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

MAY 2013
DULLES CORRIDOR ENTERPRISE
REPORT OF THE FINANCIAL ADVISORS

The Airports Authority established the Dulles Corridor Enterprise (DCE) Fund to segregate the financial activity associated with the operation, maintenance and improvement of the Dulles Toll Road (DTR) and construction of the Dulles Corridor Metrorail Project (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 DCE Fund.

Action Items

No Action Items.

Informational Items

- ***Phase 2 Design-Build Construction Contract.*** On April 19, the Airports Authority opened and publicly read price proposals from the five pre-qualified contractor teams competing for a major design-build contract for Phase 2 of the Rail Project. The low-price proposer, a team led by Clark Construction Group and Kiewit Infrastructure South Co., submitted a bid of $1,177,777,000 for work that includes the construction of six stations, 11.4 miles of track and guideways, and various wayside facilities such as traction power substations.

- ***Transportation Infrastructure Finance and Innovation Act (TIFIA) Program.*** The detailed credit review required as part of the TIFIA Letter of Interest process is underway and progressing smoothly. The Airports Authority hosts weekly conference calls with the U.S. Department of Transportation (USDOT) and the Counties to discuss the status of various deliverables. The primary focus at this stage is on securing indicative credit ratings for three TIFIA loans – one payable from DTR revenues, another from Fairfax County tax assessments, and the third from Loudoun County appropriations.

  The Airports Authority has wired the $100,000 nonrefundable credit processing deposit to USDOT to cover the costs for its financial and legal advisors. An invitation to submit a TIFIA application cannot be extended until after USDOT has completed its credit assessment.

Relevant News Items

- ***Dulles Greenway Bonds Downgraded.*** On April 19, Fitch Ratings downgraded the underlying credit rating on approximately $1 billion of Dulles Greenway Project Revenue Bonds to "BB+" from "BBB-." The rating downgrade reflects the relatively high amount of project debt, low debt service coverage, and dependence on future toll increases. Credit positives cited by Fitch include the strong service area, a flexible debt service schedule, and regulatory approval for a series of toll increases through the year 2020.

- ***Maryland Toll Violation Enforcement.*** On April 9, Governor Martin O'Malley signed legislation (HB 420) that will facilitate efforts to collect unpaid tolls from drivers using all-electronic toll facilities in Maryland.

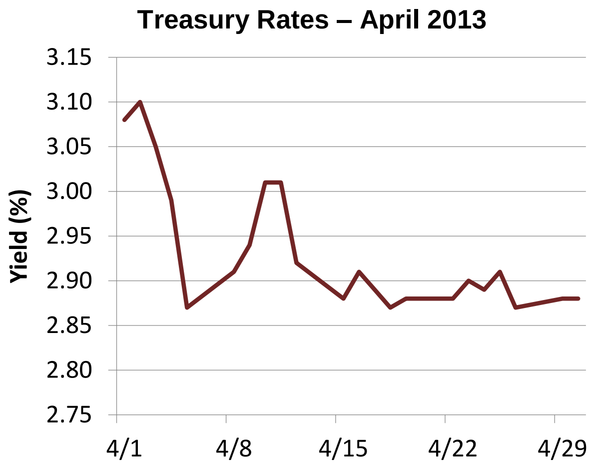
  Under current law, the Maryland Transportation Authority (MDTA) can only pursue civil action against toll violators if it sends a citation to the registered owner of the vehicle within 60 days of the alleged violation. The 60-day requirement is difficult to comply with on facilities with open-road tolling because drivers do not stop to pay a cash toll and they are not required to have an E-ZPass transponder to use the road. On the InterCounty Connector, for example, the MDTA sends an invoice, along with a photograph of the license plate, to the registered owner of any vehicle without a valid E-ZPass. Those customers are generally not considered violators unless they fail to pay the bill within 30 days of receiving the notice of toll due.

