STANDARD & POOR'S

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Maryland Transportation Authority; Toll Roads Bridges

Primary Credit Analyst:
Adam Torres, New York (1) 212-438-2481; adam_torres@standardandpoors.com

Secondary Credit Analyst:
Laura A Macdonald, New York (1) 212-438-2519; laura_kuffler_macdonald@standardandpoors.com

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Maryland Transportation Authority; Toll Roads Bridges

Credit Profile		
US$640. mil transp facs proj rev bnds ser 2008 due 07/01/2041		
Long Term Rating	AA-/Stable	New
Maryland Transp Auth transp (FSA)		
Unenhanced Rating	AA-(SPUR)/Stable	Affirmed

Many issues are enhanced by bond insurance.

Rationale

Standard & Poor's Ratings Services assigned its 'AA-' rating to Maryland Transportation Authority's series 2008 transportation facilities project revenue bonds. The outlook is stable.

At the same time, Standard & Poor's affirmed its 'AA-' underlying rating (SPUR), with a stable outlook, on the authority's outstanding revenue bonds.

The rating reflects a mature, diverse, and relatively inelastic toll revenue system that is adding significantly to its debt burden in the medium term. The rating incorporates the authority's plans to issue approximately $2.33 billion in additional parity revenue debt through fiscal 2013.

More specifically, the rating reflects the authority's:

- Large and well-diversified system consisting of six pledged facilities, with monopoly control over central Maryland's essential highway, bridge, and tunnel network, particularly Interstate 95;
- Good liquidity position, with about 650 days' cash on hand at fiscal year-end 2007, based on $249 million in unrestricted cash;
- Willingness and ability to raise toll rates, demonstrated by a 100% to 150% toll increase for noncommuters from 2001 to 2003, and traffic levels that showed relative inelasticity over that time, growing 3.4% since 2002, and taking into account an initial slight 0.3% decline in traffic from 2002 to 2003; and
- Strong historical debt service coverage (DSC) ranging from 4.4x to 6.0x from 2003 to 2007, as calculated by Standard & Poor's, though it is expected to decline to 1.5x by 2016, incorporating future debt issuances and assuming no further toll increases after 2013.

These credit strengths are weighed against the authority's debt issuance program, which will considerably increase its debt profile in the medium term. The authority's capital improvement plan (CIP) through fiscal 2013 totals $4.15 billion, of which approximately 71% will be debt financed. Funding sources include the current series 2008 issue (approximately $640 million) and series 2007 bonds (approximately $290 million, issued in fiscal 2008) and an additional $1.17 billion in revenue bonds, $515.0 million in federal highway trust fund loans (as parity debt), $408.1 million in federal grant anticipation revenue bonds (GARVEEs), $302.6 million in state and federal funds, and $892.5 million in authority cash. The authority is currently limited by statute to $1.90 billion in total outstanding revenue debt, of which approximately $1.18 billion will be outstanding following the series 2008 issue. The approval of the state's general assembly is required to raise the authority's debt limit.

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In addition, the authority's good $249 million in unrestricted cash at fiscal year-end 2007 is a significant decline from $323 million in 2006. The decline is due to delayed bond issues in calendar 2007, which caused the authority to partially fund its capital requirements with cash from its general fund. Since that time, the authority has begun rebuilding its cash position through excess operating income. Any further declines in the cash position could be a rating concern. The authority has no variable-rate revenue bonds and no swaps outstanding at this time.

The security of the bonds consists of a pledge on the net revenues of the authority's six existing transportation facilities projects (TFP): JFK Memorial Highway, the Fort McHenry Tunnel, the Chesapeake Bay Bridge, the Baltimore Harbor Tunnel, the Francis Scott Key (Baltimore Harbor Outer) Bridge, and the Nice (Potomac River) Bridge. Bondholders are also entitled to a pledge against certain other projects (general account projects), but these pledges are subject to termination by the authority and are therefore not considered in Standard & Poor's financial analysis. The authority has the sole ability to set toll rates.

The CIP includes construction of the Inter-County Connector (ICC), an 18-mile east-west highway north of the Washington, D.C., beltway that will connect the I-270 and I-95 corridors in Montgomery County and Prince George's County in Maryland. Construction began in November 2007, with the highway scheduled to open in two phases: the western portion in October 2010, and the eastern portion in January 2012. Although the new highway will benefit from serving a developed corridor that currently faces significant congestion, it nonetheless will face some uncertainty in both initial traffic volume and subsequent ramp-up. In January 2008, the ICC was reclassified as a TFP by resolution of the authority, previously having been classified as a general account project. As a result of the reclassification, the ICC is now eligible for revenue bond debt financing, and its revenues will also be pledged to bondholders when operations begin, currently projected for late 2010.

