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

MAY 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

- ***Dulles Toll Road Second Senior Lien Revenue Refunding Bonds, Series 2014A.*** The Series 2014A Bonds have been assigned long-term ratings of Baa1 by Moody's and BBB+ by S&P. In addition, the rating agencies reaffirmed the A2/A rating on the first senior lien bonds, the Baa1/BBB+ on outstanding second senior lien bonds, and the Baa2/BBB for the subordinate lien toll road revenue bonds. All liens have a stable outlook.

  The preliminary official statement for the transaction was posted on May 2, 2014. Marketing activities for the bonds include a recorded investor "roadshow" that can be accessed via the internet, conference calls, and meetings with potential investors. Pricing is tentatively scheduled for the week of May 12, subject to market conditions and initial feedback from investors and the transaction is expected to close on or about May 22, 2014.

- ***Transportation Infrastructure Finance and Innovation Act (TIFIA) Program.*** On April 30, 2014, the Secretary of Transportation provided the required three-day advance notification to Congress of the intent of the United States Department of Transportation (USDOT) to approve the TIFIA credit applications for direct loans to the Airports Authority and Fairfax and Loudoun Counties in a combined amount of up to $1.88 billion. (The Airports Authority is eligible for credit assistance not to exceed $1.28 billion, Fairfax County an amount not to exceed $403.3 million, and Loudoun County an amount not to exceed $195.1 million.) On May 9, 2014, the Airports Authority and Fairfax and Loudoun Counties received official notification from USDOT of its decision to approve the TIFIA loan applications.

The next step in the TIFIA process is to negotiate the final business terms for the TIFIA loans and to execute the loan agreements. Staff and advisors for the Airports Authority and the Counties are working closely with USDOT and its advisors and hope to have the necessary documents available in June for review and approval by the respective Boards.

- ***TIFIA Anticipation Note.*** On May 5, the Airports Authority sent an additional request for information to the three short listed firms (Bank of America Merrill Lynch, RBC Capital and Goldman Sachs) with whom the Board authorized negotiations, regarding the structure and pricing of the TIFIA anticipation notes. Responses are due May 15.

<u>Relevant News Items</u>

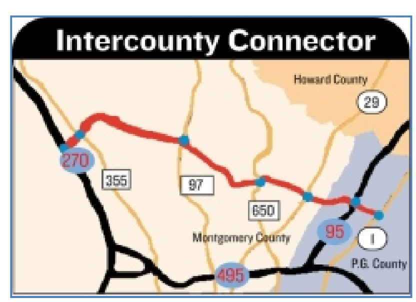
- ***Dulles Greenway Toll Rates and Credit Rating.*** On April 8, 2014, the Virginia State Corporation Commission (SCC) approved the request from the private owner of the Greenway to increase toll rates by 2.8 percent plus an additional 3-cent surcharge to enable the owner to recover a portion of a local property tax increase in 2013. As of April 11, 2014, the toll rate for 2-axle vehicles is $4.20 (a 10-cent increase) and the Congestion Management Toll (applicable only to weekday traffic in the peak period and direction) is $5.10 (a 20-cent increase).

  On April 14, 2014, Fitch Ratings affirmed its BB+ underlying credit rating on approximately $1 billion of Dulles Greenway Project Revenue Bonds. Credit positives cited by Fitch include the strong service area, significant cash reserves, a flexible debt service repayment schedule, and regulatory approval for a series of annual toll increases through the year 2020.

- ***495 Express Lanes Project.*** On April 10, 2014, Transurban, the private operator of the 495 Express Lanes on the Capital Beltway, released traffic and revenue data for the quarter ending March 31, 2014. Despite severe weather events in early 2014, average daily toll revenue for the quarter grew nearly 127 percent to $62,357 from $27,499 in the corresponding period last year. Traffic for the same period increased 36 percent from an average of 21,008 daily trips to 28,637 daily trips. (Average daily trips in the first full year of operation were forecast to exceed 66,000.)