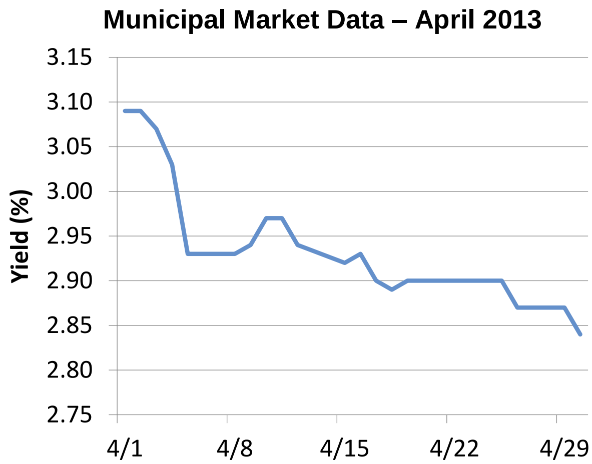
  Effective July 1, the law governing payment of tolls in Maryland will reflect current MDTA practice. A person who receives a citation for failure to pay a toll will have 30 days to either pay the toll and applicable fees or elect to go to court. If there is no response or the person fails to appear after having elected to stand trial, MDTA can collect the video toll and a civil penalty by any means of collection as provided by law. MDTA can also notify the Motor Vehicle Administration (MVA) even if the violator is not a chronic offender. MVA must refuse or suspend the registration of any motor vehicle incurring an electronic toll violation.

  HB 420 also enables MDTA to enter into reciprocal agreements with other states and jurisdictions and authorizes the MVA to apply specified motor vehicle registration suspension provisions for enforcement of those reciprocal agreements.

Market Update

April saw an improvement of roughly 30 basis points in the municipal markets. The 30-year MMD index ended the month at 2.84 percent, which is 1.25 percent below its 5-year average and only 37 basis points off of its low point of last November.





During the month, the Pennsylvania Turnpike, the Illinois State Highway Authority and the Central Texas Mobility Authority entered the market. The Central Texas Mobility Authority is of interest because of its ratings: it sold $156 million of senior lien (Baa2/BBB-/NR) and $104 million of subordinate lien (Baa3/NR/NR) refunding revenue bonds on April 23rd. The bonds of both liens were structured as serial maturities from 2014 – 2023 and each had two term maturities in 2033 and 2043. The term maturities were priced as follows:

	Senior Lien		Subordinate Lien	
Maturity	Yield	Spread to MMD	Yield	Spread to MMD
2033	3.85%	+124	4.48%	+187
2043	4.12%	+122	4.73%	+184

On April 30, the interest rate for a 35-year TIFIA loan was 2.86 percent.

MONTHLY UPDATE: OUTSTANDING DULLES CORRIDOR ENTERPRISE DEBT

Short-Term Notes and Loans

As of May 1, 2013, the Airports Authority has issued $149,550,000 of Dulles Toll Road Second Senior Lien Commercial Paper Notes, Series One. There is $150,450,000 of additional liquidity available to draw.

Program	Authorized Amount	Letter of Credit Provider	Dated Date	Expiration Date
Commercial Paper Series One	*Up to $300 Million*	*JP Morgan*	*August 1, 2011*	*August 11, 2014*

The following table shows the rolling three-month averages of the Commercial Paper Notes and the Securities Industry and Financial Markets Association (SIFMA) Index on a monthly basis for 2013 and the rolling 12-month averages for previous years. [1]

2013 Variable Interest Rates (3-Month Rolling Average)

Monthly	CP 1 JPM	SIFMA	Spread
April 2013	0.16%	0.13%	0.03%
March 2013	0.17%	0.10%	0.07%
February 2013	0.18%	0.11%	0.07%
January 2013	0.20%	0.14%	0.06%

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

Calendar Year	CP 1 JPM	SIFMA	Spread
2012	0.20%	0.16%	0.03%
2011*	0.18%	0.15%	0.03%

* 08/11/11 through the end of the calendar year

On December 17, 2012, the Airports Authority issued $200 million of fixed rate notes secured by the remaining Federal funding anticipated to be received pursuant to a Full Funding Grant Agreement (FFGA) with the Federal Transit Administration for Phase 1 of the Rail Project.