Following this issue and including the additional upcoming revenue bonds, projected DSC will not reach the highs demonstrated in the past few years. Projected net revenues allow DSC to begin at 3.3x in 2008, then range from 1.7x to 3.6x through the CIP period, and about 1.5x from 2014 to 2016, as calculated by Standard & Poor's. While the authority incorporates all revenue received from operations and counts all operating expenses, Standard & Poor's only includes financial results from the six existing TFPs, the ICC, concessions, and pledged investment income. Incorporating revenues and expenses throughout the system, DSC was 6.9x in 2007 and is projected to decline to a low of 2.0x in 2016, which meets the authority's policy of net revenues of 2x DSC.

Outlook

The stable outlook reflects the essentiality of the system's facilities, the significant revenue-raising capacity of the system, and management's intention to maintain strong DSC levels. Should actual net revenues fall below the 1.5x range currently projected (as calculated by Standard & Poor's), the rating could be negatively affected. The rating could also be negatively affected if the authority's cash position is not sufficiently rebuilt.

Maryland Transportation Authority

The authority, established in 1971, is responsible for the construction, operation, maintenance, and repair of various transportation-related facilities located throughout the state. An eight-member board governs the authority, with the Maryland secretary of transportation as chairman. The chairman's dual role in the authority and the Maryland Department of Transportation (MDOT) facilitates policy and management coordination between the two agencies.

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The board members are appointed to staggered three-year terms to promote continuity between administrations. The authority has sole rate-setting powers on its tolled assets.

There are seven projects designated as TFPs. The six existing facilities consist of three Baltimore water-crossings--the Fort McHenry Tunnel, the Baltimore Harbor Tunnel, and the Francis Scott Key (Baltimore Harbor Outer) Bridge--in addition to JFK Memorial Highway, the Chesapeake Bay Bridge, and the Nice (Potomac River) Bridge. The ICC was designated as a TFP in January 2008, but revenue collections will not begin until it begins operations, currently scheduled for late 2010.

The trust agreement requires the authority to retain a qualified independent engineer to inspect each facility annually. For fiscal 2007, an independent engineer inspected the Fort McHenry Tunnel and the Francis Scott Key Bridge, while a separate independent engineer inspected the remaining facilities; all assets were found to be in generally good condition.

The authority also owns three projects (defined as general account projects under the trust agreement), whose revenue is only pledged to bondholders at the authority's discretion. The authority may instead pledge the revenue to other series of bonds. The three projects are the Susquehanna River Bridge, the Seagirt Marine Terminal, and the Masonville Auto Terminal. The Susquehanna River Bridge is a self-supporting project operated by the authority, while the two terminals are leased to the Maryland Port Administration (MPA), which bears the cost of operating the facilities. The authority has granted interest-bearing loans to each of the MPA projects. Operating expenses of these three projects are paid from the authority's general account, subordinate to both revenue bond debt service and required deposits under the revenue bond indenture.

The authority also acts as a financing conduit for various bonds issued on behalf of the Baltimore/Washington International Airport, the Washington Metropolitan Area Transit Authority, and a state employee parking garage in Annapolis. At fiscal year-end June 30, 2007, these bonds totaled $461 million.

In addition, the authority performs services for other governmental agencies and receives fees for those services, such as lease holding with respect to the MPA and police services to the Maryland Aviation Administration. The authority reported $132.6 million in total intergovernmental revenue in 2006.

Legal Provisions

A pledge of revenues derived from the ownership or operation of the TFPs secures the bonds. In January 2008, a resolution of the authority reclassified the ICC as a TFP; it had previously been classified as a general account project. The trust agreement allows for such reclassification, if the authority can estimate that project revenues in the fifth full year and thereafter following completion of construction will exceed the current annual expenses associated with the project beginning in the year that bonds are issued. As a result of the reclassification, the ICC is now eligible for revenue bond debt financing, and its revenues will also be pledged to bondholders upon project completion. Bondholders also have a pledge against certain general account projects, but these pledges are subject to termination by the authority and thus are not considered in Standard & Poor's revenue or DSC analyses.

