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

MARCH 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

- ***Transportation Infrastructure Finance and Innovation Act (TIFIA) Program.*** The TIFIA Letter of Interest (LOI) submitted by the Airports Authority, Fairfax County, Loudoun County and the Commonwealth (the Funding Partners) is still under review by the U.S. Department of Transportation (USDOT).

- ***Virginia Transportation Funding Legislation.*** On February 23, 2013, the Virginia General Assembly approved major transportation funding legislation (H.B. 2313) that includes $300 million of additional state funding for the Rail Project. Governor McDonnell has until April 3 to propose amendments to the bill. Assuming there are no changes, $100 million will be allocated to the Rail Project in each of fiscal years 2014, 2015 and 2016 from the Commonwealth's Highway Maintenance and Operating Fund.

  The additional state funding will reduce the amount of DTR revenue bonds that must be issued for the Rail Project. Preliminary estimates indicate the total debt service reduction over the next 40 years will exceed $1 billion and the average annual trip cost on the DTR after 2018 could be 60 cents lower. A more detailed financial analysis will be undertaken after other major inputs, such as the amount of TIFIA credit assistance and the construction draw schedule for the Phase 2 design-build contract, are confirmed.

- ***Effect of Sequester on Build America Bonds (BABs).*** The automatic spending cuts under the Balanced Budget and Emergency Deficit Control Act include mandatory reductions in the federal subsidy payments to issuers of BABs. The Internal Revenue Service announced on March 4, 2013, that a sequester reduction rate of 8.7 percent will be applied to the scheduled amounts claimed by issuers between March 1, 2013 and the end of the federal fiscal year on September 30, 2013.

  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. The claim for the 35 percent direct federal subsidy for the April 1, 2013, interest payment was filed earlier this year and the Airports Authority received the full amount of $7,323,400 on February 19, 2013.

If Congress does not change the law, the federal subsidy payment for the October 1, 2013, interest payment on the outstanding BABs could be reduced by $637,135.80. That amount would not have a material effect on the Dulles Toll Road credit. The effective annual subsidy rate after the reduction would be approximately 33.48 percent.

Relevant News Items

- ***495 Express Lanes Project.*** Transurban, the private operator of the 495 Express Lanes on the Capital Beltway, recently released operating statistics for the six-week period from November 17, 2012, when the facility first opened to traffic, through December 31, 2012:

  - Toll revenue increased from a daily average of $12,212 in the first week of operations to an average of $24,317 in the week prior to the Christmas/New Year holidays.

  - Traffic for the same period increased from an average of 15,201 daily trips to 23,903 daily trips. (Average daily trips in the first full year of operation were forecast to exceed 66,000.)

  - To travel the full length of the Express Lanes, the minimum toll price for the period was $1.65 and the maximum peak price was $3.70. The average toll per trip was $1.07.

  - On average, 92.6 percent of trips were toll trips. The non-toll trips include HOV 3+ trips and exempt emergency and law enforcements vehicle trips.

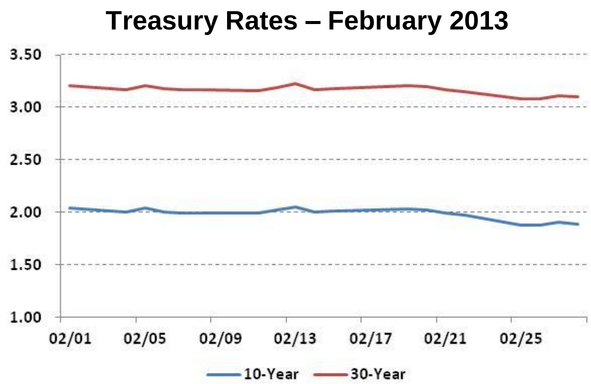
  In a February 5 press release, Transurban acknowledged that the initial traffic levels were below expectations and stated "…however we believe that it will take a minimum of six months of operations to establish any reliable trends."

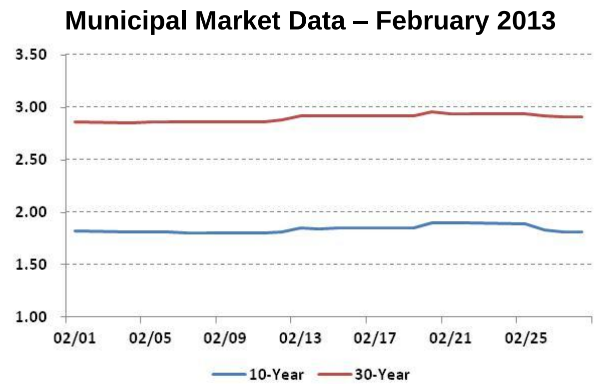
- ***New York Thruway Bond Anticipation Notes.*** On February 7, 2013, the New York State Thruway Authority issued $500 million of short-term notes to fund a contractor mobilization payment and other costs associated with the replacement of the Tappan Zee Bridge. The unrated notes are scheduled to mature on July 31, 2013, but the Thruway Authority has an option to extend the term for an additional two months and to increase the total size of the issuance by up to $200 million.

  Thruway officials expect to repay the notes from proceeds of a TIFIA loan. A TIFIA Letter of Interest for the Tappan Zee project was submitted to USDOT in September 2012, but as of the date of the note sale, the Thruway Authority had not been invited to submit a TIFIA application.

Market Update

10-year Municipal Market Date (MMD) followed the pattern of the 10-year Treasury Bond declining from 1.90 percent to 1.81 percent in the final week of the month. However, 30-year MMD underperformed Treasuries only improving by 3 basis points. Market issuance remains manageable.





MONTHLY UPDATE: OUTSTANDING DULLES CORRIDOR ENTERPRISE DEBT

Short-Term Notes and Loans

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

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
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 March 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 $124 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**	**$253,166,382**	**$198,659,753**	**$400,000,000**	**$65,639,385**	**$164,463,361**	**$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.