Fiscal Year 2002. See “Project Budget” below.

Project Budget

The Authority estimates that the total cost of the Project and related project costs will be approximately \$131.3 million. The construction budget for the components of the Project and related project costs is as follows:

<u>Project Component</u>	<u>Budgeted Cost (000)</u>
Design	\$ 6,484
Property Acquisition	5,639
Parking Structure	82,513
Customer Service Building	10,258
Bus Maintenance Facility	8,200
Shuttle Bus Acquisition	8,375
Utilities, Roads, Environmental, etc.	2,590
Construction Management	<u>7,200</u>
Total:	<u>\$131,260</u>

Design and Construction

MAA has engaged the firm Michael Baker, Jr. to plan and design the Project. Michael Baker, Jr. has completed design of all of the Project components except for the shuttle bus maintenance facility. MAA has engaged Parson Brinkerhoff Construction Services to provide construction management and inspection services for the Project.

Facchina Construction Company is the construction contractor for the ready-return parking area and structure, the site infrastructure and roadway improvements. This contract was awarded on August 29, 2001, with completion expected in November, 2003.

MAA has received bids for the construction contract for the common customer service building complex. The apparent low bidder and apparent winner was Atlantic Builders Group. MAA expects to award this contract in late June, 2002, and expects this contract to be completed by November, 2003.

The bus maintenance facility is currently in design. MAA expects the first phase for site work and roadway upgrades to begin in August, 2002 with construction of the facility to begin in early 2003. MAA expects the facility to be completed by November, 2003.

MAA expects to purchase the shuttle buses between August, 2002 and August, 2003.

Operation and Maintenance

Pursuant to the Lease and Concession Contracts, the operation and maintenance of the Project is the responsibility of a consortium composed of all of the Operators (the "Consortium"). The Consortium will be a separate legal business entity responsible for certain common use operational and maintenance costs and responsibilities as detailed in the Lease and Concession Contracts. The operating and maintenance requirements of the Consortium also include environmental responsibilities, including but not limited to, maintenance, clean-up, penalties and fines. The Consortium will operate bus service for the transportation of rental car customers between the Airport terminal and the Project. The Consortium will be responsible for keeping the common use portion of the Project in good order and state of repair, cleaning up all leaks from vehicles thereon, and providing and paying for the maintenance and cleaning of those areas in accordance with a schedule that is approved by MAA. The Consortium will be obligated to make all repairs, renewals and replacements to the common use portion of the Project, including, but not limited to, the roadways, parking lots, fences, sidewalks and landscaped areas, as and when necessary to keep the same free of unlawful obstructions and safety hazards.

SOURCES AND USES OF FUNDS

MAA estimates that the proceeds of the Series 2002 Bonds, together with interest earnings thereon and other available funds, will be sufficient to pay the entire costs of the

Project and related projects. The table below sets forth the estimated sources and uses of Series 2002 Bond proceeds:

Sources

Series 2002 Bond Proceeds.....	\$117,345,000
Available CFC Revenues.....	<u>351,432</u>
Total Sources of Funds	<u>\$117,696,432</u>

Uses

Deposit to Project Fund	\$ 79,295,190
Reimbursement to the Department	34,898,815
Deposit to Coverage Fund	1,361,001
Costs of Issuance*	1,620,057
Underwriter's Discount.....	<u>521,369</u>
Total Uses of Funds	<u>\$117,696,432</u>

* Includes legal, advisory, ratings, printing services, bond insurance and surety bond premiums, miscellaneous transaction costs and contingency.

THE RENTAL CAR COMPANIES

General

Eight Operators have executed and delivered Lease and Concession Contracts and intend to use and occupy the Project and collect and remit CFCs. These Operators are: ANC Rental Corporation, d/b/a Alamo; Avis Rent A Car System, Inc.; Budget Rent A Car Systems, Inc.; Dollar Rent A Car Systems, Inc.; Enterprise Leasing, Inc.; The Hertz Corporation; National Car Rental System, Inc.; and Thrifty Rent-A-Car System, Inc. For a further description of each of the Operators, as well as a discussion generally of the rental car industry and market, both nationally and at the Airport, see Section III of the Feasibility Report included in APPENDIX A. MAA may in the future enter into Lease and Concession Contracts with other Operators.

Lease and Concession Contracts

Under each Lease and Concession Contract, each Operator has been granted the non-exclusive right to operate a concession for the rental of motor vehicles to the public at the Airport and is required to pay to MAA certain concession privilege fees. In addition, each Lease and Concession Contract requires each Operator to collect from

customers renting a motor vehicle at the Project the CFC and remit CFC revenues to the Trustee no later than the 20th day of the month following the month of collection.

Each Lease and Concession Contract requires the respective Operator to provide MAA with a performance bond in the amount of four months of estimated CFC collections for such Operator. Such performance bonds are intended to assure the remittance of all CFC revenues collected, and are subject to claim in full or in part by MAA in the event an Operator fails to remit CFCs collected on a timely basis as required by its Lease and Concession Contract.

MAA has initially set the CFC rate at \$3.00 per transaction day. MAA has the right under the Lease and Concession Contracts to adjust the amount of the CFC, at such other times as it deems necessary, upon 60 days prior written notice to the Operator.

In addition, the Lease and Concession Contracts require each Operator to pay Contingent Rent. Contingent Rent is due if, after MAA has set the CFC rate at \$3.75 per transaction day for a Bond Year, the estimated CFC revenues for that Bond Year are less than the estimated Total Annual Cost for such Bond Year. "Total Annual Cost" means an amount in any Bond Year not exceeding: (a) certain capital and operating costs related to existing rental car facilities to the extent not already reimbursed to MAA; (b) costs associated with issuing the Series 2002 Bonds; (c) provision for debt service on the Bonds, debt service coverage, and any administrative expenses of the Trustee and MAA associated with the Bonds; (d) certain other capital costs funded by the Department or the State; (e) any deficits from the previous Bond Year(s); (f) the amounts required to be deposited in the Debt Service Reserve Fund or the Coverage Fund; and (g) any rebate or installment thereof payable to the United States of America with respect to any tax exempt Bonds. Contingent Rent is payable in the amount of the excess of Total Annual Cost over CFCs collected for that Bond Year, allocated to each Operator in proportion to the amount of space it leases at the Project. If Contingent Rent is due, MAA shall give the Operators 60 days notice, after which Contingent Rent is due monthly in advance. Contingent Rent is subject to reconciliation, with underpayments or overpayments due to the respective parties within 90 days of the end of such Bond Year. In the event MAA imposes Contingent Rent, then each Operator is required to have in place a performance guarantee (in the form of a bond, a cashier's check, certified check, bank certificate of deposit acceptable to MAA, or bank irrevocable letter of credit) in an amount equal to one-half of such Operator's Contingent Rent obligation anticipated for the forthcoming 12 month period, as determined by MAA.

Each Lease and Concession Contract has a term of 120 months from the date of beneficial occupancy of the Project, plus one ten-year renewal at the option of MAA. Upon an Operator's default, MAA may terminate the respective Lease and Concession Contract and evict such Contractor, among other remedies. Each Operator may terminate its Lease and Concession Contract upon 90 days notice to MAA if such Operator's obligations to MAA and the Trustee are paid in full through the date of termination and any of the following events materially interferes with such Operator's normal business operations or substantially diminishes such Operator's gross revenues from renting

vehicles at the Airport: (a) the destruction of all or a material portion of the Airport facilities; (b) the occupation of the Airport or a substantial part thereof by an agency or instrumentality of the United States Government or State or local government; or (c) a military mobilization or public emergency wherein there is a curtailment, either by executive decree or legislative action, of normal civilian traffic at the Airport or the use of air transportation by the general public.

The Operators have not guaranteed the payment of principal of or interest on the Series 2002 Bonds, and no properties or revenues of the Operators are pledged as security therefor. In addition, the Operators have not guaranteed the collection or payment of the CFCs from persons to whom it is charged; they are only obligated to remit the CFCs actually collected and to pay Contingent Rent.

CFC Collections History

MAA has been collecting CFCs at the Airport since March, 2001. The following chart sets forth the history of CFCs collected and remitted to MAA for each month from March, 2001 through April, 2002:

<u>Month/Year of Collection*</u>	<u>Amount Collected and Remitted</u>
March 2001	\$ 697,790
April 2001	956,332
May 2001	1,092,369
June 2001	1,154,319
July 2001	1,151,206
August 2001	1,250,289
September 2001	859,341
October 2001	1,064,509
November 2001	870,690
December 2001	707,720
January 2002	670,964
February 2002	637,883
March 2002	788,607
April 2002	832,475

* CFCs collected in a given month are required to be remitted by the 20th day of the following month.

FEASIBILITY REPORT

General Description

The Feasibility Consultant prepared the Feasibility Report dated as of May 24, 2002, included herein as APPENDIX A. The Feasibility Report describes the Project, discusses the national rental car market, describes the economic base supporting the

rental car market at the Airport, uses an economic model to set forth trends and forecasts in rental car demand at the Airport, describes various factors that may have an impact on the rental car demand at the Airport and discusses the financial framework for the Series 2002 Bonds, including preliminary projections of annual debt service requirements with respect to the Series 2002 Bonds, CFC collections, projections of revenues pursuant to the Trust Agreement, cash flow projections and Rate Covenant calculations. The Feasibility Report should be read in its entirety for an understanding of the economic model, transaction day forecast assumptions and the basis for the financial analysis.

The Feasibility Report has been appended hereto in reliance upon the knowledge and experience of Unison-Maximus, Inc. as airport consultants. Unison-Maximus, Inc. is an aviation planning consulting firm and wholly-owned subsidiary of MAXIMUS, INC.

As noted in the Feasibility Report, any forecast is subject to uncertainties. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecasts and actual results, and those differences may be material. See “INVESTMENT CONSIDERATIONS.”

Forward-Looking Statements

This Official Statement, and particularly the information contained under this caption, the caption “INVESTMENT CONSIDERATIONS,” and in APPENDIX A contains statements relating to future results that are “forward-looking statements” as defined in the Private Securities Litigation Reform Act of 1995. When used in this Official Statement, the words “estimate,” “forecast,” “intend,” “expect” and similar expressions identify forward-looking statements. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecasts and actual results, and those differences may be material. For a discussion of certain of such risks and possible variations in results, see “INVESTMENT CONSIDERATIONS” herein (specifically, the information under the subheadings “Achievement of Projections,” “Airline Industry and Airport Factors,” “Construction of Projects” and “Competition and Alternate Modes of Transportation”) and Section V of APPENDIX A hereto.

DEBT SERVICE SCHEDULE

The following table sets forth for each Bond Year ending July 1 the scheduled annual debt service requirements of the Series 2002 Bonds, including the amount required to pay principal (whether at maturity or by mandatory sinking fund redemption) and for payment of interest on each January 1 and July 1 of such Bond Year, beginning January 1, 2003.

[chart appears on following page]

Bond Year Ending July 1	Principal Payment	Interest	Total
2003	\$ 600,000	\$7,706,558	\$8,306,558
2004	1,630,000	7,441,519	9,071,519
2005	1,690,000	7,382,350	9,072,350
2006	1,760,000	7,312,046	9,072,046
2007	1,840,000	7,229,326	9,069,326
2008	1,935,000	7,137,142	9,072,142
2009	2,035,000	7,035,361	9,070,361
2010	2,145,000	6,923,640	9,068,640
2011	2,270,000	6,801,804	9,071,804
2012	2,400,000	6,669,236	9,069,236
2013	2,545,000	6,527,876	9,072,876
2014	2,710,000	6,362,960	9,072,960
2015	2,885,000	6,187,352	9,072,352
2016	3,070,000	6,000,404	9,070,404
2017	3,270,000	5,801,468	9,071,468
2018	3,480,000	5,589,572	9,069,572
2019	3,705,000	5,364,068	9,069,068
2020	3,945,000	5,123,984	9,068,984
2021	4,200,000	4,868,348	9,068,348
2022	4,475,000	4,596,188	9,071,188
2023	4,765,000	4,306,208	9,071,208
2024	5,080,000	3,989,335	9,069,335
2025	5,420,000	3,651,515	9,071,515
2026	5,780,000	3,291,085	9,071,085
2027	6,165,000	2,906,715	9,071,715
2028	6,575,000	2,496,743	9,071,743
2029	7,010,000	2,059,505	9,069,505
2030	7,480,000	1,593,340	9,073,340
2031	7,975,000	1,095,920	9,070,920
2032	<u>8,505,000</u>	<u>565,582</u>	<u>9,070,582</u>
Total	<u>\$117,345,000</u>	<u>\$154,017,143</u>	<u>\$271,362,143</u>

Note: Totals may not add due to rounding.

INVESTMENT CONSIDERATIONS

General

In considering the matters set forth in this Official Statement, prospective investors should carefully review all investment considerations set forth throughout this Official Statement, and should specifically consider certain investment considerations associated with the Series 2002 Bonds. The material under this heading is a discussion of some, but not necessarily all, of the possible investment considerations that should be evaluated carefully by prospective purchasers of the Series 2002 Bonds prior to any investment. The Series 2002 Bonds may not be suitable investments for all persons, and

prospective purchasers should be able to evaluate the risks and merits of an investment in the Series 2002 Bonds, and confer with their own legal and financial advisors before considering a purchase of any Series 2002 Bonds.

Insurer

The ability of the Insurer to provide funds to make principal and interest payments on the Series 2002 Bonds in accordance with the Municipal Bond Insurance Policy and the Surety Policy is based solely upon the Insurer's general credit, and is not secured or otherwise guaranteed by any other entity or amounts. The Authority is under no obligation to supply, or cause to be supplied, an alternate insurance policy or surety policy if the Insurer fails to pay as required under the Municipal Bond Insurance Policy or the Surety Policy, as the case may be, or becomes insolvent or bankrupt, or if the ratings on the Series 2002 Bonds are reduced or withdrawn. If the Insurer becomes insolvent or bankrupt while the Municipal Bond Insurance Policy and Surety Policy are outstanding, the owners of the Series 2002 Bonds may become general unsecured creditors of the Insurer. Prospective purchasers of the Series 2002 Bonds should analyze the financial condition of the Insurer carefully to determine whether it has the ability to make payments required under the Municipal Bond Insurance Policy and the Surety Policy. For a description of the Insurer, see "MUNICIPAL BOND INSURANCE."

Achievement of Projections

The collection and remittance of Pledged Revenues in amounts sufficient to pay debt service on the Series 2002 Bonds when due is affected by and subject to conditions which may change in the future to an extent and with effects that cannot be determined at this time. No absolute representation or assurance is given or can be made by the Authority, the Department or MAA that Pledged Revenues will be realized in amounts sufficient to pay debt service when due on the Series 2002 Bonds.

The receipt of CFCs is subject to, among other factors, the origin and destination passenger activity levels at the Airport in the future, the level of rental car activity at the Airport in the future, future economic conditions, and other conditions which are impossible to predict. The future collection and remittance of CFCs will have a direct impact on the payment of principal of and interest on the Series 2002 Bonds.

As noted in the Feasibility Report, any forecast or projection is subject to uncertainties. Inevitably, some assumptions used to develop the forecasts will not be realized, and unanticipated events and circumstances may occur. Therefore, the actual results achieved during the forecast period will vary, and the variations may be material. See "FEASIBILITY REPORT" in APPENDIX A.

Airline Industry and Airport Factors

The factors affecting aviation activity with respect to the Airport and the resulting impact on the rental of motor vehicles at the Project include: airlines' service and route

networks; the financial health and viability of the airline industry; levels of disposable income; national and international economic and political conditions; the availability and price of aviation fuel; levels of air fares; the capacity of the national air traffic control system; and the capacity at the Airport and the Project.

Recent events in particular have changed airline industry conditions. On September 11, 2001, terrorists seized control of four U. S. commercial passenger flights, crashing two aircraft into the World Trade Center towers in New York City, one aircraft into the Pentagon in Arlington, Virginia, and one aircraft in Somerset, Pennsylvania. These catastrophic events caused the complete shut-down of the United States aviation system. The Airport reopened on September 13, 2001, but with significantly lower traffic levels. Air travel demand has weakened as consumers are now concerned about the safety of the U. S. air transportation system. Moreover, heightened security procedures have increased passenger processing times at airports, creating additional disincentives for air travel. There can be no assurance that the events of September 11, 2001, will not reduce the demand for air travel over an extended period. Furthermore, there can be no assurance that future terrorist acts will not occur and further reduce the demand for air travel. Any such reduction in the demand for air travel may adversely affect the level of Pledged Revenues available to pay debt service on the Series 2002 Bonds.

Even prior to September 11, 2001, the financial results of the airline industry were subject to substantial volatility; such volatility can be expected to continue. If an airline executing a lease and use agreement with MAA were to file for protection in the future under the United States Bankruptcy Code, it (or a trustee on its behalf) would have the right to seek rejection of its lease and use agreement, which could have a negative impact on passenger activity at the Airport, the number of persons renting motor vehicles at the Project and the collection of Pledged Revenues.

The financial strength and stability of the airlines using the Airport are key determinants of future passenger traffic and the number of available rental car customers. No assurance can be given that one or more airlines will not reduce or discontinue operations at the Airport during the term of the Series 2002 Bonds. In the event that any existing or future airline tenant of MAA reduces or discontinues its operations at the Airport, its level of activity may not be replaced by other carriers. Accordingly, although rental car activity at the Airport is not strictly a function of any one airline's passenger activity, no assurance can be given as to the levels of passenger activity and rental car activity if one or more existing or future airline tenant of MAA reduces or discontinues operations at the Airport.

Construction of Project

The ability of MAA to complete the construction of the Project within budget and on schedule may be adversely affected by various factors, including design and engineering errors; unforeseen site conditions; labor cost increases or other difficulties; adverse weather conditions; unavailability or increased costs of building materials; contractor defaults; and litigation. Although the Lease and Concession Contracts require

each Operator to collect and remit CFCs for each month on or before the 20th day following such month, failure to complete the Project in a timely manner could adversely affect the ability of the Operators to supply a sufficient number of rental vehicles to accommodate the corresponding demand, thus reducing the projected amount of CFC revenues.

Term of Lease and Concession Contracts

The Lease and Concession Contracts have terms of 120 months from the date of beneficial occupancy, with a ten-year renewal at the option of MAA. Therefore, the Lease and Concession Contracts will all expire prior to the final maturity date of the Series 2002 Bonds. The ability of MAA to secure replacement Lease and Concession Contracts upon such expiration will depend, in part, upon the demand for rental car services at the Airport and the economic health of the rental car industry at that time.

The Rental Car Industry

The economic health of the rental car industry is closely tied to the economic health of the airline industry. In addition, various other factors may affect the rental car industry in the future, including the impact of national business cycles, management strategies, marketing strategies, and the availability and price of gasoline. Two of the Operators have filed for protection from creditors under the United States Bankruptcy Code; see “Considerations under the United States Bankruptcy Code” below.

Competition and Alternative Modes of Transportation

There are alternative modes of ground transportation available at the Airport, which could reduce the demand for renting motor vehicles at the Project. These alternative modes include taxis, buses, shuttle services, limousines, light rail, Amtrak trains and MARC trains. Various federal and State policies are stated to favor increased use of mass transit over automobiles to reduce environmental damage and dependence on foreign oil. In addition, other area airports (notably Ronald Reagan Washington National Airport and Washington Dulles International Airport) compete with the Airport.

Considerations under the United States Bankruptcy Code

In the event that an Operator were to declare bankruptcy under the United States Bankruptcy Code (the “Bankruptcy Code”), such Operator (or its trustee in bankruptcy) would be able to reject such Operator’s Lease and Concession Contract as an “executory contract” and/or an “unexpired lease.” In that event, such Operator would cease to collect and remit CFCs, would have no further obligation to pay Contingent Rent, and would be required to vacate its premises in the Project. The sufficiency of the Pledged Revenues to pay debt service on the Series 2002 Bonds thereafter would depend upon (i) the extent to which the remaining Operators would continue to collect and remit CFCs and pay Contingent Rent, and (ii) the ability of MAA to lease such vacated premises to another rental car company. If such Operator owed damages to MAA as a result of the

rejection of its Lease and Concession Contract or otherwise, such damages would be treated as unsecured pre-petition claims against the bankruptcy estate, and the amount and timing of any recovery by MAA would be speculative.

The Lease and Concession Contracts provide that CFCs are collected by the Operators as fiduciaries for MAA and are to be held in trust until remitted to MAA. However, there can be no assurance that, in the event of the bankruptcy of an Operator, a bankruptcy court would not treat collected but unremitted CFCs as part of the bankrupt Operator's bankruptcy estate. Such treatment could lead to the temporary or permanent unavailability of such CFCs to pay debt service on the Series 2002 Bonds.

ANC Rental Corporation, the parent corporation of both Alamo Rent-A-Car and National Car Rental System, Inc., is presently in bankruptcy. On April 10, 2002, the United States Bankruptcy Court for the District of Delaware issued an Order pursuant to Section 363 of the United States Bankruptcy Code, authorizing each of Alamo Rent-A-Car and National Car Rental System, Inc. to enter into their respective Lease and Concession Contracts, modifying the automatic stay provisions of Section 362 of the Bankruptcy Code to permit MAA to enforce the Lease and Concession Contracts in their entirety, and ruling that the CFCs collected by Alamo Rent-A-Car and National Car Rental System, Inc. at the Airport are the property of MAA.

The Trust Agreement, the Lease and Assignment, the Financing Agreement, the Lease and Concession Contracts and the Series 2002 Bonds are subject to bankruptcy, insolvency, moratorium, reorganization and other state and federal laws affecting the enforcement of creditors' rights and to general principles of equity. A claim for payment of the principal of or interest on the Series 2002 Bonds could be made subject to any statutes that may be constitutionally enacted by the United States Congress or the Maryland General Assembly affecting the time and manner of payment or imposing other constraints upon enforcement.

Pending Litigation

ANC Rental Corporation, the operator of both Alamo Rent-A-Car and National Car Rental System, Inc., and MAA are currently engaged in litigation. See "LITIGATION" herein.

Limitation of Remedies

The Series 2002 Bonds may not be accelerated upon the occurrence of an Event of Default. Under the terms of the Trust Agreement and the Lease and Concession Contracts, remedies for Events of Default are limited to such actions which may be taken at law or in equity. See APPENDIX B – "SUMMARY OF LEGAL DOCUMENTS – Summary of Certain Provisions of the Trust Agreement" and "- Summary of Certain Provisions of the Lease and Concession Contracts." No mortgage or security interest in the Project has been granted to secure the payment of the Series 2002 Bonds.

In the event of a default in the payment of principal of or interest on the Series 2002 Bonds, the remedies available to the owners of the Series 2002 Bonds upon default are in many respects dependent upon judicial action, which is often subject to discretion and delay under existing law, including the United States Bankruptcy Code. The approving opinion of Bond Counsel with respect to the Series 2002 Bonds will be qualified as to enforceability of the various legal instruments by certain limitations, including limitations imposed by bankruptcy, reorganization, insolvency and equitable principles. See APPENDIX C hereto.

TAX MATTERS

State of Maryland Taxation

In the opinion of Bond Counsel, under the Enabling Legislation, the Series 2002 Bonds, their transfer, the interest payable on them, and any income derived from them, including any profit realized in their sale or exchange, shall be exempt at all times from every kind and nature of taxation by the State of Maryland or by any of its political subdivisions, municipal corporations or public agencies of any kind. No opinion is expressed as to estate or inheritance taxes or any other taxes not levied or assessed directly on the Series 2002 Bonds or the interest thereon.

United States Federal Income Taxation

The interest on the Series 2002 Bonds will be includable in gross income for federal income tax purpose.

The following is a summary of the principal United States federal income tax consequences of the ownership of Series 2002 Bonds held as capital assets. The summary does not address special tax situations, such as S corporations, insurance companies, tax-exempt organizations, financial institutions, regulated investment companies, real estate investment trusts, broker-dealers, traders in securities that elect to use the mark-to-market method of accounting for their securities and persons holding Series 2002 Bonds as part of a “straddle,” “hedge,” “constructive sale” or “conversion transaction.” Persons considering the purchase of Series 2002 Bonds should consult their own tax advisors concerning the application of federal income tax laws to their particular situations as well as any consequences arising from the federal alternative minimum tax or the federal estate tax or under the laws of any other taxing jurisdiction.

The discussion below is based upon the provisions of the Internal Revenue Code of 1986, as amended (the “Code”), and regulations, rulings and judicial decisions as of the date of this Official Statement. Those authorities may be changed, in some cases retroactively, so as to result in United States federal income tax consequences different from those discussed below.

United States Holders

As used herein, “United States Holder” means a beneficial owner of a Series 2002 Bond who or that, for United States federal income tax purpose, is (i) a citizen or resident

of the United States, (ii) an entity taxable as a corporation created or organized in or under the laws of the United States or any political subdivision of the United States, (iii) an estate the income of which is subject to United States federal income taxation regardless of its source or (iv) a trust if it is subject to the primary supervision of a court within the United States and one or more United States persons have the authority to control all substantial decisions of the trust or if it has a valid election in effect under applicable United States Treasury regulations to be treated as a United States person.

If a partnership, or other entity classified as a partnership for federal income tax purposes, holds Series 2002 Bonds, the tax treatment of a partner will generally depend upon the status of the partner and upon the activities of the partnership. A partner of a partnership holding Series 2002 Bonds should consult its tax advisor.

Payment of Interest. Interest on a Series 2002 Bond will be taxable to a United States Holder as ordinary interest income at the time it is accrued or is paid in accordance with the United States Holder's method of accounting for tax purposes.

Purchase, Sale and Retirement of Series 2002 Bonds. Except as noted below in the case of market discount, the sale or other disposition of a Series 2002 Bond will normally result in capital gain or loss. A United States Holder's initial tax basis in a Series 2002 Bond will be its cost. Upon the sale, redemption or retirement of a Series 2002 Bond, for federal income tax purpose, a United States Holder will recognize capital gain or loss upon the disposition of such security (including sale, early redemption or payment at maturity) in an amount equal to the difference between (a) the amount received upon such disposition (less an amount equal to any accrued qualified stated interest, which will be treated as a payment of interest) and (b) the tax basis in such Series 2002 Bond, determined by adding to the original cost basis in such Series 2002 Bond the amount of any original issue discount and any market discount previously included in such holder's income, and by subtracting any amortized premium and any cash payments on the Series 2002 Bond other than qualified stated interest, as more fully described below under "Tax Accounting Treatment of Discount Bonds". Such gain or loss will be long-term capital gain or loss if at the time of the sale, redemption or retirement the Series 2002 Bond has been held for more than one year. Under present law, both long and short-term capital gains of corporations are taxed at the rates applicable to ordinary income. For noncorporate taxpayers, however, net capital gains will be taxed at a maximum rate of 20%, while short-term capital gains and other ordinary income will be taxed at a maximum rate of 38.6%. Under legislation enacted in 2001, the maximum rate of 38.6% will be reduced in stages until, for taxable years beginning on and after January 1, 2006, the maximum rate will be 35%. Net capital gains are the excess of net long-term capital gains (gains on capital assets held for more than one year) over net short-term capital losses. Additionally, the maximum capital gain rate for assets that are held more than five years and that are acquired after December 31, 2000 is 18%. Because of the limitation on itemized deductions and the deduction for personal exemptions applicable to higher income taxpayers, the effective rate of tax may be higher in certain circumstances.

Tax Accounting Treatment of Discount Bonds. Certain maturities of the Series 2002 Bonds may be issued at an initial public offering price which is less than the stated redemption price at maturity of such Series 2002 Bonds (the “Discount Bonds”). If the stated redemption price at maturity of Discount Bonds of a particular maturity exceeds the first price at which a substantial amount of such Discount Bonds was sold for money (excluding sales to bond houses, brokers or similar persons acting as underwriters, placement agents or wholesalers) by more than a *de minimis* amount, the Discount Bonds will be treated as having original issue discount. A holder of Discount Bonds (whether a cash or accrual method taxpayer) is required to include in gross income as interest the amount of such original issue discount which is treated as having accrued during a taxable year with respect to such Discount Bonds, in advance of the receipt of some or all of the related cash payments. Accrued original issue discount is added to the original cost basis of the holder in determining, for federal income tax purpose, gain or loss upon disposition (including sale, early redemption or repayment at maturity).

Original issue discount on Discount Bonds will be attributed to permissible compounding periods during the life of any Discount Bonds in accordance with a constant rate of interest accrual method. The yield to maturity of the Discount Bonds of each maturity is determined using permissible compounding periods. In general, a permissible compounding period may be of any length and may vary in length over the term of the Discount Bonds, provided that each compounding period is no longer than one year and each scheduled payment of principal or interest occurs on the first day or the final day of a compounding period. The amount of original issue discount allocable to any compounding period is equal to the excess, if any, of (a) the Discount Bond’s adjusted issue price at the beginning of the compounding period times its yield to maturity, determined on the basis of compounding at the close of each compounding period and properly adjusted for the length of the compounding period, over (b) the aggregate of all qualified stated interest allocable to the compounding period. Original issue discount allocable to a final compounding period is the difference between the amount payable at maturity, other than a payment of qualified stated interest, and the adjusted issue price at the beginning of the final compounding period. Special rules apply for calculating original issue discount for an initial short compounding period. The “adjusted issue price” of a Discount Bond at the beginning of any compounding period is equal to its issue price increased by the accrued original issue discount for each prior compounding period (determined without regard to the amortization of any acquisition or bond premium, as described below) and reduced by any payments made on the Discount Bond (other than qualified stated interest) on or before the first day of the compounding period. Under these rules, a holder of a Discount Bond will have to include in income increasingly greater amounts of original issue discount in successive compounding periods. The amount of original issue discount accrued on Discount Bonds held of record by persons other than corporations and other exempt holders will be reported to the Internal Revenue Service. If a Discount Bond is sold or otherwise disposed of between compounding dates, then interest which would have accrued for that compounding period for federal income tax purposes is to be apportioned in equal amounts among the days in such compounding period.

The term “qualified stated interest” means stated interest that is unconditionally payable in cash or in property, other than debt instruments of the issuer, if the interest to be paid is payable at least once per year, is payable over the entire term of the Discount Bond and is payable at a single fixed rate or, subject to certain conditions, based on one or more interest indices.

Holders of Discount Bonds should note that, under applicable regulations, the yield and maturity of a Discount Bond is determined without regard to commercially reasonable sinking fund payments and any original issue discount remaining unaccrued at the time that a Discount Bond is redeemed in advance of stated maturity will be treated as taxable gain.

The foregoing summarizes certain federal income tax consequences of original issue discount with respect to the Discount Bonds but does not purport to deal with all aspects of federal income taxation that may be relevant to particular investors or circumstances, including those set out above. Prospective purchasers of Discount Bonds should consider possible state and local income, excise or franchise tax consequences arising from original issue discount on Discount Bonds. In addition, prospective foreign corporate purchasers should consider possible federal tax consequences arising from original issue discount on such Discount Bonds under the branch profits tax. The amount of original issue discount considered to have accrued may be reportable in the year of accrual for state and local tax purposes or for purposes of the branch profits tax without a corresponding receipt of cash with which to pay any tax liability attributable to such discount. Purchasers with questions concerning the detailed tax consequences of transactions in the Discount Bonds should consult their tax advisors.

Market Discount. If a United States Holder acquires a Series 2002 Bond after its original issuance at a cost which is less than its stated redemption price at maturity (or, in the case of a Series 2002 Bond having original issue discount, its revised issue price) by more than a certain de minimis amount, such holder will be deemed to have acquired the Series 2002 Bond at “market discount.” The amount of market discount treated as having accrued will be determined either on a ratable basis, or, if the holder so elects, on a constant interest method. Upon any subsequent disposition (including a gift, redemption or payment at maturity) of such Series 2002 Bond (other than in connection with certain nonrecognition transactions), the lesser of any gain on such disposition (or appreciation, in the case of a gift) or the portion of the market discount that accrued while the Series 2002 Bond was held by such holder will be treated as ordinary income at the time of the disposition. In lieu of including accrued market discount in income at the time of disposition, a holder may elect to include market discount in income currently. Unless a holder so elects, a holder may be required to defer deductions for a portion of such holder’s interest expenses with respect to any indebtedness incurred or maintained to purchase or carry such Series 2002 Bond until the holder disposes of the Series 2002 Bond. The election to include market discount in income currently, once made, is irrevocable and applies to all market discount obligations acquired on or after the first day of the first taxable year to which the election applies and may not be revoked without the consent of the Internal Revenue Service.

Acquisition Premium. A subsequent United States Holder of a Series 2002 Bond is generally subject to rules for accruing original issue discount described above. However, if such holder's purchase price for the Series 2002 Bond exceeds the adjusted issue price (the sum of the issue price of the Series 2002 Bond and the aggregate amount of the original issue discount includable in the gross income of all holders for periods before the acquisition of the Series 2002 Bond by such holder and reduced by any payment previously made on the Series 2002 Bond other than a payment of qualified stated interest, the excess (referred to as "acquisition premium") is offset ratably against the amount of original issue discount otherwise includable in such holder's taxable income (*i.e.*, such holder may reduce the daily portions of original issue discount by a fraction, the numerator of which is the excess of such holder's purchase price for the Series 2002 Bond over the adjusted issue price, and the denominator of which is the excess of the sum of all amounts payable on the Series 2002 Bond after the purchase date other than qualified stated interest over the Series 2002 Bonds' adjusted price).

Amortizable Bond Premium. If the United States Holder's basis in a Series 2002 Bond exceeds the sum of all amounts payable on the Series 2002 Bond after the date on which the holder acquires it other than qualified stated interest, such excess will constitute amortizable bond premium with respect to the Series 2002 Bond and, in the case of a Discount Bond, such holder will not have to account for original issue discount with respect to such Bond. The holder of a Series 2002 Bond having amortizable bond premium generally may elect to amortize the premium over the remaining term of the Series 2002 Bond on a constant yield method as an offset to interest when includable in income under its regular accounting method. In the case of instruments that provide for alternative payment schedules, bond premium is calculated by assuming that (a) the holder will exercise or not exercise options in a manner that maximizes its yield and (b) the Authority will exercise or not exercise options in a manner that minimizes its yield (except that the Authority will be assumed to exercise call options in a manner that maximizes the holder's yield). If the holder does not elect to amortize bond premium, that premium will decrease the gain or increase the loss that would otherwise be recognized on disposition of the Series 2002 Bond. An election to amortize premium on a constant yield method will also apply to all debt obligations held or subsequently acquired by the holder or after the first day of the first taxable year to which the election applies. The holder may not revoke the election without the consent of the Internal Revenue Service. Holders of Series 2002 Bonds having amortizable bond premium should consult with their own tax advisors before making this election.

Election to Use Original Discount Method with Respect to a Series 2002 Bond. The Holder of a Series 2002 Bond may elect to treat all interest on the Series 2002 Bond as original issue discount and calculate the amount includable in gross income under the constant yield method described above. For the purposes of this election, interest includes stated interest, acquisition discount, original issue discount, de minimis original issue discount, market discount, de minimis market discount and unstated interest, as adjusted by any amortizable bond premium or acquisition premium. The holder must make this election for the taxable year in which the Series 2002 Bond is acquired and may not revoke the election without the consent of the Internal Revenue Service.

Holders of Series 2002 Bonds should consult with their own tax advisors about this election.

Consequences of Defeasance. As discussed in APPENDIX B - “SUMMARY OF LEGAL DOCUMENTS - Summary of Certain Provisions of the Trust Agreement,” the Series 2002 Bonds may be defeased prior to maturity at the option of the Authority. Holders of the Series 2002 Bonds should be aware that under applicable Treasury Regulations, any such defeasance may be treated as a sale or retirement and subsequent reissuance of the Series 2002 Bonds for tax purposes with the result that such holders would be required to recognize capital gain or loss at the time of such defeasance. See, more generally, the description of the consequences of the retirement of a Series 2002 Bond as discussed above under “Purchase, Sale and Retirement of Series 2002 Bonds.”

Non-United States Holders

As used herein, “Non-United States Holder” means a holder of a Series 2002 Bond who or that, for United States federal income tax purpose, is other than a United States Holder.

The following is a summary of certain federal income tax consequences that will apply to a Non-United States Holder of Series 2002 Bonds.

United States Federal Withholding Tax. United States federal withholding tax will not apply to any payment of principal or interest (including original issue discount) on Series 2002 Bonds provided that:

- the Non-United States Holder is not a controlled foreign corporation that is related to the Authority through stock ownership;

- the Non-United States Holder is not a bank whose receipt of interest on the Series 2002 Bonds is described in Section 881(c)(3)(A) of the Code;

- the interest is not considered contingent interest under Section 871(h)(4)(A) of the Code and the United States Treasury regulations thereunder; and

- either (a) the Non-United States Holder provides its name and address on an IRS Form W-8BEN (or other applicable form), and certifies, under penalty of perjury, that it is not a United States person or (b) the Non-United States Holder holds its Series 2002 Bonds through certain foreign intermediaries and the certification requirements of applicable United States Treasury regulations are satisfied

Special certification and other rules apply to Non-United States Holders that are partnerships or other entities classified as partnerships for federal income tax purposes.

If the requirements described above are not satisfied, payments of premium, if any, and interest (including original issue discount) made to a Non-United States Holder will be subject to the 30% federal withholding tax, unless such holder provides the Trustee with a properly executed

- IRS Form W-8BEN (or other applicable form) claiming an exemption from, or reduction in, withholding under the benefit of a tax treaty; or

- IRS Form W-8ECI (or successor form) stating that interest paid on the Series 2002 Bonds is not subject to withholding tax because it is effectively connected with such holder's conduct of a trade or business in the United States (as discussed below under "United States Federal Income Tax").

The 30% federal withholding tax generally will not apply to any gain that a Non-United States Holder realizes on the sale, exchange, retirement or other disposition of Series 2002 Bonds.

United States Federal Income Tax. If a Non-United States Holder is engaged in a trade or business in the United States and premium, if any, or interest (including original issue discount) on the Series 2002 Bonds is effectively connected with the conduct of that trade or business, such holder will be subject to federal income tax on that interest (including original issue discount) on a net income basis (although exempt from the 30% withholding tax, provided the certification requirements described above are satisfied) in the same manner as if it were a United States Holder. In addition, if the Non-United States Holder is a foreign corporation, it may be subject to a branch profits tax equal to 30% (or lower applicable treaty rate) of its earnings and profits for the taxable year, subject to adjustments, that are effectively connected with its conduct of a trade or business in the United States.

Any gain realized on the disposition of a Series 2002 Bond generally will not be subject to United States federal income or withholding tax unless:

- the gain is effectively connected with the Non-United States Holder's conduct of a trade or business in the United States; or

- the Non-United States Holder is an individual who is present in the United States for 183 days or more in the taxable year of that disposition, and certain other conditions are met.

United States Federal Estate Tax. The estate of a Non-United States Holder will not be subject to federal estate tax on Series 2002 Bonds beneficially owned by such holder at the time of his or her death, provided that interest on those Series 2002 Bonds would not have been, if received at the time of death, effectively connected with the conduct by the Non-United States Holder of a trade or business in the United States.

Backup Withholding

United States Holders. In general, information reporting requirements will apply to certain payments of principal, interest, original issue discount and premium paid on Series 2002 Bonds and to the proceeds of sale of a Series 2002 Bond made to a United States Holder (unless the United States Holder is an exempt recipient such as a corporation). A backup withholding tax will apply to such payments if the United States

Holder fails to provide a taxpayer identification number, a certification of exempt status, or fails to report in full dividend and interest income.

Non-United States Holders. In general, information reporting and backup withholding will not apply to payments made to a Non-United States Holder:

- who qualifies for exemption from withholding tax as described above under “Non-United States Holders -- United States Federal Withholding Tax,” unless the Trustee has reason to know that such holder should be subject to the usual information reporting and backup withholding rules, or

- who otherwise qualifies for an exemption.

In addition, information reporting and backup withholding will generally not apply to the proceeds of the sale of a Series 2002 Bond made within the United States or conducted through certain United States related financial intermediaries, if (1) the payor receives the statement on an IRS Form W-8BEN (or other applicable form), and certifying, under penalty of perjury, that the seller is not a United States person as more fully described above and does not have actual knowledge that the seller is a United States Holder or (2) the seller otherwise qualifies for an exemption.

Any amounts withheld under the backup withholding rules will be allowed as a refund or a credit against a holder’s federal income tax liability provided the required information is furnished to the Internal Revenue Service.

