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

OCTOBER 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

- ***Interim Financing for the Rail Project.*** On September 18, 2013, the Board of Directors authorized the Finance Staff, with assistance from the Financial Advisors, to engage in negotiations with three firms qualified to provide short-term construction financing for the Rail Project. Findings and recommendations from those negotiations are described in materials provided under a separate agenda item.

Informational Items

- ***Transportation Infrastructure Finance and Innovation Act (TIFIA) Program.*** Staff and advisors for the Airports Authority, Fairfax County, and Loudoun County continue to make progress in responding to follow-up questions and other due diligence information requests from the United States Department of Transportation (USDOT) and its advisors.

  In early September, the Airports Authority and the Counties each wired $133,000 to USDOT in response to a request for additional funds to cover the anticipated fees and expenses for its legal advisors for the proposed transactions.

  There is a possibility that the federal budget and debt ceiling negotiations could impact USDOT's ability to process projects in the TIFIA credit assistance pipeline, but the Finance Staff and the Financial Advisors remain optimistic that TIFIA funding can be secured by the first quarter of 2014.

- ***FY2014 Sequestration Rate for Build America Bonds (BABs).*** On September 30, 2013, the Internal Revenue Service announced that a sequestration reduction rate of 7.2 percent will be applied to the federal subsidy payments claimed by issuers of BABs in federal fiscal year 2014 that began October 1, 2013 and ends September 30, 2014.

The Airports Authority has issued $550 million of taxable BABs to fund the Rail Project. Semi-annual interest payments on those bonds total $20.924 million and are payable on April 1 and October 1 of each year. In FY2013, the Airports Authority received the entire 35 percent direct federal subsidy for its April debt service payment because it filed the applicable paperwork before the March 1, 2013 effective date of the sequester. The federal credit payment for the October 1, 2013, interest payment was reduced by $637,135.80 (8.7 percent of $7,323,400).

If Congress does not change the law, the federal subsidy for the April 2014 and October 2014 semi-annual interest payments could be reduced by $527,284.80 (7.2 percent of $7,323,400). The annual reduction ($1.05 million) would not have a material effect on the Dulles Toll Road credit. The effective annual BABs subsidy as a percentage of the schedule debt service with the sequestration would be 32.48 percent instead of the anticipated 35 percent.

Relevant News Items

- ***USDOT Update on TIFIA Requests.*** In the month of August 2013, USDOT received four new Letters of Interest (LOIs) from project sponsors seeking TIFIA credit assistance. That brings the total number of submissions since the enactment of MAP-21 program enhancements last year to 35. The table below summarizes the status of those requests as of September 24, 2013. The Rail Project is in the Creditworthiness Review Stage.

Status of TIFIA Review	Number of Projects
TIFIA Credit Agreement Executed	2
TIFIA Application Review Stage	7
Creditworthiness Review Stage	9
On hold pending completion of certain requirements	9
Initial Eligibility Review Stage	5
Determined Ineligible	2
Withdrawn from the LOI Process by Sponsor	1
Total Submissions	**35**