With this issue, the authority is amending its trust agreement to allow the operating and maintenance reserve fund to invest in securities with up to a five-year maturity (an increase from the one-year maximum term that is currently allowable) in order to maximize yields. Funded at approximately $42 million for fiscal 2008, the fund is mandated

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to be 20% of the authority's operating budget. Importantly, the authority has not accessed the operations and maintenance (O&M) reserve in more than 20 years. Standard & Poor's does not consider this change to have a material effect on the authority's rating.

The flow of funds is standard. The authority is required to apply revenues in the following order and priority: (1) to pay operating expenses; (2) to make monthly-accrued debt service payments; (3) to fund the maintenance and operations reserve account as set forth in each annual budget; (4) to replenish the debt service reserve fund, if necessary; and (5) to pay debt service on junior debt obligations, if applicable. Excess funds are then deposited to the general account fund. Money on deposit in the general account may be applied to any operating, maintenance, or capital needs related to the system, or transferred out of the system.

In the trust agreement, the authority covenants to set rates and charges such that net revenues generated by the transportation facilities equal at least 1.2x annual debt service and 1.0x the amount needed to fully fund the required operation and maintenance reserve. The additional bonds test requires that projected net revenue cover existing and proposed annual debt service by 1.2x in each of the four years following the completion date of the project financed with the additional bonds. In the fifth year after project completion, projected net revenue must cover pro forma maximum annual debt service (MADS) on existing and proposed debt by 1.2x. A reserve account also provides additional security to bondholders, requiring the least of MADS, 125% of average annual debt service, or 10% of series 2008 par. Reserve accounts also exist for outstanding series of bonds; however, a bondholder can only look to the specific reserve account for the bond series that is held. The 1992 reserve account is funded through cash, while the reserve accounts since 2004 have been met through an insurance policy by FSA (AAA/Stable); it is expected that the series 2008 reserve account will also be met through FSA insurance. There are no explicit triggers requiring the authority to liquidate the insurance policy in the event that the insurer's rating is downgraded.

System Description

The authority benefits from its monopoly control over central Maryland's essential highway, bridge, and tunnel network. In particular, the JFK Memorial Highway and the Baltimore water crossings are essential portions of I-95, the primary north-south artery in the eastern United States. Few or no timely alternatives are available to local or out-of-state motorists using the system. Noncommuter (full-fare) vehicles accounted for approximately 65% of vehicles on the system in 2007. The system is mature, and traffic growth has increased 3.4% overall since 2003. The increase is somewhat inflated, however, as toll increases in 2003 led to an initial small (0.3%) traffic decline from 2002 to 2003, followed by a 0.9% rebound in traffic in 2004.

The JFK Memorial Highway, dedicated in 1963, is a 50-mile section of I-95 from the northern Baltimore city line to the Delaware state line. The highway carries six lanes of traffic from the Delaware line to the State Route 24 interchange, and eight lanes from the interchange to the beginning of the Harbor Tunnel facility. Transactions totaled 14.8 million in 2007, though tolls are only collected on the northbound side. The authority also benefits from concession revenue at two travel plazas located along the JFK highway.

The three Baltimore water crossings, each 1.5 miles long, provide important links to I-95. They were designed to provide through-motorists and city residents with convenient access to the interstate highway and reduce congestion in the city. Each facility collects tolls in both directions. The Baltimore Harbor Tunnel opened in 1957 and is a four-lane facility; total transactions were 25.7 million in 2007. The Francis Scott Key Bridge was completed as the last link of the Baltimore Beltway (I-695) in 1977; it provides a crossing point for hazardous materials and alleviates

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congestion in the Harbor Tunnel. The four-lane facility had 12.2 million transactions in 2007. Finally, the Fort McHenry Tunnel opened in 1985. Toll transactions on the eight-lane facility totaled 44.8 million in 2007.

The Nice Bridge carries U.S. Route 301 across the Potomac River, avoiding Washington, D.C., easing travel from eastern and southern Maryland to Richmond and points south. Tolls are collected southbound only on the 1.7-mile facility; there were 3.4 million transactions in 2007. The 4.3-mile-long Chesapeake Bay Bridge provides a direct connection with Maryland's Eastern Shore recreational areas and the metropolitan areas of Baltimore and Washington, D.C. It is a two-span bridge; the original two lanes, which opened in 1952, currently serve eastbound traffic. The westbound portion is three lanes and opened in 1973. Tolls are collected eastbound only; the facility received 13.5 million transactions in 2007.

