FRASCA & ASSOCIATES, L.L.C. MERCATOR ADVISORS LLC

FEBRUARY 2012
DULLES CORRIDOR ENTERPRISE
REPORT OF THE FINANCIAL ADVISORS

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

Action Items

No Action Items to Report

Informational Items

- ***2012 Plan of Finance.*** Based on current cash flow projections, the Airports Authority should consider issuing additional debt for the Rail Project before the end of calendar year 2012. The size and timing of any bond issuance will depend primarily on projected expenditures for Phase 2 and conditions in the bond market.

  Prerequisites to accessing the capital markets include:

  - Adoption of toll rates – The Airports Authority will need to complete the regulatory process for setting toll rates for 2013 and potentially future years.
  - Confirmation of credit ratings – As part of the process, the rating analysts will scrutinize the updated traffic and revenue projections.
  - Progress on Phase 2 design-build procurement – In addition to confirming the preliminary cost estimates and construction schedule, the rating agencies and investors will need to understand how potential construction risks will be mitigated through the design-build contract.
  - Confirmation of Funding Partner contributions –Fairfax and Loudoun County have 90 days after completion of preliminary engineering to confirm their participation in Phase 2. Also, additional detail will be needed on funding to be provided by the Commonwealth and the process for determining how the Route 28 station and Phase 2 parking facilities will be funded.

- ***Request for Qualifications for Underwriters.*** A Request for Qualifications (RFQ) to provide investment banking services to the Airports Authority was issued on or around February 8, 2012. The responses are due February 29, 2012. If so directed, it is expected that Staff and Financial Advisors' recommendations for two syndicates of underwriters, one for the Airport

System revenue bonds and another for the Dulles Toll Road revenue bonds, can be provided to the Finance Committee in March 2012.

- ***Dulles Toll Road Traffic and Revenue Study Update.*** Preliminary results of the updated comprehensive traffic and toll revenue study are relatively consistent with prior toll revenue projections. Using the toll rate assumptions developed in 2009 for financial sensitivity analyses produces annual toll revenue through the year 2028 that is approximately 3.3 percent lower than the original estimate. Annual toll revenue thereafter is slightly higher than estimated. Finance Staff and the Financial Advisors have reviewed the CDM Smith (Formerly Wilbur Smith and Associates) work and determined that the updated toll revenue projections are sufficient to support the finance plan for the Rail Project. Potential options for moderating projected toll rate adjustments over the next few years will be developed and presented to the Board in March 2012.

Relevant News Items

- ***Virginia Transportation Infrastructure Bank (VTIB) Loan.*** On January 18, 2012, the Commonwealth Transportation Board (CTB) approved a first VTIB loan application from the City of Chesapeake for the $412 million Route 17/Dominion Boulevard Project. Approximately $227 of the project cost is expected to be funded from the proceeds of senior toll revenue bonds. The CTB authorized a subordinate loan of up to $152 million at a rate of 3.3% payable up to 35 years after substantial completion of construction.

  The City of Chesapeake submitted its VTIB application in December 2011. The Virginia Department of Transportation (VDOT) and the Virginia Resources Authority, the manager of the VTIB, reviewed and scored the proposal 30 out of 37 total possible points. Financial close is expected to occur in August 2012 after completion of right-of-way acquisition and the traffic study as well as receipt of construction bids and credit ratings.

  The General Assembly provided an initial capitalization of $283 million for the VTIB in 2011. The McDonnell administration is seeking to increase the amount to $1 billion over the next three years.

- ***Distance-based Pricing on the Dulles Greenway.*** Two bills were introduced in the Virginia state legislature in January 2012 that attempt to reduce toll rates on the Dulles Greenway. Delegate David Ramadan (R-Loudoun) proposed HB 1246 which would authorize the owners of the Dulles Greenway to lease outdoor advertising space on its property in exchange for implementing distance pricing and lowering commuter fees. The cost to travel the Dulles Greenway is currently the same whether travelers get off at the first exit or drive the entire 14.5 mile length of the toll road. State Senator Richard Black (R-Loudoun) proposed SB 316 which would require the State Corporation Commission to vary the amount of the toll in accordance with vehicle miles traveled if it allows the owners of the Dulles Greenway to increase toll rates.

