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

OCTOBER 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 (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

- ***Transportation Infrastructure Finance and Innovation Act (TIFIA) Loan.*** Fairfax County and Loudoun County continue to negotiate the final business terms for TIFIA loans in amounts not to exceed \$403.3 million and \$195.1 million, respectively.

Relevant News Items

- Dulles Toll Road Transponder Giveaway

  To celebrate the 30th Anniversary of the Dulles Toll Road, the Airports Authority is providing an opportunity to win E-ZPass transponders. Anyone can register online for the contest. Thirty winners were randomly selected on October 1 and one additional winner will be selected each day during the month of October.

  Each transponder is preloaded with \$15 in toll credits. If the transponder is subsequently registered online, an additional \$20 is added to the E-ZPass account for a total value of \$35. Current E-ZPass customers could enter a bonus drawing for a \$30 credit to their accounts.

- ***E-ZPass Promotions.*** Toll facility operators in Virginia are actively promoting the use of electronic toll collection transponders:

  <u>E-ZPass Reload Card</u>
  On September 16, 2014, VDOT announced the availability of the Virginia E-ZPass Reload Card which enables E-ZPass customers who prefer not to use credit or debit cards to replenish their E-ZPass accounts with cash at participating Virginia retailers.

  <u>495 Express Lanes Free Lunch Time Travel and Friday Giveaways</u>
  Transurban, the private operator of the 495 Express Lanes, invited drivers to register for two promotions. The first event allowed registered drivers to use the Express Lanes for free between 11 a.m. and 2 p.m. during the week of September 22 and provided coupons for lunch at one of twelve participating restaurants.

  The second promotion is a Friday Giveaway Sweepstakes. Each week between September 26 and November 14, 2014, Transurban will select a winner in a random drawing. Drivers with valid E-ZPass transponders could register online. Others could enter the sweepstakes by mail. Potential prizes include a spa package, tickets and dinner for two at Wolf Trap or $1,000.

- ***New York Tappan Zee Bridge Financing.*** On September 16, 2014, the United States Environmental Protection Agency determined that approximately $482 million of projects related to the replacement of the Tappan Zee Bridge are not eligible for funding under the Clean Water State Revolving Fund (CWSRF) program. New York Governor Andrew M. Cuomo had proposed to use low-cost financing available under the federal CWSRF program to help keep tolls on the new bridge as low as possible.

  The New York State Thruway Authority secured a $1.6 billion TIFIA loan for the $3.9 billion Tappan Zee Bridge project in December 2013, but it has not disclosed a detailed financial plan for the project or the potential toll increases that may be required to support the financing.

MONTHLY UPDATE: OUTSTANDING DULLES CORRIDOR ENTERPRISE DEBT

SHORT-TERM NOTES AND LOANS

Commercial Paper Notes. The outstanding balance of Dulles Toll Road Second Senior Lien Commercial Paper Notes, Series One as of October 1, 2014, was $114,455,000. The Airports Authority can draw an additional $185,545,000 under this 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, 2015***

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 2014. [1]

2014 Variable Interest Rates (3-Month Rolling Average)

Monthly	CP 1 JPM	SIFMA	Spread
September 2014	0.09%	0.05%	0.04%
August 2014	0.09%	0.05%	0.04%
July 2014	0.09%	0.06%	0.03%
June 2014	0.09%	0.08%	0.01%
May 2014	0.09%	0.07%	0.02%
April 2014	0.10%	0.06%	0.04%
March 2014	0.12%	0.04%	0.08%
February 2014	0.13%	0.04%	0.09%
January 2014	0.13%	0.05%	0.08%

[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.

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 May 22, 2014, the Airports Authority refunded $150 million of Dulles Toll Road Subordinate Lien Revenue Notes, Series 2013, with proceeds of the Series 2014A Bonds. As of October 1, 2014, no Subordinate Notes are outstanding. $250 million of Subordinate Notes 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***

MONTHLY UPDATE: OUTSTANDING DULLES CORRIDOR ENTERPRISE DEBT

DULLES TOLL ROAD REVENUE BONDS

The total amount of outstanding Dulles Toll Road Revenue Bonds as of October 1, 2014, including accretion, is $1,912,033,967.[2] The tables below provide details on each series of bonds.

