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

OCTOBER 2012
DULLES CORRIDOR ENTERPRISE
REPORT OF THE FINANCIAL ADVISORS

The Airports Authority established the Dulles Corridor Enterprise 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 Enterprise Fund.

Action Items

No Action Items to Report

Informational Items

- ***Transportation Infrastructure Finance and Innovation Act (TIFIA) Program.*** The Airports Authority, Fairfax County, Loudoun County and the Commonwealth are working to secure the maximum amount of TIFIA credit assistance possible under the provisions of the recently enacted surface transportation bill, *Moving Ahead for Progress in the 21st Century Act (MAP-21*). The parties submitted a TIFIA Letter of Interest (LOI) on October 5, 2012.

  A TIFIA application cannot be submitted until after the U.S. Department of Transportation (USDOT) completes its review of the TIFIA LOI. If the initial review of the LOI is positive, USDOT will then request more financial plan details, preliminary rating opinion letters and $100,000 to cover the cost of USDOT's financial and/or legal advisors. The entire LOI review process is likely to take several weeks.

  USDOT is currently revising the TIFIA application template to reflect the MAP-21 program changes. Assuming the new template is similar to the prior one, it may take a few weeks to assemble a complete joint application for TIFIA credit assistance once invited to apply.

- ***Potential Securitization of the Full Funding Grant Agreement (FFGA).*** Negotiations with Bank of America for a direct loan secured by future receipts from the Federal Transit Administration under the FFGA were initiated on September 21, 2012. It is anticipated that final terms and draft transaction documents will be provided to the Finance Committee at its November meeting with consideration by the full Board in December. If acceptable terms cannot be negotiated with Bank of America, other short-term financing options will be developed for Finance Committee consideration.

- ***Funding from the Commonwealth of Virginia.*** Staff and General Counsel continue to work with the Virginia Department of Transportation and the Virginia Department of Rail and Public Transportation to finalize an agreement regarding the $150 million of state transportation funding to be used to mitigate future DTR toll rate increases.

Relevant News Items

- ***Developer Solicitation for the Parking Garages at Loudoun Metrorail Stations.*** Loudoun County has committed to use its best efforts to secure additional funding sources to pay for the cost of designing and constructing three parking facilities at the two Metrorail stations located in the County. On September 18, 2012, the Loudoun County Board of Supervisors authorized the County Administrator to develop a Request for Partnership Proposals (RFPP) to develop the parking facilities under the Commonwealth's Public Private Transportation Act of 1995 (PPTA) and, if necessary, to also develop a Request for Proposal for a Design-Build Construction Project or Construction Management pursuant to the Virginia Public Procurement Act. Proposals can be submitted to develop one, two or all three of the parking facilities. In addition, the parking garages can be constructed as free standing structures or as a part of commercial development proposals for the stations.

- ***Loudoun Metrorail Service Districts.*** Loudoun County has scheduled two public information sessions and a public hearing regarding the proposed eastern Loudoun Metrorail service tax districts that will be located in the areas surrounding the three planned Loudoun County Metro stations. An additional real property tax of up to $0.20 per $100 of assessed property value may be levied in the districts to help pay for the construction of the Silver Line extension to Loudoun and the ongoing costs for Metro service.