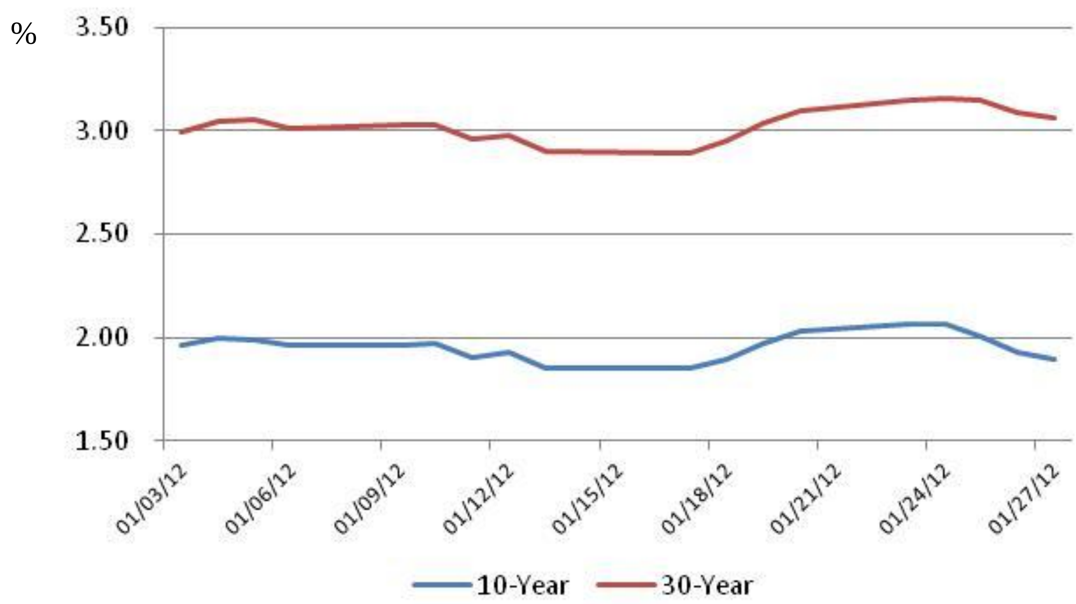
  In addition to the proposed legislation, the Loudoun County Board of Supervisors unanimously adopted a resolution calling on VDOT to conduct a study to explore the feasibility and legality of distance-pricing tolling along the Dulles Greenway. It also asks the Virginia General Assembly to review the enabling authority which created the Dulles Greenway, including any authority for changing the way tolls are charged on the road, and also to consider placing a cap on the overall toll rate structure.

Market Update

The following discussion highlights recent interest rate trends. Municipal bond issuance in January 2012 was light, duplicating the pattern of January 2011. By mid-January, benchmark interest rates had reached record lows in most maturities: the 20-Year Municipal Market Data (MMD) rate fell to 2.79 percent and 30-Year MMD to 3.15 percent, a decrease of 46 and 42 basis points, respectively, from where they stood when the year began. In the wake of this strong rally, investors grew cautious about the spread relationship between tax exempts and Treasuries. As a result, 30-year MMD crept back up by 22 basis points to 3.37 percent (January 23). Since then, the market has stabilized, with 30 year MMD settling back to 3.23 percent.

There were only two transportation deals done in January to note, both in the AA rating category: Oklahoma state highway capital improvement bonds with a 2.54 percent yield in 2025 and North Carolina grant anticipation revenue vehicle bonds (commonly referred to as “GARVEE” Bonds) with a 1.59 percent yield in 2019. The proceeds from the North Carolina bond issue will be used to fund a portion of the construction cost of a new toll road. The North Carolina Department of Transportation expects to refinance the GARVEE Bonds with toll revenue bonds after construction is complete and the toll road has two or three years of operating history.

January 2012 Treasury Rates



January 2012 Municipal Market Data