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

[1] The SIFMA index is a national rate based on a composite of approximately 250 issuers of high-grade, seven-day tax-exempt variable rate demand obligation issues of $10 million or more.

Dulles Toll Road Revenue Bonds

The total par amount of outstanding Dulles Toll Road Revenue Bonds as of May 1, 2013 is $1,305,906,518.[2] The table on the following page provides details on each bond issue.

Refunding Opportunities

There are no currently callable Dulles Toll Road revenue bonds outstanding. The Series 2009A First Senior Current Interest Bonds may be refunded in advance of the 2019 call date. Under current market conditions, a refunding transaction would not generate any debt service savings due to significant negative arbitrage in the required refunding escrow.

[2] The par amount does not include approximately $130 million of accreted value on outstanding capital appreciation bonds and convertible capital appreciation bonds. Interest on those securities is not paid currently. It accretes from the date of issuance and is compounded semi-annually on each April 1 and October 1 until the maturity date, or if applicable, the conversion date, whereupon interest will be payable semi-annually.

TABLE 2: Summary of Outstanding Dulles Toll Road Revenue Bonds

SERIES [3]	2009A	2009B	2009C	2009D	2010A	2010B	2010D
DATED DATE	8/12/2009	8/12/2009	8/12/2009	8/12/2009	5/27/2010	5/27/2010	5/27/2010
ORIGINALLY ISSUED PAR AMOUNT	$198,000,000	$207,056,689	$158,234,960	$400,000,000	$54,813,219	$137,801,650	$150,000,000
AMT OUTSTANDING as of 2/1/2013	**$198,000,000**	**$254,772,314**	**$200,754,159**	**$400,000,000**	**$66,344,484**	**$166,197,038**	**$150,000,000**
LIEN	First Senior	Second Senior	Second Senior	Second Senior	Second Senior	Second Senior	Subordinate
STRUCTURE	Tax-Exempt Current Interest Bonds	Tax-Exempt CABs	Tax-Exempt Convertible CABs	Taxable Build America Bonds	Tax-Exempt CABs	Tax-Exempt Convertible CABs	Taxable Build America Bonds
PRINCIPAL AMORTIZATION	2030-2044	2012-2040	2038-2041	2045-2046	2029-2037	2040-2044	2042-2047
YIELDS [4]	5.18% to 5.375%	3.50% to 7.91%	6.50%	7.462% (4.85% net of subsidy)	6.625%	6.500%	8.00% (5.20% net of subsidy)
CALL PROVISIONS [5]	October 1, 2019 at Par	Non-Callable	October 1, 2026 at Accreted Value	Any Business Day at Make-Whole Redemption Price	Non-Callable	October 1, 2028 at Accreted Value	Any Business Day at Make-Whole Redemption Price
MOODY'S RATING	A2	Baa1	Baa1	Baa1	Baa1	Baa1	Baa2
S&P RATING	A	BBB+	BBB+	BBB+	BBB+	BBB+	BBB
CREDIT ENHANCEMENT [6]	None	$188,266,435 Assured Guaranty	$158,234,960 Assured Guaranty	None	None	None	None

3 Series 2010C was authorized but not issued.

4 The all-in interest cost for the Series 2009 and 2010 bond issues is 6.044 percent and 6.154 percent, respectively, which results in an overall average cost of capital to date of 6.073 percent.

5 The Make-Whole Redemption Price is the greater of (i) 100 percent of the principal amount of the Bonds to be redeemed and (ii) the sum of the present value of the remaining scheduled payments of principal and interest to the maturity date of the Bonds to be redeemed discounted to the date on which the Bonds are to be redeemed on a semi-annual basis, assuming a 360-day year consisting of twelve 30-day months, at the adjusted Treasury Rate plus 50 basis points, plus accrued and unpaid interest on the Bonds to be redeemed on the redemption date.

6 Bonds insured by Assured Guaranty are rated “AA-” (stable outlook) by S&P and “Aa3” (review for possible downgrade) by Moody’s.