Toll Increases

The authority's toll revenue increased 41% from fiscals 2003 to 2007, almost entirely due to a toll increase in November 2003. With fiscal 2000 added to the analysis, toll revenue has increased 88%, since the authority had also raised tolls in November 2001. With both increases included, noncommuter passenger cars saw a 150% increase in JFK Memorial Highway tolls (to $5.00 from $2.00) and a 100% increase in harbor crossing tolls (to $2.00 from $1.00) in the period. Importantly, car commuter discount tolls did not increase, leaving them at about one-fifth the cost of noncommuter tolls. The average car toll rose 135% on the JFK highway and just 65% to 75% on the harbor crossings because harbor crossing traffic includes more local commuter traffic. In addition, as a result of the very low commuter tolls, more cars used the commuter discount program.

Five-axle trucks saw a 150% increase in JFK Memorial Highway tolls (to $20.00 from $8.00) and a 100% increase in harbor crossing tolls (to $8.00 from $4.00) from the two toll increases. Many trucks participate in volume-discount pools. Tolls for the discounted pools increased at the same rate as cash truck tolls, so the average toll for a five-axle truck increased about 150% and 100%, respectively.

Traffic levels were not significantly affected by the toll changes, increasing 3.4% since 2003. As noted, however, there was an initial decline in traffic (0.3%) from 2002 to 2003, due to the toll increase. Noncommuter cars on the 50-mile JFK Memorial Highway now pay $0.10 per mile (one-way); five-axle trucks pay $0.40 (one-way). These rates are higher than most other government-owned statewide systems, considering that they are only collected in one direction (northbound). Before 2001, toll rates had not been raised in 15 to 25 years (depending on the facility). Tolls on the Chesapeake Bay Bridge remain at the level set in 1975.

Currently, the noncommuter automobile toll rate on the authority's six pledged facilities is as follows:

- JFK Memorial Highway, $5.00 (one-way tolling);
- Nice (Potomac River) Bridge, $3.00 (one-way tolling);
- Chesapeake Bay Bridge, $2.50 (one-way tolling); and
- Three Baltimore water crossings, $2.00 (tolls in both directions).

Capital Improvement Program

The authority's 2008-2013 CIP totals approximately $4.15 billion. Sources include the current issue and an additional $1.17 billion in revenue bonds, $515.0 million in TIFIA loans as parity debt, $408.1 million in federal

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GARVEEs, $302.6 million in state and federal funds, and $892.5 million in authority cash. Importantly, the authority is currently limited to $1.9 billion in total outstanding revenue debt, which will be approximately $1.18 billion following the series 2008 issue; the state's general assembly must grant approval in order to raise the authority's debt limit.

The major portion of the CIP is the construction of the ICC. The ICC is an 18-mile east-west highway north of the Washington, D.C., beltway that will connect the I-270 and I-95 corridors in Montgomery County and Prince George's County in Maryland. Toll collections will be handled completely electronically, using a combination of E-ZPass and video tolling. From fiscals 2004 through 2007, ICC costs have totaled $495.4 million, and have been funded with $325.0 million in GARVEEs, $90.0 million of state DOT cash, $53.0 million of state cash, $26.8 million of the authority's cash, and $0.6 million in federal grants issued in May 2007. Currently, construction is expected to be completed in fiscal 2012, at a total project cost of $2.45 billion. Additional funding sources for the remaining $1.95 billion include $1.2 billion in revenue bonds, $425.0 million in GARVEEs, $264.9 million from the state's general fund, $180.0 million from the state transportation trust fund, $26.8 million from authority cash, and the remainder from federal grant funding.

The ICC construction project has been divided into five contracts, lettered A to E, and moving west to east. Right-of-way acquisition is complete for contracts A and C, resulting in 50% of all land needed for the entire project. A limited notice to proceed has been issued for contract A; although a lawsuit is pending, management does not expect the limited notice to proceed to be affected. The highway is expected to open in two phases: the western portion in October 2010 and the remainder in January 2012. Although the new highway will benefit from serving a developed corridor that currently faces significant congestion, it nonetheless will face some uncertainty in both initial traffic volume and subsequent ramp-up.

The CIP also includes $1.2 billion in projects related to the JFK Memorial Highway. Capacity constraints during rush hours require widening of the highway south of State Route 43, which is the most congested section of I-95 north of Baltimore. Nearly all of the program costs associated with the roadway will be used for this project. Construction began in 2007, with completion expected in 2012. Coupled with the ICC, the two projects account for 83% of the six-year CIP.

The remaining capital budget includes $490.1 million in rehabilitation projects specific to the other five existing transportation facilities projects and $386.8 million for multifacility projects.