THE FOREGOING SUMMARY DOES NOT DISCUSS ALL ASPECTS OF FEDERAL INCOME TAXATION THAT MAY BE RELEVANT TO A PARTICULAR HOLDER OF SERIES 2002 BONDS IN LIGHT OF HIS OR HER PARTICULAR CIRCUMSTANCES AND INCOME TAX SITUATION. EACH HOLDER OF SERIES 2002 BONDS SHOULD CONSULT SUCH HOLDER’S TAX ADVISOR AS TO THE SPECIFIC TAX CONSEQUENCES TO SUCH HOLDER OF THE OWNERSHIP AND DISPOSITION OF THE SERIES 2002 BONDS, INCLUDING THE APPLICATION AND EFFECT OF STATE, LOCAL, FOREIGN AND OTHER TAX LAWS, OR SUBSEQUENT VERSIONS THEREOF.

LITIGATION

There is no litigation pending or, to the knowledge of the Authority, threatened questioning the existence of the Authority, the validity of the Series 2002 Bonds, or any proceedings of the Authority taken with respect to the issuance or sale thereof, or seeking to restrain or enjoin the issuance, sale, execution or delivery of the Series 2002 Bonds, or questioning the power of the Authority to collect and pledge revenues to pay the Series 2002 Bonds as provided in the Trust Agreement. There is no litigation pending or, to the knowledge of the Authority or MAA, threatened, questioning the validity of the Financing Agreement or Lease and Assignment.

On March 27, 2002, ANC Rental Corporation (“ANC”), the operator of both Alamo Rent-A-Car and National Car Rental System, Inc., filed a complaint against MAA in the Circuit Court for Anne Arundel County, Maryland. In this filing, ANC sought to enjoin MAA both temporarily and permanently from opening the bids by the Operators to enter into the Lease and Concession Contracts, and to declare the solicitation of such bids to be void. ANC’s complaint was based upon MAA having denied ANC’s request to enter into one Lease and Concession Contract covering both its Alamo and National brands. On March 28, 2002, the court denied ANC’s request for temporary relief, expressing the opinion that ANC was not likely to succeed on the merits of its claim. No further hearings on this matter have been requested or scheduled, and ANC has not filed for a permanent injunction. On April 24, 2002, MAA sent execution copies of the Lease and Concession Contracts to all bidding Operators, including both ANC operating its brand Alamo and National Car Rental Systems, Inc., and received executed Lease and Concession Contracts from each Operator on May 20, 2002. The Office of the Attorney General of Maryland has expressed the opinion that ANC has “little likelihood of success” in this matter, and has advised that the litigation will likely settle in the near future on terms consistent with the executed Lease and Concession Contracts. However, if ANC were to obtain a permanent injunction against MAA, the terms of the injunction likely would require MAA to enter into one Lease and Concession Contract with ANC operating both its Alamo and National brands at one site.

INSURANCE

MAA maintains a comprehensive program of insurance covering the operations of the Airport. A commercial Airport Owners and Operators Liability policy was purchased from ACE Property & Casualty Insurance Company with the following coverages provided with no deductible:

<u>Limit</u>	<u>Coverage</u>
\$500,000,000	Bodily injury & property damage combined each occurrence/offense, subject to the following limitations:
\$500,000,000	Products-Completed Operations Annual Aggregate Limit
\$ 25,000,000	Personal Injury & Advertising Injury Annual Aggregate Limit
\$ 25,000,000	Malpractice Annual Aggregate Limit
\$ 50,000	Fire Damage Limit Any One Fire
\$500,000,000	Hangarkeepers not “in flight” Limit any One Occurrence
\$500,000,000	Hangarkeepers not “in flight” Limit any One Aircraft
\$500,000,000	Non-Owned Aircraft Liability
\$ 25,000,000	Excess Automobile Liability (off premises)

\$25,000,000

Excess Employers Liability (excluding disease),
excess of \$1,000,000 any one accident/occurrence

Damage to MAA-owned facilities is covered by the State Insurance Trust Fund (“SITF”), exclusive of a \$1,000 deductible, up to a limit of \$2,500,000. Damage beyond this coverage is provided by an excess commercial property policy purchased through Royal & Sun Alliance with a limit of \$500,000,000 in excess of \$2,500,000.

CONSULTANT’S REPORT

The Authority engaged Unison-Maximus, Inc., Chicago, Illinois, to prepare a study of economic activity in the area served by the Airport, airline traffic and volume of rental car demand at the Airport as they affect the CFCs. The results of this study are stated in their report dated as of May 24, 2002, and are included as APPENDIX A of this Official Statement in reliance upon the authority of such firm as experts.

UNDERWRITING

The Series 2002 Bonds are being purchased by Morgan Stanley & Co. Inc. (the “Representative”). The Representative has agreed to purchase the Series 2002 Bonds at a purchase price of \$116,823,630.37 (which represents the principal amount of the Series 2002 Bonds of \$117,345,000.00, less an underwriters’ discount of \$521,369.63). The purchase contract pursuant to which the Series 2002 Bonds are being sold provides that the Representative will purchase all of the Series 2002 Bonds if any Series 2002 Bonds are purchased, and the obligation to make such purchase is subject to certain terms and conditions set forth in the purchase contract, the approval of certain legal matters by counsel and certain other conditions. The Representative may offer and sell the Series 2002 Bonds to certain dealers and others at a price lower than the offering prices stated on the inside cover page hereof. The offering prices may be changed from time to time by the Representative.

FINANCIAL ADVISORS

Public Financial Management, Inc., Atlanta, Georgia, and Columbia Equity Financial Corp., Lanham, Maryland, have been retained as Co-Financial Advisors to the Authority in connection with the sale of the Series 2002 Bonds and other matters pertinent thereto.

RATINGS

Moody’s Investors Service, Inc. (“Moody’s”) and Fitch Ratings (“Fitch Ratings”) are expected to assign the Series 2002 Bonds ratings of Aaa and AAA, respectively, with the understanding that, upon delivery of the Series 2002 Bonds, a policy insuring the payment when due of the principal of and interest on the Series 2002 Bonds will be issued by the Insurer. Any explanation of the significance of each of the ratings of the Series 2002 Bonds may be obtained from the rating agency furnishing the same. The

Insurer furnished to Moody's and Fitch Ratings certain materials and information respecting itself. Generally, rating agencies base their ratings on such materials and information, and on their own investigations, studies and assumptions. There is no assurance that such ratings will obtain for any given period of time or that they may not be lowered or withdrawn entirely by such rating agencies, or either of them, if in their, or its, judgment, circumstances so warrant. Any such downward change in or withdrawal of such ratings, or either of them, may have an adverse effect on the market price of the respective Series 2002 Bonds.

LEGAL MATTERS

The validity of the issuance of the Series 2002 Bonds will be passed upon and is subject to the approving opinion of Piper Rudnick LLP, Baltimore, Maryland, Bond Counsel to the Authority. The proposed form of Bond Counsel's opinion is included in APPENDIX C. Certain legal matters will also be passed upon by Deborah A. Donohue, Assistant Attorney General and Counsel to the Authority, and by Louisa Goldstein, Assistant Attorney General and Counsel to MAA. Certain legal matters will be passed upon for the Underwriters by their counsel, Venable, Baetjer and Howard, LLP, Baltimore, Maryland, which firm is not passing upon the validity of the Series 2002 Bonds.

LEGALITY FOR INVESTMENT

The Enabling Legislation provides that the Series 2002 Bonds are securities in which all public officers and public agencies of the State of Maryland and its political subdivisions, all banks, trust companies, savings and loan associations, investment companies, and others carrying on a banking business under Maryland law, all insurance companies, insurance associations and others carrying on an insurance business under Maryland law, all personal representatives, guardians, trustees and other fiduciaries, and all other persons subject to Maryland law may legally and properly invest funds, including capital in their control or belonging to them. The Enabling Legislation further provides that the Series 2002 Bonds are securities that may legally and properly be deposited with and received by any State of Maryland officer or municipal officer or any agency or political subdivision of the State of Maryland for any purpose for which the deposit of bonds or other obligations of the State of Maryland is authorized by law.

CONTINUING DISCLOSURE CONCERNING THE AUTHORITY

In order to enable the Underwriters to comply with the requirements of paragraph (b)(5) of the Securities and Exchange Commission Rule 15c2-12, the Authority will execute and deliver, on or before the date of issuance and delivery of the Series 2002 Bonds, a Continuing Disclosure Agreement, the provisions of which are described in APPENDIX B- "SUMMARY OF LEGAL DOCUMENTS – Summary of Continuing Disclosure Agreement." Potential purchasers should note that certain of the eleven events listed in Section 4(a) of the Continuing Disclosure Agreement have been included for purposes of compliance with Rule 15c2-12 but are not relevant for the Series 2002

Bonds. The Authority affirms its compliance with Rule 15c2-12 in connection with all prior debt issuances which are subject to this Rule.

RELATIONSHIPS

Public Financial Management, Inc. and Columbia Equity Financial Corp., Co-Financial Advisors to the Authority in connection with the issuance of the Series 2002 Bonds, also serve as Co-Financial Advisors to the Department.

Piper Rudnick LLP, Bond Counsel to the Authority, represents ANC Rental Corporation, the corporate parent of two of the Operators, in connection with certain intellectual and franchise matters unrelated to its contractual agreements with MAA.

MISCELLANEOUS

So far as any statements made in this Official Statement involve matter of opinion, forecasts or estimates, whether or not expressly stated, they are set forth as such and not as representations of fact. No representation is made by the Authority, the Department or MAA that any of the opinions, forecasts or estimates will be realized. This Official Statement is not intended to be construed as a contract or agreement between the Authority and any purchaser or owner of any of the Series 2002 Bonds.

The Trustee has not participated in the preparation of this Official Statement.

Copies of the Trust Agreement and other agreements described in this Official Statement may be obtained upon written request from the Executive Secretary of the Authority.

The execution and delivery of this Official Statement has been duly authorized by the Authority.

MARYLAND TRANSPORTATION AUTHORITY

By: /s/ Thomas L. Osborne
Executive Secretary

Appendix A
Feasibility Report

May 24, 2002

Mr. John D. Porcari, Chairman
Maryland Transportation Authority
P.O. Box 8755
BWI Airport, MD 21240

**Subject: Financial Feasibility Report
Limited Obligation Revenue Bonds
Baltimore/Washington International Airport
Consolidated Rental Car Facility, Series 2002**

Dear Mr. Porcari:

UNISON-MAXIMUS, INC. ("Unison") is pleased to submit the attached Financial Feasibility Report in support of the issuance of Limited Obligation Revenue Bonds, Baltimore/Washington International Airport Consolidated Rental Car Facility, Series 2002 (the "Bonds"), in the approximate amount of \$117.6 million. The Bonds are being issued by the Maryland Transportation Authority (the "Authority") on behalf of the Maryland Aviation Administration (the "MAA"). The MAA is constructing a consolidated rental car facility (the "CRCF") and associated development at the Baltimore/Washington International Airport (the "Airport"). The CRCF, the associated development, the acquisition of a common fleet of 25 shuttle buses, a shuttle bus maintenance facility, and the recovery of certain previously incurred capital costs related to the existing rental car facilities, are collectively referred to in the attached report as the "CRCF Program." The Bonds are being issued to fund a portion of the costs of the CRCF Program.

The attached report has been prepared to address the financial aspects of the CRCF Program and the Bonds. The report provides a general description of the CRCF Program, the U.S. rental car industry and the Airport rental car market, the Airport's local economic base, and the legal framework governing the financing of the CRCF Program. The report also presents an analysis and forecast of rental car demand at the Airport, and projections of Customer Facility Charge ("CFC") revenues, debt service coverage, and the application of Pledged Revenues to the funds and accounts specified by the Trust Agreement (defined below).

The CRCF Program

The CRCF Program will combine all rental car operations at the Airport into one facility. The purpose of the CRCF Program is to provide sufficient space for rental car operations at the Airport through the year 2020, improve customer service, help relieve traffic congestion in terminal roadways and parking garage areas, and increase overall Airport efficiency. The CRCF Program is part of the MAA's overall \$1.8 billion capital improvement program,

which includes major passenger terminal improvements, a new central public parking garage, and roadway access improvements.

The CRCF Program is estimated to cost approximately \$131.3 million, of which approximately \$114.7 million is to be funded with the proceeds of the Bonds. Other sources of funding are CFC collections prior to the issuance of the Bonds, grant funds for a portion of the bus acquisition costs, and MAA funds. A listing of estimated capital costs and funding sources for the CRCF Program is presented in Section II of the attached report.

Proposed Financing Structure

The financing and operation of the CRCF are governed by the following documents: (1) the Interim Contracts, (2) the Lease Agreement and the Financing Agreement (defined below) between the MAA and the Authority, (3) the CRCF Contracts, and (4) the Trust Agreement.

- *The Interim Contracts.* The Interim Contracts allow the Operators to operate non-exclusive rental auto concessions at the existing rental car facilities on Airport property until the Date of Beneficial Occupancy (“DBO”) of the CRCF, which is anticipated to occur in 2003. Pursuant to the Interim Contracts, effective March 1, 2001, the Operators were required to begin collecting a CFC and remit the CFC revenues to or upon the order of the MAA. The CFC is \$3.00 per transaction day for every vehicle rental at the Airport.
- *The Lease Agreement and the Financing Agreement.* Pursuant to the Lease of Consolidated Rental Car Facility at the Baltimore/Washington International Airport and Assignment of Pledged Revenues (the “Lease Agreement”) between the Authority and the MAA, the MAA has granted to the Authority a leasehold interest in the CRCF and the land upon which the CRCF will be built. In accordance with the terms of the Agreement on Financing Airport Facilities Project at Baltimore/Washington International Airport (Consolidated Rental Car Facility) (the “Financing Agreement”), the Authority intends to issue the Bonds secured solely by CFC revenues and Contingent Rent to fund a portion of the costs of the CRCF Program. The MAA, as owner and operator of the Airport, is responsible to design, construct, operate, and maintain the CRCF.
- *The CRCF Contracts.* The CRCF Contracts, which commenced on May 22, 2002, are: (a) the Lease and Concession Contract to Establish and Operate a Non-Exclusive On-Airport Rental Car Auto Concession (the “Lease and Concession Contracts”) and (b) the Service Center and Vehicle Storage Facilities Contract (the “SCVSF Contracts”). At the commencement of the Lease and Concession Contracts, the CFC was maintained at the

level established under the Interim Contracts (\$3.00 per transaction day)¹. The MAA may increase the CFC from time to time in order to provide sufficient funds to pay the Total Annual Costs as defined in the Lease and Concession Contracts. If the CFC is set at the Contingent Rent CFC Rate (initially \$3.75) and CFC revenues are not sufficient to pay the Total Annual Costs, the MAA is required to impose Contingent Rent on the Operators and/or may raise the Contingent Rent CFC Rate. Each Operator is required to remit the CFC collections and Contingent Rent (if imposed) monthly to the Trustee. The CFC collections and Contingent Rent (if imposed) will be used to pay the debt service on the Bonds and to meet the other funding requirements of the Trust Agreement and to pay other costs of the CRCF Program.

- *Trust Agreement.* The Trust Agreement governs the issuance of the Bonds, defines the Pledged Revenues, establishes certain funds and accounts, and sets forth the application of Pledged Revenues to those funds and accounts. All Pledged Revenues remaining after the CFC revenues have been deposited to all other funds and accounts established under the Trust Agreement, will be deposited in the Facility Improvements Fund. The debt service requirements for the Bonds will be payable solely from the Pledged Revenues, which include: (1) CFC revenues and Contingent Rent, and (2) investment earnings derived from the amounts on deposit in the various funds and accounts established pursuant to the Trust Agreement.

The Trust Agreement also includes the following provision, called the Rate Covenant: The Authority will cause the MAA to fix, charge, and collect Pledged Revenues as will be sufficient together with amounts on deposit in the Coverage Fund in each Bond Year in an amount not less than the sum of: (A) 125% of Debt Service Requirements on the outstanding Bonds for such Fiscal Year and (b) 100% of the Debt Service Requirements of all other outstanding Long-Term Indebtedness for such Bond Year.

September 11, 2001 Events

Recent events have changed market conditions and warrant consideration of alternative growth trends in air traffic and rental car demand at the Airport. On September 11, 2001, terrorists seized control of four U.S. commercial passenger flights, crashing two aircraft into the World Trade Center in New York City, one aircraft into the Pentagon in Washington, D.C., and one aircraft in Somerset, Pennsylvania. These catastrophic events, which are referred to in the attached report as the "September 11, 2001 Events," caused the complete shutdown of the U.S. aviation system for a period of two days. The Airport, along with many other airports, re-opened on September 13, 2001, but with significantly lower traffic levels. By September 17, many airlines had restored service up to 80% of the total number

¹ On March 27, 2002, ANC Rental Corporation, the operator of both Alamo and National, filed a complaint against MAA in the Circuit Court for Anne Arundel County, Maryland. Please see the section titled LITIGATION in the *Official Statement of the Maryland Transportation Authority Relating to the Maryland Transportation Authority Taxable Limited Obligation Revenue Bonds, Series 2002*.

of scheduled flights prior to the September 11, 2001 Events, and Southwest Airlines, the airline with the largest market share at the Airport, had restored its full flight schedule. Industry data show that passenger traffic has been recovering since the September 11, 2001 Events. Nationwide, monthly traffic levels still remain lower than pre-September 11, 2001 levels, but the shortfalls are diminishing over time.

The growth in passenger traffic at the Airport slowed in 2001, mainly due to the September 11, 2001 Events. After increasing 16.2% in 1999 and 12.4% in 2000, the total number of passengers served by the Airport increased only 3.9% in 2001, from 19.6 million in 2000 to 20.4 million in 2001. Passenger traffic in September 2001 was 25.0% lower than it was in September 2000. However, passenger traffic at the Airport began to recover during the subsequent months, and the total passenger count for the five month period of October 2001 through February 2002 was 10.1% lower than for the period of October 2000 through February 2001.

The above factors introduce uncertainties into the future trend of passenger traffic at the Airport. The forecasts of rental car demand at the Airport presented in the attached report are based in part on two alternate air traffic growth scenarios developed by the MAA – the “Low” growth scenario and the “High” growth scenario. The Financial Analysis section of the attached report presents sensitivity analyses to evaluate the potential impact of the alternate rental car demand scenarios on projected CFC revenues and the MAA’s ability to meet the requirements of the Trust Agreement.

Report Organization

Unison has prepared the attached report to evaluate the ability of the MAA to meet the financial requirements established by the Trust Agreement. The following summary of the components of the attached report provides an overview of the comprehensive analysis performed:

Section I – Introduction: An overview of the Airport, rental car operations at the Airport, and the CRCF Program.

Section II – Description of the CRCF Program: A detailed description of the CRCF Program, the estimated budget, and the proposed sources of funding.

Section III – The Rental Car Industry: An overview of the US rental car industry and the Operators serving the Airport.

Section IV – Local Economic Base of the Airport: A description of the Baltimore/Washington air service area economy, and relevant economic and demographic trends.

Section V – Rental Car Demand Analysis and Forecasts: A review of the recent trends in rental car activity at the Airport and a presentation of the forecasts annual rental car demand (in transaction days) for the 2002 – 2010 period.

Section VI – Financial Analysis: A description of the legal framework for the financing and operation of the CRCF Program, a discussion of the proposed funding, and projections of important financial indicators, such as the required CFC rate, CFC revenues and other Pledged Revenues, and debt service coverage.

Assumptions

The analysis and forecasts of rental car demand at the Airport contained in the attached report are based upon certain data, estimates, and assumptions that were provided by the MAA and the Operators, and certain data and projections from other independent sources. The attached report should be read in its entirety for an understanding of the forecasts and the underlying assumptions. In our opinion, the data, estimates, and assumptions used in the report are reliable, and provide a reasonable basis for our forecast given the information available and circumstances as of the date of this report. However, any forecast is subject to uncertainties. Inevitably, some assumptions will not be realized, and unanticipated events and circumstances may occur. Therefore, the actual results achieved may vary from the forecasts, and the variations could be material.

The major assumptions utilized in the attached report are listed below:

1. Forecasts of rental car demand used in the analysis are based in part on the forecasts of aviation activity (“Low” and “High” scenarios) for the Airport that were prepared by the MAA. The “Low” scenario aviation activity forecasts were presented in the Official Statement, dated February 12, 2002, for the Maryland Transportation Authority Airport Parking Revenue Bonds, Baltimore/Washington International Airport Projects.
2. The CRCF Program will be completed within the estimated costs and according to the estimated schedule.
3. Real Gross Domestic Product (“GDP”) per capita, which measures rental car customers’ income, is assumed to grow at an annual average rate of 2.2% during the forecast period.
4. The average daily rental rate, in nominal terms, is projected to continue to increase at an average annual rate of 2.4% per year during the forecast period.
5. Local non-agricultural employment is projected to grow at an average annual rate of 0.9% during the forecast period.
6. Annual inflation is estimated at approximately 2.85% during the forecast period.

7. Rental car demand, as measured by transaction days, is projected to increase from 3.5 million in Bond Year (“BY”)² 2002 to 5.4 million in BY 2011 under the “Low” growth scenario and from 3.6 million in BY 2002 to 5.7 million in BY 2011 under the “High” growth scenario.
8. The size of the Bond issue is estimated to be approximately \$117.6 million. The Bonds are assumed to be issued in June 2002, and to have a term of 30 years. The Bonds are assumed to carry an average interest yield of 7.0%.

Findings and Conclusions

- The MAA anticipates that the CFC will not be reduced below the \$3.00 level during the forecast period. Under both the “Low” and “High” rental car demand growth scenarios, if the CFC is maintained at the current rate of \$3.00 throughout the forecast period, it is projected that sufficient CFC revenues will be generated to satisfy the Rate Covenant and to fund certain operating and capital costs that will not be funded with the proceeds of the Bonds.
- If the CFC rate is maintained at the current rate of \$3.00 throughout the forecast period, it is projected that at the end of the forecast period (July 1, 2011), the Facility Improvements Fund will have a balance of approximately \$32.1 million under the “Low” growth scenario and approximately \$39.1 million under the “High” growth scenario.
- If it is assumed that rental car demand will not increase above the projected BY 2003 level (the “No growth” rental car demand scenario), it is projected that the CFC would need to be set at a high during the forecast period of \$3.16 in BY 2004 and BY 2008. Under the “No growth” scenario, it is projected that the Facility Improvements Fund would have a balance of approximately \$8.8 million at the end of the forecast period.
- Under all three rental car demand scenarios, it is projected that debt service coverage will remain at 1.28 or higher throughout the forecast period, above the 1.25 required by the Rate Covenant.

Sincerely,

UNISON-MAXIMUS, INC.

Unison - Maximus, Inc.

² The Trust Agreement defines a Bond Year as the 12-month period from July 2 of each calendar year through July 1 of the following calendar year. For example, BY 2003 will cover the 12-month period from July 2, 2002 through July 1, 2003.

BALTIMORE/WASHINGTON INTERNATIONAL AIRPORT
Financial Feasibility Report for the
Rental Car Facility Project

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May 24, 2002

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SECTION I INTRODUCTION

This report addresses the financial aspects of the proposed issuance of the *Limited Obligation Revenue Bonds, Baltimore/Washington International Airport Consolidated Rental Car Facility, Series 2002* (the “Bonds”) by the Maryland Transportation Authority (the “Authority”) on behalf of the Maryland Aviation Administration (the “MAA”). The MAA is constructing a consolidated rental car facility (the “CRCF”) and associated development at the Baltimore/Washington International Airport (the “Airport”). The CRCF, the associated development, the acquisition of a common fleet of 25 shuttle buses, a shuttle bus maintenance facility, and the recovery of certain previously incurred capital costs related to the existing rental car facilities, are collectively referred to in this report as the “CRCF Program.” The proceeds of the Bonds will be used to fund a portion of the costs of the CRCF Program.

The CRCF will replace the existing rental car facilities at the Airport located in the parking garage adjacent to the passenger terminal (the “Mall Garage”), in the surface lot adjacent to the Mall Garage, and the service center facilities on Elkridge Landing Road. It will contain existing and future rental car operators (the “Operators”) at the Airport and will be located at Stoney Run Road, a short distance from the Airport main terminal. A more detailed description of the CRCF Program is contained in Section II.

This report presents projections of revenues to be derived from the collection of a Customer Facility Charge (“CFC”) by the Operators and the adequacy of such CFC revenues, together with other Pledged Revenues¹, to pay for debt service on the Bonds and to meet the funding requirements of the Trust Agreement (defined below).

Recent events have changed market conditions and warrant consideration of alternative growth trends in air traffic and rental car demand at the Airport. On September 11, 2001, terrorists seized control of four U.S. commercial passenger flights, crashing two aircraft into the World Trade Center in New York City, one aircraft into the Pentagon in Washington, D.C., and one aircraft in Somerset, Pennsylvania. These catastrophic events, which are referred to in this report as the “September 11, 2001 Events,” caused the complete shutdown of the U.S. aviation system. The Airport, along with many other airports, re-opened on September 13, 2001, but with significantly lower traffic levels. By September 17, 2001, many airlines had restored service up to 80% of the total number of scheduled flights prior to the September 11, 2001 Events, and Southwest Airlines, the largest market share

¹ The term *Pledged Revenues*, as defined in the Trust Agreement, includes CFCs, Contingent Rent, and interest earnings of the funds and accounts created pursuant to the Trust Agreement. Pledged Revenues are explained in Section VI of this report.

holder at the Airport, had restored its full flight schedule.² However, air travel demand has weakened as consumers are now concerned about the safety of the U.S. transportation system. Airports and airlines are implementing tighter security measures, but these measures increase passenger processing times at airports and create another disincentive for air travel. Industry data show that passenger traffic has been recovering since the September 11, 2001 Events. Nationwide, monthly passenger traffic levels still remain lower than pre-September 11, 2001 levels, but the shortfalls are diminishing over time.

The above factors introduce uncertainties into the future trend of passenger traffic at the Airport. The growth in passenger traffic at the Airport slowed in 2001, mainly due to the September 11, 2001 Events. After increasing 16.2% in 1999 and 12.4% in 2000, the total number of passengers served by the Airport increased only 3.9% in 2001 from 19.6 million in 2000 to 20.4 million in 2001. Passenger traffic in September 2001 was 25.0% lower than it was in September 2000. However, passenger traffic at the Airport began to recover during the subsequent months, and the total passenger count for the five month period of October 2001 through February 2002 was 10.1% lower than for the period of October 2000 through February 2001.

One of the major factors affecting rental car demand at an airport is the level of origination and destination ("O&D") traffic at an airport. This report considers low and high forecasts of rental car demand at the Airport, as shown in **Section V**, based on alternate aviation activity forecasts provided by Airport management. The Financial Analysis section of this report, **Section VI**, presents sensitivity analyses to evaluate the potential impact of alternate rental car demand scenarios on projected CFC revenues and the MAA's ability to meet the requirements of the Trust Agreement.

This report is organized into the following sections:

- **Section I – Introduction:** An overview of the Airport, rental car operations at the Airport, and the Project.
- **Section II – Description of the CRCF Program:** A detailed description of the CRCF Program, the estimated budget, and the proposed sources of funding.
- **Section III – The Rental Car Industry:** An overview of the US rental car industry and the Operators serving the Airport.
- **Section IV – Local Economic Base:** Describes the profile of the Baltimore/Washington air service area economy, and relevant economic and demographic trends.

² Sources are Internet announcements and press releases of individual airlines, and various articles in *The Wall Street Journal*.

- **Section V – Rental Car Demand Analysis and Forecasts:** Reviews the recent trends in rental car activity at the Airport and forecasts annual rental car demand (in transaction days) for the 2002 – 2011 period.
- **Section VI – Financial Analysis:** Provides a description of the legal framework for the financing and operation of the CRCF Program, a discussion of the proposed funding, and projections of important financial indicators, such as the required CFC rate, CFC revenues and other Pledged Revenues, and debt service coverage.

A. OVERVIEW OF THE AIRPORT

The Airport began operations in July 1950, a month after President Harry S. Truman inaugurated it as Friendship International Airport. The Airport occupies 3,200 acres, located 10 miles south of Baltimore and 30 miles north of Washington, DC in Anne Arundel County, Maryland. Friendship International Airport was the only jet airport in the Baltimore-Washington area during the period of 1957-1962³.

The State of Maryland purchased Friendship International Airport from the City of Baltimore on July 26, 1972 and renamed it Baltimore/Washington International Airport to reflect its importance as a transportation center for the region. In the same year, the State of Maryland began a \$70 million expansion effort to increase the Airport's capacity to accommodate new commercial and general aviation activity⁴.

Today, the Airport is one of the three major airports serving the Washington-Baltimore area – the two others are Washington Dulles International and Ronald Reagan Washington National Airports. The three airports serve the fourth largest consumer population and travel market in the United States⁴.

According to the Federal Aviation Administration (the "FAA"), the Airport is classified as a large-hub airport⁵, and it is ranked 2nd in terms of total enplaned passengers in the Washington-Baltimore area. For the calendar year 2001, the Airports Council International ("ACI") ranked the Airport 24th in total passengers served and 29th in cargo in the nation⁶. As mentioned above, the Airport served approximately 19.6 million total passengers in 2000 and 20.4 million total passengers in FY 2001.

The Airport's airfield facilities consist of four air carrier runways, and associated taxiways and aircraft parking ramps. Runway and taxiway data are provided below:

³ Competition Plan, Baltimore/Washington International Airport, 2000.

⁴ Ibid.

⁵ Airports that enplane approximately 6.6 million or more passengers per year are classified as large hub airports.

⁶ Reported by the Maryland Aviation Administration on the Airport web site at www.bwiairport.com.

Runway	Dimensions
10/28	10,500 ft. x 200 ft.
15R/33L	9,500 ft. x 148 ft.
4/22	6,000 ft. x 151 ft.
15L/33R	4,280 ft. x 75 ft.
Taxiways	45,181 ft. x 75 ft.

The Airport's passenger terminal occupies about 1.4 million square feet, and contains five piers. There are a total of 65 jet gates, with 18 gates dedicated to commuter aircraft. As of May 2002, 16 major/national passenger airlines, five foreign flag passenger airlines, 11 regional/commuter airlines, and nine all-cargo airlines serve the Airport⁷. In February 2002, the most recent month for which complete air traffic records are available, the Airport's top five passenger airlines by market share were as follows:

Airline	Market Share
Southwest Airlines	44.0%
US Airways	9.9%
Delta Airlines	7.9%
American Airlines	7.4%
United Airlines	6.6%

B. RENTAL CAR OPERATIONS AT THE AIRPORT

Currently, there are eight Operators serving the Airport: ANC Rental Corporation ("Alamo"), Avis Rent-A-Car System, Inc. ("Avis"), Budget Rent a Car Systems, Inc. ("Budget"), Dollar Rent-A-Car Systems, Inc. ("Dollar"), Enterprise Leasing Company ("Enterprise"), The Hertz Corporation ("Hertz"), National Car Rental System, Inc. ("National"), and Thrifty Rent-A-Car Systems, Inc. ("Thrifty").

Pursuant to the terms of the current rental car Interim Lease and Concession Contracts (the "Interim Contracts"), between the MAA and the Operators, respectively, effective March 1, 2001, the Operators began collecting a CFC of \$3.00 per transaction day from every vehicle rental at the Airport⁸. The CFC revenues collected prior to the issuance of the Bonds are being used to pay for certain planning and design costs of the CRCF Program and the costs of operating the tram service that is currently transporting rental car customers between the Airport passenger terminal complex and the existing rental car facilities⁹. In addition to the

⁷ Based on MAA records.

⁸ Enterprise started collecting the CFC in August 2001, when it began operating from an on-Airport location.

⁹ It is anticipated that the tram will continue operating until the CRCF opens, at which time a common fleet of shuttle buses will become operational.

requirement for the Operators to collect the CFC, the Interim Contracts require the Operators to pay a Percentage Concession Fee (the "Percentage Concession Fee") equal to the greater of (a) 10% of the Operator's Gross Revenues, or (b) a minimum annual guarantee equal to 85% of the Percentage Concession Fee paid by the Operator during the preceding year. Each Operator is also required to pay rental fees, based on per-square-foot charges, for the existing leased premises at the Airport. The concession fees and rental fees are not included in Pledged Revenues for the Bonds. In 2001, the Operators reported aggregate gross revenues of approximately \$157.2 million on over 1.0 million rental car contracts. The average contract duration was 3.7 days.

Each Operator participating in the CRCF has entered into the Lease and Concession Contract to Establish and Operate a Non-Exclusive On-Airport Rental Car Auto Concession (a "Lease and Concession Contract") and a Service Center and Vehicle Storage Facilities Contract (a "SCVSF Contract"). The terms of these contracts are summarized in **Section VI** of this report.

The existing rental car facilities are located on the third and fourth floors of the Mall Garage, on the surface lot immediately behind the Mall Garage, and at facilities located off of Elkridge Landing Road. The third and fourth floors of the Mall Garage are used for customer pickup of rental cars ("Ready Return"). The surface lot behind the Mall Garage is used for customer drop-off of rental cars, to clean and service the returned vehicles (also known as the Quick Turn-Around Area or "QTA"), and to store vehicles ready to be delivered to the Ready Return in the Mall Garage. The facilities off Elkridge Landing Road are used for additional servicing and storage of vehicles.

The existing rental car facilities have reached capacity and are experiencing several operational problems. During peak demand periods, customers and Operators experience congestion and extended delays in the Mall Garage and on terminal roadways. A 1999 study conducted by the MAA concluded that the space currently allocated to rental car operations at the Airport (27 acres) was insufficient for current demands¹⁰. Moreover, the study found that Operators are expecting a 52% increase in transactions during the ten year period of 2000 through 2010, or a projected demand for approximately 7,700 rental car parking positions by the year 2010. The study recommended that at least 63 acres be allocated for current and future rental car activities.

The study cited in the previous paragraph further concluded that a consolidated rental car facility would best address the Airport's future rental car facility needs. MAA is constructing the CRCF Program as part of the Stoney Road Development Area, which will also include other elements that are not part of the CRCF Program, such as a new tenant employee surface parking lot and roadway and intersection

¹⁰ *Rental Car Site Selection Study*, Baker, July 1999, presented as Appendix C of the *Environmental Assessment of Proposed MAA Development at BWI (2000-2005)*, December 2000.

improvements. MAA management anticipates that the CRCF will commence operations in the Fall of 2003. All rental car operations at the Airport will be relocated to the CRCF when it opens and all existing rental car facilities on Airport property will be closed.

The Bonds are being issued to fund a portion of the cost of the CRCF Program. A more detailed description of the CRCF Program and its associated costs is included in **Section II** of this report.

C. PROPOSED FINANCING STRUCTURE

The Bonds will be issued pursuant to a Trust Agreement (the "Trust Agreement") between the Authority and The Bank of New York (the "Trustee"). The Bonds will be issued in an amount that, along with certain other funds, will be sufficient to provide:

1. Funding for the cost of designing, acquiring, constructing and equipping of a portion of the CRCF Program¹¹;
2. All costs of issuance, including legal, consulting, underwriting, and credit enhancement bond insurance premiums, and other costs associated with the issuance of the Bonds;
3. Funding for the cost of a surety bond to satisfy the Debt Service Reserve Fund Requirement established pursuant to the Trust Agreement;
4. Funding of the Coverage Fund established pursuant to the Trust Agreement, equal to 15% of the Maximum Annual Debt Service on the Bonds.

It is anticipated that the Bonds will be issued in the approximate amount of \$117.6 million, with an average annual interest rate estimated at 7.0%. The debt service will be amortized over 30 years, and debt service payments will be due on January 1 and July 1 of each year, commencing on January 1, 2003.

Upon the issuance of the Bonds, the CFC will be set at a rate that is expected to generate proceeds that, together with other Pledged Revenues, will be at least sufficient to pay debt service on the Bonds, and meet other funding requirements of the Trust Agreement. Under the Lease and Concession Contracts, if the CFC is set at the "Contingent Rent CFC Rate" (initially \$3.75) and CFC revenues are not sufficient to pay the Total Annual Costs, the MAA is required to impose Contingent Rent and/or may raise the Contingent Rent CFC Rate. Contingent Rent shall equal the difference between (1) the Total Annual Costs and (2) the projected CFC collections at the Contingent Rent CFC Rate, prorated over the twelve-month contract year. There is no legal limit on the amount of the Contingent Rent CFC

¹¹ The components of the CRCF Program are presented in Section II.

Rate, and the Lease and Concession Contracts permit the MAA to adjust the Contingent Rent CFC Rate above \$3.75. The CFC revenues and Contingent Rent (if imposed) will be remitted monthly to the Trustee and used to pay debt service on the Bonds, and make other deposits and payments required by the Trust Agreement.

SECTION II

DESCRIPTION OF THE CRCF PROGRAM

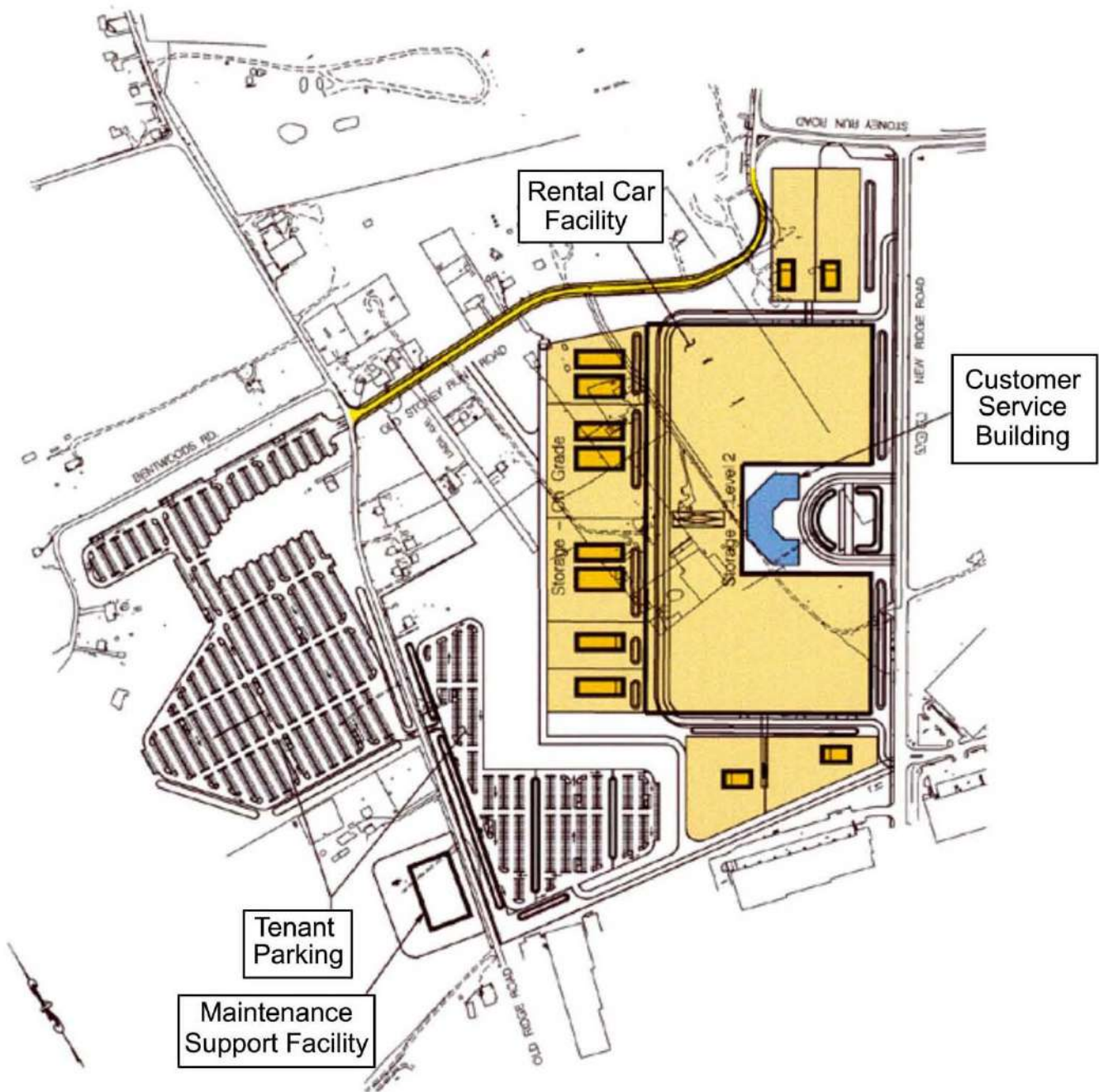
The CRCF Program will combine all rental car operations at the Airport into one facility. The purpose of the CRCF Program is to provide sufficient space for rental car operations at the Airport through the year 2020, improve customer service, help relieve traffic congestion in terminal roadways and parking garage areas, and increase overall Airport efficiency. The CRCF Program is part of the MAA's overall \$1.8 billion capital improvement program, which includes major passenger terminal improvements, a new central public parking garage, and roadway access improvements. Subsequent to the September 11, 2001 Events, MAA management reviewed its capital needs, and concluded that the planned capital improvements are still necessary in order for the Airport to accommodate future airport capacity needs. This section describes the CRCF Program in detail and discusses the CRCF Program budget and the sources of funding.

