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

NOVEMBER 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

- ***Securitization of the Full Funding Grant Agreement (FFGA).*** As a separate agenda item, Finance Staff and the Financial Advisors recommend approval of a resolution that (1) authorizes the issuance of $200 million of Full Funding Grant Agreement (FFGA) Notes, Series 2012 and (2) approves the appointment of Manufacturers and Traders (M&T) Trust Company as the Trustee and Custodian. The proposed resolution also authorizes and directs the Chairman or Vice Chairman of the Board of Directors to execute several documents associated with the transaction, including a Noteholder Agreement by and between the Airports Authority and Bank of America, N.A. If the resolution is approved by the Finance Committee, it will be presented to the full Board for consideration at the December 2012 meeting. Financial closing is expected to occur soon thereafter.

Informational Items

- ***Transportation Infrastructure Finance and Innovation Act (TIFIA) Program.*** As of October 11, 2012, the U.S. Department of Transportation (USDOT) has received eighteen TIFIA Letters of Interest (LOI) for FY2013. Project sponsors are seeking TIFIA credit assistance for up to 49 percent of their estimated project costs which total over $27 billion in aggregate. The five largest transportation projects are listed below.

FY 2013 TIFIA Letters of Interest Submitted

Amounts in Millions of Dollars

Project Sponsor	Project Name	Estimated Project Cost
Airports Authority with Fairfax and Loudon Counties	Dulles Metrorail *(Northern Virginia)*	$5,999
New York State Thruway Authority	Tappan Zee Bridge *(Rockland and Westchester Counties)*	$5,900
Texas Department of Transportation	Grand Parkway - SH 99 *(Greater Houston area)*	$2,648
Virginia Department of Transportation	Route 460 Corridor Improvements *(southeastern Virginia)*	$1,724
Texas Department of Transportation	Interstate 35 East *(Dallas and Denton Counties)*	$1,415

USDOT is reviewing each TIFIA LOI to confirm that the proposed projects meet applicable creditworthiness standards and other TIFIA eligibility requirements. If the initial review of an LOI is positive, USDOT will ask the project sponsor to provide additional financial plan details, preliminary rating opinion letters and $100,000 to cover the cost of USDOT's financial and/or legal advisors. After the TIFIA LOI review has been completed, USDOT will invite the project sponsor to submit a formal application for TIFIA credit assistance. The LOI review and application process is likely to take several weeks.

- ***Funding from the Commonwealth of Virginia.*** Staff and General Counsel continue to work with the Virginia Department of Transportation (VDOT) 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

- ***Route 460 Corridor Improvements.*** On October 17, 2012, the Commonwealth of Virginia selected a private consortium led by Cintra Infraestructuras S.A. to finance, design and build a new 55-mile four-lane divided, limited-access toll road from Suffolk to Petersburg that will parallel the existing Route 460.

  The estimated construction cost is $1.396 billion. The Virginia Department of Transportation will contribute up to $930 million of funding and the Virginia Port Authority (VPA) will provide $250 million. If the Commonwealth is successful in securing a TIFIA loan for the 460 Project, the VDOT investment could be reduced to $753 million and the VPA share would be $202 million.

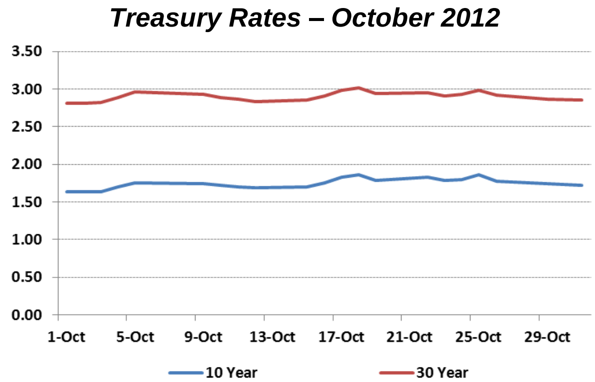
  In addition to the public sector funding, a non-profit corporation called the Route 460 Corridor Funding Corporation of Virginia will issue tax-exempt toll revenue bonds to fund approximately $216 million of project costs. The Virginia Transportation Infrastructure Bank (VTIB) has agreed to provide an $80 million revolving credit facility that can be drawn to pay debt service in the event toll revenues and amounts in dedicated reserves are not sufficient to make scheduled payments.

