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

JANUARY 2014
DULLES CORRIDOR ENTERPRISE
REPORT OF THE FINANCIAL ADVISORS

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

Informational Items

- ***2014 Plan of Finance.*** The DCE Finance Team, which includes Finance Staff, the Financial Advisors, the Co-Senior Managing Underwriters, and Bond Counsel, is preparing for the potential issuance of long-term DTR revenue bonds in the first half of 2014. The size of the Series 2014 bond issue and the timing of the bond sale will depend in large part on the terms and conditions negotiated for the anticipated TIFIA loan.

  The Transportation Infrastructure Finance and Innovation Act (TIFIA) Program loan negotiations will also impact the potential issuance and structure of any TIFIA anticipation notes, therefore discussions with the three investment banking firms selected by the Board to negotiate a potential TIFIA anticipation note transaction will occur once sufficient detail is available to enable potential options to be identified and evaluated.

- ***TIFIA.*** The Airports Authority, Fairfax County, and Loudoun County are in active discussion with the United States Department of Transportation (USDOT) and its advisors regarding the potential terms and conditions for TIFIA credit assistance.

  The USDOT has not yet invited the Airports Authority or the Counties to submit a formal TIFIA application, but Finance Staff and the Financial Advisors believe it is still possible to negotiate and close the proposed TIFIA transactions by the end of the first quarter of 2014.

Relevant News Items

- ***USDOT Update on TIFIA Requests.*** Since August 2012, USDOT has received 38 Letters of Interest (LOIs) from project sponsors seeking TIFIA credit assistance. The table below summarizes the status of those requests as of December 19, 2013. (The Rail Project is in the Creditworthiness Review Stage.)

Status of TIFIA Review	Number of Projects as of 12/19/13
TIFIA Credit Agreement Executed	6
TIFIA Application Review Completed	3
TIFIA Application Under Review	0
Creditworthiness Review Stage	13
On hold pending completion of certain requirements	8
Initial Eligibility Review Stage	4
Determined Ineligible	2
Withdrawn from the LOI Process by Sponsor	2
Total Submissions	**38**

- ***Maryland I-95 Express Toll Lanes.*** On December 19, 2013, the Maryland Transportation Authority (MDTA) approved a tolling plan for the I-95 Express Toll Lanes (ETL) that are scheduled to open in late 2014. Drivers of two-axle vehicles with E-ZPass will pay $1.75 during peak hours, $1.40 during off-peak hours and $0.70 overnight per trip on the new lanes. The toll rates for each time period are similar to the rates established for the Intercounty Connector on a cents per mile basis.

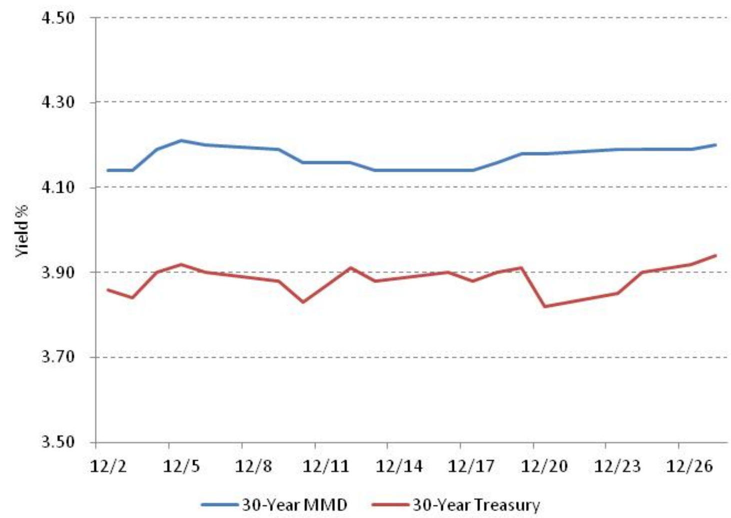
  The $1.08 billion I-95 Improvement Project includes $756 million in significant highway and safety enhancements and the construction of two new ETL in each direction of I-95, adjacent to the existing four general-purpose (non-tolled) lanes, between I-895 and just north of MD 43 (White Marsh Boulevard). The I-95 ETL are "through" lanes for drivers traveling to destinations north and south of I-695 (Baltimore Beltway).

  The ETL should help reduce the peak period congestion on I-95 that occurs during morning and afternoon rush hours, weekends, holidays, and traffic incidents. The MDTA does not expect significant usage of the ETL during off-peak and overnight periods in the initial years of operation.