A. CRCF PROGRAM DESCRIPTION

The CRCF will be located on a 92.5-acre site adjacent to the New Ridge Road at the Stoney Run Road Development Area, west of the Airport. The CRCF, which will occupy approximately 78 acres, will have the capacity to accommodate approximately 8,300 cars, and can be expanded if additional vehicle storage spaces are needed. **Figure II-1** presents the planned layout of the CRCF. The CRCF Program is composed of the following principal elements:

- **Property Acquisition** – MAA already owned most of the land needed for the CRCF Program. However, as part of the CRCF Program, the MAA acquired additional land to increase the site to 92.5 acres.
- **Parking Structure** – A two-level, 2.1 million square-foot parking structure (the "Parking Structure") will accommodate customer rental/return, vehicle storage, and vehicle maintenance facilities to be constructed by the Operators. The first level of the Parking Structure will contain the Ready/Return Parking Area, and the second level will contain the individual Operator's service and storage facilities.
- **On-grade Vehicle Storage Facilities** – Surrounding the Parking Structure will be individual Operators' on-grade vehicle storage facilities. All buildings, structures, and operating systems within these facilities will be constructed by the individual Operators.

**FIGURE II-1
CRCF LAYOUT PLAN**



- **Customer Service Building** – The one-level consolidated rental car customer service building of approximately 46,000 square feet (the “Customer Service Building”) will include customer service and administrative office areas for each Operator, public circulation areas, public restrooms, a concession area, vending areas, administrative offices, and support space. This building will be surrounded on three sides by the Parking Structure, and will include entry/exit points to provide convenient and easy access from the Operators’ counter areas to the Parking Structure.
- **Shuttle Buses and Bus Maintenance Facility** – The CRCF Program also includes the purchase of 25 shuttle buses and the construction of a shuttle bus maintenance facility.
- **Roadway/Intersection and Infrastructure Improvements** – Infrastructure improvements at the site will include the relocation of a 24-inch water main, the construction of an 8-inch sanitary sewer line, and the construction of a fiber optic duct bank system. The roadway and intersection improvements will include a partial realignment of Stoney Run Road, improvements to the roadway shoulders, intersection improvements at MD-170, and the addition of a left turn lane at the intersection at Ridge Road.

Rental car customers arriving at the Airport will proceed to the curbside area to board one of the common rental car shuttle buses. The shuttle buses will then travel north to Aviation Boulevard and west to Stoney Run Road. The buses will go south on New Ridge Road and enter the main campus of the CRCF. Customers will then disembark, enter the main lobby, and proceed to their preferred Operator. After transactions are complete, customers will exit through the back of the Customer Service Building, and walk to the Parking Structure to pick up their rental cars. Customers returning their rental vehicles will follow the reverse route.

The MAA is considering the development of a people mover that would connect the Airport passenger terminal facilities, the parking facilities (existing and future), the CRCF, and the Amtrak station. However, the people mover project is in the preliminary design stages, and if pursued, MAA management anticipates that it would not be operational until 2010 or later. Therefore, this report assumes that rental car customers at the Airport will continue to be transported between the Airport terminal facilities and the CRCF via shuttle buses throughout the 10-year forecast period.

B. CRCF PROGRAM COSTS

The CRCF Program costs are estimated to total approximately \$131.3 million, with the following component costs¹:

Design	\$6,484,344
Property Acquisition	5,638,836
Parking Structure	82,512,723
Customer Service Building	10,258,431
Bus Maintenance Facility	8,200,000
Bus Acquisition	8,375,000
Off-Site Utilities / Hook-up Fees	2,590,529
Construction Management	<u>7,200,102</u>
Total Cost	\$131,259,965

C. CFC PROGRAM SOURCES OF FUNDING

The CRCF Program is being funded with the proceeds of the Bonds, CFC collections prior to the issuance of the Bonds, grant funds, and funds provided by the MAA, as summarized below:

Proceeds of the Bonds ²	\$114,655,600
CFC collections prior to issuance of the Bonds (for bus acquisition costs)	7,812,500
Grant funds (for bus acquisition costs)	562,500
MAA funds (for property acquisition costs and off-site utilities/hook-up fees)	<u>8,229,365</u>
Total estimated funding sources	\$131,259,965

The Bonds will be issued in an amount sufficient to provide funding for a portion of the CRCF Program, funding for the cost of a surety bond to satisfy the Debt Service Reserve Fund Requirement, and all costs of bond issuance. Effective March 1, 2001, the Operators began imposing a CFC of \$3.00 per transaction day on all persons entering into a rental car contract, to cover the costs of the CRCF Program to be funded with the CFC, including the debt service and other costs associated with the Bonds. Effective on the date of issuance of the Bonds, all CFC collections will be remitted monthly to the Trustee. A more detailed explanation of the financing plan is presented in **Section VI**.

¹ Cost estimates provided by MAA.

² Proceeds together with interest earnings.

SECTION III

RENTAL CAR INDUSTRY

This section provides a context for the detailed examination of the rental car market at the Airport presented in **Section V**. The section highlights recent developments in the U.S. rental car industry and profiles the rental car companies that currently serve the Airport market.

A. U.S. RENTAL CAR INDUSTRY

1. Background

The U.S. rental car industry has two distinct market segments: (1) the airport market and (2) the local market. The airport market serves business and leisure air travelers who rent cars at the airport upon arrival at their destinations. The local market segment primarily serves individuals who rent cars to replace their temporarily unavailable private cars, as well as local business and leisure customers.¹ The U.S. car rental fleet increased by 5.5% in 2000, from 1.73 million cars in 1999 to 1.83 million in 2000, before decreasing by 5.2% in 2001, to 1.74 million cars². Several rental car companies reduced their fleets by 25% to 35% in the months following the September 11, 2001 Events, which contributed to the overall decline in the U.S. rental car fleet for the entire year. The industry reported gross revenues of \$19.4 billion in 2000, representing a 10.2% increase over the 1999 gross revenues of \$17.6 billion. The industry's total gross revenues decreased approximately 3.0% in 2001, to approximately \$18.8 billion. Some industry observers attributed the decrease in industry revenue in 2001 to several factors, including the economic slowdown and the September 11, 2001 Events³. The airport market segment accounted for approximately 66% of total gross revenue in 2000, up from a revenue share of 64% in 1999.⁴

The early rental car companies in the U.S. operated in downtown areas, usually at hotels and train stations. The Hertz Corporation (Hertz) is the oldest company in the rental car industry, tracing its history to 1918, when Walter L. Jacobs opened the first rental car company in Chicago. Hertz also pioneered the expansion of car rental operations to airport locations when it opened its first office at Chicago-Midway Airport in 1932. In 1947, Warren Avis opened rental car operations at Detroit's Willow Run Airport and Miami Airport. The economic prosperity of the post-World

¹ This report addresses the financial feasibility of the proposed rental car facility at the Airport. Consequently, the discussion in this sub-section is limited to the airport rental car market segment.

² Industry statistics quoted in this paragraph were obtained from the annual "Fact Book" publications of Auto Rental News.

³ Auto Rental News, 2002 Fact Book, January 2002.

⁴ David Stepner, "Car Rental Has Another Strong Year", an editorial comment in *Auto Rental News*, 2001 Fact Book, pages 4 & 6, January 2001.

War II period led to enormous growth in consumer demand for a wider variety of goods and services, including air travel demand. By 1948, Avis had opened rental car operations at airports in Chicago, Dallas, Houston, Los Angeles, New York, and Washington. The rental car industry, in realization of air travelers' need for a convenient mode of ground transportation at their destinations, responded by expanding rental car service to all commercial airports in the United States. In terms of gross airport revenue, the top five U.S. airport rental car markets in 2000 were Orlando, Los Angeles, San Francisco, Miami, and Atlanta.⁵

Airports typically require rental car companies to bid for the right to operate on airport property and pay fees for the opportunity to serve the airport market. The most common airport fee, "concession fee" or "airport privilege fee" is usually collected from all rental car companies serving the airport market, whether the company facilities are located within the airport boundaries ("on-airport") or near the airport ("off-airport"). The concession fee is typically the greater of a minimum annual guarantee or a percentage of each rental car company's gross revenue earned at its airport location. On-airport rental car companies may be required to pay a higher concession fee than do the off-airport rental car companies. In addition to the concession fee, many airports charge rental car companies rent for their counter space in the airport terminal, ground rent for designated parking spaces, and other fees specified in the rental car concession agreement.

2. Recent Industry Trends

The U.S. airport rental car industry is a dynamic market that has evolved in response to economic changes over the years. This sub-section highlights some of the relevant trends that have emerged in the recent past.

- i. ***The Effects of the September 11, 2001 Events.*** Like many other industry sectors, the rental car industry has felt the effects of the slowdown in the national economy and the aftermath of the September 11, 2001 Events. Many companies reported decreases in their third and fourth quarter 2001 rental volumes, revenues and profits compared to the previous year.⁶ ANC Rental Corp., the parent company of Alamo Rent A Car and National Car Rental, filed for reorganization under Chapter 11 of the U.S. Bankruptcy code – citing revenue shortfalls from the drastic decline in travel after September 11.^{7 8} ANC considers the filing "a positive and proactive step...[to allow ANC]

⁵ The ranking was based on gross rental revenue data provided to airport authorities by both on-airport and off-airport operators. See "U.S. Car Rental Market Data", *Auto Rental News - 2001 Fact Book*, page 16, January 2001.

⁶ [Various](#) news articles posted on industry web sites.

⁷ Kortney Stringer, "Reservations Grow Over Rental-Car Industry's Weak Links; ANC, owner of Alamo and National, Files Under Chapter 11, Cites Travel Decline," *The Wall Street Journal*, November 14, 2001.

⁸ "ANC Rental Files for Chapter 11 Protection," *Auto Rental News*, November 13, 2001, in www.fleet-central.com/ARN.

to restructure [its] balance sheet, improve [its] operations, and position [itself] for future profitability while continuing to serve customers with [ANC's] traditional high level of service and quality".⁹ The rental car industry as a whole will continue to be affected by national business cycles and air travel trends. Some industry analysts predict that in 2002, the rental car companies will slowly recover from the effects of the September 11, 2001 Events by increasing prices, maintaining lower fleet sizes, and implementing other cost-cutting measures¹⁰. Available first quarter 2002 performance data indicate the onset of recovery in the industry. For example, the National Business Travel Association (NBTA) recently published the findings of its March 2002 survey of corporate travel managers, which indicated that there were "signs of recovery in corporate travel".¹¹ The survey showed that 65% of the managers reported travel demand increases of up to or more than 10% since January 2002, and most expect business travel to return to normal levels during 2002, although they differed in their opinion about the pace of travel recovery.¹² For the first quarter of 2002, Dollar reported a 4.1% reduction in revenue compared to the first quarter of 2001. The decline in rental revenue was attributed to an 11.2% decrease in rental days, which was partially offset by an 8.1% increase in revenue per day. On the other hand, Thrifty reported a 3% increase in first quarter 2002 revenue compared to the first quarter of 2001. Dollar Thrifty Automotive Group (DTAG) attributes its overall first quarter 2002 performance to the cost reductions it initiated in the fourth quarter of 2001, which included reductions in staff and fleet size.¹³

- ii. **Ownership and Restructuring.** The ownership and organization of the major rental car companies have undergone significant changes since the 1980s. In the 1980s, the three large U.S. car manufacturers (Chrysler, Ford and General Motors) had substantial ownership interests in several rental car companies primarily because the companies served as outlets to absorb periodic excess new car inventory. However, by the mid-1990s, the car manufacturers had sold all or significant portions of their interests in the rental car companies. General Motors sold National in June 1995, and in October 1996, sold its interests in Avis to HFS, a hotel and real estate franchiser. Ford sold its interests in Budget in April 1997. Also in April 1997, Hertz became a publicly traded company when it made an initial public offering of 20 million shares of its common stock. Chrysler sold its interests in Dollar when the Dollar Automotive Group completed an initial public offering of 22.5 million shares of its common stock in December 1997.

⁹ *Ibid.*

¹⁰ From the *Auto Rental News 2002 Fact Book* and information posted on the website of the National Business Travel Association at www.nbta.org

¹¹ National Business Travel Association April 4, 2002 press release titled "Business Travel Recovering After September 11th", at www.nbta.org

¹² *Ibid.*

¹³ Dollar Thrifty Automotive Group, News Release dated April 18, 2002, at www.corporate-ir.net.

The initial buyers of the rental car companies have themselves changed or undergone reorganization. National, along with Alamo and CarTemps USA were owned and operated by AutoNation, Inc. However, in January 2000, AutoNation, Inc. announced a spin-off of its car rental unit and created a separate, publicly traded company, ANC Rental Corporation, to take over its rental car operations. Since purchasing interests in Avis, HFS merged with CUC International, to form Cendant. Pentastar Transportation Group, Inc. (PTG), a subsidiary of the Chrysler Corporation, which acquired Dollar in 1997, has since merged into the Dollar-Thrifty Automotive Group, Inc. (DTAG), thereby bringing both Dollar and Thrifty under one corporate entity.

iii. Renewed Emphasis on Profitability. The recent changes in the ownership of rental car companies and the effects of the September 11, 2001 Events have resulted in a renewed focus on profitability. In particular, the major rental car companies have been implementing more cost-effective fleet management strategies and adopting market-based pricing structures for their services. Industry experts suggest that careful monitoring of holding costs, the use of multiple sources to purchase vehicles, and matching fleet size with market demand are some of the strategies that would ensure increased and sustained profitability in the rental car industry.¹⁴ Industry analysts suggest that this focus on cost control is even more important in the business environment subsequent to the September 11, 2001 Events. As mentioned previously, the U.S. rental car fleet size decreased in 2001, as rental car companies reduced their fleets to match the reductions in demand during the last few months of 2001. In addition, industry analysts expect rental car companies to implement higher rates in 2002, as well as increased surcharges, such as surcharges on one-day rentals during the middle of the week, cancellation or no-show fees, and the itemization of various charges, such as airport concession fees and airport rent.

iv. Role of Technology and the Internet. The Internet has become a very important tool for doing business. Advances in e-commerce technology have made it easier for businesses to create virtual do-it-yourself environment for their customers that greatly facilitates business transactions. The major rental car companies have adopted the e-commerce trend and set up websites with extensive reservations and customer service capabilities. Some industry observers believe this trend will increase in 2002, mainly due to the rental car companies' renewed focus on strategies to lower their operating costs in the aftermath of the September 11, 2001 Events¹⁵. Industry analysts project that by 2003, a majority of the reservations and rental transactions in the U.S. will be made directly by the rental car customers over the Internet, to the exclusion of counter agents. In addition to

¹⁴ Jon LeSage, "Car Rental Should See Slow, Steady Recovery in 2002," *Auto Rental News*, January/February 2002, as reported at www.fleet-central.com; see also *Auto Rental News 2002 Fact Book*, January 2002.

¹⁵ Ibid.

the growing role of the Internet for the reservation process, industry analysts expect that new advances in vehicle tracking, information databases, and various high-tech products will result in significant changes in the industry in the near future. Many rental car companies have installed mobile communication devices in their fleet, and sophisticated technology for anti-carjacking, automated emergency response, and counter bypass are projected to become more readily available and in use throughout the industry.¹⁶ It is safe to project that the increasing role of technology and the Internet will have significant implications for customer service, operating costs and long-term profitability in the U.S. rental car industry.

B. RENTAL CAR COMPANIES THAT SERVE THE AIRPORT ¹⁷

Eight rental car companies currently serve the Airport: Alamo, Avis, Budget, Dollar, Enterprise, Hertz, National, and Thrifty. Based on data reported by the eight companies, total gross revenues from their operations at the Airport increased at an average annual rate of 15.9% from 1996 to 2000. However, reported gross revenues decreased 3.4% in 2001, from \$162.7 million in 2000 to \$157.2 million in 2001. The decrease was largely due to the effects of the September 11, 2001 Events. Gross revenues reported by the companies for their operations at the Airport for the months of September 2001 through December 2001 were 13.4% lower than reported gross revenues for the comparable months in 2000. Similarly, total rental contracts and transaction days for the companies' operations at the Airport decreased 12.6% and 8.7%, respectively, for the period September 2001 through December 2001, compared to the same months for 2000. A more detailed discussion of the historical trends of the rental car operations at the Airport and the implications for future rental car demand at the Airport is presented in **Section V** of this Report.

A brief profile of each company serving the Airport is provided below.

1. Alamo Rent-A-Car, Inc.

Alamo began operations at four Florida locations (Miami, Fort Lauderdale, Tampa, and Orlando) in 1974. By 1979, the company had grown to include 11 off-airport locations, with a focus on the leisure traveler. Alamo's first on-airport location was in Atlanta and the company has since expanded its on-airport operations nationwide. Alamo now operates in over 1,000 locations throughout the United States, Canada, Europe, Latin America, and the Caribbean. The corporate ownership of Alamo has changed over the years. In December 1996, Alamo merged with Republic Industries, Inc, which later became known as AutoNation, Inc. In January 2000, AutoNation announced the spin-off of its rental car unit and the creation of a

¹⁶ See, for example, "Industry Forecast", in *Auto Rental News*, January/February 2001, pages 14-24.

¹⁷ Most of the material presented in this section was obtained from the websites of the rental car companies and supplemented by material from various issues of *Auto Rental News*.

separate, publicly traded company, ANC Rental Corporation, to take over the rental car operations. ANC Rental Corporation now operates Alamo and National. In 2000, the airport segment of the market accounted for 85% of ANC Rental Corporation's annual rental transactions. Nationwide, in 2000, ANC Rental Corporation's airport customer base was split: 53% business travelers and 47% leisure travelers. Alamo began serving the Airport market at an off-airport location in July 1987, and moved on-airport in May 1990. Based on the gross revenue reported by the rental car companies for their operations at the Airport, Alamo accounted for 9.9% of the Airport rental car market for the 12 months ended February 28, 2002.

On November 13, 2001, ANC Rental Corporation, Alamo's parent company, filed voluntary petitions for reorganization under Chapter 11 of the U.S. Bankruptcy Code. In doing so, the company cited "the drastic decline in travel" resulting from the September 11, 2001 Events as being the primary reason for this action.

2. Avis Rent-A-Car System, Inc.

Warren Avis began renting cars at Detroit's Willow Run Airport and Miami Airport in 1947. By 1948, Avis had expanded to include locations in Chicago, Dallas, Houston, New York, Los Angeles, and Washington, D.C. Avis now operates at more than 1,650 locations in the United States, Canada, Australia, New Zealand, and the Latin American/Caribbean region. The corporate ownership of Avis has changed over the years. In 1989, General Motors acquired a 27% (later increased to 29%) ownership interest in the company, with the remainder owned by Avis employees. In October 1996, Avis was purchased by HFS, and subsequently became a publicly traded company in 1997. In March 2001, Cendant, a successor in interest in HFS, completed its acquisition of Avis Group Holdings, Inc., thereby making Avis a wholly owned subsidiary of Cendant Corporation. In 2000, the airport segment of the market accounted for 85% of Avis' annual rental transactions. Nationwide, in 2000, Avis' airport customer base was split: 65% business travelers and 35% leisure travelers. Avis has operated at the Airport since the Airport's inception. Based on the gross revenue reported by the rental car companies for their operations at the Airport, Avis accounted for 23.2% of the Airport rental car market for the 12 months ended February 28, 2002.

3. Budget Rent a Car Systems, Inc.

Budget is one of the seven subsidiaries of the Budget Group, Inc. Budget began operations in Los Angeles in 1958 and expanded its leisure traveler segment of the airport market during the 1960s and 1970s. Budget now operates in 1,110 locations across the United States, and in 120 countries worldwide. The corporate ownership of Budget has changed over the years. In April 1997, the Ford Motor Company sold Budget to Team Rental Group, which was subsequently renamed Budget Group, Inc. In 2000, the airport segment of the market accounted for 70% of Budget's annual rental transactions. Nationwide, in 2000, Budget's airport customer base was split equally between business and leisure travelers. Based on gross revenue

reported by the rental car companies for their operations at the Airport, Budget accounted for 13.8% of the Airport rental car market for the 12 months ended February 28, 2002.

4. Dollar Rent-A-Car Systems, Inc.

Dollar opened its first location in Los Angeles in 1965 where its executive offices remained until August 1994 when Dollar relocated its headquarters to Tulsa, Oklahoma. Dollar now operates at more than 260 locations across the United States, and in 50 countries worldwide. The corporate ownership of Dollar has changed over the years. In August 1990, Dollar was acquired by the Chrysler Corporation, and along with Thrifty and Snappy, became a wholly owned subsidiary of Pentastar Transportation Group, Inc. (PTG), which itself was a subsidiary of Chrysler. In 1997, PTG was merged into the Dollar-Thrifty Automotive Group, Inc. (DTAG) and completed an initial public offering of its common stock. DTAG now owns and operates Dollar and Thrifty. In 2000, the airport segment of the market accounted for 90% of Dollar's annual rental transactions. Nationwide, in 2000, Dollar's airport customer base was split: 40% business travelers and 60% leisure travelers. Based on the gross revenue reported by the rental car companies for their operations at the Airport, Dollar accounted for 5.5% of the Airport rental car market for the 12 months ended February 28, 2002.

5. Enterprise Rent-A-Car Company

Jack Taylor founded Executive Leasing, a vehicle leasing company, in St. Louis in 1957. The rent-a-car operation was launched in 1962, and in 1969, Executive Leasing changed its name to Enterprise Leasing and began expanding its operations outside St. Louis. Enterprise Rent-A-Car Company and its subsidiaries now operate at more than 4,018 locations across the United States, Canada, and Europe. Unlike the other major rental car companies, Enterprise Rent-A-Car Company and its subsidiaries have historically focused primarily on the local segment of the car rental market. In 2000, the airport segment of the market accounted for only 5% of the annual rental transactions of Enterprise Rent-A-Car Companies and its subsidiaries. Nationwide, in 2000, the airport customer base of Enterprise Rent-A-Car Company and its subsidiaries was split: 25% business travelers and 75% leisure travelers. Enterprise Leasing Company of Baltimore, a wholly-owned subsidiary of Enterprise Rent-A-Car Company, began serving the Airport market at an off-airport location in November 1998, and moved on-airport in August 2001. Based on the gross revenue reported by the rental car companies for their operations at the Airport, Enterprise Leasing Company of Baltimore accounted for 2.1% of the Airport rental car market for the 12 months ended February 28, 2002.

. The Hertz Corporation

Hertz is the oldest rental car company in the industry, tracing its beginnings to 1918, when Walter L. Jacobs opened his first car rental operation in Chicago. The company took the name of Hertz in 1923, when Jacobs sold it to John Hertz, president of Yellow Cab and Yellow Truck and Coach Manufacturing Company. Hertz became a subsidiary of the Ford Motor Company in 1994. Hertz became a publicly traded company, when in April 1997 it completed an initial public offering of 20 million of its common stock. Hertz now operates at over 1,300 locations across the United States and in more than 140 countries worldwide. In 2000, the airport segment of the market accounted for 90% of Hertz' annual rental transactions. Nationwide, in 2000, Hertz's airport customer base was split: 55% business travelers and 45% leisure travelers. Hertz began operating at the Airport in 1958. Based on the gross revenue reported by the rental car companies for their operations at the Airport, Hertz accounted for 27.5% of the Airport rental car market for the 12 months ended February 28, 2002.

7. National Car Rental Systems, Inc.

Twenty-four independent rental car operators established National in 1947 and the company was based in St. Louis until 1961, when an investment group relocated the corporate headquarters in Minneapolis. By 1992, the company was wholly acquired by General Motors. Ownership of National changed over the years, and in January 2000, the company became a part of ANC Rental Corporation, which was spun off by AutoNation, Inc. and became publicly traded (NASDAQ and ANCX). ANC Rental Corporation currently operates National and Alamo. In 2000, the airport segment of the market accounted for 85% of ANC Rental Corporation's annual rental transactions. Nationwide, in 2000, ANC Rental Corporation's airport customer base was split: 53% business travelers and 47% leisure travelers. National began operating at the Airport prior to 1969. Based on the gross revenue reported by the rental car companies for their operations at the Airport, National accounted for 13.4% of the Airport rental car market for the 12 months ended February 28, 2002.

On November 13, 2001, ANC Rental Corporation, National's parent company, filed voluntary petitions for reorganization under Chapter 11 of the U.S. Bankruptcy Code. In doing so, the company cited "the drastic decline in travel" resulting from the tragic events of September 11 as being the primary reason for this action.

8. Thrifty Rent-A-Car Systems, Inc.

Thrifty began its car rental operations in Tulsa, Oklahoma in 1958, with a focus on off-airport locations. The Chrysler Corporation acquired Thrifty in 1989, and in 1997 Chrysler divested Thrifty in an initial public offering as part of Dollar-Thrifty Automotive Group, Inc. (DTAG). Thrifty's car rental franchise network serves over 575 locations across the United States and in 66 countries worldwide. In 2000, the airport segment of the market accounted for 66% of Thrifty's annual rental

transactions. Nationwide, in 2000, Thrifty's airport customer base was split: 66% business travelers and 34% leisure travelers. A franchisee of Thrifty began operating at the Airport in May 1990. In January 1997, the Thrifty franchise at the Airport was assigned to NUCORP, Inc. In March 2002, in response to a petition filed by NUCORP, Inc., the U.S. Bankruptcy Court allowed NUCORP, Inc. to assign its leases and contracts with the MAA to Thrifty Rent-A-Car Systems, Inc. Based on the gross revenue reported by the rental car companies for their operations at the Airport, Thrifty accounted for 4.2% of the Airport rental car market for the 12 months ended February 28, 2002.

SECTION IV

THE ECONOMIC BASE OF THE AIRPORT

Local demographic and economic characteristics are important factors in air travel demand, particularly in determining the volume of the origination and destination (O&D) component of an airport's passenger traffic and rental car demand. This section defines the air service area of the Airport, and reviews recent demographic and economic trends in the area.

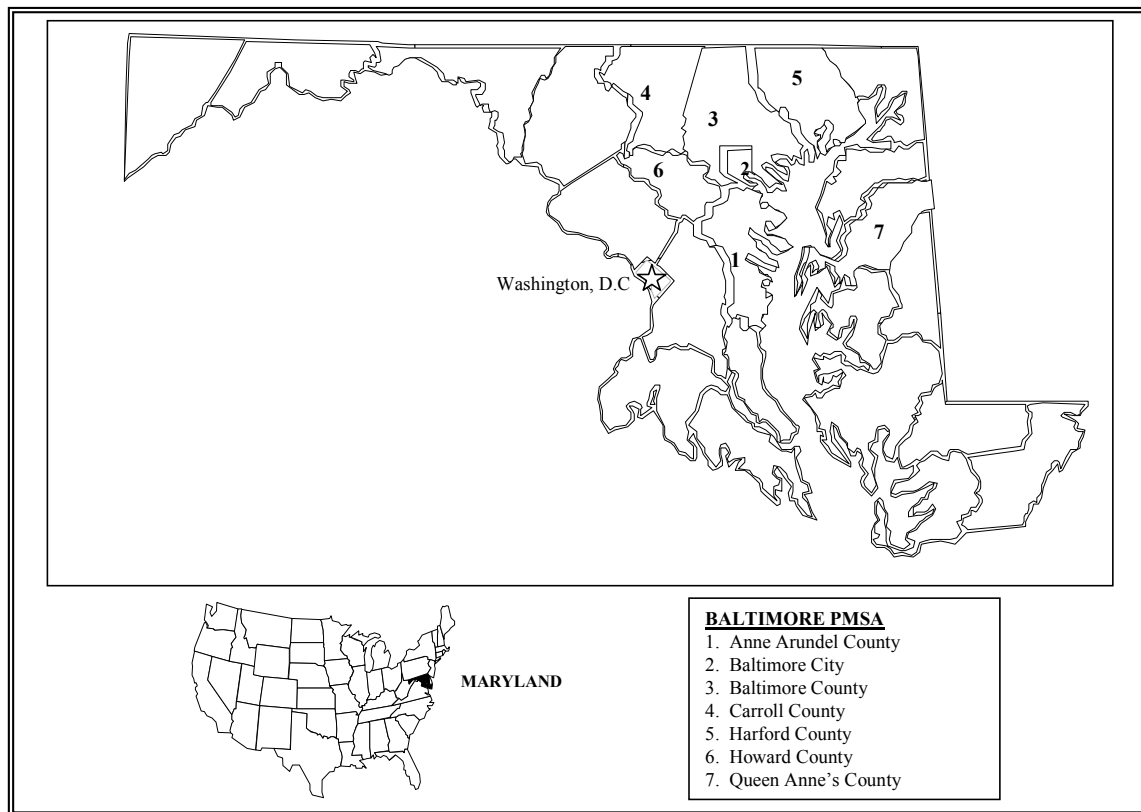
A. THE AIRPORT'S AIR SERVICE AREA

The FAA designates the Airport as a large hub airport, which is the class of airports that account for at least one percent of total U.S. annual passenger enplanements.¹ The Airport's primary air service area (ASA) includes the counties of the Baltimore Primary Metropolitan Statistical Area (PMSA). As shown in **Figure IV-1** the Baltimore PMSA comprises the counties of Anne Arundel, Baltimore, Carroll, Harford, Howard, Queen Anne's, and the City of Baltimore. These counties are well connected by a light rail system, and a network of interstate highways and state highways. The I-97, I-100, I-195, and I-695 provide convenient access from the PMSA to the Airport. Highway 170 provides the main access from the Airport to Downtown Baltimore City.

The Airport is the major airport serving the Baltimore PMSA. However, the Airport shares a broader secondary air service area with two major commercial airports, namely, the Ronald Reagan Washington National Airport (located 29 miles from the Airport) and Dulles International Airport (located 46 miles from the Airport). The secondary air service area includes portions of the Washington PMSA, which comprises the following jurisdictions: the District of Columbia; the Maryland counties of Calvert, Charles, Frederick, Montgomery, and Prince George's; the Virginia counties of Arlington, Clarke, Culpeper, Fairfax, Fauquier, King George, Loudoun, Prince William, Spotsylvania, Stafford, and Warren; the independent Virginia cities of Alexandria, Fairfax, Falls Church, Fredericksburg, Manassas, and Manassas Park; and the West Virginia counties of Berkeley and Jefferson. For the purpose of this project, this section focuses on the Baltimore PMSA.

¹ FAA, *National Plan of Integrated Airport Systems (NPIAS): 1998-2002*, March 1999.

FIGURE IV-1
BALTIMORE/WASHINGTON INTERNATIONAL AIRPORT
PRIMARY AIR SERVICE AREA



B. POPULATION

The population of an area is the primary source of air travel demand in that area. **Table IV-1** presents the historical and projected population of the Baltimore PMSA. According to U.S. Bureau of the Census data, the population of the Baltimore PMSA increased at an average annual rate of 0.7%, from 2.38 million in 1990 to 2.55 million in 2000. The area's population is projected to increase at an average annual rate of 0.2%, and reach approximately 2.58 million by 2005. The area's historical and projected population trends are similar to the trends observed at the state and national levels. The population of Maryland increased at an average annual rate of 1.0% between 1990 and 2000, while the U.S. population increased at an average annual rate of 1.2% over that period. Maryland's population is projected to increase at an average annual rate of 0.6% and the national population is projected to increase at an average annual rate of 0.4% over the 2000-2005 period.

Table IV-1 also shows that most of the projected population growth in the Baltimore PMSA is expected to occur in the counties of Carroll, Howard, and Queen Anne's, each of which is projected to experience more than 2% increase in their population

during the 2000-2005 period. Travel demand generally benefits from a growing population. The larger population base consolidates the local economy, which in turn provides a strong base for air travel demand.

TABLE IV-1
BALTIMORE/WASHINGTON INTERNATIONAL AIRPORT
PRIMARY AIR SERVICE AREA - POPULATION GROWTH BY COUNTY
1990-2005

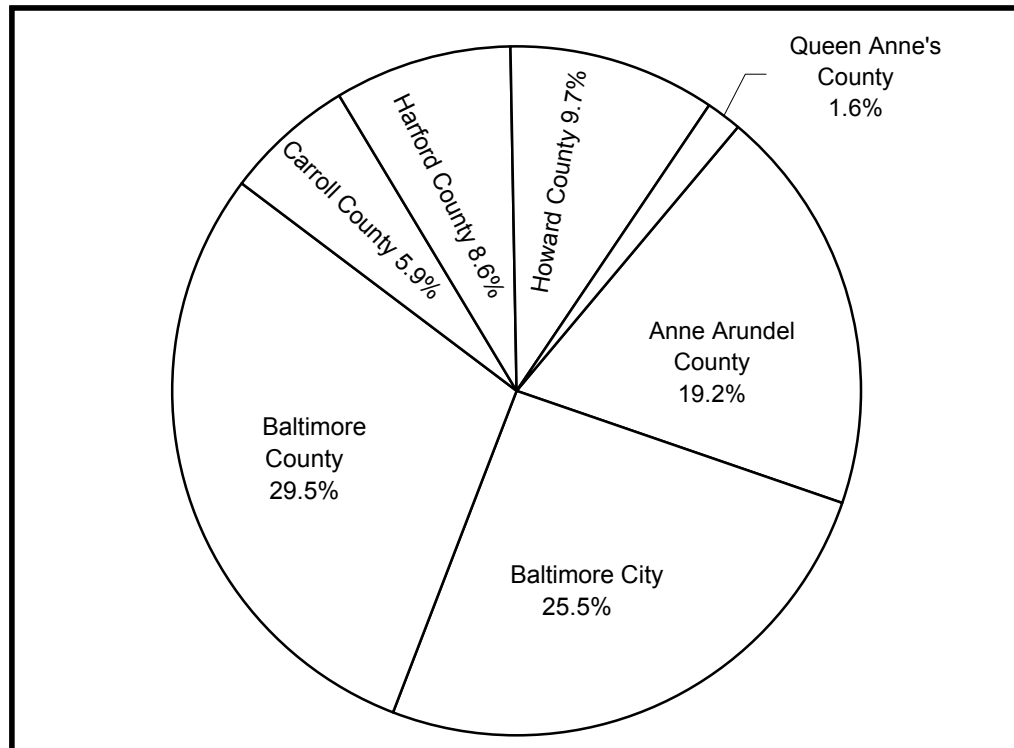
County/Area	Population			Avg. Annual Growth Rate	
	Historical		Projected	Historical	Projected
	1990	2000	2005	1990-2000	2000-2005
Baltimore PMSA ¹					
Anne Arundel County	427,239	489,656	513,900	1.4%	1.0%
Baltimore City	736,014	651,154	592,000	-1.2%	-1.9%
Baltimore County	692,134	754,292	736,300	0.9%	-0.5%
Carroll County	123,372	150,897	168,800	2.0%	2.3%
Harford County	182,132	218,590	236,900	1.8%	1.6%
Howard County	187,328	247,842	282,300	2.8%	2.6%
Queen Anne's County	33,953	40,563	45,800	1.8%	2.5%
Total - PMSA	2,382,172	2,552,994	2,576,000	0.7%	0.2%
MARYLAND	4,781,468	5,296,486	5,467,000	1.0%	0.6%
UNITED STATES	248,709,873	281,421,906	287,716,000	1.2%	0.4%

¹ PMSA stands for Primary Metropolitan Statistical Area.

Sources: i) U.S. Bureau of the Census, at www.census.gov/population.
ii) Sales & Marketing Management, *Survey of Buying Power*, 2000.

Figure IV-2 presents the population distribution in the Baltimore PMSA in 2000. The most populous county in the ASA is Baltimore County, which accounted for 29.5% of the area's population in 2000. Baltimore City accounted for 25.5% of the population, making it the second largest entity in the Baltimore PMSA. The third largest county is Anne Arundel, which had a population share of 19.2% in 2000. As mentioned above, significant population increases are projected to occur in the counties of Carroll, Howard, and Queen Anne's over the 2000-2005 period.

FIGURE IV-2
BALTIMORE PMSA - POPULATION DISTRIBUTION BY COUNTY ¹
2000



¹ The Airport's primary air service area includes the counties of the Baltimore PMSA.

Source: U.S. Bureau of the Census at www.census.gov/population.

C. LABOR FORCE

Table IV-2 presents the labor market trends in the Baltimore PMSA during the 1991-2001 period. The area's labor force increased from 1.25 million in 1991 to approximately 1.33 million in 2001, representing an average growth rate of 0.6% per year during that period. Over the same period, the number of employed persons increased at an average annual rate of 0.8%, from 1.17 million workers in 1991 to 1.27 million in 2001. The number of unemployed persons in the area dropped from 84,155 in 1991 to 60,724 in 2001, representing an average annual decrease in unemployment of 3.2%.

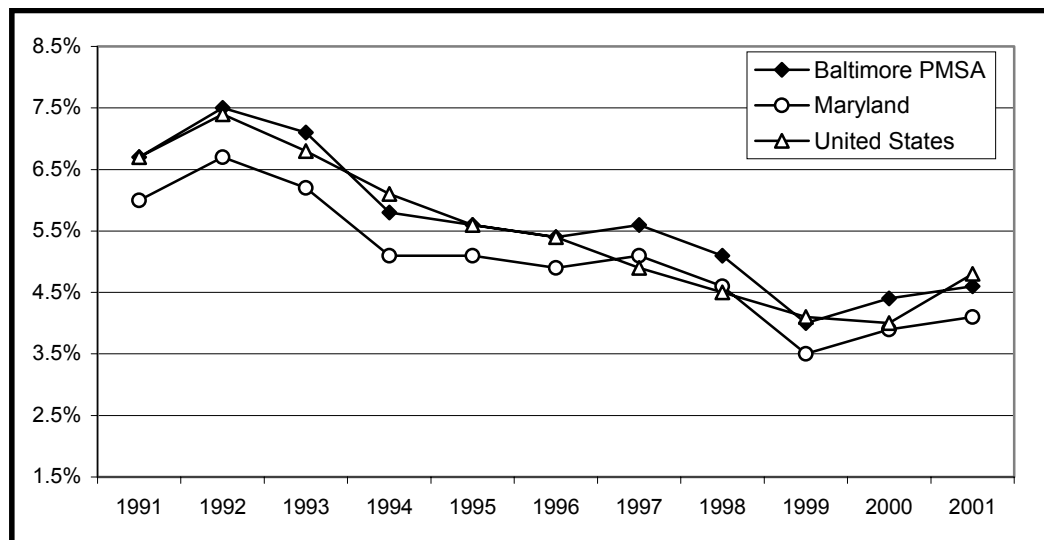
TABLE IV-2
BALTIMORE PMSA - CIVILIAN LABOR FORCE
1991-2001

Year	Labor Force			Unemployment
	Total	Employed	Unemployed	Rate
1991	1,253,887	1,169,732	84,155	6.7%
1992	1,275,934	1,180,194	95,740	7.5%
1993	1,279,957	1,189,393	90,564	7.1%
1994	1,275,279	1,201,278	74,001	5.8%
1995	1,281,873	1,210,122	71,751	5.6%
1996	1,316,096	1,245,293	70,803	5.4%
1997	1,317,963	1,243,712	74,251	5.6%
1998	1,298,052	1,231,234	66,818	5.1%
1999	1,305,062	1,252,988	52,074	4.0%
2000	1,314,029	1,255,686	58,343	4.4%
2001	1,330,731	1,270,007	60,724	4.6%
Average Annual Growth Rate				
1991-2001	0.6%	0.8%	-3.2%	-

Source: Maryland Department of Labor, Licensing and Regulation, Office of Labor Market Analysis and Information, at www.dllr.state.md.us/lmi/laus.