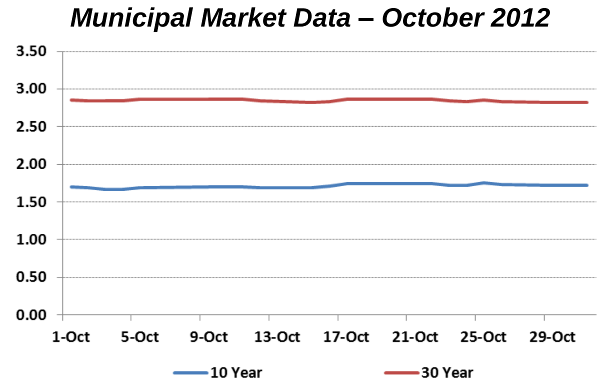
  There will be no cash toll collection on the new Route 460. All tolls will be collected electronically using E-ZPass and license plate video tolling. When the toll road opens in 2018, the initial rates will be approximately 7 cents per mile for cars and 21 cents per mile for trucks. Toll rates will be subject to annual escalation of 3.5 percent.

- ***Maine Turnpike Frequent User Discount.*** In August 2012, the Maine Turnpike Authority Board made several changes to its toll rate structure to generate additional toll revenue to pay for capital improvements and debt service. On October 18, 2012, it agreed to modify the plan to mitigate the impact on frequent users. For an eight-month period starting November 1, 2012, motorists who drive more than 40 one-way trips on the Maine Turnpike in one month will get a 50-percent discount off the new E-ZPass rate of 7.7 cents per mile and those driving between 30-39 trips per month will get a 25-percent discount. The earlier toll rate structure approved in August will now take effect in July 2013. Under that plan, motorists making between more than 40 trips on the turnpike in a month receive a 20-percent discount and those making 30-39 trips, a 10-percent discount. The increased discount is expected to cost the Maine Turnpike Authority approximately $600,000 over the eight months.

Market Update

During the month of October, rates in both the Treasury and the municipal bond markets remained fairly constant. Supply/demand dynamics continued to exert the most influence on municipal rates.





While the North Texas Tollway, Harris County and the Pennsylvania Toll Road Commission all sold bonds in October (all rated in the single-A category or higher), of most significance to the Authority is the pricing of $107 million of Current Interest and Convertible Capital Appreciation Bonds (CABs) by the City of Chesapeake Virginia. The bonds are senior toll road revenue bonds issued to finance the cost of constructing the Dominion Boulevard Project and refunding its outstanding Series 1999 Chesapeake Expressway Toll Road Revenue Bonds. The issue, rated BBB/BBB by S&P and Fitch, was brought to market on 10/24. Here are specifics of the pricing, which was led by Citi:

Maturity	Coupon	Yield	Spread to MMD	Type of Bond
2018	3.00%	2.12%	+130	Current Interest
2019	4.00	2.41	+135	Current Interest
2020	4.00	2.70	+140	Current Interest
2021	5.00	2.88	+134	Current Interest
2022	5.00	3.06	+124	Current Interest
2023	5.00	3.20	+134	Current Interest
2024	4.00	3.34	+140	Current Interest
2025	4.00	3.41	+140	Current Interest
2026	4.00	3.48	+140	Current Interest
2027	5.00	3.50	+136	Current Interest
2032*	--	4.75%**	+231	Convertible CABs
2040*	--	4.875%**	+206	Convertible CABs
2042	4.125%	4.18%	+134	Current Interest
2047	5.00%	4.125%	+128	Current Interest

* Conversion Date: 2023. Total Maturity Value: $71.180 million
** Interest Rate

The issue is of interest for several reasons:

1. It is a Virginia issuer, whose source of repayment is tolls;
2. It has similar ratings to the DCE's subordinate lien bonds; and,
3. It used Convertible CABs, a product that the Authority utilized in both of its prior borrowings, 2009 and 2010, and may use again in the future, depending on market conditions.

The transaction provides the best *general* indication to date of pricing levels for the Authority's Toll Road revenue bonds in the current market. (Adjustments would need to be made to reflect differences in par value issued and ratings).

The Authority previously issued two series of Convertible CABs with the following characteristics:

Issuance Date	Maturity Value (millions)	Maturity	Interest Rate	Spread to MMD	Ratings	Series Designation
8/5/2009	$249.775	2041*	6.50%	+182	Aa2/AAA INSURED	Series 2009C
5/18/2010	$235	2044**	6.50%	+248	Baa1/BBB+	Series 2010B

* Conversion Date: 2016; callable 10/1/2026
** Conversion Date: 2018; callable 10/1/2028

In May of 2010, prevailing 30-year Treasury and tax exempt rates were approximately 1 percent and 1 ¼ percent higher, respectively, than they were when the City of Chesapeake's bonds were offered for sale.

At the time the Series 2009 and Series 2010 bonds were priced, the market for Convertible CABs was more difficult, especially given size of both offerings. Indeed, investor interest in this product waxes and wanes, driven by the absolute level of interest rates and the amount of competing product in the market.

With interest rates near all-time lows and a lack of supply, the current market for CABs and Convertible CABs is very robust.