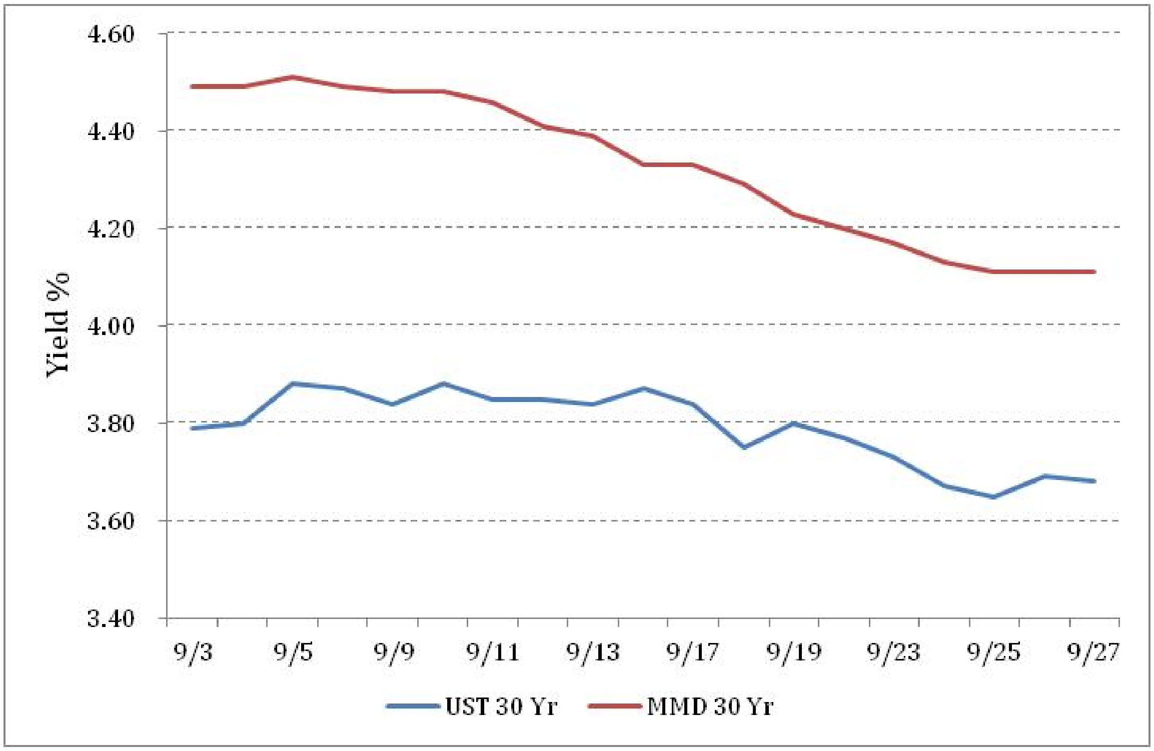
- ***Dulles Greenway Toll Rate Investigation.*** In January 2013, the Virginia State Corporation Commission (SCC) appointed a Hearing Examiner to investigate various complaints made by Virginia Delegate David Ramadan regarding the toll rates charged by the private operator of the Dulles Greenway toll facility. Public hearings on the matter were held in April and July of this year and a significant amount of testimony and data has been filed with the SCC.

On September 23, 2013, the Hearing Examiner approved a request from the Loudoun County Board of Supervisors to allow it to become a party to the proceedings. The decision enables the County to present opening and closing statements at an evidentiary hearing scheduled for November 12, 2013, and to cross-examine witnesses.

Market Update

Rates on 30-year municipal bonds continued to decrease partially in reaction to the Federal Reserve Bank's decision to keep in place (at least until the end of October) its strategy of purchasing $85 billion in Treasury Bonds each month in order to lower long-term interest rates, particularly on mortgages. Yields on municipal bonds began declining after Labor Day and in total have fallen over 40 basis points since the beginning of the month. While investors have been taking cash out of the market over the past 18 weeks, the pace of withdrawals has slowed. Combined with a relatively light calendar of transactions, this has lent a tone of stability to the market. The only toll road transactions in September were high grade turnpikes, Pennsylvania and Kentucky, the Greater New Orleans Expressway Commission and amortizing 10-year Federal Highway Grant Anticipation Bonds issued by the State of Washington for its SR 520 Corridor Program.

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



On September 30, 2013, the interest rate for a 35-year TIFIA loan was 3.68 percent.

MONTHLY UPDATE: OUTSTANDING DULLES CORRIDOR ENTERPRISE DEBT

SHORT-TERM NOTES AND LOANS

Commercial Paper Notes. As of October 1, 2013, 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 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
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
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***

[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 October 1, 2013 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**	**$261,586,352**	**$206,161,787**	**$400,000,000**	**$68,165,813**	**$170,673,958**	**$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 $149 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.