Figure IV-3 shows that although the trend in the area's unemployment rate was slightly higher, it tracked the state and national unemployment rates during the 1991-2001 period. The unemployment rate in the Baltimore PMSA fluctuated slightly, but has dropped steadily since 1997. The 4.6% local unemployment rate reported in 2001 was a significant drop from the high unemployment rate of 7.1% reported in the PMSA in 1993, and lower than the 4.8% national unemployment rate reported in 2001.

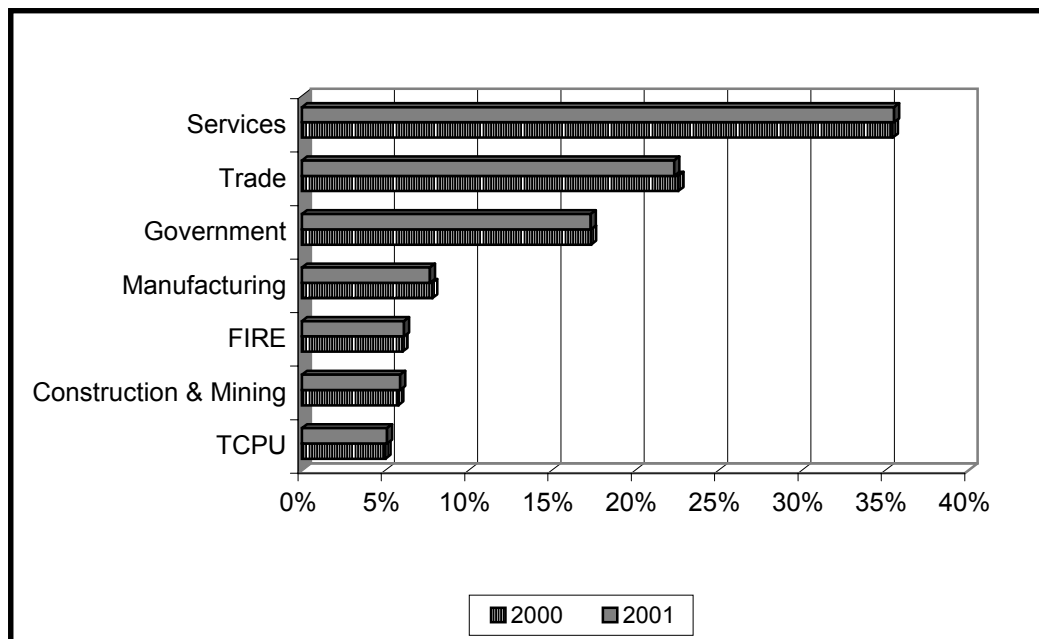
FIGURE IV-3
COMPARISON OF UNEMPLOYMENT RATES
1991-2001



Sources: i) U.S. Bureau of the Census, at www.census.gov
ii) Maryland Department of Labor, Licensing and Regulation, Office of Labor Market Analysis and Information, at www.dlir.state.md.us/lmi/laus.

A breakdown of non-agricultural employment in the Baltimore PMSA presented in **Figure IV-4** illustrates the diversity of the local economy. In terms of number of workers, the leading private sector industries in 2000 and 2001 were Services, Trade, and Manufacturing. Collectively, these three sectors accounted for approximately 66% of non-agricultural jobs in the local economy in both 2000 and 2001. The Government sector, which includes all levels of government (local, state and federal) accounted for approximately 17.4% of non-agricultural jobs in the area in 2000 and 2001.

FIGURE IV-4
BALTIMORE PMSA - NON-AGRICULTURAL EMPLOYMENT
2000 and 2001



FIRE is finance, insurance, and real estate.

TCPU is transportation, communications, and public utilities.

Trade includes wholesale and retail trade.

Source: Maryland Department of Labor, Licensing and Regulation, Office of Labor
Market Analysis and Information, at www.dllr.state.md.us/lmi/laus.

Table IV-3 lists selected major private sector employers in the Baltimore PMSA in the first quarter of 2001. It reflects the broad base of job creation in the area, including healthcare services, diverse manufacturing, education, trade, and transportation.

TABLE IV-3
BALTIMORE PMSA - MAJOR PRIVATE SECTOR EMPLOYERS
First Quarter, 2001

Company/Location	Industry
Anne Arundel County	
Anne Arundel Medical Center, Inc.	Healthcare Services
Arinc Incorporated	Engineering & Telecommunications
Ciena Corporation	Manufacturing/Network Technologies
Constellation Power Source	Public Utilities
North Arundel Hospital Association, Inc.	Healthcare Services
Northrop Grumman Corporation	Electronics Systems
Southwest Airlines Company	Air Transportation
Teksystems Inc.	Electronics
U.S. Airways Inc.	Air Transportation
Baltimore City	
Baltimore Gas & Electric Company	Public Utilities
Johns Hopkins University & Health System	Higher Education & Healthcare Services
Sinai Hospital	Healthcare Services
St. Agnes Hospital	Healthcare Services
T. Rowe Price Associates, Inc.	Financial Services
University of Maryland Medical System	Healthcare Services
Baltimore County	
Baltimore Gas & Electric Company	Public Utilities
Becton Dickenson & Company	Manufacturing
Bethlehem Steel Corp.	Steel Manufacturing
Blue Cross of Maryland, Inc.	Health Insurance Services
Franklin Square Hospital	Healthcare Services
Greater Baltimore Medical Center	Healthcare Services
IEG V LLC	Services
MBNA Marketing Services, Inc.	Services
Saint Joseph Hospital	Healthcare Services
Carroll County	
Black and Decker, U.S., Inc.	Power Tools/Home Products Manufacturing
Carroll County General Hospital	Healthcare Services
Carroll Lutheran Village	Services
English American Tailoring Co.	Services
Evapco Inc.	Manufacturing
Lehigh Port Cement Company	Cement Manufacturing
Marada Industries, Inc.	Manufacturing
Random House, Inc.	Publishing
Western Maryland College, Inc.	Higher Education

TABLE IV-3 (continued)
BALTIMORE PMSA - MAJOR PRIVATE SECTOR EMPLOYERS
First Quarter, 2001

Company/Location	Industry
Harford County	
Check Gallery, Inc.	Services
Frito-Lay Inc.	Food
Northrop Gruman Corporation	Electronics Systems
Old Line Plastics, Inc.	Manufacturing
Potomac Personnel Services, LP	Services
Rack Rite Distribution Center	Services
SFA Distribution Company	Services
Upper Chesapeake Health System	Healthcare Services
Wal-Mart Stores, Inc.	Retail Trade
Howard County	
Johns Hopkins University Applied Physics Lab.	Higher Education/Research
Ceridian Corporation	Services
Corvis Corporation	Manufacturing/Network Technologies
Gap Stores, Inc.	Retail Trade
Giant Food Stores	Retail Grocer
Greenspring Health Services, Inc.	Healthcare Services
Howard County General Hospital	Healthcare Services
Pizza Hut of Maryland, Inc.	Food
Sysco Corporation	Manufacturing/Network Technologies
Queen Anne's County	
Delmarva Sash & Door Company	Manufacturing
Fisherman's Inn, Inc.	Services
Kmart Corporation	Retail Trade
Kohl's Department Stores	Retail Trade
L C I Holdings, Inc.	Services
Land Links, LLC	Services
Sisk Mailing Service, Inc.	Services
Paul Reed Smith Guitars, Ltd.	Services
Swift Eckrich, Inc.	Manufacturing
Tidewater Publishing Corp.	Publishing

Source: Maryland Department of Labor, Licensing and Regulation, Office of Labor Market Analysis and Information, at www.choosemaryland.org.

D. INCOME

The level of income is an important determinant of consumer demand. Two commonly used measures of income are the median household effective buying income (EBI) and the distribution of income. The EBI is a measure of disposable income. **Table IV-4** presents the two measures of income for the Baltimore PMSA. In 2000, the median household income in the Baltimore PMSA was \$46,003, which

was 5.3% lower than the state average of \$48,421, but 17.6% higher than the national average of \$39,129. Among the counties in the Baltimore PMSA, four (Anne Arundel, Carroll, Harford, and Howard) reported median incomes that were significantly higher than both the state and national averages. For example, the median household income in Howard County was \$66,627, which was 37.6% higher than the state median household income, and 70.3% higher than the national median household income in 2000.

TABLE IV-4
BALTIMORE PMSA - HOUSEHOLD INCOME DISTRIBUTION
2000

County/Area	Median Household EBI	Percent of Households by EBI Group			
		Under \$20,000	\$20,000-\$34,999	\$35,000-\$49,999	\$50,000 & Over
Baltimore PMSA	\$46,003	18.5%	18.4%	17.5%	45.6%
Anne Arundel County	\$53,425	12.0%	16.1%	17.4%	54.5%
Baltimore City	\$29,697	34.7%	22.4%	16.4%	26.5%
Baltimore County	\$47,339	15.0%	19.2%	19.1%	46.7%
Carroll County	\$50,364	13.3%	16.5%	19.6%	50.6%
Harford County	\$49,203	13.8%	18.2%	19.0%	49.0%
Howard County	\$66,627	7.0%	10.7%	14.0%	68.3%
Queen Anne's County	\$47,433	17.3%	18.0%	17.7%	47.0%
MARYLAND	\$48,421	16.4%	18.0%	17.4%	48.2%
UNITED STATES	\$39,129	24.4%	20.6%	16.8%	38.2%

EBI is Effective Buying Income, which is a measure of disposable income. The EBI data shown in this table are expressed in current dollars and not adjusted for inflation.

Source: Sales & Marketing Management, *Survey of Buying Power*, September 2001.

The distribution of household income in the Baltimore PMSA in 2000 was similar to the state and national distributions. Overall, approximately 35.9% of households in the area reported an annual income between \$20,000 and \$50,000 in 2000. This compares with 35.4% of households in that income bracket at the state level, and 37.4% of households nationwide in 2000. Overall, residents of Baltimore City lagged behind the other counties in both the level and desirable distribution of household incomes. In 2000, 34.7% of households in the City reported incomes under \$20,000, and only 26.5% of the City's households earned incomes of \$50,000 and higher. On the other hand, 68.3% of households in Howard County reported incomes of \$50,000 and higher, and only 7% of Howard County's households reported incomes below \$20,000 in 2000.

E. BUSINESS ENVIRONMENT

According to a University of Baltimore study,² the recent economic growth reported in the Baltimore PMSA reflects, in part, the economic recovery experienced at the state level during the second half of the 1990s. The state, which ranked 44th nationally in employment growth over the 1990-1995 period, moved up to 21st position in employment generation during the 1995-2000 period. The study examined the factors that influence business and economic growth in Maryland, and identified the state's principal economic development assets to include a highly developed transportation and telecommunications infrastructure; well-educated and productive workforce; and diverse technology assets.

The steady annual growth in the number of business establishments in the Baltimore PMSA shown in **Table IV-5** illustrates the area's positive business environment. Between 1992 and 2000, the area consistently ranked among the top 20 metro markets in the United States. It should be noted that in 2000, *Sales and Marketing Management* changed their reporting of business establishments. In prior years, the "number of business establishments" referred primarily to the count of commercial establishments. However, in 2000 the count was expanded to include commercial, non-commercial, and government establishments. Since the new measure is more comprehensive than the measure used in previous years, and to ensure consistency, the growth trend shown in **Table IV-5** is limited to the 1992-1999 period. The number of business establishments increased from 53,672 in 1992 to 60,724 in 1999, representing a 13.1% increase between 1992 and 2000. The remarkably high number of 99,486 reported in 2000, reflects, in part, the new comprehensive measure of business establishments and compares favorably with the trend observed at the national level in 2000.

² The Jacob France Center, University of Baltimore, "Benchmarking Maryland's Business Climate and Socio-Economic Performance in 2001", as cited by Maryland's Department of Business & Economic Development at www.dbed.state.md.us. See www.ubalt.edu/jfc/bench01 for the report.

TABLE IV-5
BALTIMORE PMSA - BUSINESS ESTABLISHMENTS
1992-2000

Year	Baltimore PMSA		United States
	# of Establishments	National Ranking	# of Establishments
1992	53,672	20	5,862,258
1993	56,843	19	6,175,127
1994	56,960	19	6,180,984
1995	57,574	19	6,289,515
1996	58,466	19	6,402,674
1997	59,287	18	6,493,394
1998	60,059	19	6,656,659
1999	60,724	20	6,794,831
2000 ¹	99,486	18	11,517,863
Percentage Change			
1992-1999	13.1%	-	15.9%

¹ Effective in 2000, *Sales & Marketing Management* changed their data source for the number of business establishments to now include commercial, non-commercial, and government establishments. The new measure is much more inclusive than the measure used in previous years, which focused primarily on commercial establishments. Consequently, for the purpose of measuring the growth trend shown in this table, we limit the timeframe to the 1992-1999 period.

Source: Sales & Marketing Management, *Survey of Buying Power*, 1993-2001.

The University of Baltimore study also credits new business starts and venture capital investments for the strong economic performance. According to the study, Maryland ranked sixth nationally in total research and development performed per capita, and tenth nationally in the amount of venture capital invested within the state. **Table IV-6** provides a sample of new investments in diverse sectors of the Baltimore PMSA economy. These investments involved new business starts or relocation to the area, or expansion in existing enterprises.

TABLE IV-6
BALTIMORE PMSA - RECENT BUSINESS GROWTH
As of January 2002

Company	Location	Product	Type of Growth
Allied Signal Technical Services	Howard County	Engineering services	Expansion
Allison Transmission	Baltimore County	Automotive transmission	New
Ameritrade	Anne Arundel County	Electronic brokerage	New
Bank One Services	Baltimore City	Check remittance processing	New
Bertelsman	Carroll County	Distribution	New
Black & Decker	Baltimore County	Manufacturing	Expansion
Bookham Technology	Howard County	Telecommunications, optical circuits & modules	New
NOVA Telecommunications	Howard County	Manufacturing	Expansion
Sierra Military Health Services	Baltimore City	Healthcare services	Expansion
Usinternetworking	Anne Arundel County	Internet data services	Expansion

Source: Maryland Department of Labor, Licensing and Regulation, Office of Labor Market Analysis and Information, at www.choosemaryland.org.

The local construction industry has also responded positively to the business opportunities in the area. **Table IV-7** shows the trend in residential construction activity during the 1991-2001 period. The number of housing units fluctuated, but on average, 12,000 new residential construction activities were reported annually between 1991 and 2001. The value of the residential investments ranged from a low of \$863.9 billion in 1991, to a high of \$1.36 billion in 1999. Overall, the new residential construction activity represented an annual investment of \$1.08 billion, on average, in the Baltimore PMSA between 1991 and 2001.

TABLE IV-7
BALTIMORE PMSA - NEW RESIDENTIAL CONSTRUCTION ACTIVITY
1991-2001

Year	Number of Housing Units	Valuation of Investment (\$000)
1991	11,159	\$863,911
1992	15,481	\$1,247,003
1993	12,903	\$1,030,438
1994	12,596	\$1,063,722
1995	11,349	\$973,013
1996	10,741	\$967,317
1997	10,638	\$949,856
1998	11,193	\$997,189
1999	13,606	\$1,362,269
2000	11,804	\$1,278,630
2001P	10,525	\$1,171,239
Average Annual Activity		
1991-2001	12,000	\$1,082,235

The data for 2001 are preliminary.

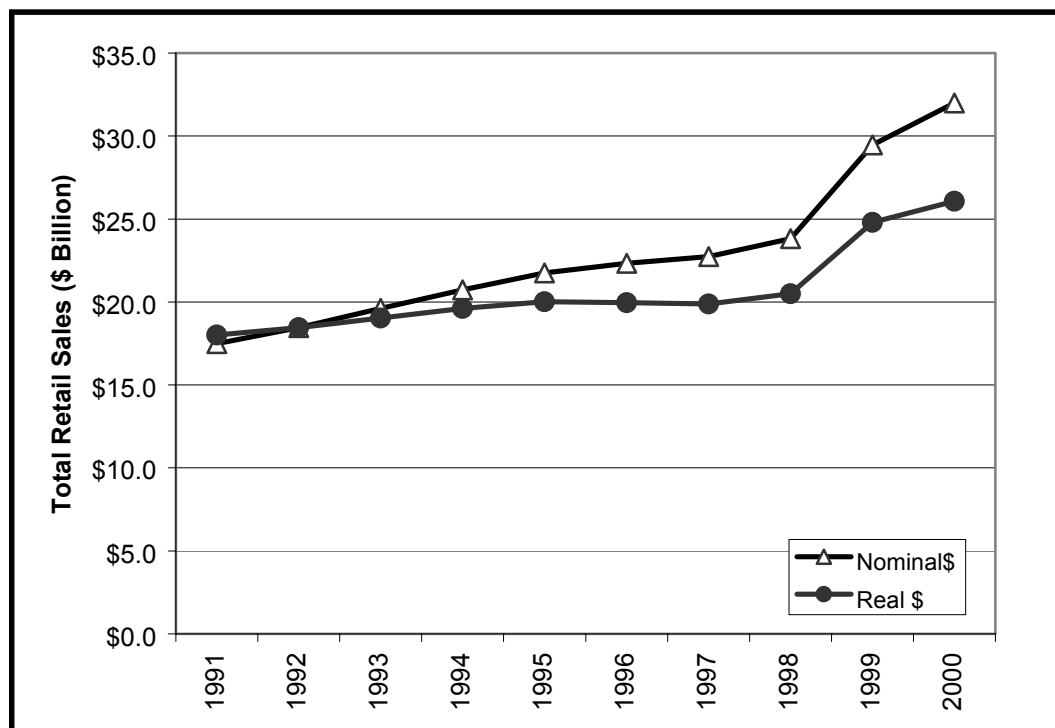
Source: U.S. Bureau of the Census at www.census.gov/const.

F. TRADE

Trade, comprising wholesale and retail trade, is a vital sector of an economy because it is a major source of employment and revenues. As shown in **Figure IV-4**, the Trade sector is the second largest employer in the Baltimore PMSA, accounting for 22.5% of non-agricultural jobs in the area in 2000.

Figure IV-5 shows the upward trend in retail sales in the Baltimore PMSA during the 1991-2000 period. Retail revenues increased from \$17.5 billion in 1991 to \$32.0 billion in 2000, representing an average annual growth rate of 6.9% over that period. Even after accounting for inflation, the area's retail revenues posted an average annual increase of 4.2% in real terms. Such a strong performance confirms the important role of trade and the overall strength of the Airport's local economy in generating consumer demand.

FIGURE IV-5
BALTIMORE PMSA - ANNUAL RETAIL SALES
1991-2000



"Nominal \$" refers to current dollar values, while "Real \$" refers to constant 1992 dollars.

Source: Sales & Marketing Management, *Survey of Buying Power*, 1992-2001.

The counties in the Baltimore PMSA are located close to Washington, D.C., the nation's capital and focal point for international business and politics. The relatively easy geographic access to national and international financial institutions; trade organizations; embassies; and internationally renowned research institutions make the Airport's ASA a desirable business location, particularly for skill and technology intensive businesses. It is, therefore, not surprising that the area is home to numerous international companies, with significant participation in global business and trade. **Table IV-8** shows that total merchandise exports from the Baltimore PMSA increased by 10.3% between 1996 and 1999, with the highest percentage increases occurring in trade with the NAFTA countries, Europe and the Near East nations.

TABLE IV-8
BALTIMORE PMSA - MERCHANDISE EXPORTS
1996 AND 1999

Market Block	1996 (\$000)	1999 (\$000)	% Change 1996-99
NAFTA Countries	\$453,622	\$682,625	50.5%
Caribbean & Central America	\$38,751	\$40,276	3.9%
South America	\$128,706	\$68,108	-47.1%
Europe	\$788,692	\$936,982	18.8%
Asia	\$354,998	\$312,436	-12.0%
Africa	\$207,214	\$106,126	-48.8%
Near East	\$95,901	\$143,438	49.6%
Australia	\$42,534	\$38,154	-10.3%
TOTAL EXPORTS	\$2,110,418	\$2,328,145	10.3%

Source: U.S. Department of Commerce, Office of Trade and Economic Analysis,
International Trade Administration, at www.ita.doc.gov/td/industry.

G. TOURISM ³

Tourism is one of the growth sectors in Maryland's economy. According to official tourism agencies, Maryland is known as "America in Miniature" and the "land of pleasant living". The variety of attractions and the strategic location of the Baltimore PMSA make the area a prime destination for business groups and tourists from all over the world. The Baltimore Convention Center, which contains exhibit halls, meeting rooms, a ballroom, and a business center, is located in downtown Baltimore with walkway access to the harbor and several downtown hotels. The presence of world-class cultural institutions, museums and art galleries, professional sports teams, and community events draw visitors to the area.

Among the cultural attractions are the Baltimore Opera Company, the Baltimore Symphony Orchestra, the Baltimore Center for the Performing Arts, and the Baltimore Museum of Art. Art schools and conservatories in the area showcase the work of their students in exhibitions, recitals, and festivals throughout the year. Baltimore PMSA is home to the Baltimore Ravens, Super Bowl champions, and the Baltimore Orioles at their home in Oriole Park at Camden Yards. The Chesapeake Bay offers excellent conditions for various water sports, and its shoreline is home to historic lighthouses.

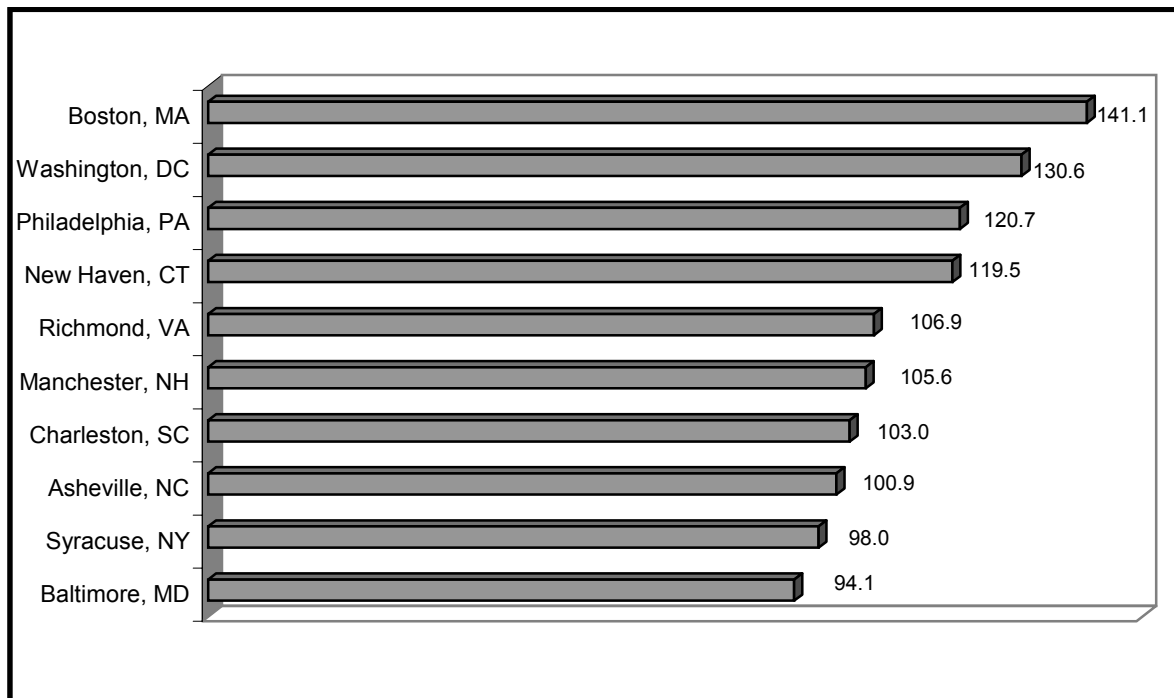
³ The material reported in this sub-section was taken from the Internet sites of the counties in the Baltimore PMSA, as well as that of the Maryland Department of Business and Economic Development.

Historic houses in the Baltimore PMSA include the Chase-Lloyd House, the Charles Carroll House, the Hammond-Harwood House, and the Shiplap House. Other attractions in the Baltimore area include Baltimore's Inner Harbor; the World Trade Center, with its Top-of-the-World Observation Level and Museum; the National Aquarium; and the U.S. Naval Academy in Annapolis. Visitors to the Baltimore area can take the short drive to nearby Washington, D.C, which hosts year-round events at its numerous cultural institutions including the Museums of the Smithsonian Institute, the John F. Kennedy Center for the Performing Arts, and the Library of Congress.

H. COST OF LIVING

An additional desirable attribute of the Baltimore PMSA is its relatively low cost of living. A commonly used measure of affordability is the quarterly all-item cost of living index developed by the American Chamber of Commerce Researchers Association (ACCRA). The composite index is based on six components: Grocery Items, Housing, Utilities, Transportation, Healthcare, and Miscellaneous goods and services. **Figure IV-6** compares the cost of living in the Baltimore PMSA with that of selected U.S. metropolitan areas. The fourth quarter of 2001 cost of living index for the Baltimore area was 94.1, which was the lowest among the selected metropolitan areas, and 5.9% lower than the average for the United States.

FIGURE IV-6
COST OF LIVING COMPARISON - SELECTED METROPOLITAN AREAS
Fourth Quarter, 2001



The cost of living index measures the relative price levels of consumer goods and services in participating areas. The national average is 100.

Source: American Chamber of Commerce Researchers Association (ACCRA), *Cost of Living Index - Comparative Data for 302 Urban Areas, Fourth Quarter 2001*. March 2002.

I. SUMMARY

The demographic and economic trends in the Baltimore PMSA demonstrate the ability of the area to continue supporting growth in air travel and rental car demand at the Airport. The forecasting methodology presented in Section V of this report considers the local employment trends in the Baltimore PMSA in the projections of rental car demand at the Airport. Highlights of the demographic and economic trends in the Baltimore PMSA include the following:

- ◇ **A stable population base.** The Baltimore PMSA has a stable population, which grew at a moderate rate of 0.7% per year between 1990 and 2000. The area's population is projected to increase at an average annual rate of 0.2% through 2005. A growing population represents an expanding market and is a vital factor in generating and sustaining strong consumer demand.

- ◇ **An active labor force.** The labor force of the Baltimore PMSA grew at an average annual rate of 0.6% during the 1991-2001 period. The number of employed persons increased at a rate of 0.8% per year, while the number of unemployed persons decreased by 3.2% per year over the 1991-2001 period. The area's unemployment rate was 4.6% in 2001.
- ◇ **A diversified employment base.** The composition of non-agricultural employment in the Baltimore PMSA reflects a well-diversified local economy. The Services, Trade, Manufacturing, and Government sectors are the major sources of jobs in the area.
- ◇ **A business-friendly environment.** Recent trends in the number and diversity of business establishments suggest that the area is a desirable business location.
- ◇ **A global trade connection.** The Baltimore PMSA is well positioned for international trade. The proximity to the nation's capital and international financial institutions create the connections that facilitate trade. Total merchandise exports from the area increased by 10.3% between 1996 and 1999.
- ◇ **An attractive tourist destination.** Tourism is one of the growth industries in the Baltimore PMSA. The area boasts a variety of famous and unique cultural institutions and events that cater to the recreational interests of visitors from all over the world.
- ◇ **Affordable cost of living.** The cost of living in the Baltimore PMSA is remarkably low. In the fourth quarter of 2001, the cost of living index for the Baltimore area was 94.1, which was the lowest among comparable metropolitan areas, and 5.9% lower than the average for the United States.

SECTION V

ANALYSIS AND FORECAST OF RENTAL CAR DEMAND

This section reviews the historical trends in rental car demand at the Airport during the period calendar year (CY) 1996 through CY 2001 and presents forecasts of transaction days for the period CY 2002 through CY 2011. The section also discusses the factors that influence rental car demand.

A. HISTORICAL TRENDS IN THE AIRPORT RENTAL CAR MARKET

Eight companies serve the Airport: Alamo, Avis, Budget, Dollar, Enterprise, Hertz, National, and Thrifty. Enterprise began serving Airport passengers in October 1998 off-airport and in August 2001 on-airport. The other companies have been serving Airport passengers for at least 10 years. All eight companies are participating in the CRCF and provided the market data used in this study.

Table V-1 summarizes the performance of the Airport rental car market. Market demand is indicated by three measures: *transaction days*, *rental contracts*, and *contract duration*. A transaction day represents a 24-hour period during which a car is rented. A rental contract is drawn up each time a car is rented, and the number of rental contracts represents the number of rental car customers. Each car is rented for a certain number of days, known as the contract duration. **Table V-1** shows the average contract duration for the entire Airport market.

Total transaction days at the Airport increased from 2.4 million in CY 1996 to 3.7 million in CY 2001 at an average growth rate of 9.1% per year. Total rental contracts grew from approximately 645,000 in CY 1996 to 1.0 million in CY 2001 at a slightly higher rate – 9.5% per year. The average contract duration ranged narrowly between 3.6 and 3.7 days during the last six years.

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TABLE V-1
BALTIMORE/WASHINGTON INTERNATIONAL AIRPORT
HISTORICAL RENTAL CAR MARKET PERFORMANCE
CY 1996-2001

Year	Demand Indicators			Revenue Indicators		
	Transaction Days	Rental Contracts	Avg. Contract Duration	Gross Rental Revenues	Avg. Daily Rental Rate ²	
					In Current \$	In Constant 2001 \$
1996 ¹	2,397,833	645,046	3.7	\$90,276,902	\$37.65	\$42.51
1997 ¹	2,595,206	721,035	3.6	\$104,234,924	\$40.16	\$44.31
1998	3,016,194	834,668	3.6	\$126,371,500	\$41.90	\$45.52
1999	3,327,427	914,112	3.6	\$144,851,352	\$43.53	\$46.28
2000	3,649,627	1,009,891	3.6	\$162,732,268	\$44.59	\$45.86
2001	3,713,664	1,016,570	3.7	\$157,168,040	\$42.32	\$42.32
Average Annual Growth Rate						
1996-2001	9.1%	9.5%	-0.3%	11.7%	2.4%	-0.1%

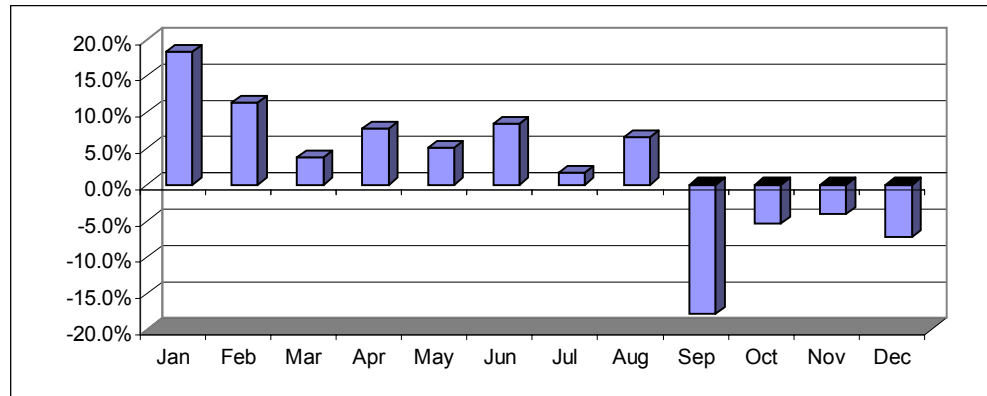
¹ Data on transaction days and rental contracts are not available for certain companies during these years, and they were estimated based on combined revenue shares: 25% in CY 1996 and 18% in CY 1997.

² The average daily rental rate in current dollars is calculated by dividing gross rental revenues by the number of transaction days, and is converted to constant dollars using the Consumer Price Index (CPI).

Sources: Rental car companies and Airport records.

Prior to CY 2001, the rental car market at the Airport experienced strong growth: transaction days grew by 8.2% in 1997, 16.2% in 1998, 10.3% in 1999, and 9.7% in 2000. This trend is consistent with the strong growth in passenger traffic at the Airport and the rapid expansion of the national economy during those years. In CY 2001, growth in transaction days continued, albeit at a significantly slower pace of 1.8%. The decade-long economic expansion ended in March 2001, and recession began. Notwithstanding the economic slowdown, monthly transaction days at the Airport continued to post healthy growth rates (compared to monthly transaction days in CY 2000) until August 2001 (see **Figure V-1**) largely due to the continued strong growth in passenger traffic at the Airport. However, the September 11, 2001 Events eroded consumer confidence in the security of air travel, and caused a significant drop in passenger traffic and, consequently, in rental car demand at the Airport.

FIGURE V-1
BALTIMORE/WASHINGTON INTERNATIONAL AIRPORT
GROWTH RATES IN MONTHLY TRANSACTION DAYS
January-December 2001 compared to January-December 2000



Source: Rental car companies.

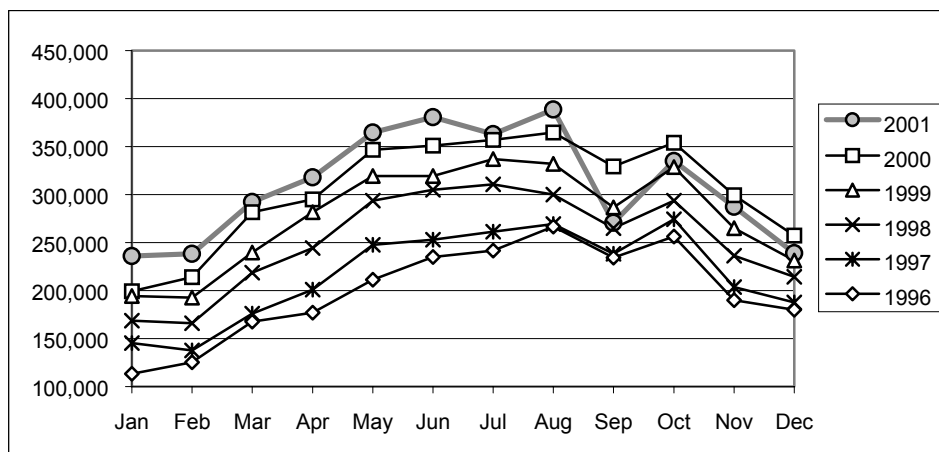
Industry revenues are measured by *gross rental revenues* and the *average rental rate* (**Table V-1**). Gross rental revenues at the Airport increased from approximately \$90.3 million in CY 1996 to \$157.2 million in CY 2001, representing an average annual growth rate of 11.7% – higher than the rate of growth in transaction days and rental contracts. Unit revenues had been increasing until CY 2000. In CY 2001, the average revenue per transaction day decreased to \$42.32, from \$44.59 in CY 2000 (in current dollars). Between CY 1996 and CY 2001, the average revenue per transaction day (average rental rate) increased by 2.4% per year in nominal terms (current dollars), but decreased by –0.1% in real terms (constant 2001 dollars).

Individual rental car companies report different mixes of customers between business and leisure. However, survey responses from rental car companies indicate that at least 55% of Airport rental car customers are business travelers.

Figure V-2 illustrates the seasonality of rental car demand at the Airport. Monthly transaction days show that demand is not uniformly distributed during the year. Total transaction days are typically higher during the summer months of July and August and lower during the winter months of January and February. The monthly pattern of rental contracts in **Figure V-3** also shows fewer customers in January and February, but the peak number of customers occurred in October during five of the last six years. **Figure V-4** shows that the average duration of each contract is shortest during February and longest during July and August.

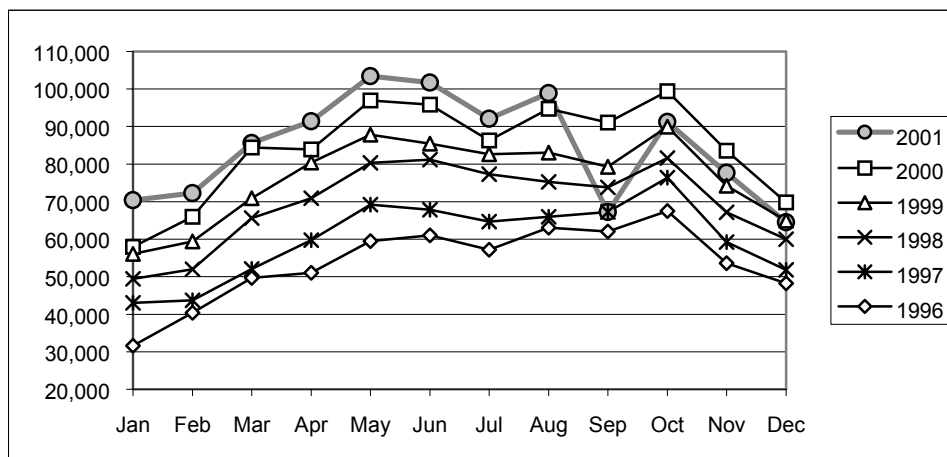
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FIGURE V-2
BALTIMORE/WASHINGTON INTERNATIONAL AIRPORT
MONTHLY TRANSACTION DAYS
CY 1996-2001



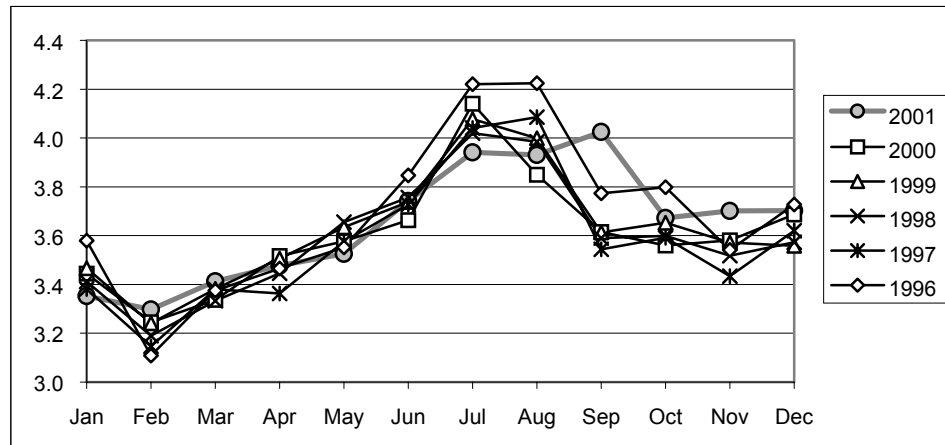
Source: Rental car companies.

FIGURE V-3
BALTIMORE/WASHINGTON INTERNATIONAL AIRPORT
MONTHLY RENTAL CONTRACTS
CY 1996-2001



Source: Rental car companies.

FIGURE V-4
BALTIMORE/WASHINGTON INTERNATIONAL AIRPORT
MONTHLY CONTRACT DURATION
CY 1996-2001



Source: Rental car companies.

B. FORECAST OF RENTAL CAR DEMAND

The projection of CFC revenues and the financial analysis in **Section VI** is based on the number of transaction days as a measure of rental activity. This sub-section develops forecasts of transaction days based upon historical trends, as well as reasonable assumptions about measurable changes in the factors that affect rental car demand at the Airport.

1. Forecast Methodology

There are various methodologies for forecasting. The industry has traditionally relied upon judgmental estimation and simple trendline fitting – methods that are either highly subjective or rely heavily on the replication of past trends. This study uses multivariate regression analysis – a methodology that combines knowledge of the Airport market with econometric modeling techniques. Multivariate regression provides a systematic framework for quantifying economic relationships and for linking forecasts to projected trends in aviation activity, the economy, and the rental car industry, thereby reducing subjective input.

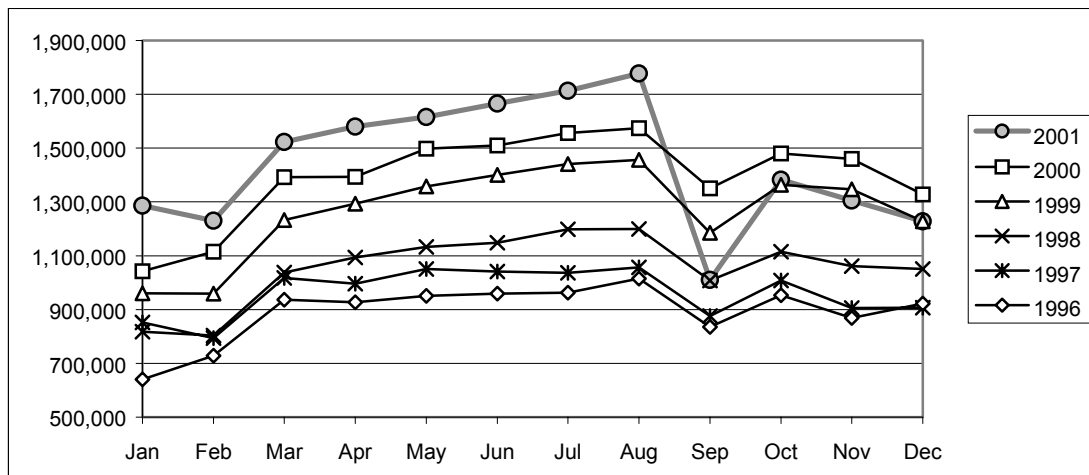
Forecasting is necessarily imprecise because many factors can influence future demand trends, only a few of these factors can be included in an econometric model, and no one knows with certainty how these factors will behave in the future. At best uncertainty can be addressed by performing sensitivity analyses, which can be done systematically using the regression model.