Finances

Operating margins for the authority's transportation facilities projects have historically been healthy, with net revenue covering debt service by a strong 6.0x in fiscal 2007. The authority's six existing pledged transportation facilities projects generated $286.9 million in total revenue in 2006 (including $274.8 million in toll revenue) and incurred $140.4 million in operating expenses. In terms of 2007 toll revenue, two assets--the JFK Memorial Highway and the Fort McHenry Tunnel, which make up portions of I-95-- produced 64.3% of revenue (33.9% and 30.4%, respectively). Trucks represented 8.1% of 2007 toll transactions and 32.4% of toll revenue. Of note in the following table is that (1) flat toll revenue from 2005 to 2006 resulted from an unexpected large migration to discounted programs that were enacted in fiscal 2006, and that (2) the significant increase in operating expenses from 2006 to 2007 is the result of reclassification of equipment and insurance costs from the capital program to the operating budget. This reclassification accounted for $19.4 million of the increase in expenses.

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Table 1

Maryland Transportation Authority Pledged Facilities

	JFK Memorial Highway	Fort McHenry Tunnel	Baltimore Harbor Tunnel	Chesapeake Bay Bridge	Francis Scott Key Bridge	Nice (Potomac River) Bridge	Total
Pledged toll revenue							
2007 revenue ($000s)	93,296	83,553	34,655	33,998	18,984	10,331	274,817
% of total	34.0	30.4	12.6	12.4	6.9	3.7	100.0
% truck toll revenue	37.7	32.8	14.8	28.3	43.9	31.4	32.4
Growth since 2000 (%)	146.6	89.2	81.9	12.3	82.9	129.1	88.0
Growth since 2003 (%)	24.1	80.2	68.0	6.3	70.0	13.8	41.4
Growth since 2005 (%)	0.0	2.5	1.2	2.7	0.1	4.5	1.4
Traffic							
2007 traffic (000s)	14,840	44,943	25,740	13,495	12,203	3,418	114,639
% of total traffic	12.9	39.2	22.5	11.8	10.6	3.0	100.0
% truck traffic	13.0	8.6	3.3	8.0	10.0	8.9	8.1
Growth since 2000 (%)	3.6	10.3	11.8	14.0	11.5	26.1	10.7
Growth since 2003 (%)	(0.1)	1.8	3.2	8.7	5.7	15.5	3.4
Growth since 2005 (%)	(0.7)	3.4	1.0	4.1	1.9	6.6	2.3

Traffic is measured in fiscal year toll transactions. One-way tolling facilities are the JFK Memorial Highway, Chesapeake Bay Bridge, and Potomac River Bridge. Two-way tolling facilities are the three harbor crossings: Fort McHenry Tunnel, Baltimore Harbor Tunnel, and Francis Scott Key Bridge.

Concession revenue from the JFK highway's two service plazas provided $7.8 million, or about 2.8% of total revenue. (Please see Table 2.)

Table 2

Maryland Transportation Authority Revenue Bonds

	--Fiscal year-end June 30--				
($000s)	**2003**	**2004**	**2005**	**2006**	**2007**
Traffic	110,840	111,866	112,032	113,092	114,639
Pledged toll revenue	194,423	245,383	271,060	270,449	274,817
Concession revenue	8,279	8,051	7,956	7,800	8,127
Pledged investment income	837	580	1,310	4,500	4,000
Other	(604)	(122)	(4)	N/A	N/A
Total pledged revenue	203,539	254,014	280,326	282,749	286,944
Operating expenses (pledged facilities)	(85,795)	(96,478)	(103,488)	(112,388)	(140,437)
Net available	117,744	157,536	176,838	170,361	146,507
Annual debt service	26,402	26,351	29,859	32,326	24,450
Debt service coverage (x)	4.46	5.98	5.92	5.27	5.99
Unrestricted cash	244,823	159,230	204,333	323,310	248,904

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Table 2

Maryland Transportation Authority Revenue Bonds(cont.)					
Revenue bonds outstanding	194,194	136,646	278,984	264,355	245,420
Operating expenses (entire authority)	(104,917)	(117,554)	(126,015)	(136,379)	(166,587)
Days' cash (entire authority)	852	494	592	865	545
Days' cash (pledged facilities)	1,042	602	721	1,050	647
Unrestricted cash to revenue bond debt (%)	126	117	73	122	101

N/A-not applicable.

Previously, credit concerns included the discretionary transfer of $43 million per year out of the system beginning in fiscal 2001 to fund a portion of a transit initiative. These transfers were not legally binding and were subordinate to revenue bonds. As all transfers ended in fiscal 2007, this is no longer a concern.