Amount Outstanding by Series and Credit Ratings

Series [3]	Dated Date	Originally Issued Par Amount	Outstanding as of 10/1/2014	Lien	Tax Status	Moody's Rating	S&P Rating	Credit Enhancement [4]
2009A	8/12/2009	$ 198,000,000	$ 198,000,000	First Senior	Tax-Exempt Current Interest Bonds	A2	A	None
2009B	8/12/2009	207,056,689	267,789,813	Second Senior	Tax-Exempt CABs	Baa1	BBB+	$188,266,435 Assured Guaranty
2009C	8/12/2009	158,234,960	219,779,520	Second Senior	Tax-Exempt Convertible CABs	Baa1	BBB+	$158,234,960 Assured Guaranty
2009D	8/12/2009	400,000,000	400,000,000	Second Senior	Taxable Build America Bonds	Baa1	BBB+	None
2010A	5/27/2010	54,813,219	72,756,594	Second Senior	Tax-Exempt CABs	Baa1	BBB+	None
2010B	5/27/2010	137,801,650	181,948,039	Second Senior	Tax-Exempt Convertible CABs	Baa1	BBB+	None
2010D	5/27/2010	150,000,000	150,000,000	Subordinate	Taxable Build America Bonds	Baa2	BBB	None
2014A	5/14/2014	421,760,000	421,760,000	Second Senior	Tax-Exempt Current Interest Bonds	Baa1	BBB+	None
TIFIA Series 2014	8/20/2014	1,278,000,000	0	Junior	Taxable Loan	Baa2	BBB-	None
		$3,005,666,518	$1,912,033,967					

[2] The amount outstanding includes approximately $184 million of net 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.

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

[4] 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	Outstanding as of 9/1/2014	Lien	Tax Status and Structure	Principal Amortization	Yields [5]	Call Provisions [6]
2009A	$ 198,000,000	First Senior	Tax-Exempt Current Interest Bonds	2030-2044	5.18% to 5.375%	October 1, 2019 at Par
2009B	266,369,449	Second Senior	Tax-Exempt CABs	2012-2040	3.50% to 7.91%	Non-Callable
2009C	218,626,392	Second Senior	Tax-Exempt Convertible CABs	2038-2041	6.50%	October 1, 2026 at Accreted Value
2009D	400,000,000	Second Senior	Taxable Build America Bonds	2045-2046	7.462% (4.85% net of full subsidy)	Any Business Day at Make-Whole Redemption Price
2010A	72,367,796	Second Senior	Tax-Exempt CABs	2029-2037	6.625%	Non-Callable
2010B	180,993,510	Second Senior	Tax-Exempt Convertible CABs	2040-2044	6.50%	October 1, 2028 at Accreted Value
2010D	150,000,000	Subordinate	Taxable Build America Bonds	2042-2047	8.00% (5.20% net of full subsidy)	Any Business Day at Make-Whole Redemption Price
2014A	421,760,000	Second Senior	Tax-Exempt Current Interest Bonds	2051-2053	4.40%	April 1, 2022 at Par
TIFIA Series 2014	0	Junior	Taxable Loan	2023-2044	3.21%	Any Business Day at Par
	$ 1,908,117,147					

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 will not generate sufficient debt service savings to pursue a transaction due to the significant negative arbitrage in the required refunding escrow.

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[5] The all-in interest cost for the Series 2009, 2010 and 2014A bond issues is 6.044 percent, 6.154 percent and 4.824 percent, respectively, which results in an overall average cost of capital of 5.843 percent. The potential cost of capital including TIFIA will vary depending on when funds are drawn and the timing of future TIFIA payments and prepayments.

[6] 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.