2. Multivariate Regression Model of Transaction Days

Using data from January 1996 through December 2001, the multivariate regression model relates transaction days to the following explanatory variables: (1) the volume of origination and destination (O&D) passenger traffic; (2) consumer income as approximated by the U.S. real Gross Domestic Product (GDP) per capita; (3) the price of renting a car as measured by the average daily rental rate; and (4) local economic trends as indicated by non-agricultural employment in the Baltimore PMSA.¹

- **O&D Passengers.** Airport rental car companies serve primarily O&D airport passengers – travelers who originate or end their trip at the Airport. **Figure V-5** shows the trend in monthly O&D passengers and exhibits the same pattern of seasonality – low demand in January and February, and high demand in July and August – as monthly transaction days in **Figure V-2**. Annual O&D passengers grew from approximately 10.7 million in CY 1996 to approximately 17.3 million in CY 2001. This represents an average growth rate of 10.1% per year.

FIGURE V-5
BALTIMORE/WASHINGTON INTERNATIONAL AIRPORT
MONTHLY COMMERCIAL O&D PASSENGERS
CY 1996-2001



Source: Estimates based on Airport data on monthly total passengers and annual data on O&D enplanement shares.

The annual growth trend in rental car demand at the Airport mirrors the annual growth trend in O&D passengers. Annual O&D passengers recorded rapid

¹ In addition to these explanatory variables, the model also includes appropriate structural variables (*dummy variables*) to account for the seasonality of transaction days, and trend variables (*auto-regressive factors*) to account for *serial correlation* between past and current levels of transaction days that is inherent in time series data.

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growth rates until CY 2000: approximately 7.9% in CY 1997, 9.8% in CY 1998, 20.2% in CY 1998, and 9.7% in CY 2000. CY 2001 finished with an increase of approximately 3.7% in O&D passengers over the previous year despite a 24% decrease in September and an 8% average decrease in subsequent months.

To develop forecasts of transaction days, it is necessary to establish assumptions regarding the future growth of O&D traffic at the Airport. Recent events have changed market conditions and warrant consideration of alternative growth trends in O&D traffic at the Airport. For example, the September 11, 2001 Events have weakened air travel demand as consumers worry about the safety of the U.S. transportation system. Airports and airlines are implementing tighter security measures, but these measures increase passenger processing times at Airports and create another disincentive for air travel. The softening of air travel demand could be temporary, and traffic levels may eventually return to normal. Industry data show that passenger traffic is recovering. Monthly traffic levels still remain lower than pre-September 11 levels, but the shortfalls are diminishing over time.²

The above factors introduce uncertainties into the future trend of passenger traffic at the Airport. The MAA provided high and low forecasts of air traffic growth at the Airport based on the following assumptions³:

"Under the High-Growth scenario, air passenger traffic at the Airport is expected to remain relatively constant at the 2000 level in 2001, due to the outbreak of terrorist activity and a shaky national economy. Based on estimates for the first six months of the year, traffic was expected to reach nearly 22 million by year-end. However, terrorist activity in September is expected to result in reduced passenger demand due to customer apprehension and more stringent security measures, which result in much longer processing times. In addition consumer confidence in the national economy seems to be eroding, with the strong possibility of a recession of unknown depth and duration looming in the near future. Finally, the airlines have also come to the realization that they are in poor financial condition and have begun reducing service in unprofitable or marginally profitable markets."

"On the other hand, a number of carriers have shown an interest in adding new services at the Airport, in response to both the Metrojet service reductions by US Airways, and the reduced operations permitted at Washington national. Based upon these considerations, under the High-Growth forecast scenario overall passenger traffic is expected to reach 19.6 million passengers in 2001, the same as the 2000 total. Traffic will decline in 2002 by nearly 7 percent, with recovery expected to begin in 2003. The decline is expected to result from the weakened national economy and will affect both business and discretionary travel. Recovery is expected in 2003 as growth will reach previously projected levels by 2005. By 2010 traffic is expected to reach just over 30 million passengers, with more than 45 million by 2025."

"Under the Low-Growth scenario, air passenger traffic at the Airport is expected to remain relatively constant at the 2000 level in 2001, as discussed above under the High-Growth scenario. The same factors would apply under the Low-Growth scenario, except that the

² Industry traffic data collected by the Air Transport Association.

³ Excerpts from the following document provided by the MAA, which explains the air traffic forecasting methodology utilized by the MAA: *Forecast Assumptions – 2001 (Revised)*, October 21, 2001.

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economic slowdown will deepen into a recession that will reduce air travel demand in both 2002 and 2003, with air traffic recovery expected to begin to recover in 2003.”

“Based upon these considerations, under the Low-Growth forecast scenario overall passenger traffic is expected to reach 19.6 million passengers in 2001, the same as in the High-Growth scenario. Traffic will decline in 2002 by nearly 12 percent, reflecting a worsening economy, with recovery expected to begin in 2003, although at a lesser rate than under the High-Growth scenario. Growth will reach previously projected levels by 2007, as compared with 2005 under the High-Growth scenario. By 2010 traffic is expected to reach just over 27 million passengers, with approximately 40 million by 2025, compared with 31 million and 45 million respectively, under the High-Growth scenario.”

This study considers low and high forecasts of O&D traffic growth, as shown in **Table V-2**, based on the passenger traffic forecasts provided by Airport management.

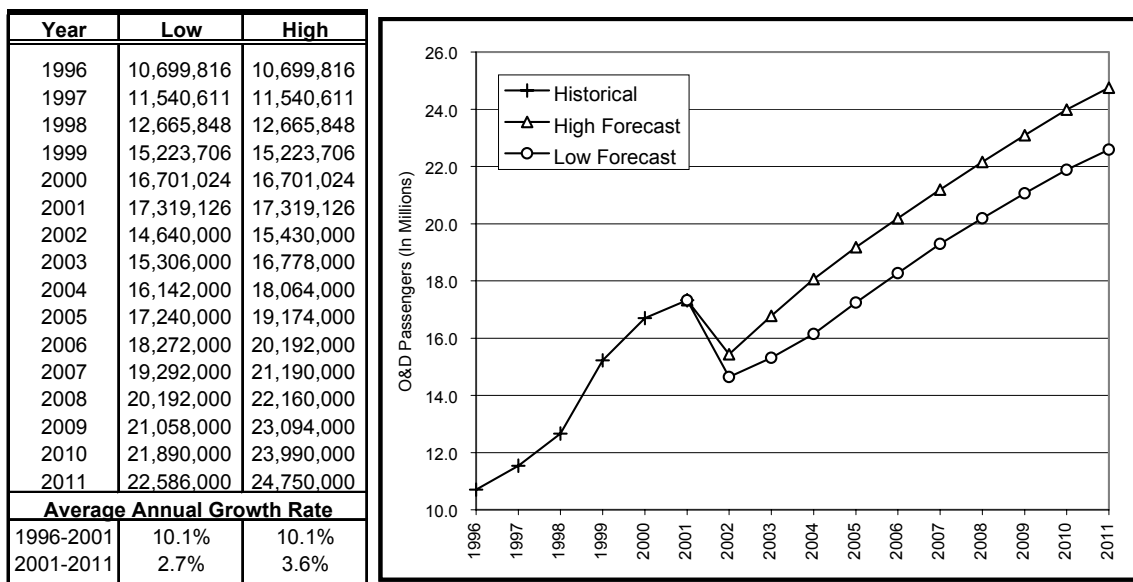
- **Consumer income.** The demand for consumer goods and services, such as rental cars, is a direct function of income. Income is determined by national economic trends: Economic expansion increases income and boosts market demand, while economic recession results in loss of income and dampens market demand. In the regression model, income is represented by the U.S. real GDP per capita. Historical and forecast data were obtained from DRI-WEFA, Inc.⁴ Real GDP per capita increased at an average rate of 2.7% per year between CY 1996 and CY 2001. For this study, the economic forecast of DRI-WEFA, Inc. that projects an average annual growth rate of 2.2% in real GDP per capita over the next 10 years has been adopted. The historical and forecast data from DRI-WEFA, Inc. reflect the effect of the economic recession that began in March 2001, and anticipate further contraction of the economy until the second quarter of CY 2002 and gradual recovery beginning in the third quarter of CY 2002.

⁴ Based on DRI-WEFA, Inc. forecast as of February 2002.

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TABLE V-2
BALTIMORE/WASHINGTON INTERNATIONAL AIRPORT
HISTORICAL AND FORECAST O&D PASSENGERS
CY 1996-2011



Actual - 1996 through 2000; Estimate - 2001; and Forecast - 2002 through 2010, based on activity forecasts provided by Airport management as of November 2001.

- Price of renting a car.** The demand for rental cars is an inverse function of price. Holding other factors constant, rising prices tend to dampen demand while declining prices tend to boost demand. The regression model includes the average daily rental rate as a measure of the price of renting a car. As **Table V-1** shows, the average daily rental rate increased by an average rate of 2.4% per year in nominal terms between CY 1996 and CY 2001, or -0.1% per year after inflation. The regression model assumes that the average daily rental rate, in nominal terms, will continue to increase by 2.4% per year. In addition, the model considers the imposition of a CFC of \$3.00 per transaction day effective March 1, 2001. The CFC adds to the price of renting a car and will provide the revenue to pay the debt service obligations on the Series 2002A Bonds. The regression model facilitates the measurement of the *price elasticity* of demand. Price elasticity measures the sensitivity of demand with respect to price changes. Demand is considered *price elastic* if a change in the price results in greater than proportionate change in demand. Demand is considered *price inelastic* if a change in the price results in less than proportionate change in demand.
- Local economic base.** As discussed in **Section IV**, the demographic and economic trends in the Airport's primary air service area reflect a strong and diverse economic base that is expected to continue to support future growth in travel demand – for both air service and rental cars at the Airport. The regression model considers local non-agricultural employment in the Baltimore PMSA as an indicator of local economic activity. Historical and forecast data

were obtained from the DRI-WEFA, Inc. Local non-agricultural employment grew by 2.1% per year, on average, between CY 1996 and CY 2001, and is projected to grow by 0.9% per year over the forecast period.

The regression model selected for forecasting included O&D passengers, real GDP per capita, and average daily rental rate as key explanatory variables. The model fit the data very well with an adjusted R-squared of 0.99. This means that, collectively, the model variables explained 99% of the variation in monthly transaction days. The regression coefficient of each variable confirmed the hypothesized effect on demand.

3. Forecasts of Transaction Days under Low and High Traffic Scenarios

Table V-3 and **Figure V-6** present low and high forecasts of transaction days that consider the imposition of the \$3.00 CFC effective March 2001. The results are summarized below:

- **Low.** Transaction days are forecast to decrease from 3.7 million in CY 2001 to 3.4 million in CY 2002, and then increase to 5.6 million in CY 2011, representing an average growth rate of 4.2% per year between CY 2001 and CY 2011.
- **High.** Transaction days are forecast to decrease from 3.7 million in CY 2001 to 3.5 million in CY 2002, and then increase to 5.9 million in CY 2011, representing an average growth rate of 4.7% per year between CY 2001 and CY 2011. The high forecasts of annual transaction days are higher than the low forecasts by 3.3% in CY 2002 and an average of 6.1% during the calendar years 2003-2011.

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TABLE V-3
BALTIMORE/WASHINGTON INTERNATIONAL AIRPORT
HISTORICAL AND FORECAST TRANSACTION DAYS WITH THE \$3.00 CFC
1996-2011

Year	Calendar Year		Bond Year ¹	
	Low	High	Low	High
1996	2,397,833	2,397,833	n.a.	n.a.
1997	2,595,207	2,595,207	2,474,375	2,474,375
1998	3,016,194	3,016,194	2,732,895	2,732,895
1999	3,327,427	3,327,427	3,127,133	3,127,133
2000	3,649,627	3,649,627	3,409,289	3,409,289
2001	3,713,664	3,713,664	3,744,067	3,744,067
2002	3,381,344	3,491,771	3,528,208	3,557,574
2003	3,578,566	3,785,236	3,429,772	3,565,561
2004	3,806,840	4,077,917	3,641,109	3,864,984
2005	4,054,900	4,327,275	3,874,057	4,145,572
2006	4,294,672	4,565,235	4,118,909	4,390,821
2007	4,540,911	4,809,082	4,358,947	4,628,805
2008	4,792,429	5,072,859	4,606,040	4,877,368
2009	5,055,727	5,349,239	4,862,451	5,146,362
2010	5,329,690	5,636,746	5,127,481	5,424,533
2011	5,577,966	5,898,922	5,396,948	5,707,771
Average Annual Growth Rate				
1996-2001	9.1%	9.1%		
1997-2001			10.9%	10.9%
2001-2011	4.2%	4.7%	3.7%	4.3%

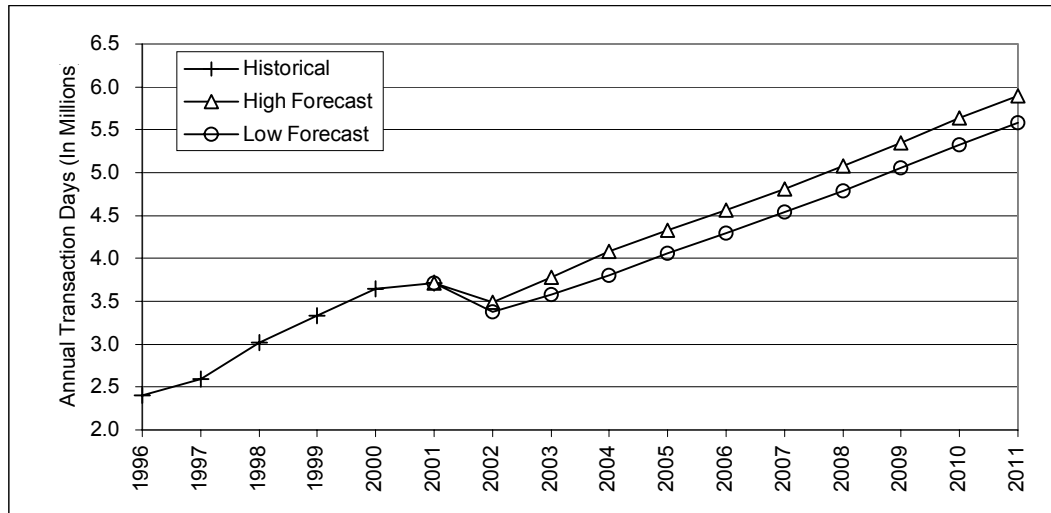
¹ The forecasts are shown on a Bond Year basis to correspond with the financial analysis presented in Section VI.

Actual - 1996 through 2001; Forecast - 2002 through 2011, based on low and high activity forecasts provided by Airport management as of November 2001.

Sources: Rental car companies for historical data and Unison-Maximus, Inc. for the forecasts.

All forecasts are subject to uncertainty. The above forecasts are based on information available at the date of this report. Unexpected events may occur, and some of the underlying assumptions may not be realized. Actual results may differ from the forecasts, and the differences may be material.

FIGURE V-6
BALTIMORE/WASHINGTON INTERNATIONAL AIRPORT
HISTORICAL AND FORECAST TRANSACTION DAYS WITH THE \$3.00 CFC
CY 1996-2011



Sources: Rental car companies for historical data and Unison-Maximus, Inc. for the forecasts.

All forecasts are subject to uncertainty. The above forecasts are based on information available at the date of this report. Unexpected events may occur, and some of the underlying assumptions may not be realized. Actual results may differ from the forecasts, and the differences may be material.

4. Sensitivity Analysis of the Effect of the Customer Facility Charge

Using the multivariate regression model, the impact of the imposition of the \$3.00 CFC on rental car demand has been assessed by comparing forecasts of transaction days with and without the CFC. **Table V-4** shows the forecasts of transaction days assuming no CFC effective January 2002. The forecasts without the CFC are higher by only 1.0%-1.2% than the levels that could be achieved with the CFC. Therefore the negative impact of the CFC is small, and it diminishes over time.

TABLE V-4
BALTIMORE/WASHINGTON INTERNATIONAL AIRPORT
ALTERNATIVE FORECASTS OF TRANSACTION DAYS WITHOUT CFC
CY 2001-2011

Year	Transaction Days w/o CFC ¹		Difference from Forecasts w/ CFC in Table V-3
	Low	High	
2001A	3,713,664	3,713,664	0.0%
2002	3,423,069	3,534,858	1.2%
2003	3,621,731	3,830,895	1.2%
2004	3,851,724	4,125,997	1.2%
2005	4,101,630	4,377,144	1.2%
2006	4,343,049	4,616,660	1.1%
2007	4,590,908	4,862,031	1.1%
2008	4,844,004	5,127,452	1.1%
2009	5,108,906	5,405,506	1.1%
2010	5,384,484	5,694,697	1.0%
2011	5,634,015	5,958,196	1.0%
Average Annual Growth Rate			
2001-2011	4.3%	4.8%	

A-Actual

¹ Assumes no CFC effective January 2002.

All forecasts are subject to uncertainty. The above forecasts are based on information available at the date of this report. Unexpected events may occur, and some of the underlying assumptions may not be realized. Actual results may differ from the forecasts, and the differences may be material.

C. OTHER FACTORS THAT COULD AFFECT FUTURE RENTAL CAR DEMAND

The regression model focused on key measurable factors that determine Airport rental car demand. There are many other factors that can influence future demand and cause actual results to differ significantly from the forecasts. Some of these factors are discussed below.

1. Emerging Trends in the Rental Car Industry

Section III provided a comprehensive assessment of structural changes in the U.S. rental car industry and a brief discussion of individual company history and trends. As a whole, the rental car industry experienced strong growth during the past 10 years – fueled by the expansion of the national economy and the growth in air travel demand.⁵ Individual rental car companies also underwent changes in corporate

⁵ David Stepner, "Will the Car Rental Industry Stay in the Fast Lane for 2001?," *Auto Rental News*, January/February 2001.

structure and business operations – intended to strengthen financial positions while meeting the growth in rental car demand.⁶ Now the industry continues to find new ways to enhance customer service – efforts that will help attract customers to use rental cars over other alternative modes of ground transportation.

Like many other industry sectors, the rental car industry has been affected by the slowdown in the national economy and the aftermath of the September 11, 2001 Events. Many companies reported decreases in third- and fourth-quarter 2001 revenues and profits compared to the previous year, and ANC Rental Corp., the parent company of Alamo Rent A Car and National Car Rental, filed for reorganization under Chapter 11 of the U.S. Bankruptcy Code – citing revenue shortfalls from the drastic decline in travel after September 11. The rental car industry as a whole will continue to be affected by national business cycles and air travel trends.

2. Alternative Modes of Ground Transportation

Apart from rental cars, passengers have other means of getting to and from the Airport such as private automobiles and public transportation modes. At the Airport, the following modes of public transportation are available:

- ***Taxicabs.*** Taxi service from the Airport to any destination is available on demand on the lower level near each terminal exit. Rates vary by distance; for example, the estimated rate ranges from \$20 to Baltimore, to \$90 to Dulles. Flat rates are illegal; ride sharing is allowed.
- ***The Airport Supershuttle.*** Supershuttle's door-to-door van service is available to and from most homes, offices, or hotels in Baltimore City, Baltimore County, Washington DC, Montgomery and Prince George's Counties, the Northern Virginia area, Anne Arundel County, Columbia and other parts of Howard County. Service from the Airport departs within 60 minutes of a customer's request. To arrange service to the Airport, reservations must be made at least 24 hours in advance. Rates vary by destination and range from \$11 to \$79 per passenger each way.
- ***Train.*** MARC and Amtrak trains provide service to the Airport Rail Station, where free shuttles serve the airport terminal. Light rail service is also available from the Airport to downtown Baltimore and Hunt Valley. On Amtrak, a one-way trip to downtown Baltimore costs \$14 on a regular train or \$19 on Metroliner and Express trains. A one-way trip to downtown Washington, DC, costs \$21 on a regular train or \$33 on Metroliner and Express. On MARC, a one-way trip to downtown Baltimore costs \$3.25 and to downtown Washington, DC, \$5.

⁶ See Section III.

- **Limousines.** Executive limousine or sedan service is available between the Airport and any location. Immediate service can be arranged at a designated counter in the lower level of the airport terminal. Reservations can also be made by telephone. Limousines or sedans charge flat rates per car, which differ between parties of four or fewer and six. The rates also differ by destination, ranging from \$26 to Baltimore, to \$117 to Dulles Airport.

The above modes of public transportation differ in level of service, flexibility of schedule, and associated money and time cost. They offer a viable alternative when going to a single destination. When travelers need to make several local trips and go to multiple destinations, these modes often entail high costs and inconvenience. The forecast model assumes no major change in the relative availability and cost of these alternative modes that could significantly alter the mode split between these modes and rental cars.

3. Factors Affecting Air Travel

The forecasts of rental car demand at the Airport depend partly on the projected levels of O&D passengers. Therefore, factors that influence passenger traffic can ultimately affect rental car demand. Some of these factors are described below.

- **National economic conditions.** Air travel demand is affected by prevailing economic conditions. Periods of economic expansion stimulate air travel, while economic recessions dampen air travel. The U.S. economy enjoyed 10 consecutive years of expansion beginning in March 1991 and lasting through March 2001 – the longest expansion of the post-World War II era.⁷ Recession began in March 2001,⁸ and the September 11 Events caused further economic disruption and weakened consumer confidence. The U.S. Bureau of Economic Analysis estimated a contraction in U.S. real GDP of -1.3% during the third quarter of 2001, and a growth of 1.7% during the fourth quarter of 2001 and 5.8% during the first quarter of 2002.⁹ Leading economists and policy makers are confident that recovery is underway and optimistic about the outlook for the remainder of 2002 and beyond.¹⁰ Monetary and fiscal policy is expected to stimulate growth, and lower energy prices are expected to provide additional boost to economic activity.¹¹ As the economy begins growing again, businesses will start building inventories and investing in new plant and equipment. Leading economists and policymakers expect that soon the usual dynamics of the

⁷ Federal Aviation Administration, *Aerospace Forecasts, FY 2001-2002*, March 2001, page II-1.

⁸ National Bureau of Economic Research, *The Business-Cycle Peak of March 2001*, November 26, 2001.

⁹ U.S. Bureau of Economic Analysis in www.bea.doc.gov.

¹⁰ The Federal Reserve Board Press Release dated January 30, 2002; various press releases by the Conference Board; Office of Management and Budget, "Chapter 2: Economic Assumptions," *Analytical Perspectives, Budget of the United States Government, Fiscal Year 2003*, January 2002; and various articles in the Wall Street Journal.

¹¹ DRI-WEFA, *U.S. and Global Economic Prospects: A Deeper Recession and a Stronger Recovery*, at www.dri-wefa.com; and various articles in The Wall Street Journal.

business cycle will put the economy back on a steady growth track.¹² Over the long term, the technological innovations and business practice changes that helped propel productivity growth to a new higher trend during the last half of the 1990s are likely to sustain strong productivity growth into the future.¹³

- **Airline industry profitability.** For the eighth consecutive year in 2000, operating revenues for the U.S. commercial airline industry exceeded operating expenses: operating profit was \$7.6 billion. According to the FAA, a major contributing factor to the financial success of the airline industry in 2000 was the strong growth in traffic and yields offsetting higher fuel and labor costs.¹⁴ However, even prior to September 11, major airlines have already been experiencing a softening of air travel demand and weakening revenues. According to a report by Fitch IBCA, sharply rising labor costs, price wars, and overexpansion had already put pressure on the industry's financial results, so that only Continental and Southwest posted profits during the first quarter of 2001. Immediately following September 11, passenger volume dropped sharply, causing revenues to fall faster than airlines could cut costs. As a result, only Southwest and Alaska posted profits in the third quarter of 2001 without benefit of the federal government emergency cash assistance, and only Southwest posted profits in the fourth quarter.¹⁵ Major airlines continue to post poor financial results during the first quarter of 2002.

The financial challenges facing U.S. airlines may be ameliorated to some degree by the \$15 billion federal assistance package under the Air Transportation Safety and Stabilization Act. Positive results are also expected from long-term structural changes that are underway in the industry, such as the entry of low-cost carriers and the restructuring of high-cost carriers involving route rationalization, acquisition of more efficient aircraft, and productivity enhancement.¹⁶

- **Strong presence of Southwest Airlines at the Airport.** Southwest Airlines ("Southwest") is the country's premier short-haul, point-to-point carrier and is the fourth largest domestic carrier in terms of enplaned passengers. Southwest expanded to the East Coast and began service to the Airport only in 1993. The Airport now ranks fourth among 59 airports served by Southwest in terms of the number of daily departures by Southwest.¹⁷ As of February 2002, Southwest accounted for 44% of total commercial passengers at the Airport. The presence of Southwest at the Airport has been, and will continue to be, a strong positive stimulus to growth in traffic at the airport. Southwest's low fares and reliability of

¹² Office of Management and Budget, "Chapter 2: Economic Assumptions," *Analytical Perspectives, Budget of the United States Government, Fiscal Year 2003*, January 2002.

¹³ Office of Management and Budget, "Economic Assumptions," *Mid-Session Review of the Budget of the United States Government, Fiscal Year 2002*, August 22, 2001, page 17.

¹⁴ FAA, *Aerospace Forecasts, FY 2001-2012*, March 2001, pages III-1 and III-2.

¹⁵ Fitch IBCA, Duff & Phelps, *U.S. Airport Bonds and Airlines Since 1978's Deregulation: The Great Credit Divide*, November 29, 2001; and various press releases in airline websites.

¹⁶ FAA, *Aerospace Forecasts, FY 2001-2012*, March 2001, pages III-15 and III-17.

¹⁷ Southwest Airlines, "Top Ten Cities (as of April 7, 2002)," *Fact Sheet*, at www.southwest.com.

service are well known to stimulate air travel demand at every market that Southwest enters. Southwest is embarking on further expansion of service at BWI, and the expansion of the Airport's Pier A is intended to accommodate anticipated growth in Southwest's operations.

- **Airline industry consolidation.** The U.S. airline industry appears to be entering a new phase of consolidation, which could significantly alter the structure of the airline industry.¹⁸ A recent prominent example is the acquisition of Trans World Airlines by American Airlines.
- **Changing airport environment.** The September 11 Events renewed focus on airport security. Prior to September 11, a variety of technology was in place at airports across the United States for baggage screening. In the post-September 11 era of heightened security, the FAA has mandated a more comprehensive application of baggage screening technology and is accelerating research on biometrics technologies for possible application in airport access control, passenger identification, and flight crew identification. Stricter limits on carry-on baggage are also now in force at airports nationwide. The benefits of heightened security in terms of ensuring passenger safety and restoring consumer confidence are clear. However, these benefits come at the cost of longer passenger processing and dwell times at airports – cost that could impact negatively on travel demand.
- **Competition from other airports.** There are two other major airports that are close enough to compete with the Airport for passenger traffic: Washington Dulles International Airport, which is 46 miles away; and Ronald Reagan Washington National Airport (DCA), which is 29 miles away. Any change in the relative availability and cost of air service at each airport could alter the distribution of passenger traffic among the three airports. Activity at DCA was limited after the September 11, 2001 Events because of its proximity to key federal installations, and it is possible that some of DCA's traffic has been directed to the Airport. On April 24, 2002 the Secretary of the U.S. Department of Transportation announced the lifting of all remaining restrictions on the operation of commercial aviation at DCA.¹⁹
- **Travel costs.** The demand for air travel is an inverse function of travel costs, which include airfares and rental car costs. Increasing costs discourage air travel, and decreasing costs encourage air travel. Trends in airline operating costs influence airfares. For example, the recent fuel cost increases pushed air fares upward. However, competition among air carriers ensures that the benefits of increased productivity are passed on to consumers in the form of lower fares. Compared to airfares, rental car costs often constitute a smaller component of travel costs and do not significantly influence a consumer's decision to travel by air.

¹⁸ FAA, *Aerospace Forecast, FY 2001-2012*, March 2001, page III-16.

¹⁹ Metropolitan Washington Airports Authority at www.mwaa.com.

D. SUMMARY

The following are the highlights of the historical review and forecast of rental car demand at the Airport:

- Eight companies serve the Airport: Alamo, Avis, Budget, Dollar, Enterprise, Hertz, National, and Thrifty. Collectively, these companies reported a total of 3.7 million transaction days, 1.0 million rental contracts, and \$157.2 million gross rental revenues at the Airport in CY 2001.
- Between CY 1996 and CY 2001, the Airport rental car market experienced average annual increases of 9.1% in transaction days, 9.5% in rental contracts, and 11.7% in gross rental revenues. The average contract duration ranged narrowly between 3.6 and 3.7 days in the past six years, and the average daily rental rate increased by 2.4% per year in nominal terms, or -0.1% in real terms, between CY 1996 and CY 2001.
- Rental car demand at the Airport exhibits seasonality. Total transaction days are typically higher during the summer months of July and August, and lower during the winter months of January and February. Rental contracts peak in October and are fewest in January and February. The average contract duration is shortest during February and longest during July and August.
- Forecasts of transaction days were developed using a multivariate regression model that includes the following explanatory variables: O&D passenger traffic at the Airport, U.S. real GDP per capita, and the average daily rental rate. Alternative forecasts were developed under low and high scenarios of passenger traffic growth at the Airport:
 - Low forecasts – Annual transaction days are forecast to decrease from 3.7 million in CY 2001 to 3.4 million in CY 2002, and then increase to 5.6 million in CY 2011, representing an average growth rate of 4.2% per year between CY 2001 and CY 2011.
 - High forecasts – Annual transaction days are forecast to decrease to 3.7 million in CY 2001 to 3.5 million in CY 2002, and then increase to 5.9 million in CY 2011, representing an average growth rate of 4.7% per year between CY 2001 and CY 2011. The high forecasts of annual transaction days are higher than the low forecasts by 3.3% in CY 2002 and an average of 6.1% during the calendar years 2003-2011.
- Using the multivariate regression model, forecasts of transaction days with and without the \$3.00 CFC were compared and small differences – between 1.0% and 1.2% were found. Hence the negative impact of the CFC is small, and it diminishes over time.

SECTION VI FINANCIAL ANALYSIS

This section discusses the financial aspects of the CRCF Program, including the plan of financing for the CRCF Program. The discussion includes a summary of the legal framework for the CRCF Program financing and operation and the financial analysis, which presents projections of the following: (1) the required CFC and projected CFC level, (2) CFC revenues, interest income, and other Pledged Revenues, (3) debt service coverage, and (4) the deposit and application of Pledged Revenues under the Trust Agreement for the 10-year forecast period.

A. LEGAL FRAMEWORK FOR THE FINANCING AND OPERATION OF THE CRCF

The financing and operation of the CRCF are governed by the following documents: (1) the Interim Contracts¹, (2) the Lease Agreement and Financing Agreement (defined below) between the MAA and the Authority, (3) the Lease and Concession Contracts and the SCVSF Contracts² (collectively referred to as the “CRCF Contracts”), and (4) the Trust Agreement. The following paragraphs describe the key provisions of these documents.

1. The Interim Lease and Concession Contract

The Interim Contracts allow the Operators to operate non-exclusive rental auto concessions at the existing rental car facilities on Airport property until the Date of Beneficial Occupancy (“DBO”) of the CRCF, which is anticipated to occur in 2003. The Interim Contracts also require the Operators to collect and remit a CFC to the MAA. The term of the Interim Contracts is for a period of up to five years, which began on March 1, 2001 (or July 1, 2001, in the case of Dollar and Enterprise), and will end at the earlier of March 1, 2006 (or July 1, 2006 in the case of Dollar and Enterprise) or DBO of the CRCF. Following are brief descriptions of the business and financial terms of the Interim Contracts.

- i. **Leased Premises.** The MAA leases to each Operator a portion of the following existing rental car premises at the Airport: terminal building counter and office space; the rental car mall (the “Mall”); Elkridge Landing Road auto maintenance and storage area; the Gas/Wash Facility (Quick Turn Around Facility, or “QTA”), the parking garage ready car area, the dedicated roadway to the Mall and the QTA; and the Airport terminal international pier telephone board.

¹ Defined on page I-4.

² Defined on page I-5.

ii. **CFC.** The Interim Contracts include a provision that requires each Operator to collect a CFC per transaction day from each rental auto customer. The CFC is required to be set at \$3.00 per transaction day for the first year of the term of the Interim Contracts. A transaction day is defined in the Interim Contracts as each 24-hour period or fraction thereof within the rental period. After the first year of the Interim Contracts, through the expiration date (DBO of the CRCF), the CFC shall be set at a level sufficient to pay for the following costs:

- The unamortized debt service on the existing rental car facilities;
- The costs of the tram service, which will be in operation throughout the term of the Interim Contracts;
- A portion of the costs associated with the planning, design, construction, and financing of the CRCF Program; and
- The costs to acquire the initial fleet of shuttle buses to be used to transport rental car customers between the CRCF and the Airport passenger terminal building.

iii. **Fees.** In addition to remitting the CFCs collected, the Interim Contracts require each Operator to pay concession fees and rental fees, as described below. The concession fees and rental fees are not included in Pledged Revenues for the Bonds.

- *Concession fees.* Each Operator is required to pay the greater of the following concession fees to the MAA: (a) 10% of the Operator's Gross Revenues, or (b) a minimum annual guarantee equal to 85% of the percentage concession fee paid by the Operator during the preceding year.
- *Rental Fees.* Each Operator shall pay rental fees, based on per-square-foot charges, for the leased premises described above.

iv. **Other Provisions.**

- *Buyout of Service Area Capital Improvements.* Within 90 days of the later of (a) the expiration of the term of an Interim Contract, or (b) the date the Operator vacates its existing facilities and completes all of its responsibilities pursuant to an Interim Contract, the MAA shall purchase from each Operator its unamortized improvements for the QTA and the Elkridge Landing Road Auto Maintenance and Storage Area.
- *Tram Service.* The MAA is required to provide tram service throughout the term of the Interim Contracts, and the cost of the service is being

funded with a portion of the CFC revenues. An Operator may not make arrangements for its customers to use any other form of transportation to transport its customers between the existing rental car facilities and the Airport terminal complex.

2. The Lease Agreement and Financing Agreement between the MAA and the Authority

Pursuant to the Lease of Consolidated Rental Car Facility at the Baltimore/Washington International Airport and Assignment of Revenues (the "Lease Agreement") between the Authority and the MAA, the MAA has granted to the Authority a leasehold interest in the CRCF and the land upon which the CRCF will be built. In accordance with the terms of the Agreement on Financing Airport Facilities Project at Baltimore/Washington International Airport (Consolidated Rental Car Facility) (the "Financing Agreement"), the Authority intends to issue the Bonds secured by CFC revenues to fund a portion of the costs of the CRCF Program. The MAA, as owner and operator of the Airport, is responsible to design, construct, operate, and maintain the CRCF. The CFC collections will be used to pay the debt service on the Bonds and to meet the other funding requirements of the Trust Agreement and to pay other costs of the CRCF Program. The term of the leasehold granted to the Authority will extend until the Bonds have been retired.

3. CRCF Contracts

The CRCF Contracts are: (a) the Lease and Concession Contracts and (b) the SCVSF Contracts. The term of the Lease and Concession Contracts began on May 22, 2002 and will continue through ten years past DBO of the CRCF with a 10-year option to renew solely exercisable by the MAA.³ The term of the SCVSF Contracts began on May 22, 2002 and will continue through 20 years past DBO of the CRCF. The CRCF Contracts contain the following principal terms and conditions:

- i. Leased Premises.** The CRCF Contracts grant the Operators the right to lease the following premises:
 - The Customer Service Building counter and office space;
 - The Ready/Return parking areas in the Parking Structure; and
 - The Service Center and Vehicle Storage Facilities on the second floor of the Parking Structure and adjacent to the Parking Structure.
- ii. Collection and Remittance of a CFC.** Pursuant to the Lease and Concession Contracts, each Operator is required to charge a CFC to its

³ On March 27, 2002, ANC Rental Corporation, the operator of both Alamo and National, filed a complaint against MAA in the Circuit Court for Anne Arundel County, Maryland. Please see the section titled LITIGATION in the *Official Statement of the Maryland Transportation Authority Relating to the Maryland Transportation Authority Taxable Limited Obligation Revenue Bonds, Series 2002*.

customers. At the commencement of the Lease and Concession Contract, the CFC was maintained at the level established under the Interim Contract, which was \$3.00 per transaction day (each 24-hour period) or fraction thereof for each car rented at the Airport. Each Operator is required to remit the CFC collections monthly to the Trustee, to be used to pay debt service on the Bonds and to make other deposits and payments required by the Trust Agreement.

Each year, all Operators will provide to the MAA a statement showing its projected transaction days for the following Bond Year ("BY")⁴. MAA will estimate the Total Annual Costs to be covered by the CFC for the following Bond Year and shall calculate the CFC to be charged for that year. The Total Annual Costs, as defined in the Lease and Concession Contracts, shall consist of the following:

- Certain capital and operating costs related to the existing rental car facilities to the extent that such costs have not already been paid at the commencement of the Lease and Concession Contracts;
- Costs associated with the issuance of the Bonds, including but not limited to capitalized interest expenses, the funding of a bond reserve fund or a bond surety, and other issuance-related expenses;
- Annual debt service requirements of the Bonds, including principal, interest and any premium, debt service coverage, and any administrative expenses of the Trustee or the MAA associated with the Bonds;
- Any other capital costs of the CRCF Program not funded with the proceeds of the Bonds, except for the land acquisition costs, which were funded by the Maryland Department of Transportation or other State sources other than the Bonds;
- Any deficits from previous years;
- Any amounts required to be deposited in the reserve accounts that are established under the Trust Agreement; and
- Any rebate or installment thereof payable to the United States of America with respect to any tax-exempt bonds issued under the Trust Agreement.

⁴ The Trust Agreement defines a Bond Year as the 12-month period from July 2 of each calendar year through July 1 of the following calendar year. For example, BY 2003 will cover the 12-month period from July 2, 2002 through July 1, 2003.

Under the Lease and Concession Contracts, if the CFC is set at the "Contingent Rent CFC Rate" (initially \$3.75) and CFC revenues are not sufficient to pay the Total Annual Costs, the MAA is required to impose Contingent Rent and/or may raise the Contingent Rent CFC Rate. Contingent Rent shall equal the difference between the Total Annual Costs and the projected CFC collections at the Contingent Rent CFC Rate, prorated over the twelve-month contract year. There is no legal limit on the amount of the Contingent Rent CFC Rate, and the Lease and Concession Contracts permit the MAA to adjust the Contingent Rent CFC Rate above \$3.75.

Throughout the term of the Lease and Concession Contracts, each Operator is required to provide to the MAA a CFC Performance Bond equal to four months of estimated CFC collections, as determined by the MAA. Each Operator is also required to provide a Performance Guarantee in the amount of 50% of its Minimum Annual Guarantee plus 50% of its first year estimated ground rent to ensure the payment of all rents and fees pursuant to its Lease and Concession Contract. If the MAA imposes Contingent Rent, the Performance Guarantee will be increased by an amount equal to one-half (50%) of the Operator's Contingent Rent obligation for the next year. The CFC Performance Bond and the Performance Guarantee can be claimed by the MAA if an Operator does not remit CFC revenues or percentage rent, space lease payments or Contingent Rent on the dates specified in its Lease and Concession Contract.

iii. Other Financial Requirements. In addition to collecting and remitting the CFC and Contingent Rent (if imposed), each Operator is obligated to pay to the MAA the following, which are not included as Pledged Revenues for the Bonds:

- A concession fee equal to 10% of the Operator's gross revenues or the Minimum Annual Guarantee ("MAG"), whichever is greater;
- Ground rent per square foot per annum of leased space, based on the fair market value of the land;
- Operating and Maintenance Expense Reimbursement to reimburse the MAA for its share of the Facility operating and maintenance expenses; and
- A monthly fee for the rental of common use Airport Terminal Rental Car Telephone Board(s).