  Transurban reports that the average toll per trip during that time period was $2.38 and the maximum toll charged to travel the full length of the Express Lanes was $10.90.

- ***Maryland Intercounty Connector.*** A $90 million extension of the Intercounty Connector (ICC) toll road project, which will extend the facility from its current terminus at Interstate



95 east to Route 1, was scheduled to open to traffic in spring 2014. The Maryland State Highway Administration reported construction has been delayed because of the severe winter weather but it has not announced a new completion date. The Maryland Transportation Authority will take over ownership and operate the roadway once it is completed.

<u>Market Update</u>

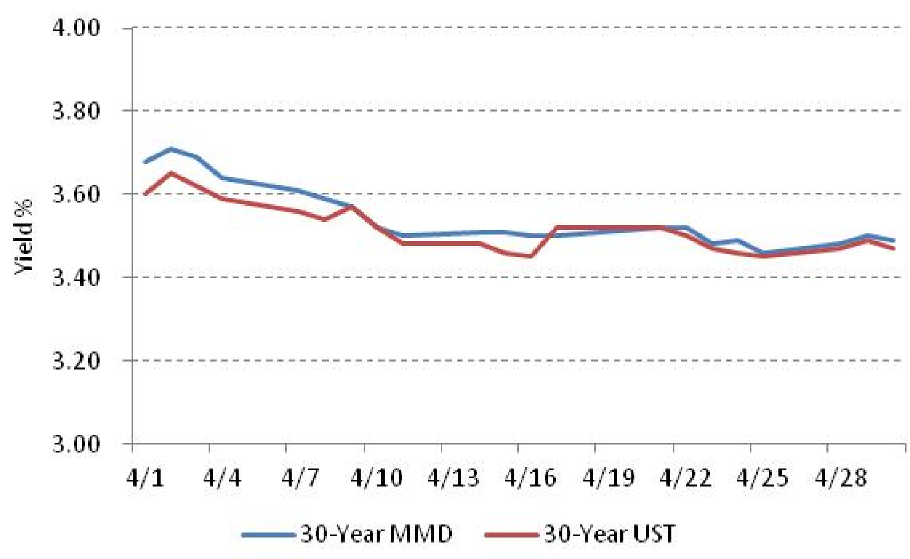
Municipal bond performance was strong in April, broadly gaining 1.2 percent on average. Inflows to municipal bond mutual funds were not particularly strong, which is not surprising in light of the April 15 tax date, but low yields continued to dampen enthusiasm for municipals as an asset class even later in the month. Investors are going down the credit scale - looking to high-yield municipals to enjoy better rates. Indeed, since the beginning of the year, high yield municipal funds have amassed $3.34 billion in net inflows. Furthermore, the calendar has been light. April's calendar of deals was 18 percent lower than in March, and declined 40 percent over April of 2013.

This is all positive news for the upcoming sale of DTR Bonds which are rated Baa1/BBB+.

In the Treasury market concerns about the Russia-Ukraine situation caused rates to decline even in the face of better than expected non-farm payroll numbers.

Pennsylvania Turnpike sold a $208 million deal on April 23. The subordinate turnpike revenue current interest bonds portion (A3/A-/A-) of the transaction had a final maturity of 2043 at a yield of 4.40 percent.

Treasury Rates and Municipal Market Data (MMD) Index – April 2014



On May 12, 2014, the interest rate for a 35-year TIFIA loan was 3.48 percent.

MONTHLY UPDATE: OUTSTANDING DULLES CORRIDOR ENTERPRISE DEBT

SHORT-TERM NOTES AND LOANS

Commercial Paper Notes. As of May 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 2014 and the rolling 12-month averages for previous years. [1]

2014 Variable Interest Rates (3-Month Rolling Average)

Monthly	CP 1 JPM	SIFMA	Spread
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%

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%

[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.

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

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 $250 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***

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 May 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 04/01/2014	**$198,000,000**	**$258,881,176**	**$213,977,247**	**$400,000,000**	**$70,800,138**	**$177,145,345**	**$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 $163 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.

[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.