Debt Service Coverage Projections

The authority provided a traffic and revenue forecast up through 2016 incorporating an independent study on the existing system dated August 2007, in addition to separate independent ICC projections, updated from projections demonstrated in June 2006. Key assumptions include the details of the CIP and the authority's stated financial policies (cash at 1x toll revenue, net revenues at least 2x DSC). In addition, the authority projects that it will be necessary to raise tolls in fiscals 2011 and 2013 in order to meet CIP requirements. Toll increases at an average of $1.20 and $0.85, respectively, are included in study assumptions.

Over the forecast period, the projections call for traffic growth to annually range from 1.0% on the JFK highway and 1.2% each at the three Baltimore crossings to 1.9% each on the Chesapeake Bay and Nice bridges. Overall, the system is projected to grow 1.3% annually based on traffic. This growth is considered reasonable, and is in fact slightly below growth experienced from 2000 to 2007, although is slightly more aggressive than the historical growth on the JFK highway and Fort McHenry Tunnel shown in Table 1.

Projections on the included ICC study show traffic growing to 10.2 million transactions in 2012 from 3.8 million transactions in 2011 (though only the western portion of the facility would be complete, and it does not account for a full year of operations), and to 29.7 million in fiscal 2013, the first full year the entire facility is projected to be operating. In 2014 and 2015, transactions are also projected to increase sharply: 25% and 14%, respectively. Thereafter, traffic growth is expected to decelerate to more modest growth, about 2% annually. Traffic growth projections on the ICC are significantly less certain; although the new highway will benefit from serving a developed corridor that currently faces significant congestion, it nonetheless will face some uncertainty in both initial traffic volume and subsequent ramp-up.

Following this issue and the additional upcoming revenue bonds, projected DSC will not reach the highs demonstrated in the past few years. Based on Standard & Poor's financial analysis, which only includes revenue from the six transportation facilities projects and the ICC, projected DSC begins at 3.3x in 2008, declines to 1.8x in 2010, peaks at 3.6x in 2011 following the first toll increase, then ranges from 1.5x to 1.8x through 2016.

The above financial projections demonstrate that the authority would likely maintain good DSC in the event of a moderate increase in CIP costs, moderate delay or reduction in projected ICC traffic growth, or low traffic growth on existing facilities. In addition, if traffic and revenue forecasts are not realized, capital projects such as the JFK

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Memorial Highway widening could be delayed or modified in scope.

Liquidity

The authority's unrestricted cash position continues to be strong. At fiscal year-end 2007, unrestricted cash and investments totaled $248.9 million, compared with $166.6 million in operating expenses of the entire authority (excluding depreciation), and $140.4 million in operating expenses related to the transportation facilities projects. This equates to 545 and 647 days' cash on hand, respectively, which we consider good. However, these figures are significantly below the $323.3 million in unrestricted cash at fiscal year-end 2006. Due to a delayed GARVEE issue in fiscal 2007, the authority used about $75 million of its unrestricted cash, resulting in the lower figure for 2007. Since that time, the authority has begun rebuilding its cash position with excess operating income. The authority has a policy of maintaining cash at least equal to annual toll revenues. However, any further decline in the current cash position could be a ratings concern. The authority has no variable-rate transportation facilities projects bonds and no swaps outstanding at this time.

Economy

Maryland's (AAA/Stable) economic base is substantial and diverse, benefiting from a mature infrastructure and a well-educated labor force. Over the past four years, the business, education, and health services (29.5% of employment); leisure and hospitality (9.1%); and construction (7.4%) sectors have contributed to overall annual employment growth of 1.3%. Employment and population is concentrated in the Baltimore-Washington, D.C., metropolitan area.

The government sector (18.2%), particularly federal employment, has supported a stable health services sector anchored by the National Institutes of Health and Federal Health and Human Services Department. Port activity and tourism also contributed to the base. Unemployment remained below the national average, at 3.8% in 2007. Per capita personal income levels remain the fourth highest in the nation, measuring 120% of the national average in 2007.

Homeland security contractors and Maryland military bases are expected to be net beneficiaries through the Base Realignment and Closure (BRAC) commission process. In the coming years, Maryland expects as many as 60,000 new direct, indirect, and induced jobs as a result of the 2005 BRAC decisions.

Contact

Obligor: Alison Williams, Senior Director of Finance, Maryland Transportation Authority, 410-537-5720

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