4. Trust Agreement

The Bonds will be issued pursuant to the Trust Agreement. According to the Trust Agreement, the debt service requirements for the Bonds will be payable solely from

the Pledged Revenues (as defined below). The Trust Agreement governs the issuance of the Bonds, defines the Pledged Revenues, establishes certain funds and accounts, and sets forth the application of Pledged Revenues to those funds and accounts.

- i. **Issuance of the Bonds.** The Bonds are special limited obligations of the Authority payable solely from (a) the Pledged Revenues, including the CFC revenues collected by the Operators in accordance with the Lease and Concession Contracts, and Contingent Rent; and (b) amounts on deposit in the funds and accounts created by the Trust Agreement. The proceeds of the Bonds will be used to finance a portion of the capital costs of the CRCF Program.
- ii. **Pledged Revenues.** Pursuant to the Trust Agreement, Pledged Revenues include the following:
 - CFC revenues and Contingent Rent; and
 - Investment earnings derived from the amounts on deposit to the various funds and accounts established pursuant to the Trust Agreement.
- iii. **Rate Covenant.** The Trust Agreement requires the Authority to cause the MAA to fix, charge, and collect Pledged Revenues as will be sufficient together with amounts on deposit in the Coverage Fund in each Fiscal Year in an amount not less than the sum of: (a) 125% of the Debt Service Requirements on the outstanding Bonds for such Fiscal Year and (b) 100% of the Debt Service Requirements of all other outstanding Long-Term Indebtedness for such Fiscal Year.
- iv. **Application of Pledged Revenues.** Pledged Revenues will be deposited in the CFC Revenue Fund and applied in the following order of priority:
 - To the Bond Fund to pay the annual debt service requirements on the Bonds;
 - To the Coverage Fund, the amount necessary to make the amount on deposit therein equal to the Coverage Fund Requirement;
 - To pay any fees and expenses of the Trustee and any other amounts then due under this Trust Agreement; and
 - All Pledged Revenues remaining after the above deposits have been made shall be deposited into the Facility Improvements Fund.

B. SOURCES AND USES OF FUNDS

As mentioned in **Section II**, the CRCF Program costs are estimated to total approximately \$131.3 million. The CRCF Program costs will be funded with the proceeds of the Bonds, CFC revenues collected prior to the issuance of the Bonds, CFC revenues collected subsequent to the issuance of the Bonds that are in excess of the debt service requirements on the Bonds and amounts required to maintain the Coverage Fund at the Coverage Fund Requirement, and funds provided by the MAA. The estimated funding sources are summarized in **Section II**.

It is anticipated that the Bonds will be issued in the par amount of approximately \$117.6 million.⁵ The proceeds of the Bonds will be used to pay for a portion of the CRCF Program and the associated financing costs. The sources and uses of funds for the CRCF Program, which are listed below, are summarized on **Table VI-1**.

Following are the proposed sources of funds for the CRCF Program:

- The principal amount of the Bonds;
- The FY 2002 CFC revenues remaining after the payment of certain CRCF Program costs and tram operating costs.

Following are the proposed uses of funds for the CRCF Program:

- Deposits to the Project Fund;
- A deposit to the Coverage Fund equal to 15% of maximum annual debt service;
- The payment of costs of issuance, the Underwriter's discount, bond insurance premiums, and the cost of a Debt Service Reserve Fund surety policy; and
- The repayment of capital costs for the CRCF Program that were advanced by MDOT.

⁵ Estimated bond sizing obtained from Morgan Stanley.

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TABLE VI - 1
SOURCES AND USES OF FUNDS FOR THE CRCF PROGRAM
CONSOLIDATED RENTAL CAR FACILITY

	Total
Sources of Funds	
Principal amount of the Bonds	\$117,610,000
Remaining FY 2002 CFC Revenues ¹	351,432
Total Sources of Funds	<u><u>\$117,961,432</u></u>
Uses of Funds	
Project Fund Deposit	\$85,609,302
Other Fund Deposits:	
Coverage Fund (15% of Maximum Annual Debt Service)	1,395,662
Costs of Issuance, Underwriter's Discount, Bond Insurance, Reserve Fund Surety Policy	3,159,914
Other Uses of Funds:	
Repayment to MDOT	27,796,554
Total Uses of Funds	<u><u>\$117,961,432</u></u>

Source: Morgan Stanley

¹ The FY 2002 CFC collections not used to pay for certain costs of the CRCF Program or the tram operating costs.

C. DEBT SERVICE

Table VI-2 summarizes the annual debt service requirements on the Bonds throughout the forecast period⁶. It is anticipated that the Bonds will be issued in June 2002, bearing an average annual interest rate estimated at 7.0%. The Bonds have a term of approximately 30 years, and will mature on July 1, 2032. It is anticipated that the first interest payment will be due on January 1, 2003, and the first principal payment will be due on July 1, 2003. The debt service schedule assumes that principal payments will be due on July 1st of each year, and interest payments will be due on January 1st and July 1st of each year.

Total annual debt service requirements are projected to be approximately \$8.7 million in Bond Year ("BY")⁷ 2003, and approximately \$9.3 million in each Bond Year thereafter.

D. CALCULATION OF CUSTOMER FACILITY CHARGE

The Lease and Concession Agreements require that the CFC be adjusted each Bond Year to generate CFC collections in an amount estimated to pay for the Total Annual Costs, as described above. **Table VI-3** shows the calculation of the required CFC under the "High" and "Low" rental car demand growth scenarios, as presented in **Section V**. Also presented is the calculation of the CFC assuming that rental car transaction days remain at the level forecast for BY 2003 under the "Low" scenario throughout the forecast period (the "No growth" scenario).

It is anticipated that the CFC revenues will be used to pay for certain costs that will not be funded with the proceeds of the Bonds, such as the tram operating costs through DBO of the CRCF, periodic bus acquisitions to increase the size of the bus fleet, and the periodic acquisition costs of replacement shuttle buses. Because it is expected that CFC revenues will be used to pay for such costs, this analysis assumes that the required CFC will be calculated as the level projected to provide CFC revenues sufficient to:

⁶ Estimated annual bond debt service requirements obtained from Morgan Stanley.

⁷ The Trust Agreement defines a Bond Year as the 12-month period from July 2 of each calendar year through July 1 of the following calendar year. For example, BY 2003 will cover the 12-month period from July 2, 2002 through July 1, 2003.

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TABLE VI-2
DEBT SERVICE SCHEDULE
CONSOLIDATED RENTAL CAR FACILITY

Years Ending July 1	Principal	Interest	Total Debt Payment
2003	\$600,000	\$8,185,920	\$8,785,920
2004	\$1,545,000	\$7,758,385	\$9,303,385
2005	\$1,605,000	\$7,697,203	\$9,302,203
2006	\$1,680,000	\$7,623,854	\$9,303,854
2007	\$1,765,000	\$7,538,342	\$9,303,342
2008	\$1,860,000	\$7,441,796	\$9,301,796
2009	\$1,965,000	\$7,335,404	\$9,300,404
2010	\$2,085,000	\$7,217,898	\$9,302,898
2011	\$2,210,000	\$7,089,670	\$9,299,670
2012	\$2,350,000	\$6,951,103	\$9,301,103
2013	\$2,500,000	\$6,802,113	\$9,302,113
2014	\$2,670,000	\$6,633,613	\$9,303,613
2015	\$2,850,000	\$6,453,655	\$9,303,655
2016	\$3,040,000	\$6,261,565	\$9,301,565
2017	\$3,245,000	\$6,056,669	\$9,301,669
2018	\$3,465,000	\$5,837,956	\$9,302,956
2019	\$3,700,000	\$5,604,415	\$9,304,415
2020	\$3,945,000	\$5,355,035	\$9,300,035
2021	\$4,215,000	\$5,089,142	\$9,304,142
2022	\$4,495,000	\$4,805,051	\$9,300,051
2023	\$4,800,000	\$4,502,088	\$9,302,088
2024	\$5,130,000	\$4,173,768	\$9,303,768
2025	\$5,480,000	\$3,822,876	\$9,302,876
2026	\$5,855,000	\$3,448,044	\$9,303,044
2027	\$6,255,000	\$3,047,562	\$9,302,562
2028	\$6,680,000	\$2,619,720	\$9,299,720
2029	\$7,140,000	\$2,162,808	\$9,302,808
2030	\$7,625,000	\$1,674,432	\$9,299,432
2031	\$8,150,000	\$1,152,882	\$9,302,882
2032	\$8,705,000	\$595,422	\$9,300,422
Totals	\$117,610,000	\$160,938,391	\$278,548,391

Source: Estimates provided by Morgan Stanley.

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TABLE VI-3
CALCULATION OF REQUIRED CUSTOMER FACILITY CHARGE
AND PROJECTION OF CFC REVENUES

	2003	2004	2005	2006	2007	2008	2009	2010	2011
Amount to be Recovered:									
Annual Debt Service ¹	\$8,785,920	\$9,303,385	\$9,302,203	\$9,303,854	\$9,303,342	\$9,301,796	\$9,300,404	\$9,302,898	\$9,299,670
less: Interest on Coverage Fund	(30,000)	(30,000)	(30,000)	(30,000)	(30,000)	(30,000)	(30,000)	(30,000)	(30,000)
Net Debt Service	\$8,755,920	\$9,273,385	\$9,272,203	\$9,273,854	\$9,273,342	\$9,271,796	\$9,270,404	\$9,272,898	\$9,269,670
Bond Administrative Costs	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000
Tram Operating Costs ²	1,200,000	400,000							
Bus Fleet Replacement Set-Aside ³		1,075,000	1,075,000	1,075,000	1,075,000	1,075,000	1,075,000	1,075,000	1,075,000
Bus Fleet Additions ⁴			343,600			386,500			
Total Amount to be Recovered	\$10,055,920	\$10,848,385	\$10,790,803	\$10,448,854	\$10,448,342	\$10,833,296	\$10,445,404	\$10,447,898	\$10,444,670
High Growth Scenario:									
Forecasted Transaction Days	3,565,561	3,864,984	4,145,572	4,390,821	4,628,805	4,877,368	5,146,362	5,424,533	5,707,771
Required CFC	\$2.82	\$2.81	\$2.60	\$2.38	\$2.26	\$2.22	\$2.03	\$1.93	\$1.83
Anticipated CFC	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00
Projected CFC Revenues ⁵	\$10,696,684	\$11,594,952	\$12,436,716	\$13,172,462	\$13,886,414	\$14,632,105	\$15,439,085	\$16,273,598	\$17,123,314
Low Growth Scenario:									
Forecasted Transaction Days	3,429,772	3,641,109	3,874,057	4,118,909	4,358,947	4,606,040	4,862,451	5,127,481	5,396,948
Required CFC	\$2.93	\$2.98	\$2.79	\$2.54	\$2.40	\$2.35	\$2.15	\$2.04	\$1.94
Anticipated CFC	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00
Projected CFC Revenues ⁵	10,289,316	10,923,327	11,622,172	12,356,726	13,076,840	13,818,119	14,587,354	15,382,442	16,190,844
No Growth Scenario:									
Forecasted Transaction Days	3,429,772	3,429,772	3,429,772	3,429,772	3,429,772	3,429,772	3,429,772	3,429,772	3,429,772
Required CFC	\$2.93	\$3.16	\$3.15	\$3.05	\$3.05	\$3.16	\$3.05	\$3.05	\$3.05
Anticipated CFC	\$3.00	\$3.16	\$3.15	\$3.05	\$3.05	\$3.16	\$3.05	\$3.05	\$3.05
Projected CFC Revenues ⁵	\$10,289,316	\$10,848,385	\$10,790,803	\$10,448,854	\$10,448,342	\$10,833,296	\$10,445,404	\$10,447,898	\$10,444,670

¹ Source: Schedules prepared by Morgan Stanley.

² Source: Estimates prepared by MDOT.

³ Amounts represent the annual set-asides to pay for the estimated bus fleet replacement cost anticipated to occur in BY 2012. Based on estimated cost provided by MDOT, increased by 10%.

⁴ Estimated amounts for the periodic purchases of individual buses to increase the size of the bus fleet. Based on estimates provided by MDOT, increased by 10%.

⁵ Projected CFC Revenues are calculated at the "Anticipated CFC" level under each scenario.

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- Satisfy the Rate Covenant (1.25 times annual debt service, after accounting for the balance in the Coverage Fund);
- Fund the annual administrative costs associated with the Bonds;
- Fund deposits to the Facility Improvements Fund through BY 2004 that are projected to be sufficient to fund the tram operating costs;
- Fund periodic acquisitions of buses to increase the size of the bus fleet, as estimated by the MDOT; and
- Fund annual deposits to the Facility Improvements Fund to produce a balance sufficient to purchase replacement buses in BY 2012.

Following is a summary of the required CFC levels:

	<u>BY 2003</u>	<u>BY 2004</u>	<u>BY 2011</u>
• “High” scenario	\$2.82	\$2.81	\$1.83
• “Low” scenario	\$2.93	\$2.98	\$1.94
• “No growth” scenario	\$2.93	\$3.16	\$3.05

The MAA anticipates that the CFC will not be reduced below the \$3.00 level during the forecast period. Therefore, **Table VI-3** also presents projected CFC revenues assuming the CFC is maintained at a minimum of \$3.00 throughout the forecast period.

E. APPLICATION OF PLEDGED REVENUES AND CALCULATION OF DEBT SERVICE COVERAGE

Tables VI-4A, VI-4B, VI-4C present the projected application of Pledged Revenues and the calculation of debt service coverage, based on the two alternative rental car demand growth scenarios presented in Section V (“High” and “Low”) and the “No growth” scenario as explained above, and based on the projected CFC levels presented on **Table VI-3**. Following is a summary of the projected balance in the Facility Improvements Fund at the end of BY 2011 and debt service coverage:

	<u>Facility Improvements Fund Balance at 6/30/11</u>	<u>Debt Service Coverage BY 2011</u>
• “High” scenario	\$39.1 million	1.99
• “Low” scenario	\$32.1 million	1.89
• “No growth” scenario	\$ 8.8 million	1.28

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TABLE VI-4A
APPLICATION OF REVENUES AND CALCULATION OF DEBT SERVICE COVERAGE
HIGH GROWTH SCENARIO

	Bond Years Ending July 1								
	2003	2004	2005	2006	2007	2008	2009	2010	2011
Pledged Revenues									
CFC Revenues	\$10,696,684	\$11,594,952	\$12,436,716	\$13,172,462	\$13,886,414	\$14,632,105	\$15,439,085	\$16,273,598	\$17,123,314
Interest on Coverage Fund	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000
Total Pledged Revenues	\$10,726,685	\$11,624,952	\$12,466,716	\$13,202,463	\$13,916,415	\$14,662,106	\$15,469,085	\$16,303,598	\$17,153,315
Application of Pledged Revenues									
Bond Fund	\$8,785,920	\$9,303,385	\$9,302,203	\$9,303,854	\$9,303,342	\$9,301,796	\$9,300,404	\$9,302,898	\$9,299,670
Administrative Costs	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000
Facility Improvements Fund									
Tram and Bus Fleet Capital Costs ¹	1,200,000	1,475,000	1,418,600	1,075,000	1,075,000	1,461,500	1,075,000	1,075,000	1,075,000
Remaining CFCs ²	640,765	746,567	1,645,913	2,723,609	3,438,073	3,798,810	4,993,681	5,825,700	6,678,645
Total Pledged Revenues Applied	\$10,726,685	\$11,624,952	\$12,466,716	\$13,202,463	\$13,916,415	\$14,662,106	\$15,469,085	\$16,303,598	\$17,153,315
Facility Improvements Fund									
Beginning Balance	\$0	\$640,765	\$2,462,332	\$5,183,245	\$8,981,854	\$13,494,926	\$18,368,736	\$24,437,417	\$31,338,117
Deposits	1,840,765	2,221,567	3,064,513	3,798,609	4,513,073	5,260,310	6,068,681	6,900,700	7,753,645
Draws									
Tram Operating Costs	(1,200,000)	(400,000)	0	0	0	0	0	0	0
MDOT Repayment	0	0	0	0	0	0	0	0	0
Bus Acquisition Costs	0	0	(343,600)	0	0	(386,500)	0	0	0
Ending Balance ³	\$640,765	\$2,462,332	\$5,183,245	\$8,981,854	\$13,494,926	\$18,368,736	\$24,437,417	\$31,338,117	\$39,091,762
Debt Service Coverage									
Total Pledged Revenues	\$10,696,684	\$11,594,952	\$12,436,716	\$13,172,462	\$13,886,414	\$14,632,105	\$15,439,085	\$16,273,598	\$17,123,314
Balance of Coverage Fund	1,395,662	1,395,662	1,395,662	1,395,662	1,395,662	1,395,662	1,395,662	1,395,662	1,395,662
Total for Coverage Calculation	\$12,092,346	\$12,990,614	\$13,832,378	\$14,568,124	\$15,282,076	\$16,027,767	\$16,834,747	\$17,669,260	\$18,518,976
Debt Service Coverage ⁴	1.38	1.40	1.49	1.57	1.64	1.72	1.81	1.90	1.99

¹ Represent the amounts necessary to pay for costs other than the debt service requirements that are to be paid with CFC revenues, including the tram operating costs (through DBO), additions to the common bus fleet, and the replacement of the bus fleet.

² Represent the remaining CFCs after all other deposits have been made.

³ The balance in the Facility Improvements Fund at the end of BY 2011 shall be available to acquire a replacement fleet of buses in BY 2012 and any other lawful purpose.

⁴ Debt service coverage is calculated as total Pledged Revenues, plus the balance in the Coverage Fund, divided by annual debt service requirements.

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TABLE VI-4B
APPLICATION OF REVENUES AND CALCULATION OF DEBT SERVICE COVERAGE
LOW GROWTH SCENARIO

	Bond Years Ending July 1								
	2003	2004	2005	2006	2007	2008	2009	2010	2011
Pledged Revenues									
CFC Revenues	\$10,289,316	\$10,923,327	\$11,622,172	\$12,356,726	\$13,076,840	\$13,818,119	\$14,587,354	\$15,382,442	\$16,190,844
Interest on Coverage Fund	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000
Total Pledged Revenues	\$10,319,316	\$10,953,327	\$11,652,173	\$12,386,727	\$13,106,841	\$13,848,119	\$14,617,354	\$15,412,442	\$16,220,844
Application of Pledged Revenues									
Bond Fund	\$8,785,920	\$9,303,385	\$9,302,203	\$9,303,854	\$9,303,342	\$9,301,796	\$9,300,404	\$9,302,898	\$9,299,670
Administrative Costs	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000
Facility Improvements Fund									
Tram and Bus Fleet Capital Costs ¹	1,200,000	1,475,000	1,418,600	1,075,000	1,075,000	1,461,500	1,075,000	1,075,000	1,075,000
Remaining CFCs ²	233,396	74,942	831,370	1,907,873	2,628,499	2,984,823	4,141,950	4,934,544	5,746,174
Total Pledged Revenues Applied	\$10,319,316	\$10,953,327	\$11,652,173	\$12,386,727	\$13,106,841	\$13,848,119	\$14,617,354	\$15,412,442	\$16,220,844
Facility Improvements Fund									
Beginning Balance	\$0	\$233,396	\$1,383,338	\$3,289,708	\$6,272,580	\$9,976,079	\$14,035,902	\$19,252,852	\$25,262,396
Deposits	1,433,396	1,549,942	2,249,970	2,982,873	3,703,499	4,446,323	5,216,950	6,009,544	6,821,174
Draws									
Tram Operating Costs	(1,200,000)	(400,000)	0	0	0	0	0	0	0
MDOT Repayment	0	0	0	0	0	0	0	0	0
Bus Acquisition Costs	0	0	(343,600)	0	0	(386,500)	0	0	0
Ending Balance ³	\$233,396	\$1,383,338	\$3,289,708	\$6,272,580	\$9,976,079	\$14,035,902	\$19,252,852	\$25,262,396	\$32,083,570
Debt Service Coverage									
Total Pledged Revenues	\$10,319,316	\$10,953,327	\$11,652,173	\$12,386,727	\$13,106,841	\$13,848,119	\$14,617,354	\$15,412,442	\$16,220,844
Balance of Coverage Fund	1,395,662	1,395,662	1,395,662	1,395,662	1,395,662	1,395,662	1,395,662	1,395,662	1,395,662
Total for Coverage Calculation	\$11,714,978	\$12,348,989	\$13,047,835	\$13,782,389	\$14,502,503	\$15,243,781	\$16,013,016	\$16,808,104	\$17,616,506
Debt Service Coverage ⁴	1.33	1.33	1.40	1.48	1.56	1.64	1.72	1.81	1.89

¹ Represent the amounts necessary to pay for costs other than the debt service requirements that are to be paid with CFC revenues, including the tram operating costs (through DBO), additions to the common bus fleet, and the replacement of the bus fleet.

² Represent the remaining CFCs after all other deposits have been made.

³ The balance in the Facility Improvements Fund at the end of BY 2011 shall be available to acquire a replacement fleet of buses in BY 2012 and any other lawful purpose.

⁴ Debt service coverage is calculated as total Pledged Revenues, plus the balance in the Coverage Fund, divided by annual debt service requirements.

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TABLE VI-4C
APPLICATION OF REVENUES AND CALCULATION OF DEBT SERVICE COVERAGE
NO GROWTH SCENARIO

	Bond Years Ending July 1								
	2003	2004	2005	2006	2007	2008	2009	2010	2011
Pledged Revenues									
CFC Revenues	\$10,289,316	\$10,848,385	\$10,790,803	\$10,448,854	\$10,448,342	\$10,833,296	\$10,445,404	\$10,447,898	\$10,444,670
Interest on Coverage Fund	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000
Total Pledged Revenues	\$10,319,316	\$10,878,385	\$10,820,803	\$10,478,854	\$10,478,342	\$10,863,296	\$10,475,404	\$10,477,898	\$10,474,670
Application of Pledged Revenues									
Bond Fund	\$8,785,920	\$9,303,385	\$9,302,203	\$9,303,854	\$9,303,342	\$9,301,796	\$9,300,404	\$9,302,898	\$9,299,670
Administrative Costs	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000
Facility Improvements Fund									
Tram and Bus Fleet Capital Costs ¹	1,200,000	1,475,000	1,418,600	1,075,000	1,075,000	1,461,500	1,075,000	1,075,000	1,075,000
Remaining CFCs ²	233,396	0	0	0	0	0	0	0	0
Total Pledged Revenues Applied	\$10,319,316	\$10,878,385	\$10,820,803	\$10,478,854	\$10,478,342	\$10,863,296	\$10,475,404	\$10,477,898	\$10,474,670
Facility Improvements Fund									
Beginning Balance	\$0	\$233,396	\$1,308,396	\$2,383,396	\$3,458,396	\$4,533,396	\$5,608,396	\$6,683,396	\$7,758,396
Deposits	1,433,396	1,475,000	1,418,600	1,075,000	1,075,000	1,461,500	1,075,000	1,075,000	1,075,000
Draws									
Tram Operating Costs	(1,200,000)	(400,000)	0	0	0	0	0	0	0
MDOT Repayment	0	0	0	0	0	0	0	0	0
Bus Acquisition Costs	0	0	(343,600)	0	0	(386,500)	0	0	0
Ending Balance ³	\$233,396	\$1,308,396	\$2,383,396	\$3,458,396	\$4,533,396	\$5,608,396	\$6,683,396	\$7,758,396	\$8,833,396
Debt Service Coverage									
Total Pledged Revenues	\$10,319,316	\$10,878,385	\$10,820,803	\$10,478,854	\$10,478,342	\$10,863,296	\$10,475,404	\$10,477,898	\$10,474,670
Balance of Coverage Fund	1,395,662	1,395,662	1,395,662	1,395,662	1,395,662	1,395,662	1,395,662	1,395,662	1,395,662
Total for Coverage Calculation	\$11,714,978	\$12,274,047	\$12,216,465	\$11,874,516	\$11,874,004	\$12,258,958	\$11,871,066	\$11,873,560	\$11,870,332
Debt Service Coverage ⁴	1.33	1.32	1.31	1.28	1.28	1.32	1.28	1.28	1.28

¹ Represent the amounts necessary to pay for costs other than the debt service requirements that are to be paid with CFC revenues, including the tram operating costs (through DBO), additions to the common bus fleet, and the replacement of the bus fleet.

² Represent the remaining CFCs after all other deposits have been made.

³ The balance in the Facility Improvements Fund at the end of BY 2011 shall be available to acquire a replacement fleet of buses in BY 2012 and any other lawful purpose.

⁴ Debt service coverage is calculated as total Pledged Revenues, plus the balance in the Coverage Fund, divided by annual debt service requirements.

F. SUMMARY

The financial analysis demonstrates the following findings:

- Under the “High” growth rental car demand scenario, if the CFC is maintained at the current rate of \$3.00 throughout the forecast period (through BY 2011), it is projected that sufficient CFC revenues will be generated to satisfy the Rate Covenant and to fund certain operating and capital costs that will not be funded with the proceeds of the Bonds. It is projected that the Facility Improvements Fund would have a balance of approximately \$39.1 million at the end of BY 2011, a portion of which would be used to acquire a replacement fleet of buses in BY 2012.
- Under the “Low” growth rental car demand scenario, if the CFC is maintained at the current rate of \$3.00 throughout the forecast period, it is projected that sufficient CFC revenues will be generated to satisfy the Rate Covenant and to fund certain operating and capital costs that will not be funded with the proceeds of the Bonds. It is projected that the Facility Improvements Fund would have a balance of approximately \$32.1 million at the end of BY 2011, a portion of which would be used to acquire a replacement fleet of buses in BY 2012.
- If it is assumed that rental car demand will not increase above the projected BY 2003 level (the “No growth” rental car demand scenario), it is projected that the CFC would need to be set at a high during the forecast period of \$3.16 in BY 2004 and BY 2008, and \$3.15 in BY 2005. The projected increases in BY 2004, BY 2005, and BY 2008 are mainly due to the projected tram operating costs in BY 2004 and the projected bus replacement costs in BY 2005 and BY 2008. It is projected that the Facility Improvements Fund would have a balance of approximately \$8.8 million at the end of BY 2011, which would be used to acquire a replacement fleet of buses in BY 2012.
- Under all three rental car demand scenarios, it is projected that debt service coverage will remain at 1.28 or higher throughout the forecast period, above the 1.25 required by the Rate Covenant.

APPENDIX B

Summary of Legal Documents

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SUMMARY OF CERTAIN PROVISIONS OF THE TRUST AGREEMENT

The following is a summary of certain provisions of the Trust Agreement. It is not a complete recital of the terms of the Trust Agreement and reference should be made to the Trust Agreement for a complete statement of its terms. Words and terms used in this summary shall have the same meanings as in the Trust Agreement, except where otherwise noted.

Definitions (*Section 1.01*)

In addition to terms defined elsewhere in this Official Statement, the following are definitions of certain terms used in this Official Statement. Terms used but not defined herein shall have the meanings set forth in the Trust Agreement.

“Additional Bonds” means any bond, note or other evidence of obligation issued by the Authority pursuant to the Trust Agreement, including (without limitation) any cap, swap or other hedging arrangement.

“Additional Facilities” means any “transportation facilities project” as defined in the Enabling Legislation and any other facility for which Additional Bonds may be issued pursuant to the Enabling Legislation that is necessary or desirable in connection with the Project or any other facilities used in connection with rental car operations at BWI Airport and that is financed or refinanced with proceeds of any Additional Bonds.

“Administrative Expenses” means any expenditures reasonably and necessarily incurred by the Authority by reason of its issuance and administration of any Bonds and the performance of its obligations under the Trust Agreement, including (without limitation) fees and expenses of the Trustee (whether as Trustee, paying agent or Registrar for the Bonds), fees and expenses of the issuer of any Credit Facility securing any Bonds and any remarketing agent not otherwise paid or provided for, legal, financing and administrative expenses, fees and expenses of the Authority's financial advisor and expenses incurred by the Authority to compel full and punctual performance of the provisions of the Lease and Assignment and the Financing Agreement.

“Agency Obligations” means direct obligations, including bonds, debentures, notes, participation certificates or similar obligations of, or obligations the timely payment of the principal of and the interest on which are unconditionally guaranteed by any agency or instrumentality of the United States of America or their successors.

“Applicable Law” means any law, regulation, requirement or order of any federal, state or local agency, court or other governmental body applicable from time to time to the acquisition, design, construction, equipping, financing, ownership, possession or operation of all, or any portion, of the Facilities or the performance of any of the obligations of the Authority under the Trust Agreement, including (without limitation) all permits, licenses and governmental approvals required for the operation of any portion of the Facilities.

“Authorized Denomination” means, when used with respect to any Series 2002 Bond, \$5,000 or any integral multiple thereof.

“Balloon Debt” means Indebtedness 25% or more of the principal amount of which matures in the same 12-month period, which portion of such principal amount is not required to be amortized by redemption prior to such period.

“Bond” or **“Bonds”** means the Series 2002 Bonds and any Additional Bonds, collectively.

“Bond Counsel” means an attorney or firm of attorneys having a national reputation in the field of municipal law whose legal opinions are generally accepted by purchasers of municipal bonds designated by the Authority as its bond counsel from time to time. The firm of Piper Rudnick LLP is recognized as constituting Bond Counsel, subject to further action by the Authority.

“Bond Year” means the period from and including July 2 of each calendar year through and including July 1 of the immediately succeeding calendar year.

“Business Day” means a day other than a Saturday, Sunday or legal holiday in the State or a day on which banking institutions in the State or in the city in which the Designated Office of the Trustee is located are authorized or obligated to remain closed.

“CFC” means the fee charged and collected by each Operator from its rental car customers on behalf of MAA for each 24 hour period or fraction thereof that an auto is rented under a rental agreement entered into on the Airport, or elsewhere with the pick-up at the Airport pursuant to a Lease and Concession Contract, or other similar agreement between such Operator and MAA, as amended and supplemented, or any other amounts designated in writing by MAA to the Authority and the Trustee to be charged and collected by MAA to provide for the payment of the principal of and interest and premium, if any, on the Bonds, the Administrative Expenses and any rebate or installment thereof payable to the United States of America with respect to any Tax-Exempt Bonds and to maintain the reserves required by the Trust Agreement and acceptable to the Authority and any credit enhancer.

“Common Shuttle Bus Fleet” means the common-use buses that provide transportation for rental car customers between the terminal building and the Project.

“Contingent Rent” has the meaning given to such term in the Lease and Concession Contract or other similar agreement, between the MAA and each Operator.

“Cost,” as applied to the Project or any Additional Facilities, includes the cost of and all expenses incident to the construction, reconstruction, acquisition, improvement, extension, alteration, modernization, planning, maintenance and repair of the Project or such Additional Facilities, including (without limitation) the cost and expenses of (1) all property acquired in connection with it; (2) financial, architectural, consulting, engineering and legal services; (3) plans, specifications, surveys, estimates, feasibility reports and direct and indirect labor, material, equipment and administrative expenses; and (4) financing the Project or such Additional

Facilities, including (without limitation) financing charges and interest before, during and for one year after completion of construction.

“Coverage Fund Requirement” means, as of any particular date of calculation, an amount equal to 15% of Maximum Annual Debt Service on the Outstanding Bonds.

“Credit Facility” means any letter of credit, bond insurance policy, bond purchase agreement, guaranty, line of credit, surety bond or similar credit or liquidity facility securing any Bond or held to the credit of any fund or account created by the Trust Agreement. When used with reference to any Bonds, “Credit Facility” means any Credit Facility securing such Bonds.

“Credit Facility Agreement” means the agreement, if any, pursuant to which any Credit Facility is issued. When used with reference to any Bonds, “Credit Facility Agreement” means the Credit Facility Agreement under which any Credit Facility securing such Bonds shall have been issued.

“Credit Facility Provider” means the issuer of any Credit Facility then in effect. When used with reference to any Bonds, “Credit Facility Provider” means the provider of any Credit Facility securing such Bonds.

“Debt Service Requirements” means, when used with respect to any Long-Term Indebtedness for any Bond Year, as of any particular date of calculation, the amount required to pay the sum of (1) the interest on such Long-Term Indebtedness payable during the period from the second day of such Bond Year through the first day of the immediately succeeding Bond Year, and (2) the principal of, the Sinking Fund Installment for and any other amount required to effect any mandatory redemption of such Long-Term Indebtedness, if any, during the period of such Bond Year less any amount of such interest or principal for the payment of which moneys or Permitted Investments, the principal of and interest on which when due will provide for such payment, are held in trust, including (without limitation) any accrued interest and capitalized interest on deposit in any Bond Fund or Construction Fund. For the purpose of calculating the Debt Service Requirements:

(a) with respect to any Variable Rate Indebtedness:

(i) for the purpose of calculating the Debt Service Reserve Fund Requirement and the principal amount of any such Indebtedness constituting Balloon Debt payable in any Bond Year described in clause (b) below, such Indebtedness shall be deemed to bear interest at the fixed rate that it would have borne had it been issued at a fixed rate for the term thereof, as evidenced by a certificate of an investment banking firm or financial advisor knowledgeable in financial matters relating to the Facilities satisfactory to the Authority, who may be, without limitation, the financial advisor to the Authority, confirming such interest rate assumption as reasonable, *provided* that if the Authority shall have entered into any cap, swap or other hedging arrangement with an entity rated in one of the three highest Rating Categories by a Rating Agency (each, a “Qualified Hedging Transaction”) identified in the records of the Authority, with respect to such Indebtedness, at the option of the Authority, such Indebtedness shall be deemed to bear interest at the rate payable by the Authority under such Qualified Hedging Transaction;

(ii) for all other purposes of the Trust Agreement, such Indebtedness shall be deemed to bear interest at an annual rate equal to (A) in the case of any period during which such Indebtedness shall have been outstanding, the weighted average interest rate per annum borne by such Indebtedness during such period and (B) in any other case, the higher of (1) the weighted average interest rate per annum borne by such Indebtedness during the 12-month period ending on the date of calculation (or, in the case of any Indebtedness to be issued during the immediately preceding 12-month period, the weighted average interest rate per annum borne by other outstanding indebtedness having comparable terms and of comparable creditworthiness during the immediately preceding 12-month period, as evidenced by a certificate of an investment banking firm or a financial advisor knowledgeable in financial matters relating to the Facilities satisfactory to the Authority, who may be, without limitation, the financial advisor to the Authority) and (2) the interest rate per annum borne by such Indebtedness on the date of calculation, *provided* that if any Qualified Hedging Transaction identified in the records of the Authority with respect to any such Indebtedness shall be in effect for the period for which such calculation is to be made, at the option of the Authority, such Indebtedness shall be deemed to bear interest at the rate payable by the Authority under such Qualified Hedging Transaction during such period;

(b) with respect to any Balloon Debt, the principal amount of such Indebtedness payable in each Bond Year may be deemed to be the amount that would payable during such Bond Year if such Indebtedness were required to be amortized in full from the date of its issuance in substantially equal annual installments of principal (such principal to be rounded to the nearest \$5,000) and interest over a term equal to the shorter of (i) 30 years and (ii) 120% of the weighted average economic life of the facilities financed or refinanced thereby;

(c) with respect to any Optional Tender Debt, the option of the holder thereof to tender such Indebtedness for purchase or redemption prior to maturity shall be disregarded; and

(d) with respect to any Credit Facility Agreement, so long as no demand for payment under the Credit Facility issued under such Credit Facility Agreement shall have been made, the debt service requirements of such Credit Facility Agreement shall be excluded from such calculation.

“Debt Service Reserve Fund Credit Facility” means any Credit Facility held to the credit of the Debt Service Reserve Fund.

“Debt Service Reserve Fund Requirement” means (1) when used with respect to or in connection with the Series 2002 Bonds, any other Series of Bonds secured by the Debt Service Reserve Fund maintained for the Series 2002 Bonds or such Debt Service Reserve Fund, as of any particular date of computation, an amount equal to the least of (a) 10% of the proceeds of the Bonds secured thereby, (b) Maximum Annual Debt Service on all outstanding Bonds secured thereby, and (c) 125% of the average annual debt service requirements of all Bonds secured thereby; and (2) when used with respect to any other Series of Bonds or the Debt Service Reserve Fund, if any, maintained for such Bonds, such amount as shall be established in the Supplemental Trust Agreement authorizing the issuance of such Bonds.

“Designated Office” means, when used with respect to the Trustee or any Registrar or paying agent, the corporate trust office designated as such by the Trustee or such Registrar or paying agent, respectively.

“Engineer” means an individual or firm of engineers registered in the State (who may be, without limitation, an employee of the Authority, the Department, the MAA or the State or any agency or political subdivision thereof) designated and retained by the Authority to perform the activities required by the Trust Agreement to be performed by the Engineer.

“Facilities” means the Project and any Additional Facilities.

“Generally Accepted Accounting Principles” means generally accepted accounting principles in the United States of America applicable in the preparation of financial statements of governmental units, as promulgated by the Governmental Accounting Standards Board or such other body as shall be recognized as authoritative by the American Institute of Certified Public Accountants or any successor body (as such principles may change from time to time), applied on a consistent basis (except for changes in application in which the Independent Public Accountant concurs) applied both to classification of items and amounts.

“Government Obligations” means direct obligations of, or obligations that are unconditionally guaranteed by, the United States of America, including (without limitation) obligations of Resolution Funding Corporation.

“Holder” or **“holder”** or **“Bondholder”** or any similar term means the registered owner of any Bond.

“Indebtedness” means any indebtedness or liability for borrowed money, any installment sale obligation or any obligation under any lease that is capitalized under Generally Accepted Accounting Principles, to the extent that any of the foregoing is payable from the Pledged Revenues.

“Independent Consultant” means an independent consulting firm having a favorable reputation for skill and experience with respect to the design, construction and operation of transportation facilities or the determination of the economic feasibility of such facilities, designated and retained by the Authority to perform the activities required by the Trust Agreement to be performed by the Independent Consultant.

“Independent Public Accountant” means an individual, partnership or corporation engaged in the accounting profession, either entitled to practice, or having members or officers entitled to practice, as a certified public accountant under the laws of the State and in fact independent, employed by the Authority from time to time to pass upon those matters required by the Trust Agreement to be passed upon by an Independent Public Accountant. The firm of Andersen LLP is recognized as constituting the Independent Public Accountant, subject to further action by the Authority.

“Interest Payment Date” means, with respect to the Series 2002 Bonds, January 1 and July 1 of each year commencing January 1, 2003, and with respect to any Additional Bonds, the

dates established as Interest Payment Dates in the Supplemental Trust Agreement authorizing such Additional Bonds.

“Long-Term Indebtedness” means all of the following Indebtedness incurred or assumed by the Authority and payable under any circumstances from the Trust Estate:

(1) any obligation for the payment of principal and interest with respect to money borrowed for an original term, or renewable at the option of the Authority for a period from the date originally incurred, longer than one year;

(2) any obligation for the payment of money under leases that are required to be capitalized under Generally Accepted Accounting Principles; and

(3) any obligation for the payment of money under installment purchase contracts having an original term in excess of one year.

“Maximum Annual Debt Service” means, when used with reference to any Long-Term Indebtedness for any Bond Year, as of any particular date of computation, the greatest amount required in the then-current or any future Bond Year to pay the Debt Service Requirements of such Long-Term Indebtedness.

“Optional Tender Debt” means any Indebtedness that is subject to optional or mandatory tender by the holder thereof (including, without limitation, any mandatory tender in connection with the expiration of any Credit Facility securing such Indebtedness or any conversion of the interest rate on such Indebtedness) for purchase or redemption prior to the stated maturity date thereof if the purchase or redemption price of such Indebtedness is under any circumstances payable from the Trust Estate.