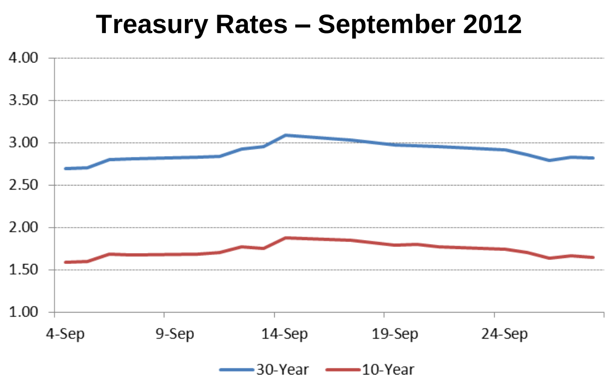
  

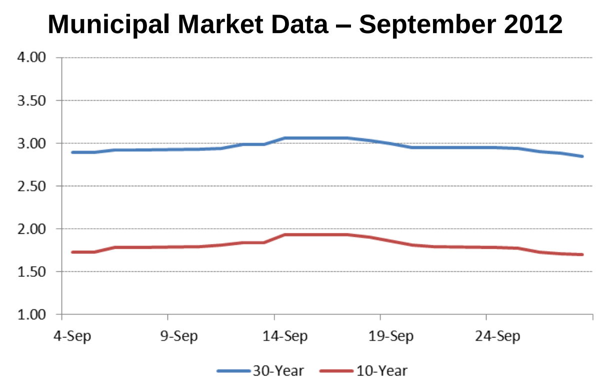
  The public information sessions were held on October 4 and October 10. The Board of Supervisors will hold the public hearing on October 17 at 6 p.m.

- ***Fairfax County Dialogue on Transportation.*** The Fairfax County Board of Supervisors is seeking to engage residents and businesses in a dialogue about the County's transportation needs, priorities and revenue options. Detailed information on existing and planned transportation projects and potential revenue sources, including tolling, has been posted on the County's website at www.fairfaxcounty.gov/fcdot/cdot/. Nine public meetings were held throughout the County between September 24 and October 11. Residents can also communicate their preferences for funding options and project priorities by completing an on-line survey. The survey results and comments will be presented to the Board of Supervisors on October 23, 2012.

Market Update

Rates on ten and thirty-year Treasury and Municipal paper ended the month close to or, in some cases, better than where they began. Thirty-year Municipal Market Data (MMD) ended the month only six basis points higher than its historic low of 2.79 percent. The decrease in MMD over the last two weeks of the month resulted from strong investor demand continuing to exceed the supply of municipal bonds offered for sale. In addition, municipal yields kept better pace with recent decreases in Treasury yields rather than lagging behind.





During the month, the Fairfax County Economic Development Authority sold $42.4 million Transportation District Improvement Revenue Bonds, rated Aa2/AA/AA with yields of .20 percent to 2.81 percent for bonds maturing between 2013 and 2032. A term bond in 2037 was priced to yield 3.12 percent. Spreads to the MMD index were very tight on this transaction, never reaching above +30. On the other end of the credit spectrum, the South Jersey Transportation Authority sold $77 million of revenue bonds rated Baa1/A-/BBB+ at yields ranging from 3.03 percent to 3.32 percent in the 2023 – 2029 maturities. Other higher rated transportation issuers this month included The Bay Area Toll Authority, and two transit authorities, the New York Metropolitan Transportation Authority (MTA) and San Francisco Bay Area Rapid Transit (BART). The District of Columbia also sold $43 million of AA2/AA rated Federal Highway Grant Anticipation bonds, and the Port Authority of New York and New Jersey sold $2 billion of bonds for the World Trade Center project that had a 50-year maturity and carried a taxable rate of 4.458 percent.

Semi-Annual Update on Outstanding Dulles Toll Road Debt

The total par amount of outstanding Dulles Toll Road Revenue Bonds as of October 1, 2012 is $1,305,906,518.[1] The table on the following page provides details on each bond issue.

In addition, as of October 1, 2012, 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.

Program	Authorized Amount	Letter of Credit Provider	Expiration Date
Commercial Paper Series One	***Up to $300 Million***	***JP Morgan***	***August 11, 2014***

[1] The par amount does not include approximately $112 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 1
Summary of Outstanding Bonds

SERIES[2]	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 10/1/2012	$198,000,000	$251,899,535	$193,385,796	$400,000,000	$63,862,971	$160,098,454	$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[3]	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[4]	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[5]	None	$188,266,435 Assured Guaranty	$158,234,960 Assured Guaranty	None	None	None	None

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

[3] 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.

[4] 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.

[5] Bonds insured by Assured Guaranty are rated “AA-” (stable outlook) by S&P and “Aa3” (review for possible downgrade) by Moody’s.