Market Update

Treasury rates increased in December with the release of positive economic data and the Federal Reserve Bank's announcement of plans to taper its asset purchase program. The Municipal market was able to absorb the large supply of new issues before the holiday season, amidst continued outflows from the municipal bond funds. On December 13, the Foothills/Eastern Transportation Corridor Agency in California issued $2.3 billion of toll road revenue bonds. The issue included uninsured 40-year senior lien current interest bonds (rated Ba1/BBB-/BBB-) at a yield of 6.40 percent, uninsured 29-year senior lien Convertible CABs at a yield of 6.85 percent, uninsured 29-year senior lien CABs at a yield of 7.125 percent and uninsured 30-year junior lien current interest bonds (Ba1/BB+/BB+) at a yield of 6.60 percent. On December 12, the Kentucky Public Transportation Infrastructure Authority (rated Baa3/BBB-) issued $276 million of First Tier Toll Revenue bonds with 40-year current interest bonds yielding 6.125 percent, 19-year CABs yielding 6.65 percent and 33-year Convertible CABs yielding 6.875 percent. At the same time, it issued $452 million of Subordinate Toll Revenue Bond Anticipation Notes maturing in 2017 with a yield of 2.125 percent. The Authority expects to draw down a TIFIA loan to pay the Notes at maturity. Also on December 12, the New York State Thruway Authority issued $1.6 billion of Junior Indebtedness Obligation Notes for the Tappan Zee Bridge. The Notes have a final maturity of 2019 with uninsured yields of 2.20 percent (A3/A-) and AGM insured yields of 2.00 percent. The Thruway Authority anticipates drawing on a TIFIA loan in March 2019 and has reserved the right to pay all or a portion of the Notes when due with proceeds of the TIFIA loan.

Treasury Rates and Municipal Market Data (MMD) Index – December 2013



On December 27, 2013, the interest rate for a 35-year TIFIA loan was 3.95 percent.

MONTHLY UPDATE: OUTSTANDING DULLES CORRIDOR ENTERPRISE DEBT

SHORT-TERM NOTES AND LOANS

Commercial Paper Notes. As of January 1, 2014, the Airports Authority has issued the entire $300 million of Dulles Toll Road Second Senior Lien Commercial Paper Notes, Series One. There is no additional capacity available to draw under the program.

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 tables show 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
December 2013	0.13%	0.07%	0.06%
November 2013	0.13%	0.07%	0.06%
October 2013	0.13%	0.07%	0.06%
September 2013	0.13%	0.06%	0.07%
August 2013	0.15%	0.06%	0.09%
July 2013	0.17%	0.10%	0.07%
June 2013	0.17%	0.14%	0.03%
May 2013	0.16%	0.15%	0.01%
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%

[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.

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

Calendar Year	CP 1 JPM	SIFMA	Spread
2013	0.15%	0.09%	0.06%
2012	0.20%	0.16%	0.04%
2011 [2]	0.18%	0.15%	0.03%

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

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

DTR Subordinate Lien Revenue Notes. On November 22, 2013, the Airports Authority sold $150 million of Dulles Toll Road Subordinate Lien Revenue Notes, Series 2013. The Notes bear interest at a fluctuating rate per annum equal to the SIFMA Rate plus 0.24 percent. An additional $150 million has been authorized but not issued.

Program	Authorized Amount	Purchaser	Dated Date	Scheduled Final Maturity
DTR Subordinate Lien Revenue Notes, Series 2013	*Up to $400 Million*	*JP Morgan Chase Bank*	*November 22, 2013*	*November 19, 2014*

[2] 08/11/11 through the end of the calendar year

MONTHLY UPDATE: OUTSTANDING DULLES CORRIDOR ENTERPRISE DEBT

DULLES TOLL ROAD REVENUE BONDS

The total par amount of outstanding Dulles Toll Road Revenue Bonds as of January 1, 2014 is $1,305,906,518.[3] The tables below provide details on each series of bonds.

Structure and Credit Ratings

SERIES [4]	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
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
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 10/1/2013	**$198,000,000**	**$260,426,991**	**$209,511,270**	**$400,000,000**	**$69,294,809**	**$173,447,409**	**$150,000,000**
MOODY'S RATING	A2	Baa1	Baa1	Baa1	Baa1	Baa1	Baa2
S&P RATING	A	BBB+	BBB+	BBB+	BBB+	BBB+	BBB
CREDIT ENHANCEMENT [5]	None	$188,266,435 Assured Guaranty	$158,234,960 Assured Guaranty	None	None	None	None

3 The par amount does not include approximately $155 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.

4 Series 2010C was authorized but not issued.

5 Bonds insured by Assured Guaranty are rated “AA-” (stable outlook) by S&P and “A2” (stable outlook) by Moody’s.

Interest Rates and Call Provisions

SERIES [6]	2009A	2009B	2009C	2009D	2010A	2010B	2010D
AMT OUTSTANDING as of 6/1/2013	**$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 [7]	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 [8]	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

Refunding Opportunities

The Series 2009A First Senior Current Interest Bonds may be refunded in advance of the 2019 call date. Under current market conditions, a refunding transaction would not generate any debt service savings due to significant negative arbitrage in the required refunding escrow.

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[6] Series 2010C was authorized but not issued.

[7] 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.

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