“Permitted Investment” means each of the following investments to the extent that the amounts to be invested therein are then permitted to be invested in such investments under Applicable Law:

(1) Government Obligations;

(2) Agency Obligations;

(3) interest bearing time deposits, certificates of deposit or similar arrangements (“Deposits”) with any commercial bank, trust company or savings and loan association (including, without limitation, the Trustee), *provided* that, to the extent such Deposits are not fully insured by the Federal Deposit Insurance Corporation, the outstanding unsecured long-term indebtedness of such commercial bank, trust company or savings and loan association (or its holding company) is rated by a Rating Agency in one of its two highest Rating Categories, and such Deposits are continuously secured by lodging with a bank or trust company, as collateral security, obligations described in clause (1), (2), (5) or (6) below, having a market value, calculated no less frequently than weekly, not less than 102% of the amount of such Deposit;

(4) repurchase agreements for obligations described in clause (1) or (2) above, *provided* that (a) such obligations shall be (i) delivered to the Authority or the Trustee (as the

case may be) or supported by a safekeeping receipt issued by a depository satisfactory to the Authority or the Trustee (as the case may be) if issued in certificated form, or (ii) supported by a receipt or other confirmatory documentation satisfactory to the Authority or the Trustee (as the case may be) if issued in book-entry form, (b) the Authority or the Trustee (as the case may be) shall have a perfected security interest in such obligations, (c) such obligations shall be free and clear of any other liens or encumbrances, and (d) such repurchase agreements shall provide that the value of the underlying obligations shall be continuously maintained at a current market value, calculated no less frequently than weekly, of not less than 102% of the purchase price;

(5) obligations issued by or on behalf of any state of the United States of America or any political subdivision thereof for the payment of the principal or redemption price of and interest on which there shall have been irrevocably deposited Government Obligations maturing as to principal and interest at times and in amounts sufficient to provide such payment;

(6) any other obligations issued by or on behalf of any state of the United States of America or any political subdivision thereof, *provided* that such obligations, or other obligations of the issuer thereof of comparable maturities that are secured equally and ratably with such obligations, shall be rated by a Rating Agency in one of its two highest Rating Categories;

(7) banker's acceptances issued by any commercial bank, trust company or savings and loan association (including, without limitation, the Trustee), the outstanding unsecured long-term indebtedness of which is rated by a Rating Agency in one of its two highest Rating Categories;

(8) commercial paper or finance company paper rated by a Rating Agency in its highest Rating Category;

(9) investment agreements, including (without limitation), forward purchase agreements pursuant to which the Trustee agrees to purchase securities of the type described in clause (1), (2), (3), (5), (6), (7) or (8) above, *provided* that (a) the outstanding unsecured long-term indebtedness of the provider thereof (or of its holding company) is rated by a Rating Agency in one of its two highest Rating Categories, (b) such agreements are continuously secured by obligations described in clause (1), (2), (3), (5), (6), (7) or (8) above, (c) the Authority or the Trustee (as the case may be) shall have a perfected security interest in such obligations, (d) such obligations shall be free and clear of any other liens or encumbrances, and (e) such investment agreements shall provide that the value of the underlying obligations shall be maintained at a current market value, calculated no less frequently than weekly, of not less than 102% of the amount deposited thereunder;

(10) shares in investment companies that invest only in obligations described in clauses (1), (2), (3), (4), (5), (6), (7), (8) and (9) above (including any proprietary mutual fund, money market fund or short term investment fund maintained by the Trustee and for which the Trustee or an affiliate is investment advisor, or provides other services, and receives reasonable compensation for such services); and

(11) with respect to investments held in any fund or account created by the Trust Agreement solely for Bonds of a Series secured by a Credit Facility, such other investments as shall be approved in writing by the Credit Facility Provider with respect to such Bonds.

“Pledged Revenues” means (1) all CFCs and Contingent Rent payable to MAA or the Trustee, (2) interest earnings on the funds and accounts created hereby, and (3) all rights to receive the same and the proceeds of such rights, whether now existing or hereafter coming into existence.

“Rating Agency” means Moody’s Investors Service, Inc., Standard & Poor’s Ratings Services, Fitch Ratings or any other securities rating agency that, at the request of the Authority, shall have assigned a rating that is then in effect with respect to any Bonds, and their successors and assigns, and **“Rating Agencies”** means each such Rating Agency, collectively.

“Rating Category” means one of the general rating categories of a Rating Agency, without regard to any refinement or gradation of such rating category by a numerical modifier or otherwise.

“Redemption Price” means, when used with respect to any Bond or portion thereof, the principal amount of such Bond or such portion thereof plus the applicable premium, if any, payable upon redemption thereof pursuant to the Trust Agreement.

“Sinking Fund Installment” means the amount of money provided in the Trust Agreement, and in each Supplemental Trust Agreement authorizing any Series of Additional Bonds, to redeem Bonds of such Series at the times and in the amounts provided in the Trust Agreement or such Supplemental Trust Agreement (as the case may be). The Sinking Fund Installments for the Series 2002 Bonds are set forth above under “The Series 2002 Bonds.

“Trust Estate” means all property, rights and other assets that from time to time may be pledged and assigned to the Trustee under the Trust Agreement.

“Variable Rate Indebtedness” means, as of any particular date, any Indebtedness the interest rate on which is not established at a fixed rate or rates for the remaining term thereof.

Additional Bonds *(Section 2.04)*

The Trust Agreement authorizes the issuance, from time to time, of Additional Bonds by the Authority for any purpose for which indebtedness may be incurred by the Authority under the Enabling Legislation, including (without limitation): (a) refinancing, refunding or advance refunding of any Outstanding Indebtedness (“Refunding Purposes”), (b) obtaining funds to pay the Cost of completing the Project or any Additional Facilities (“Completion Purposes”), (c) obtaining funds necessary to pay the costs of extraordinary maintenance of or repairs or improvements to any Facilities, including (without limitation), repairs, replacements or improvements required as a result of any casualty or taking or other extraordinary occurrence or to meet the requirements of Applicable Law (“Extraordinary Maintenance Purposes”) or (d) obtaining funds to pay the Cost of any Additional Facilities. Additional Bonds may be issued to pay the costs incurred in connection with the issuance and sale of any Bonds, to establish

reserves and to pay interest on any Bonds prior to and during acquisition and construction.. Each Additional Bond shall be on a parity with, and shall be entitled to the same benefit and security of the Trust Agreement as the Series 2002 Bonds and any other Additional Bonds that may be issued from time to time, to the extent provided in the Trust Agreement.

The Supplemental Trust Agreement authorizing the issuance of any Series of Additional Bonds shall specify the maturities and redemption provisions of such Additional Bonds, the form and denominations thereof and other details of such Additional Bonds. Without limiting the generality of the foregoing, Additional Bonds may constitute Variable Rate Indebtedness, Optional Tender Debt or Balloon Debt, as shall be determined by the Authority, in its discretion. Any Supplemental Trust Agreement authorizing the issuance of Additional Bonds shall provide for the creation of a separate Bond Fund for such Bonds if any principal of such Bonds becomes due on a date other than July 1 or the Interest Payment Dates on such Bonds are not July 1 and January 1. The Authority may provide for the creation of a separate Bond Fund, Debt Service Reserve Fund or Redemption Fund and other funds and accounts for any Series of Additional Bonds in other circumstances, as shall be deemed advisable by the Authority.

The Supplemental Trust Agreement authorizing the issuance of any Additional Bonds shall provide for the deposit of Pledged Revenues in the Bond Fund and the Debt Service Reserve Fund, if any, maintained for such Bonds, which deposits shall be made not more frequently than monthly except to the extent required to pay the principal of and interest on such Bonds when due. If any Supplemental Trust Agreement provides for the establishment of separate funds and accounts for any Series of Bonds, then such Supplemental Trust Agreement shall require that (i) the Pledged Revenues required to be deposited in the CFC Revenue Fund on any date shall be transferred and deposited *pro rata* among all of the Bond Funds on the basis of the principal of, the Sinking Fund Installments for and the interest on the Series of Bonds secured thereby required to be deposited in the Bond Fund for such Bonds on such date, and (ii) the Pledged Revenues required to be deposited in the Debt Service Reserve Fund on any date shall be allocated *pro rata* among all Debt Service Reserve Funds on the basis of the respective aggregate principal amounts of the Bonds Outstanding secured by such Debt Service Reserve Funds. Amounts on deposit in the funds and accounts created for particular Series of Bonds available for the payment of any Bonds shall be applied solely to the payment of the principal or Redemption Price of and interest on, or the purchase price of, the Bonds of such Series or to the reimbursement of the issuer of any Credit Facility securing such Bonds and shall not be available to satisfy the claims of Holders of Bonds of any other Series or the issuer of any Credit Facility securing any other Series of Bonds.

The Supplemental Trust Agreement authorizing the issuance of any Series of Additional Bonds may provide that (i) proceeds realized under any Credit Facility securing the payment of such Additional Bonds shall not be available to pay the principal or Redemption Price of or interest on, or the purchase price of, the Series 2002 Bonds or any other Series of Additional Bonds, and (ii) any proceeds of such Additional Bonds and investment earnings thereon remaining after the completion of the Project or any Additional Facilities financed with the proceeds of such Additional Bonds shall be applied to the payment or redemption of such Series of Additional Bonds.

Any Supplemental Trust Agreement authorizing the issuance of Additional Bonds may provide that (i) such Series of Bonds shall be secured by the Debt Service Reserve Fund maintained for the Series 2002 Bonds, (ii) such Series of Additional Bonds shall not be secured by a Debt Service Reserve Fund, or (iii) such Additional Bonds shall be secured by a separate Debt Service Reserve Fund. If any Supplemental Trust Agreement authorizing the issuance of any Series of Additional Bonds provides that such Additional Bonds shall be secured by the Debt Service Reserve Fund maintained for the Series 2002 Bonds, such Supplemental Trust Agreement shall provide for the deposit in such Debt Service Reserve Fund on the date of issuance of such Additional Bonds of the amount, if any, necessary to make the amount on deposit therein equal to the Debt Service Reserve Fund Requirement on all Bonds secured thereby, after giving effect to the issuance of such Additional Bonds. Such Supplemental Trust Agreement may provide that the amount of any increase in the Debt Service Reserve Fund Requirement resulting from the issuance of such Additional Bonds shall be applied to the final payments of the principal or Redemption Price of such Additional Bonds.

If the Supplemental Trust Agreement authorizing the issuance of any Additional Bonds provides that such Series of Additional Bonds shall be secured by a separate Debt Service Reserve Fund, such Supplemental Trust Agreement shall (i) establish the amount of the Debt Service Reserve Fund Requirement for such Debt Service Reserve Fund, (ii) provide the period during which any deficiency shall be cured, (iii) contain provisions with respect to the issuance of any other Additional Bonds secured by such Debt Service Reserve Fund and (iv) provide such terms with respect to the valuation of such Debt Service Reserve Fund, the application of any earnings on or surpluses in such Debt Service Reserve Fund and any Credit Facilities held to the credit of such Debt Service Reserve Fund (which may be different from those described herein) as the Authority shall deem appropriate, any other provision of the Trust Agreement to the contrary notwithstanding. If a separate Debt Service Reserve Fund is created for any Series of Bonds, the Debt Service Reserve Fund Requirement shall be calculated separately for each Series of Bonds for which a separate Debt Service Reserve Fund is maintained.

Prior to the issuance of any Additional Bonds there shall be delivered to the Trustee, among other items, each of the following:

- (i) a Certificate of the Authority to the effect that, upon the authentication and delivery of such Additional Bonds, no Event of Default shall exist under the Trust Agreement;

- (ii) unless such Additional Bonds are issued or incurred for Refunding Purposes, a written report of an Engineer to the effect that the proceeds of such Additional Bonds, together with such other moneys as are reasonably expected to be available therefor, will be sufficient to pay the estimated costs of the acquisition, construction, equipping, completion and financing of the Facilities to be financed in whole or in part with proceeds of such Additional Bonds and placing such Facilities in operation or otherwise to accomplish the purposes for which such Additional Bonds are issued;

- (iii) unless such Additional Bonds are issued or incurred for Refunding Purposes, Completion Purposes or Extraordinary Maintenance Purposes and the items described below are furnished to the Trustee, a Certificate of the Authority to the effect that (A) the amount

of the Pledged Revenues for the most recent Bond Year, together with amounts transferred to the Bond Fund during such Bond Year or on deposit in the Coverage Fund on the last day of such Bond Year, was not less than the sum of (1) 125% of the Debt Service Requirements of Outstanding Bonds for such Bond Year, and (2) 100% of the Debt Service Requirements of all other outstanding Long-Term Indebtedness for such Bond Year and (B) during each of the five Bond Years immediately succeeding the later of the date of delivery of such Additional Bonds and the date to which interest on such Additional Bonds has been funded, the estimated Pledged Revenues together with amounts projected to be on deposit in the Coverage Fund as of the last day of each such Bond Year are projected to be not less than the sum of (1) 125% of the Debt Service Requirements of Outstanding Bonds for such Bond Year, taking into account the Additional Bonds then to be issued, and (2) 100% of the Debt Service Requirements of all other outstanding Long-Term Indebtedness for such Bond Year, together with amounts projected to be on deposit in the Coverage Fund as of the last day of each such Bond Year; and

(iv) the amount, if any, required to make the amount on deposit in the Debt Service Reserve Fund equal the respective Debt Service Reserve Fund Requirements upon the issuance of such Additional Bonds.

If Additional Bonds are issued or incurred for Completion Purposes or Extraordinary Maintenance Purposes, the items required by paragraph (iii) need not be provided to the Trustee if, in lieu thereof, there shall be furnished to the Trustee (i) a Report of an Independent Consultant to the effect that the amount of the Pledged Revenues for each of the five full Bond Years following the date on which the proceeds of such Additional Bonds are expected to have been fully applied is projected to be not less than the Debt Service Requirements of all Outstanding Long-Term Indebtedness as of the last day of each such Bond Year, and (II) a Report of an Engineer to the effect that the proceeds of such Additional Bonds do not exceed the amount necessary to accomplish the intended Completion Purpose or Extraordinary Maintenance Purpose, respectively.

If Additional Bonds are issued or incurred for Refunding Purposes, the items required by paragraph (iii) need not be provided to the Trustee if there shall be furnished to the Trustee a Certificate of the Authority to the effect that the Maximum Annual Debt Service on Outstanding Bonds, taking into account the issuance of such Additional Bonds and the Long-Term Indebtedness to be refinanced or refunded, will not be increased by more than ten percent during the life of any then Outstanding Bonds that are not refinanced or refunded with proceeds of such Additional Bonds.

Creation of Funds *(Section 4.01)*

The following funds are created by the Trust Agreement: CFC Revenue Fund, Construction Fund, Bond Fund, Debt Service Reserve Fund, Redemption Fund, Coverage Fund and Facility Improvements Fund. The CFC Revenue Fund, the Bond Fund, the Debt Service Reserve Fund, the Redemption Fund, the Coverage Fund and the Facility Improvements Fund shall be held by the Trustee pursuant to the Trust Agreement. Pending the application of amounts on deposit in the CFC Revenue Fund, the Construction Fund, the Bond Fund, the Debt Service Reserve Fund, the Redemption Fund, the Coverage Fund and the Facility Improvements Fund in accordance with the Trust Agreement, such amounts are pledged to the payment of all

Outstanding Bonds, and to the extent provided in the Trust Agreement, MBIA, except as otherwise provided in any Supplemental Trust Agreement authorizing the issuance of any Additional Bonds in accordance with the Trust Agreement. The Construction Fund shall be held by the Authority. The Authority shall deposit the Construction Fund monies with the Trustee, which shall act as a custodian of the Construction Fund.

Pursuant to the Trust Agreement, any Supplemental Trust Agreement authorizing the issuance of any Additional Bonds may, and to the extent required by the Trust Agreement, shall provide for the creation of separate funds and accounts for such Bonds. When any provision of the Trust Agreement requires that any amount be deposited in a fund or account maintained for the Bonds of any Series, such amount shall be deposited in the fund or account established for such Series of Bonds. Notwithstanding any other provision of the Trust Agreement, amounts from time to time on deposit in the funds and accounts maintained for the Bonds of any Series shall secure only the Bonds of such Series.

Application of Proceeds of Bonds; Deposit of Existing CFCs *(Section 4.02)*

Upon the receipt of the proceeds of the Series 2002 Bonds, the Trustee shall deposit such proceeds as follows: (i) any accrued interest on the Series 2002 Bonds shall be deposited by the Trustee in the Bond Fund; (ii) an amount equal to 15% of Maximum Annual Debt Service on the Series 2002 Bonds shall be deposited in the Coverage Fund; and (iii) the balance of such proceeds shall be deposited in the Construction Fund.

The CFCs collected and remitted to the MAA prior to the date of the Trust Agreement paid to the Trustee upon the issuance of the Series 2002 Bonds shall be deposited by the Trustee in the Facility Improvements Fund.

The proceeds of each Series of Additional Bonds shall be applied as provided in the Supplemental Trust Agreement authorizing such Series of Additional Bonds.

Deposit of Pledged Revenues *(Sections 4.03)*

(a) Pledged Revenues received by the Trustee shall be deposited by the Trustee into the CFC Revenue Fund. On the first day of each month, the Trustee shall transfer amounts in the CFC Revenue Fund as follows:

(i) to the Bond Fund, the sum of:

(A) one-sixth (1/6) of the interest becoming due on the Series 2002 Bonds on the immediately succeeding Interest Payment Date;

(B) one-twelfth (1/12) of the amount of any principal of the Series 2002 Bonds Outstanding becoming due on the immediately succeeding July 1;

(C) one-twelfth (1/12) of the amount of any Sinking Fund Installment for the Series 2002 Bonds Outstanding becoming due on the immediately succeeding July 1; and

(D) any deficiency in the amount required to be deposited in the Bond Fund in any prior month in accordance with this paragraph;

(ii) to the Coverage Fund, the balance on deposit in the CFC Revenue Fund until the amount on deposit therein shall equal the Coverage Fund Requirement;

(iii) to MBIA any amount required to be paid to MBIA under the terms of the agreement regarding the Debt Service Reserve Fund Surety Bond;

(iv) to the payment of any fees and expenses of the Trustee then due and any other Administrative Expenses then due under the Trust Agreement; and

(v) to the Debt Service Reserve Fund, beginning on any date on which the Authority receives notice of any deficiency in the Debt Service Reserve Fund, one-twelfth (1/12) of the amount of the deficiency until the amount on deposit in the Debt Service Reserve Fund equals the Debt Service Reserve Fund Requirement;

(vi) to the Facility Improvement Fund, the balance on deposit in the CFC Revenue Fund.

Construction Fund (*Section 4.04*)

The Authority shall pay from the Costs of Issuance Account the Administrative Expenditures relating to the issuance of each Series of Bonds and not otherwise paid. Moneys deposited in the Construction Fund shall be used only to finance or refinance the Costs of or relating to the Project and any Additional Facilities, including (without limitation) reimbursements to the MAA and the Department for such Costs and expenses paid by the Department and MAA in connection with the Project or such Additional Facilities as are approved by the Authority.

As soon as practicable after the Completion Date of the Project or any Additional Facilities, the Trustee shall pay any balance on deposit in the Construction Fund that is not required to pay any unpaid Costs of the Project or such Additional Facilities as follows and in the following order of priority:

FIRST: to the Debt Service Reserve Fund, such amount as shall be necessary to make the amount credited to the Debt Service Reserve Fund equal the Debt Service Reserve Fund Requirement; and

SECOND: to the Coverage Fund, such amounts as shall be necessary to make the amount credited to the Coverage Fund equal the Coverage Fund Requirement; and

THIRD: to the Facility Improvements Fund, the Redemption Fund or the Bond Fund, as shall be directed by Order of the Authority.

Bond Fund (Section 4.05)

Except as provided in any Supplemental Trust Agreement authorizing any Series of Additional Bonds with respect to any Bond Fund maintained for the Bonds of such Series, amounts on deposit in the Bond Fund shall be applied as described below.

(a) Interest. On each Interest Payment Date, the Trustee shall make available to the Paying Agent from the Bond Fund maintained for the Bonds of any Series the amount required to pay the interest due on the outstanding Bonds of such Series on such date, which amount shall be applied by the Paying Agent to the payment of the interest due on such Bonds in accordance with the terms of such Bonds.

(b) Principal. On each date on which the principal of the Outstanding Bonds of a Series becomes due, the Trustee shall make available to the Paying Agent from the Bond Fund maintained for the Bonds of such Series the amount required to pay the principal due on such date, which amount shall be applied by the Paying Agent to the payment of such principal in accordance with the terms of such Bonds.

(c) Sinking Fund Installments. Moneys in the Bond Fund maintained for the Bonds of a Series for the payment of Sinking Fund Installments on such Bonds shall be applied to the purchase or redemption of such Bonds as follows:

(i) Subject to the provisions of paragraph (ii) below, prior to the due date for the payment of each Sinking Fund Installment for such Bonds, the Trustee shall direct the Registrar to call for redemption Outstanding Bonds of such Series subject to redemption from such Sinking Fund Installment in an aggregate principal amount equal to such Sinking Fund Installment, less the amount previously credited against such Sinking Fund Installment in accordance with paragraph (iii) below. On the date fixed for redemption of such Bonds, the Trustee shall make available to the Paying Agent from such Bond Fund an amount equal to the principal amount of such Bonds so called for redemption, which amount shall be applied by the Paying Agent to the payment of the Redemption Price of such Bonds in accordance with the terms of such Bonds.

(ii) Upon the direction of the Authority, the Trustee shall endeavor to purchase Outstanding Bonds of such Series subject to redemption from the Sinking Fund Installment due on any date from amounts on deposit in such Bond Fund for the payment of such Sinking Fund Installment at the most advantageous price then obtainable with reasonable diligence. No such purchase shall be made by the Trustee (A) after the earlier of the date on which the Trustee gives notice of the redemption of Bonds of such Series from such Sinking Fund Installment and the date that is 45 days before the due date for the payment of such Sinking Fund Installment, or (B) at a price, including any brokerage and other charges, greater than the principal amount of such Bonds and accrued interest thereon.

(iii) If (A) the Trustee purchases Bonds from amounts on deposit in the Bond Fund for the payment of the Sinking Fund Installment for such Bonds in accordance with paragraph (ii) above, (B) the Authority delivers to the Trustee for cancellation Bonds subject to redemption from such Sinking Fund Installment on or before the earlier of the date on which the

Trustee gives notice of the redemption of any Bonds from such Sinking Fund Installment and the date that is 45 days before the due date for the payment of such Sinking Fund Installment, or (C) Bonds subject to redemption from any Sinking Fund Installment are redeemed at the election of the Authority, then an amount equal to 100% of the aggregate principal amount of such Bonds so purchased and delivered to the Trustee for cancellation or redeemed (as the case may be) shall be credited against such Sinking Fund Installment.

(iv) If the aggregate principal amount of Bonds of any Series purchased or redeemed in any 12-month period ending July 1 of any year is in excess of the Sinking Fund Installment due on such Bonds in such period, the Trustee shall credit the amount of such excess against subsequent Sinking Fund Installments for such Bonds as directed by a Certificate of the Authority.

Redemption Fund *(Section 4.09)*

The Trustee shall deposit in the Redemption Fund any amounts paid to the Trustee for the redemption of Bonds (other than any redemption from the Sinking Fund Installments).

Available moneys in the Redemption Fund shall be applied by the Trustee to the purchase or redemption of Bonds of such Series and maturities as the Authority shall direct in writing. At the direction of the Authority, the Trustee shall endeavor to purchase such Bonds at the most advantageous price obtainable with reasonable diligence.

The Authority may set aside any available amount on deposit in the Redemption Fund for the redemption of particular Bonds by the delivery of irrevocable written instructions to the Trustee directing the Trustee to set aside such amount for such purpose. Amounts set aside for the redemption of Bonds and investment earnings on such amounts shall be applied to the payment of the interest due on such Bonds on or prior to the redemption date of such Bonds to the extent provided in such instructions. Moneys set aside to pay the Redemption Price of any Bonds theretofore called for redemption or the purchase price of Bonds theretofore contracted to be purchased shall not be deemed to be available for application as described herein.

Investments *(Section 4.10)*

Moneys in any of the funds and accounts established by the Trust Agreement may be invested, but only in Permitted Investments maturing or redeemable at the option of the holder in such amounts and on such dates as may be necessary to provide moneys to meet the payments from such funds and accounts. The Trustee shall invest amounts on deposit in the funds and accounts held by the Trustee as directed by an Authority Representative.

In determining the value of the assets of the funds and accounts created by the Trust Agreement (i) investments and accrued interest thereon shall be deemed a part thereof, and (ii) investments shall be valued at the current market value thereof. In addition, in determining the value of the assets of the Debt Service Reserve Fund on any date, there shall be credited to the Debt Service Reserve Fund the amount that can be realized by the Trustee under any Debt Service Reserve Fund Credit Facility if each of the following conditions is met: (i) on the date of delivery of such Debt Service Reserve Fund Credit Facility to the Trustee, the unsecured

indebtedness or claims-paying ability of the issuer thereof is rated in one of the three highest Rating Categories of a Rating Agency; (ii) such Debt Service Reserve Fund Credit Facility permits the Trustee to realize amounts thereunder at such times as the Trustee is required to transfer any amount (other than any surplus) from the Debt Service Reserve Fund in accordance with the Trust Agreement; (iii) if amounts realized under such Debt Service Reserve Fund Credit Facility are, under any circumstances, payable from the Pledged Revenues, such amounts shall be payable in no fewer than 12 equal monthly installments; and (iv) the expiration date of such Debt Service Reserve Fund Credit Facility is at least six months after the date of valuation or is after the maturity date of the Bonds secured thereby or such Debt Service Reserve Fund Credit Facility permits the Trustee to draw thereunder for deposit to the Debt Service Reserve Fund an amount equal to the Debt Service Reserve Fund Requirement prior to its expiration.

Neither the Authority nor the Trustee shall be liable for any depreciation in the value of any obligations in which moneys of the funds or accounts created by the Trust Agreement shall be invested in accordance with the Trust Agreement, or for any loss arising from any investment permitted herein. The investments authorized by the Trust Agreement shall at all times be subject to the provisions of Applicable Law.

Rates and Charges *(Section 5.04)*

The Authority shall at all times maintain or cause MAA to maintain adequate accounting and management procedures to provide for the periodic review of the CFC and Contingent Rent imposed and collected in order to determine the need for any change in or modification thereof and to permit such change or modification to be implemented within the period required to enable the Authority to comply with the Trust Agreement.

Accounts and Audits *(Section 5.05)*

The Authority shall keep or cause MAA to keep proper books of records and accounts (separate from all other records and accounts) in which complete and correct entries shall be made of its transactions with respect to the Pledged Revenues. Such books and accounts shall be subject to the inspection of the Trustee (at reasonable hours and subject to the reasonable rules and regulations of the Authority).

Additional Indebtedness *(Section 5.06)*

The Authority shall not create or incur any Indebtedness payable in whole or in part from any portion of the Trust Estate, except: (a) any Additional Bonds issued in accordance with the Trust Agreement; (b) any Indebtedness secured by a pledge of all or any portion of the Trust Estate junior and subordinate to the pledge of such portion of the Trust Estate securing the Bonds ("Subordinate Obligations"); (c) any unsecured Indebtedness ("Unsecured Obligations"); and (d) temporary, short-term loans ("Temporary Loans"). If the cash requirements of any portion of the Facilities from time to time exceed the funds available therefor as a result of any delay in receipt of any grant payments or other Pledged Revenues, the Authority may obtain Temporary Loans in anticipation of such payments or revenues. Temporary Loans may be secured by a first lien on any grant payments in anticipation of which such Temporary Loans are incurred, or other

revenues of the Authority that do not constitute Pledged Revenues, but shall be subordinate to all outstanding Bonds with respect to the balance of the Trust Estate.

No payments shall be made with respect to the principal of or interest on any Subordinate Obligation or any Unsecured Obligation during any period in which (i) any Event of Default shall have occurred and be continuing or (ii) any deposit required to be made under the Trust Agreement remains unpaid. During any other period, the Authority may pay or prepay, or authorize the payment or prepayment of, the principal of and interest on any Subordinate Obligation or any Unsecured Obligation and no recourse shall be had by the Trustee or any Holder against the person to whom any such payment shall have been made unless such person shall have had, at the time of receipt of such payment, actual knowledge of the occurrence of an Event of Default.

Lease and Assignment; Financing Agreement *(Section 5.07)*

The Authority shall perform its obligations under, and enforce the performance of the obligations of the other parties to, the Lease and Assignment and the Financing Agreement (collectively, the “Facilities Contracts”), in each case to the extent necessary to permit the Authority to meet its obligations under the Trust Agreement. The Authority shall take all reasonable measures permitted by law to enforce payment to it of all Pledged Revenues, and shall at all times, to the extent permitted by law, defend, preserve and protect the rights, benefits and privileges of the Authority under the Facilities Contracts. Nothing in the Trust Agreement shall be deemed to require the Authority to take any action to enforce its rights under the Facilities Contracts or otherwise or to require the MAA to enforce the rights under any contracts with respect to the Facilities, including (without limitation) its right to receive any Pledged Revenues, if the Authority in good faith determines that such action is not reasonably justified by the nature of the potential remedy or recovery or the likelihood of the recovery and the expense or other adverse effects of such action.

No Disposition of Trust Estate *(Section 5.09)*

Except as permitted by the Trust Agreement, the Authority shall not sell, lease, pledge, assign or otherwise dispose of, and shall neither create nor suffer to remain any lien, encumbrance or charge upon, its interest in the Trust Estate ranking prior to or on a parity with the claim, lien and pledge created by the Trust Agreement as security for the Series 2002 Bonds and any Additional Bonds issued within the limitations of the Trust Agreement. The Authority from the Pledged Revenues will cause to be discharged, or will make adequate provisions to satisfy and discharge, within 60 days after the same shall accrue, all lawful claims and demands that, if unpaid, might by law become such a lien upon its interest in the Trust Estate, *provided* that nothing contained in the Trust Agreement shall require the Authority to pay or cause to be discharged, or make provision for, any such lien, encumbrance or charge so long as the validity thereof shall be contested in good faith and by appropriate legal proceedings.

Modification or Amendment of Trust Agreement Without Consent *(Sections 8.01, 8.02 and 8.03)*

Without notice to, or the consent of, the Holders, the Authority and the Trustee may enter into a Supplemental Trust Agreement supplementing, modifying or amending the Trust Agreement or any Supplemental Trust Agreement at any time or from time to time for one or more of the following purposes, among others: (a) to grant to the Trustee for the benefit of the Holders any additional rights or security; (b) to add to the agreements of the Authority contained in the Trust Agreement; (c) to surrender to the Trustee any right reserved to the Authority by the Trust Agreement; (d) to cure any ambiguity or to cure or correct any defect or inconsistent provisions contained in the Trust Agreement or to make such provisions in regard to matters or questions arising under the Trust Agreement as may be necessary or desirable and not contrary to or inconsistent with the Trust Agreement; (e) to provide for the issuance of Additional Bonds including (without limitation) any modifications or amendments required to grant to or otherwise secure for the Holders of such Additional Bonds a parity interest in the security granted to the holders of the Series 2002 Bonds and any other then-Outstanding Bonds in accordance with the Trust Agreement; (f) to permit the qualification of the Trust Agreement or any Supplemental Trust Agreement under any federal statute now or hereafter in effect or under any state blue sky law and, in connection therewith, to add to the Trust Agreement or any Supplemental Trust Agreement such other terms, conditions and provisions as may be permitted or required by such federal statute or state blue sky law; (g) to obtain or to maintain any ratings on the Bonds of any Series from any nationally recognized securities rating agency; (h) to preserve the excludability from gross income for federal income tax purposes of the interest paid on any Tax-Exempt Bonds theretofore issued; or (i) to make any other change in the Trust Agreement that the Trustee determines shall not prejudice in any material respect the rights of the Holders of the Bonds Outstanding at the date as of which such change shall become effective.

In addition to Supplemental Trust Agreements described above permitted with the prior written consent of the Holders of majority of the Bonds affected thereby, the Authority and the Trustee may enter into at any time and from time to time Supplemental Trust Agreements amending or supplementing the Trust Agreement, any Supplemental Trust Agreement or any Bond to modify any of the provisions thereof or to release the Authority from any of the agreements or restrictions therein contained, *provided* that nothing contained in the Trust Agreement shall permit (i) a change in any terms of redemption or purchase of any Bond, the due date for the payment of the principal of or interest on any Bond or any reduction in the principal, Redemption Price or purchase price of or interest rate on any Bond without the consent of the Holder of such Bond, or (ii) the creation of a claim or lien upon, or a pledge of, the Trust Estate ranking prior to or on a parity with the claim, lien and pledge created by the Trust Agreement as security for the Series 2002 Bonds and any Additional Bonds issued within the limitations of the Trust Agreement, a preference or priority of any Bond over any other Bond or a reduction in the percentage of Bonds the consent of the Holders of which is required for any modification of the Trust Agreement without the unanimous consent of the Holders.

Events of Default and Remedies *(Sections 7.01, 7.02, 7.03 and 7.06)*

Events of Default under the Trust Agreement include, among others: failure to pay the principal of or interest on any of the Bonds when the same shall become due and payable; and

default by the Authority in the performance of any covenant, condition, agreement or provision contained in any Bond or the Trust Agreement, subject to certain grace periods.

Enforcement and Priority of Payments Following Default (Sections 4.03, 7.02 and 7.03)

Upon the happening and continuance of any Event of Default, then and in every such case the Trustee may proceed, and upon the written request of the holders of not less than 25% of the outstanding Bond shall proceed, to protect and enforce its rights and the rights of the Holders under the laws of the State and under the Trust Agreement and any Credit Facility by such suits, actions or special proceedings in equity or at law as the Trustee shall deem most effectual to protect and enforce such rights.

In the enforcement of any remedy upon the occurrence of an Event of Default under the Trust Agreement, the Trustee shall be entitled to sue for, enforce payment of and receive any and all amounts then or during any default becoming, and at any time remaining, due from the Authority, for principal of or interest on the Bonds, or otherwise under any of the provisions of the Trust Agreement or of any Bonds, with interest on overdue payments of principal at the rate or rates of interest specified in the Bonds, together with any and all costs and expenses of collection and of all proceedings thereunder and under the Bonds, and to recover and enforce judgment or decree against the Authority, but solely as provided in the Trust Agreement and in the Bonds and from the sources and moneys provided therein and in the Bonds, for any portion of such amounts remaining unpaid and to collect in any manner provided by law the moneys adjudged or decreed to be payable.

The principal of the Bonds shall not be subject to acceleration by the Trustee or the Bondholders upon the occurrence of any Event of Default notwithstanding any other provision of the Trust Agreement.

If at any time there shall have occurred and be continuing an Event of Default, after payment of all amounts owing to the Trustee under the Trust Agreement, amounts held by the Trustee under the Trust Agreement, together with any moneys thereafter becoming available for such purpose, shall be applied as follows:

(a) unless the principal of all Outstanding Bonds shall have become due and payable, all such moneys shall be applied:

FIRST: to the payment to the persons entitled thereto of all installments of interest then due on the Bonds Outstanding, in the order in which such installments became due and payable and, if the amount available shall not be sufficient to pay in full any particular installment, then to the payment of such installment, ratably, according to the amounts due on such installment, to the persons entitled thereto, without any discrimination or preference, except as to any difference in the respective rates of interest specified in such Bonds;

SECOND: to the payment to the persons entitled thereto of the unpaid principal of any Outstanding Bonds that shall have become due and payable, in the order of their due dates, with interest upon the principal amount of such Bonds from the respective dates upon which they shall have become due and payable and, if the amount available shall not be

sufficient to pay in full the principal of such Bonds due and payable on any particular date, together with such interest, then first to the payment of such interest, ratably, according to the amount of interest due on such date, and then to the payment of such principal, ratably, according to the amount of principal due on such date, to the persons entitled thereto, without any discrimination or preference, except as to any difference in the respective rates of interest specified in such Bonds;

THIRD: to the payment of the interest on and the principal of the Bonds outstanding as the same become due and payable; and

FOURTH: to the payment of MBIA amounts payable to MBIA under the Trust Agreement in respect of amounts paid by MBIA on the Series 2002 Bonds under the Municipal Bond Insurance Policy, to the extent such amount exceeds the amount that would be payable to any holder of such Series 2002 Bonds other than MBIA; and

(b) if the principal of all Outstanding Bonds shall have become due by their terms, all such moneys shall be applied to the payment of the principal and interest then due and unpaid upon such Bonds, without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Bond over any other Bond, ratably, according to the amounts due respectively for principal and interest, to the persons entitled thereto, without any discrimination or preference except as to any difference in the respective rates of interest specified in such Bonds.

Whenever moneys are to be applied by the Trustee pursuant to the provisions of the Trust Agreement, such moneys shall be applied by the Trustee at such times, and from time to time, as the Trustee may determine, having due regard to the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future. The setting aside of such moneys in trust for the benefit of all Holders shall constitute proper application by the Trustee, and the Trustee shall incur no liability whatsoever to the Authority, to any Holder or to any other person for any delay in applying any such moneys, so long as the Trustee acts with reasonable diligence, having due regard to the circumstances, and ultimately applies the same in accordance with such provisions of the Trust Agreement as may be applicable at the time of application by the Trustee. Whenever the Trustee shall exercise such discretion in applying such moneys, it shall fix the date (which shall be an Interest Payment Date for the Bonds unless the Trustee shall deem another date more suitable) upon which such application is to be made, and upon such date interest on the amounts of principal of the Bonds to be paid on such date shall cease to accrue. The Trustee shall give such notice as it may deem appropriate of the fixing of any such date. The provisions of this paragraph shall be subject in all respects to the provisions of the Bonds with respect to the payment of defaulted interest on the Bonds. The Trustee shall not be required to make payment to the Holder of any Bond unless such Bond shall be presented to the Trustee for appropriate endorsement.

Restrictions Upon Action by Individual Beneficiaries (Section 7.06)

No Holder of any Bond shall have any right to institute any suit, action or proceeding in equity or at law on any Bond for the execution of any trust under the Trust Agreement or for any other remedy thereunder unless (i) such Holder previously shall have given to the Trustee written

notice of the Event of Default on account of which such suit, action or proceeding is to be instituted, (ii) the holders of not less than 25% of the outstanding Bonds shall have made written request to the Trustee after the right to exercise such powers or right of action, as the case may be, shall have accrued, and shall have afforded the Trustee a reasonable opportunity either to proceed to exercise the powers granted by the Trust Agreement or to institute such action, suit or proceeding in its or their name, and (iii) there shall have been offered to the Trustee security and indemnity reasonably satisfactory to it against the costs, expenses and liabilities to be incurred therein or thereby, and the Trustee shall have refused or neglected to comply with such request within a reasonable time. Notwithstanding the foregoing and without complying therewith, the holders of 25% or more of the outstanding Bonds may institute any such suit, action or proceeding in their own names for the benefit of all Holders.

It is understood and intended that, except as otherwise provided above, no one or more Holders shall have any right in any manner whatever to affect, disturb or prejudice the security of the Trust Agreement or to enforce any right thereunder except in the manner therein provided, and that all proceedings at law or in equity shall be instituted and maintained in the manner therein provided and for the benefit of all Holders and that any individual right of action or other right given by law to one or more of such Holders is restricted by the Trust Agreement to the rights and remedies described above.

Defeasance (*Section 9.01*)

If the Authority shall pay or cause to be paid the principal or Redemption Price of and interest on all Bonds at the times and in the manner stipulated therein, in the Trust Agreement and in any Supplemental Trust Agreement authorizing the issuance of any Additional Bonds, then the pledge of the Trust Estate to the Trustee for the benefit of the Holders and all other rights granted thereby to the Trustee or the Holders, other than rights which by their terms survive termination of the Trust Agreement, shall be discharged and satisfied. In such event, upon the written request of the Authority, the Trustee shall execute and deliver to the Authority all such instruments as may be desirable to evidence such discharge and satisfaction, and the Trustee shall pay or deliver to the Authority, or to such officer, board or body as may then be entitled by law to receive the same, all property held by it pursuant to the Trust Agreement (other than any moneys and securities required for the payment or redemption of Bonds not theretofore surrendered for such payment or redemption).

A Series 2002 Bond and any Additional Bond, except as otherwise provided in any Supplemental Trust Agreement authorizing the issuance thereof, shall be deemed to have been paid within the meaning of, and with the effect expressed in the Trust Agreement if (i) money for the payment or redemption of such Bond shall be held by the Trustee (through deposit by the Authority of moneys for such payment or redemption or otherwise, regardless of the source of such moneys), whether at or prior to the maturity or the redemption date of such Bond, or (ii) if the maturity or redemption date of such Bond shall not have arrived, provision shall have been made by the Authority for the payment of the principal or Redemption Price of and interest on such Bond on the due dates for such payments by deposit with the Trustee (or other method satisfactory to the Trustee) of Government Obligations, the principal of and the interest on which when due will provide for such payment, *provided* that, if such Bond is to be redeemed prior to the maturity thereof, the Authority shall have taken all action necessary to redeem such Bond and

notice of such redemption shall have been duly and irrevocably given or provisions satisfactory to the Trustee shall have been made for the giving of such notice.

Anything in the Trust Agreement to the contrary notwithstanding, at the written request of the Authority, any moneys held by the Trustee in trust for the payment of any of the Bonds that remain unclaimed for two years after the later of the date at which such Bonds became due and payable and the date of deposit of such moneys shall be repaid by the Trustee to the Authority, or to such officer, board or body as may then be entitled by law to receive such moneys, as its absolute property and free from trust, and the Trustee shall thereupon be released and discharged with respect thereto.

Concerning the Trustee

Indemnification; Responsibilities of Trustee (Sections 6.02 and 6.03)

The Trustee shall be under no obligation to institute any suit, or to undertake any proceeding under the Trust Agreement, or to enter any appearance or in any way defend in any suit in which it may be made defendant, or to take any steps in the execution of the trusts thereby created or in the enforcement of any rights and powers thereunder, until it shall be indemnified to its satisfaction against any and all costs and expenses, advances, outlays and counsel fees and other reasonable disbursements, and against all liability except as a consequence of its own negligence, willful misconduct or its default of the Trust Agreement. Nevertheless, the Trustee may begin suit, or appear in and defend suit, or do anything else in its judgment proper to be done by it as the Trustee, without indemnity.

The recitals, statements and representations contained in the Trust Agreement and in the Bonds shall be taken as the statements of the Authority and not of the Trustee, and the Trustee assumes no responsibility for the correctness of the same. The Trustee makes no representations as to the validity or sufficiency of the Trust Agreement or with respect to the security afforded by the Trust Agreement or the due execution thereof by the Authority, and the Trustee shall incur no liability with respect thereto. Except as otherwise expressly provided in the Trust Agreement, the Trustee shall have no responsibility or duty with respect to: (i) the issuance of the Bonds for value, (ii) the application of the proceeds thereof, except to the extent that such proceeds are received by it in its capacity as Trustee, or (iii) the application of any moneys paid to the Authority or others in accordance with the Trust Agreement except as to the application of any moneys paid to it in its capacity as Trustee.

The duties and obligations of the Trustee shall be determined by the express provisions of the Trust Agreement and no implied covenant or obligation shall be read into the Trust Agreement against the Trustee, and the Trustee shall not be liable except for the performance of such duties and obligations as are specifically set forth in the Trust Agreement. The Trustee shall not be liable for any action taken or omitted by it in the performance of its duties under the Trust Agreement except for its own negligence, willful misconduct or its default of the Trust Agreement. In case an Event of Default shall have occurred and be continuing, the Trustee shall exercise such of the rights and powers vested in it by the Trust Agreement and use the same degree of care and skill in their exercise as a prudent person would exercise under the circumstances in the conduct of his or her own affairs.

The Trustee shall not be deemed to have notice of any default or Event of Default unless a Responsible Officer of the Trustee has actual knowledge thereof or unless written notice of any event which is in fact such default is received by the Trustee at the Designated Office of the Trustee, and such notice references the Bonds and the Trust Agreement. The rights, privileges, protections, immunities and benefits given to the Trustee, including (without limitation) its rights to be indemnified, are extended to, and shall be enforceable by the Trustee in each of its capacities under the Trust Agreement.

Resignation and Removal (Sections 6.08 and 6.09)

The Trustee may at any time resign and be discharged of its duties and obligations under the Trust Agreement by giving not fewer than 30 days' written notice, specifying the date when such resignation shall take effect, to the Authority and each Holder. Such resignation shall take effect upon the appointment of a successor Trustee and the acceptance of such appointment by such successor. The Trustee may be removed by the Authority so long as no Event of Default shall have occurred and be continuing or, if any Event of Default shall have occurred and be continuing, by the holders of a majority of the outstanding Bonds by an instrument in writing signed and acknowledged by such Holders or by their attorneys-in-fact, duly authorized and delivered to the Authority. The Trustee may also be removed at any time for any breach of trust or for acting or proceeding in violation of, or for failing to act or proceed in accordance with, any provision of the Trust Agreement with respect to the duties and obligations of the Trustee by any court of competent jurisdiction upon the application of the Authority or of the holders of not less than ten percent of the outstanding Bonds.

Successor Trustee (Section 6.10)

If the Trustee shall resign, be removed, be dissolved or become incapable of acting, or shall be adjudged a bankrupt or insolvent, or if a receiver, liquidator or conservator of the Trustee or of its property shall be appointed, or if any public officer shall take charge or control of the Trustee or of its property or affairs, the position of the Trustee shall thereupon become vacant. If the position of Trustee shall become vacant for any reason, a successor Trustee shall be appointed (i) by the Authority, so long as no Event of Default shall have occurred and be continuing, or (ii) if an Event of Default shall have occurred and be continuing, by the holders of a majority of the outstanding Bonds, by an instrument in writing signed and acknowledged by such Holders or their attorneys-in-fact, duly authorized and delivered to such successor Trustee, with notification thereof being given to the predecessor Trustee and the Authority.

The Authority shall mail notice of any such appointment of a successor Trustee to each Holder within 90 days after such appointment. If in a proper case no appointment of a successor Trustee shall be made within 60 days after the giving by any Trustee of any written notice of resignation or after the occurrence of any other event requiring or authorizing such appointment, the Trustee or any Holder may apply to any court of competent jurisdiction for the appointment of such a successor, and the court may thereupon, after such notice, if any, as the court may deem proper, appoint such successor.

Any successor Trustee appointed under the Trust Agreement shall be a commercial bank or trust company or national banking association having a capital and surplus aggregating at least

\$100,000,000, if there be such a commercial bank or trust company or national banking association willing and able to accept the appointment on reasonable and customary terms, and authorized by law to perform all the duties of the Trustee required by the Trust Agreement.

Moneys and Funds Held for Particular Bonds *(Section 10.04)*

Amounts held by the Trustee for the payment of the principal or Redemption Price of, and interest on, Bonds due on any date shall, pending such payment, be set aside and held in trust by it for the Holders of such Bonds and, for the purposes of the Trust Agreement, such principal or Redemption Price of and interest on such Bonds, due after such date, shall no longer be considered to be unpaid, except to receive payment from such amounts set aside or held for such payment.

No Recourse Against Members and Officers *(Section 10.05)*

No recourse shall be had for the payment of the principal or Redemption Price of and interest on the Bonds or for any claims based thereon or on the Trust Agreement against any member or officer, employee, or agent of the Authority, all such liability, if any, being expressly waived and released by every Holder of Bonds by the acceptance of such Bonds.

SUMMARY OF THE CONTINUING DISCLOSURE AGREEMENT

The following is a summary of certain provisions of the Continuing Disclosure Agreement. It is not a complete recital of the terms of the Continuing Disclosure Agreement and reference should be made to the Continuing Disclosure Agreement for a complete statement of its terms. Words and terms used in this summary shall have the same meanings as in the Continuing Disclosure Agreement, except where otherwise noted.

Definitions *(Section 2)*

The following capitalized terms shall have the following meanings:

“**Annual Report**” shall mean any Annual Report provided by the Authority pursuant to the Continuing Disclosure Agreement.

“**Dissemination Agent**” shall mean the Executive Secretary of the Authority or his or her designee, acting as Dissemination Agent under the Continuing Disclosure Agreement, or any successor Dissemination Agent designated in writing by the Authority and which has filed with the Trustee a written acceptance of such designation.

“**Listed Events**” shall mean any of the events described below under “Reporting of significant Events.”

“**National Repository**” shall mean any Nationally Recognized Municipal Securities Information Repository for purposes of the Rule.

“**Repository**” shall mean each National Repository and each State Repository.

“**Rule**” shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time, any successor provisions of similar import promulgated by the Securities and Exchange Commission in the future, and any applicable no-action letters and other authoritative interpretations thereof released by the Securities and Exchange Commission.

“**State Repository**” shall mean any public or private repository or entity designated by the State as a state repository for the purpose of the Rule and recognized as such by the Securities and Exchange Commission. There is currently no State Repository.

Provision of Annual Reports *(Section 3)*

The Authority shall, or shall cause the Dissemination Agent to, not later than 275 days after the end of the State’s fiscal year (presently June 30), commencing with the report for the fiscal year ending June 30, 2002, provide to each Repository an Annual Report. In the event that audited financial statements are not available within 275 days after the end of the Authority’s fiscal year, the Authority will provide unaudited financial statements within such time period. If

the Authority's fiscal year changes, the Authority shall give notice of such change in the same manner as for a Listed Event.

Not later than 15 Business Days prior to the date on which the Annual Report is required to be provided to Repositories, the Authority shall provide the Annual Report to the Trustee. If by such date, the Trustee has not received a copy of the Annual Report, the Trustee shall contact the Authority to determine if the Authority is in compliance with the Continuing Disclosure Agreement.

If the Trustee is unable to verify that an Annual Report has been provided to Repositories by the date required in the Continuing Disclosure Agreement, the Trustee shall send a notice thereof to each Repository.

Content of Annual Reports *(Section 4)*

The Annual Report shall include the following:

(a) the Authority's audited financial statements for the prior fiscal year, prepared in accordance with generally accepted accounting principles; and

(b) the following financial information and operating data, to the extent such information or data is not included in the Authority's financial statements:

(i) the debt service coverage ratio for such fiscal year, calculated in accordance with the Rate Covenant (see "SECURITY FOR THE SERIES 2002 BONDS – Rate Covenant"); and

(ii) the CFC rate for such fiscal year; and

(iii) the CFC and Contingent Rent collections for such fiscal year.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the State or related public entities, which have been submitted to each of the Repositories or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board.

The Authority may make changes to the presentation of the financial information required by the Continuing Disclosure Agreement necessitated by changes in generally accepted accounting principles, and may otherwise modify the presentation of the financial information required by the Continuing Disclosure Agreement by amendment of the Continuing Disclosure Agreement as described below under "Amendment; Waiver."

Reporting of Significant Events *(Section 5)*

The Authority shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Series 2002 Bonds, if material: (i) principal and interest payment delinquencies; (ii) non-payment related defaults; (iii) modifications to rights of owners of the Series 2002 Bonds; (iv) bond calls; (v) defeasances; (vi) rating changes; (vii) adverse tax opinions or event affecting the tax-exempt status of the Series 2002 Bonds; (viii) unscheduled draws on the debt service reserves reflecting financial difficulties; (ix) unscheduled draws on credit enhancements reflecting financial difficulties; (x) substitution of credit or liquidity providers, or their failure to perform; or (xi) release, substitution or sale of property securing repayment of the Series 2002 Bonds.

The Trustee shall, within three Business Days of obtaining actual knowledge of the occurrence of any of the Listed Events, contact the Disclosure Representative, inform the Disclosure Representative of the event, and request that the Authority promptly notify the Trustee in writing whether or not to report the event.

Whenever the Authority obtains knowledge of the occurrence of a Listed Event, whether because of a notice from the Trustee or otherwise, the Authority shall as soon as possible determine if such event would be material under applicable federal securities laws. If the Authority determines that knowledge of the occurrence of a Listed Event would be material under applicable federal securities laws, the Authority shall promptly notify the Trustee in writing and shall instruct the Trustee to report the occurrence. If the Authority determines that the Listed Event would not be material under applicable federal securities laws, the Authority shall so notify the Trustee in writing and instruct the Trustee not to report the occurrence.

If the Trustee has been instructed by the Authority to report the occurrence of a Listed Event, the Trustee shall file a notice of such occurrence with the National Repositories or the Municipal Securities Rulemaking Board and with the State Repository, if any. Notice of bond calls and defeasances need not be given any earlier than the notice given to owners of affected Series 2002 Bonds pursuant to the Trust Agreement.

Termination of Reporting Obligation *(Section 6)*

The Authority's obligations under the Continuing Disclosure Agreement shall terminate upon the prior redemption or payment in full of all of the Series 2002 Bonds. In addition, the Authority may terminate its obligations under the Continuing Disclosure Agreement if and when the Authority would no longer remain an obligated person with respect to the Series 2002 Bonds within the meaning of the Rule.

Amendment; Waiver *(Section 8)*

The Authority and the Trustee may amend the Continuing Disclosure Agreement, and any provision of the Continuing Disclosure Agreement may be waived, *provided* that the following conditions are satisfied:

(a) if the amendment or waiver relates to the provisions of the Continuing Disclosure Agreement described above in the first paragraph under the caption “Provision of Annual Reports,” under the caption “Contents of Annual Reports” or in the first paragraph under the caption “Reporting of Significant Events,” it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Series 2002 Bonds, or the type of business conducted;

(b) the Continuing Disclosure Agreement, as amended or taking into account such waiver, would, in the opinion of Bond Counsel, have complied with the requirements of the Rule at the time of the original issuance of the Series 2002 Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) the amendment or waiver does not materially impair the interests of the Holders or Beneficial Owners of the Series 2002 Bonds, in the opinion of Bond Counsel.

Any amendment or waiver of a provision of the Continuing Disclosure Agreement shall be described by the Authority in the next Annual Report following such amendment or waiver, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or, in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Authority.

Default *(Section 11)*

The Authority shall be given written notice to the Trustee of any claimed failure by the Authority to perform its obligations under the Continuing Disclosure Agreement, and shall be given 45 days to remedy any such claimed failure. Any suit or other proceeding must be filed in the Circuit Court for Anne Arundel County, Maryland, and shall be limited to specific performance as the adequate and exclusive remedy available in connection with such action. A default under the Continuing Disclosure Agreement shall *not* be deemed an Event of Default under the Trust Agreement.

Duties of Trustee *(Section 12).*

The provisions of the Trust Agreement limiting the liability of the Trustee, providing for indemnification and otherwise protecting the Trustee are applicable to the Continuing Disclosure Agreement as if the Continuing Disclosure Agreement were (solely for this purpose) contained in the Trust Agreement.

APPENDIX C

PROPOSED FORM OF OPINION OF BOND COUNSEL

(Date of Delivery)

Maryland Transportation Authority
Baltimore, Maryland

Members of the Authority:

In connection with the issuance of \$117,345,000 Maryland Transportation Authority Taxable Limited Obligation Revenue Bonds, Baltimore/Washington International Airport Consolidated Rental Car Facility, Series 2002, as limited obligations of the Maryland Transportation Authority (the “Authority”), we have examined:

(i) Sections 4-101 through 4-105 of the Transportation Article of the Annotated Code of Maryland (2001 Replacement Volume) (the “Act”);

(ii) a Trust Agreement dated as of June 1, 2002 (the “Trust Agreement”) between the Authority and The Bank of New York, as trustee (the “Trustee”);

(iii) a Lease of Consolidated Rental Car Facility at the Baltimore/Washington International Airport and Assignment of Pledged Revenues dated as of May 1, 2002 (the “Lease and Assignment”) between the Authority and the Maryland Aviation Administration (the “MAA”);

(iv) an Agreement on Financing Airport Facilities Projects at BWI Airport (Consolidated Rental Car Facility) dated as of May 1, 2002 (the “Financing Agreement”) between the Authority and the MAA providing, among other things, for the financing and refinancing by the Authority of certain facilities defined in the Financing Agreement;

(v) the form of Bond;

(vi) relevant provisions of the Constitution and laws of the State of Maryland; and

(vii) other proofs submitted to us relative to the issuance and sale of the Bonds.

The terms of the Bonds are contained in the Trust Agreement and the Bonds.

We have made no investigation of, and are rendering no opinion regarding, the title to real or personal property.

Based upon the foregoing, we are of the opinion that:

(a) The Authority is a validly created and existing agency of the State of Maryland, possessing authority under the Act to issue the Bonds.

(b) The Trust Agreement has been duly authorized, executed and delivered by the Authority and, assuming the due authorization, execution and delivery thereof by the Trustee, constitutes the valid and binding obligation of the Authority.

(c) The Lease and Assignment and the Financing Agreement have been duly authorized, executed and delivered by the Authority and, assuming the due authorization, execution and delivery thereof by the MAA, constitute the valid and binding obligations of the Authority.

(d) The Authority is duly authorized and entitled to issue the Bonds. Bonds executed, authenticated and delivered as provided in the Trust Agreement have been duly and validly issued and constitute valid and binding limited obligations of the Authority, payable solely from Pledged Revenues (as defined in the Trust Agreement) and other amounts pledged to such payment under the Trust Agreement. The Trust Agreement contains provisions permitting the issuance of Additional Bonds (as defined in the Trust Agreement). The Bonds and any Additional Bonds issued within the limitations and provisions of the Trust Agreement are equally and ratably secured by the Trust Agreement to the extent provided therein.

(e) The Trust Agreement, the Lease and Assignment, the Financing Agreement and the Bonds are subject to bankruptcy, insolvency, moratorium, reorganization and other state and federal laws affecting the enforcement of creditors' rights and to general principles of equity.

(f) The Bonds are limited obligations of the Authority payable solely from the Pledged Revenues (as defined in the Trust Agreement). Neither the State of Maryland (the "State"), nor the Maryland Department of Transportation (the "Department"), nor the MAA, nor any political subdivision of the State, nor the Authority shall be obligated to pay the Bonds or the interest thereon except from the Pledged Revenues and from other sources as provided in the Trust Agreement; and neither the faith and credit nor the taxing power of the State, the Department, the MAA, any political subdivision of the State or the Authority is pledged to the payment of the Bonds or the interest thereon. The issuance of the Bonds does not directly or indirectly or contingently obligate the State, the Department, MAA or any political subdivision of the State to levy or to pledge any form of taxation whatever therefor or to make any appropriation for their payment. The Authority and MAA have no taxing powers.

(g) Under the Act, the Bonds, their transfer, the interest payable on them, and any income derived from them, including any profit realized in their sale or exchange, shall be exempt at all times from every kind and nature of taxation by the State of Maryland or by any of its political subdivisions, municipal corporations, or public agencies of any kind. No opinion is expressed as to estate or inheritance taxes or other taxes not levied or assessed directly on the Bonds or the interest thereon.

Very truly yours,

APPENDIX D

CLEARSTREAM, LUXEMBOURG, AND EUROCLEAR

The information in this Appendix D has been obtained from Clearstream, Luxembourg and Euroclear and other sources which are believed by the Authority to be accurate, but the Authority takes no responsibility for the accuracy thereof. The Authority cannot and does not give any assurances that DTC, Director Participants or Indirect Participants of DTC, Clearstream, Luxembourg, Clearstream customers, Euroclear Euroclear participants will distribute to the Beneficial Owners of the Series 2002 Bonds: (i) payments of the principal of or interest or redemption premium (if any) on the Series 2002 Bonds; (ii) confirmations of their ownership interests in the Series 2002 Bonds; or (iii) notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Series 2002 Bonds, or that they will do so on a timely basis, or that DTC, Direct Participants or Indirect Participant, Clearstream, Luxembourg, Clearstream customers, Euroclear or Euroclear participants will serve and act in the manner described in this Official Statement.

Neither the Authority nor the Trustee will have any responsibility or obligations to DTC, the Direct Participants, the Indirect Participants of Clearstream, Clearstream customers, Euroclear, Euroclear participants or the Beneficial Owners with respect to: (1) the accuracy of any records maintained by DTC or any Direct Participants or Indirect Participants of DTC, Clearstream, Luxembourg, Clearstream customers, Euroclear or Euroclear participants; (2) the payment by DTC or any Direct Participants or Indirect Participants of DTC, Clearstream, Luxembourg, Clearstream customers, Euroclear or Euroclear participants of any amount due to any Beneficial Owner in respect of the principal of or interest and redemption premium (if any) on the Series 2002 Bonds; (3) the delivery by DTC or any Direct Participants or Indirect Participants of DTC, Clearstream, Luxembourg, Clearstream customers, Euroclear or Euroclear participants of any notice to any Beneficial Owner that is required or permitted to be given to owners under the terms of the Trust Agreement; or (4) any consent given or other action taken by DTC as registered holder of the Series 2002 Bonds.

Clearstream, Luxembourg

Clearstream Banking, société anonyme (“Clearstream, Luxembourg”), was incorporated in 1970 as “Cedel S.A.,” a company with limited liability under Luxembourg law (a société anonyme). Cedel S.A. subsequently changed its name to Cedelbank. On January 10, 2000, Cedelbank’s parent company, Cedel International (“CI”) merged its clearing, settlement and custody business with that of Deutsche Börse Clearing AG (“DBC”). The merger involved the transfer by CI of substantially all of its assets and liabilities to a new Luxembourg company, New Cedel International (“New CI”), which is 50% owned by CI and 50% owned by DBC’s parent company Deutsche Börse AG. The shareholders of these two entities are banks, securities dealers and

financial institutions. CI currently has 92 shareholders, including U.S. financial institutions or their subsidiaries. No single entity may own more than 5% of CI's stock.

In conjunction with the merger, the Board of Directors of New CI decided to re-name the companies in the group in order to give them a business brand name. The new brand name that was chosen is "Clearstream." With effect from January 14, 2000, New CI has been renamed "Clearstream International, société anonyme." On January 18, 2000, Cedelbank was renamed "Clearstream Banking, société anonyme," and Cedel Global Services was renamed "Clearstream Services, société anonyme."

On January 17, 2000, DBC was renamed "Clearstream Banking AG." This means that there are now two entities in the corporate group headed by Clearstream International which share the name "Clearstream Banking," the entity previously named "Cedelbank" and the entity previously named "Deutsche Börse AG."

Clearstream, Luxembourg holds securities for its customers and facilitates the clearance and settlement of securities transactions between Clearstream, Luxembourg customers through electronic book-entry changes in accounts of Clearstream, Luxembourg customers, thereby eliminating the need for physical movement of certificates. Transactions may be settled by Clearstream, Luxembourg in any of 36 currencies including United States Dollars. Clearstream, Luxembourg provides to its customers, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Clearstream, Luxembourg also deals with domestic securities markets in over 30 countries through established depository and custodial relationships. Clearstream, Luxembourg is registered as a bank in Luxembourg, and as such is subject to regulation by the Commission de Surveillance du Secteur Financier, "CCSF," which supervises Luxembourg banks. Clearstream, Luxembourg's customers are worldwide financial institutions including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Clearstream, Luxembourg's U.S. customers are limited to securities brokers and dealers, and banks. Currently, Clearstream, Luxembourg has approximately 2,000 customers located in over 80 countries, including all major European countries, Canada, and the United States. Indirect access to Clearstream, Luxembourg is available to other institutions that clear through or maintain a custodial relationship with an account holder of Clearstream, Luxembourg. Clearstream, Luxembourg has established an electronic bridge with the Euroclear Operator in Brussels to facilitate settlement of trades between Clearstream, Luxembourg and Euroclear.

Euroclear System

The Euroclear System ("Euroclear") was created in 1968 to hold securities for participants of Euroclear and to clear and settle transactions between Euroclear participants through simultaneous electronic book-entry delivery against payment. This system eliminates the need for physical movement of certificates and any risk from lack of simultaneous transfers of securities or cash. Euroclear includes various other services, including securities lending and borrowing, and interfaces with domestic markets in

several countries. The Euroclear Operator is Euroclear Bank S.A./N.V. The Euroclear Operator conducts all operations. All Euroclear securities clearance accounts and Euroclear cash accounts are accounts with the Euroclear Operator. The Euroclear Operator establishes policy for Euroclear on behalf of Euroclear participants. Euroclear participants include banks (including central banks), securities brokers and dealers and other professional financial intermediaries. Indirect access to Euroclear is also available to others that clear through or maintain a custodial relationship with a Euroclear participant, either directly or indirectly.

Securities clearance accounts and cash accounts with the Euroclear Operator are governed by the Terms and Conditions Governing Use of Euroclear and the related Operating Procedures of the Euroclear System, and applicable Belgian law (collectively, the “Terms and Conditions”). The Terms and Conditions govern transfer of securities and cash within Euroclear, withdrawals of securities and cash from Euroclear, and receipts of payments with respect to securities in Euroclear. All securities in Euroclear are held on a fungible basis without attribution of specific certificates to specific securities clearance accounts. The Euroclear Operator acts under the Terms and Conditions only on behalf of Euroclear participants and has no record of or relationship with persons holding through Euroclear participants.

Initial Settlement; Distributions; Actions Upon Behalf of Holders

All the Series 2002 Bonds will initially be registered in the name of Cede & Co., the nominee of DTC. Clearstream, Luxembourg and Euroclear may hold omnibus positions on behalf of their participants through customers’ securities accounts in Clearstream, Luxembourg’s and Euroclear’s names on the books of their respective U.S. Depository which in turn holds such positions in customers’ securities accounts in its U.S. Depository’s name on the books of DTC. Citibank, N.A. acts as a depository for Clearstream, Luxembourg and the Euroclear Operator acts as depository for Euroclear (in such capacities, individually, the “U.S. Depository” and, collectively, the “U.S. Depositories”).

Holders of the Series 2002 Bonds may hold their Bonds through DTC (in the United States) or Clearstream, Luxembourg or Euroclear (in Europe) if they are participants of such systems, or indirectly through organizations which are participants in such systems.

Investors electing to hold their Series 2002 Bonds through Euroclear and Clearstream, Luxembourg accounts will follow the settlement procedures applicable to conventional Eurobonds in registered form. Securities will be credited to the securities custody accounts of Euroclear and Clearstream, Luxembourg holders on the business day following the settlement date against payment for value on the settlement date.

Distributions with respect to the Series 2002 Bonds held beneficially through Clearstream, Luxembourg will be credited to the cash accounts of Clearstream, Luxembourg customers in accordance with its rules and procedures, to the extent

received by its U.S. Depository. Distributions with respect to the Series 2002 Bonds held beneficially through Euroclear will be credited to the cash accounts of Euroclear participants in accordance with the Terms and Conditions, to the extent received by its U.S. Depository.

Such distributions will be subject to tax reporting in accordance with relevant United States tax laws and regulations.

Clearstream, Luxembourg or the Euroclear Operator, as the case may be, will take any other action permitted to be taken by a Holder of the Series 2002 Bonds under the Trust Agreement on behalf of a Clearstream customer or Euroclear participant only in accordance with the relevant rules and procedures and subject to the relevant U.S. Depository's ability to effect such actions on its behalf through DTC.

Secondary Market Trading

Because the purchaser determines the place of delivery, it is important to establish at the time of the trading of any securities where both the purchaser's and seller's accounts are located to ensure that settlement can be made on the desired value date.

Trading Between DTC Participants. Secondary market trading between DTC Participants (other than U.S. Depositories) will be settled using the procedures applicable to U.S. corporate debt obligations in same-day funds.

Trading Between Euroclear Participants and/or Clearstream, Luxembourg Customers. Secondary market trading between Euroclear participants and/or Clearstream, Luxembourg customers will be settled using the procedures applicable to conventional Eurobonds in same-day funds.

Trading Between DTC Seller and Euroclear or Clearstream, Luxembourg Purchaser. When securities are to be transferred from the account of a DTC Participant (other than U.S. Depositories) to the account of a Euroclear participant or a Clearstream, Luxembourg customer, the purchaser must send instructions to the applicable U.S. Depository before settlement date 12:30 Brussels time. Euroclear or Clearstream, Luxembourg, as the case may be, will instruct its U.S. Depository to receive the securities against payment. Payment will then be made by its U.S. Depository to the DTC Participant's account against delivery of the securities. After settlement has been completed, the securities will be credited to the respective clearing system and by the clearing system in accordance with its usual procedures, to the Euroclear participants' or Clearstream, Luxembourg customers' accounts. Credit for the securities will appear on the next day (European time) and cash debit will be back-valued to, and the interest on the Series 2002 Bonds will accrue from the value date (which would be the preceding day when settlement occurs in New York). If settlement is not completed on the intended value date (i.e., the trade fails), the Euroclear or Clearstream, Luxembourg cash debit will be valued instead as of the actual settlement date.

Euroclear participants and Clearstream, Luxembourg customers will need to make available to the respective clearing systems the funds necessary to process same-day funds settlement. The most direct means of doing so is to pre-position funds for settlement, either from cash on hand or existing lines of credit, as they would for any settlement occurring within Euroclear or Clearstream, Luxembourg. Under this approach, they may take on credit exposure to Euroclear or Clearstream, Luxembourg until the securities are credited to their accounts one day later.

As an alternative, if Euroclear or Clearstream, Luxembourg has extended a line of credit to them, participants/customers can elect not to pre-position funds and allow that credit line to be drawn upon to finance settlement. Under this procedure, Euroclear participants or Clearstream, Luxembourg customers purchasing securities would incur overdraft charges for one day, assuming they cleared the overdraft when the securities were credited to their accounts. However, interest on the securities would accrue from the value date. Therefore, in many cases, the investment income on securities earned during that one day period may substantially reduce or offset the amount of such overdraft charges, although this result will depend on each participant's/customer's cost of funds.

Because the settlement is taking place during the New York business hours, DTC Participants can employ their usual procedures for sending securities to the applicable U.S. Depository for the benefit of Euroclear participants or Clearstream, Luxembourg customers. The sale proceeds will be available to the DTC seller on the settlement date. Thus, to the DTC Participant, a cross-market transaction will settle no differently from a trade between two DTC Participants.

Trading Between Euroclear or Clearstream, Luxembourg Seller and DTC Purchaser. Due to time zone differences in their favor, Euroclear participants and Clearstream, Luxembourg customers may employ their customary procedure for transactions in which securities are to be transferred by the respective clearing system, through the applicable U.S. Depository to another DTC Participant. The seller must send instructions to Clearstream, Luxembourg before settlement date 12:30 Brussels time. In these cases, Euroclear or Clearstream, Luxembourg will instruct its U.S. Depository to credit the securities to the DTC Participant's account against payment. The payment will then be reflected in the account of the Euroclear participant or Clearstream, Luxembourg customer the following business day, and receipt of the cash proceeds in the Euroclear participants' or Clearstream, Luxembourg customers' accounts will be back-valued to the value date (which would be the preceding day, when settlement occurs in New York). If the Euroclear participant or Clearstream, Luxembourg customer has a line of credit with its respective clearing system and elects to draw on such line of credit in anticipation of receipt of the sale proceeds in its account, the back-valuation may substantially reduce or offset any overdraft charges incurred over that one-day period. If settlement is not completed on the intended value date (i.e., the trade fails), receipt of the cash proceeds in the Euroclear participant's or Clearstream, Luxembourg customer's accounts would instead be valued as of the actual settlement date.

Procedures May Change

Although DTC, Clearstream, Luxembourg and Euroclear have agreed to these procedures in order to facilitate transfers of securities among participants of DTC, Clearstream, Luxembourg and Euroclear, they are under no obligation to perform or continue to perform these procedures and these procedures may be discontinued and may be changed at any time by any of them.

FINANCIAL GUARANTY INSURANCE POLICY**MBIA Insurance Corporation
Armonk, New York 10504**

Policy No. [NUMBER]

MBIA Insurance Corporation (the "Insurer"), in consideration of the payment of the premium and subject to the terms of this policy, hereby unconditionally and irrevocably guarantees to any owner, as hereinafter defined, of the following described obligations, the full and complete payment required to be made by or on behalf of the Issuer to [PAYING AGENT/TRUSTEE] or its successor (the "Paying Agent") of an amount equal to (i) the principal of (either at the stated maturity or by any advancement of maturity pursuant to a mandatory sinking fund payment) and interest on, the Obligations (as that term is defined below) as such payments shall become due but shall not be so paid (except that in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments guaranteed hereby shall be made in such amounts and at such times as such payments of principal would have been due had there not been any such acceleration); and (ii) the reimbursement of any such payment which is subsequently recovered from any owner pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such owner within the meaning of any applicable bankruptcy law. The amounts referred to in clauses (i) and (ii) of the preceding sentence shall be referred to herein collectively as the "Insured Amounts." "Obligations" shall mean:

**[PAR]
[LEGAL NAME OF ISSUE]**

Upon receipt of telephonic or telegraphic notice, such notice subsequently confirmed in writing by registered or certified mail, or upon receipt of written notice by registered or certified mail, by the Insurer from the Paying Agent or any owner of an Obligation the payment of an Insured Amount for which is then due, that such required payment has not been made, the Insurer on the due date of such payment or within one business day after receipt of notice of such nonpayment, whichever is later, will make a deposit of funds, in an account with State Street Bank and Trust Company, N.A., in New York, New York, or its successor, sufficient for the payment of any such Insured Amounts which are then due. Upon presentment and surrender of such Obligations or presentment of such other proof of ownership of the Obligations, together with any appropriate instruments of assignment to evidence the assignment of the Insured Amounts due on the Obligations as are paid by the Insurer, and appropriate instruments to effect the appointment of the Insurer as agent for such owners of the Obligations in any legal proceeding related to payment of Insured Amounts on the Obligations, such instruments being in a form satisfactory to State Street Bank and Trust Company, N.A., State Street Bank and Trust Company, N.A. shall disburse to such owners, or the Paying Agent payment of the Insured Amounts due on such Obligations, less any amount held by the Paying Agent for the payment of such Insured Amounts and legally available therefor. This policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Obligation.

As used herein, the term "owner" shall mean the registered owner of any Obligation as indicated in the books maintained by the Paying Agent, the Issuer, or any designee of the Issuer for such purpose. The term owner shall not include the Issuer or any party whose agreement with the Issuer constitutes the underlying security for the Obligations.

Any service of process on the Insurer may be made to the Insurer at its offices located at 113 King Street, Armonk, New York 10504 and such service of process shall be valid and binding.

This policy is non-cancellable for any reason. The premium on this policy is not refundable for any reason including the payment prior to maturity of the Obligations.

IN WITNESS WHEREOF, the Insurer has caused this policy to be executed in facsimile on its behalf by its duly authorized officers, this [DAY] day of [MONTH, YEAR].

MBIA Insurance Corporation_____
President

Attest: _____

Assistant Secretary

139913

Confirmation Number: 000662

Submission Date: 06/14/2002 02:08:55 PM Eastern Time

RETAIN THIS PRINTED COPY AND THE DATA FILE(S) SUBMITTED TO THE MSRB FOR YOUR RECORDS FOR PURPOSES OF MSRB RULE G-8.

MSRB**FORM G-36(OS) - FOR OFFICIAL STATEMENTS****MATERIALS SUBMITTED**

A. THIS FORM IS SUBMITTED IN CONNECTION WITH (check one):

1 ☒ A FINAL OFFICIAL STATEMENT RELATING TO A PRIMARY OFFERING OF MUNICIPAL SECURITIES (enclose two (2) copies)

(a) DATE RECEIVED FROM ISSUER: 06/14/2002

(b) DATE SENT TO MSRB: 06/14/2002

2 AN AMENDED OFFICIAL STATEMENT WITHIN THE MEANING OF RULE G-36(d) (enclose two (2) copies)

(a) DATE RECEIVED FROM ISSUER:

(b) DATE SENT TO MSRB:

B. IF MATERIALS SUBMITTED WITH THIS FORM CONSIST OF MORE THAN ONE DOCUMENT (e.g., preliminary official statement and wrap, even if physically attached), PLEASE CHECK HERE:

C. IF THIS FORM AMENDS PREVIOUSLY SUBMITTED FORM WITHOUT CHANGING MATERIALS SUBMITTED, PLEASE CHECK HERE (include copy of original Form G-36(OS)):

IF THIS SUBMISSION IS FOR COMMERCIAL PAPER, PLEASE CHECK HERE:

IF THIS SUBMISSION IS FOR MUNICIPAL FUND SECURITIES, PLEASE CHECK HERE:

IDENTIFICATION OF ISSUES

Each issue must be listed separately.

NAME OF
ISSUER:MARYLAND TRANSPORTATION AUTH TAXABLE LTD
OBLIGATION REV BDS

STATE: MD

ISSUE
DESCRIPTION:BALT/WASHINGTON INTERNATIONAL AIRPORT CONS
RENTAL CAR FAC 02DATED
DATE: 06/19/2002**CUSIP Information**

MSRB rule G-34 requires that CUSIP numbers be assigned to each new issue of municipal securities unless the issue is ineligible for CUSIP number assignment under the eligibility criteria of the CUSIP Service Bureau.

A. CUSIP-9 NUMBERS OF ISSUE

Maturity Date	CUSIP Number	Maturity Date	CUSIP Number	Maturity Date	CUSIP Number
07/01/2003	57429LAA4	07/01/2004	57429LAB2	07/01/2005	57429LAC0
07/01/2006	57429LAD8	07/01/2007	57429LAE6	07/01/2008	57429LAF3
07/01/2009	57429LAG1	07/01/2010	57429LAH9	07/01/2011	07/01/201
07/01/2012	57429LAK2	07/01/2022	57429LAL0	07/01/2032	07/01/203

B. IF ANY OF THE ABOVE SECURITIES HAS A "CUSIP-6" BUT NO "CUSIP-9", CHECK HERE AND LIST THEM BELOW:
(Please see instructions in Form G-36 Manual)

LIST ALL CUSIP-6 NUMBERS ASSIGNED:

State the reason why such securities have not been assigned a 'CUSIP-9':

C. IF ANY OF THESE SECURITIES IS INELIGIBLE FOR CUSIP NUMBER ASSIGNMENT, PLEASE CHECK HERE:

State the reason why such securities are ineligible for CUSIP number assignment:

TRANSACTION INFORMATION

A. LATEST FINAL MATURITY DATE OF ALL SECURITIES IN OFFERING:

07/01/2032

- B. DATE OF FINAL AGREEMENT TO PURCHASE, OFFER OR SELL SECURITIES (Date of Sale): 06/06/2002
- C. ACTUAL OR EXPECTED DATE OF DELIVERY OF SECURITIES TO UNDERWRITER(S) (Bond Closing): 06/19/2002
- D. IF THESE SECURITIES ADVANCE REFUND ALL OR A PORTION OF ANOTHER ISSUE, PLEASE CHECK HERE:
Form G-36(ARD) and copies of the advance refunding documents must be submitted for each issue advance refund.

UNDERWRITING ASSESSMENT INFORMATION

This information will be used by the MSRB to compute any rule A-13 underwriting assessment that may be due on this offering. The managing underwriter will be sent an invoice if a rule A-13 assessment is due on the offering.

- A. Managing Underwriter: MORGAN STANLEY (MAIN OFFICE) SEC Reg Number: 8-15869
- B. TOTAL PAR VALUE OF ALL SECURITIES IN OFFERING: \$ 117,345,000.00
- C. PAR AMOUNT OF SECURITIES UNDERWRITTEN (if different from amount shown in item B above): \$
- D. CHECK ALL THAT APPLY:
1. At the option of the holder thereof, all securities in this offering may be tendered to the issuer of such securities or its designated agent for redemption or purchase at par value or more at least as frequently as every nine months until maturity, earlier redemption, or purchase by the issuer or its designated agent
 2. At the option of the holder thereof, all securities in this offering may be tendered to the issuer of such securities or its designated agent for redemption or purchase at par value or more at least as frequently as every two years until maturity, earlier redemption, or purchase by the issuer or its designated agent.
 3. This offering is exempt from SEC Rule 15c2-12 under section (d)(1)(i) of that rule. Section (d)(1)(i) of SEC Rule 15c2-12 states that an offering is exempt from the requirements of the rule if the securities offered have authorized denominations of \$100,000 or more and are sold to no more than 35 persons each of whom the participating underwriter believes: (1) has the knowledge and expertise necessary to evaluate the merits and risks of the investment; and (2) is not purchasing for more than one account, or with a view toward distributing the securities.

MANAGING UNDERWRITER'S CERTIFICATION AND SIGNATURE

THE SUBMITTER BELOW CERTIFIES THAT THE MATERIALS ACCOMPANYING THIS FORM ARE AS DESCRIBED ABOVE AND THAT ALL OTHER INFORMATION CONTAINED HEREIN IS TRUE AND CORRECT. THE SUBMITTER ACKNOWLEDGES THAT SAID MATERIALS WILL BE PUBLICLY DISSEMINATED.

*Re'd MSRB
6-14-02*

ON BEHALF OF THE MANAGING UNDERWRITER IDENTIFIED ABOVE.

SIGNED: SUBMITTED ELECTRONICALLY