Sperry

$10,750,000

ABAG Finance Authority for Nonprofit Corporations (Institute for Defense Analyses Project)

2019 Reissuance Bonds (Non-Rated)

DUE DILIGENCE REPORT

MAY 23, 2019

SPERRY CAPITAL INC. | THREE HARBOR DRIVE, SUITE 101, SAUSALITO, CA 94965

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I. EXECUTIVE SUMMARY

The purpose of this report (the "Due Diligence Report") is to provide the Association of Bay Area Governments Finance Authority for Nonprofit Corporations ("ABAG FAN," the "Authority" or "Issuer") with an understanding of the level of credit risk of the Institute for Defense Analyses ("IDA" or the "Borrower") and any other risks the Authority would assume by serving as conduit issuer for the proposed ABAG FAN 2019 Reissuance Bonds. Key information included in this report are:

- Review of information on the Borrower and previous issuances through ABAG FAN;
- Review of relevant financial and bond documents, specifically the draft Supplemental Trust Indenture and Supplemental Loan Agreement and draft Bond Resolution of the ABAG FAN Board of Directors related to the proposed ABAG FAN 2019 Reissuance Bonds;
- A quantitative assessment and analysis of IDA's annual financial statements; and
- A qualitative assessment of ABAG FAN's responsibilities as Issuer and risks relevant to the transaction.

II. BACKGROUND

A. BORROWER DESCRIPTION

IDA is a private not-for-profit corporation which administers three federally-funded research and development centers. IDA's largest federally-funded research and development center is the Systems and Analyses Center, sponsored by the Office of the Secretary of Defense. The second largest is the Center for Communications and Computing, in support of the National Security Agency, which consists of two Centers for Communication Research ("CCR") located in New Jersey, and La Jolla, California, and the Center for Computing Sciences located in Maryland. The third is the Science and Technology Policy Institute, supporting the White House Office of Science and Technology Policy, the National Science Foundation, the National Science Board, and other offices and councils within the executive branch of the federal government.

The facilities financed through bond issuances for which ABAG FAN has served as Issuer house IDA's CCR in La Jolla, located at 4320 Westerra Court, San Diego, California. In September 1991, the Institute paid the City of San Diego $1,200,000 for a 55-year ground lease for the CCR La Jolla. In September 2005, the proceeds of the ABAG FAN issuance of $11,945,000 ABAG Finance Authority for Nonprofit Corporations Variable Rate Revenue Bonds (Institute for Defense Analyses Project) Series 2005 (the "ABAG FAN Series 2005 Bonds") were used to finance the expansion and renovation (including the costs of construction, renovations, improvements and equipping) of the CCR La Jolla facility. In October 2005, IDA formally exercised an option with the City of San Diego under the 1991 lease to allow expansion to 50,000 square feet of building area for the CCR La Jolla building.

B. ORIGINAL BOND STRUCTURE AND 2015 REISSUANCE

The ABAG FAN Series 2005 Bonds were issued pursuant to a Trust Indenture, dated as of September 1, 2005, between the Authority as Issuer and Wells Fargo Bank, National Association, as trustee (the "Trustee"), as amended and supplemented by that certain First Supplemental Trust Indenture, dated as of July 1, 2008, between the Issuer and the Trustee (collectively, the "Original Indenture"). The Issuer loaned the proceeds of the ABAG FAN Series 2005 Bonds to the Borrower, pursuant to a Loan Agreement, dated as of September 1, 2005, between the Authority and IDA, as amended and supplemented by a First Supplement to Loan Agreement, dated as of July 1, 2008, between the Authority and IDA (as supplemented, the "Original Loan Agreement"). Prior to the bond issuance in September 2005, the Board of Supervisors of San Diego County held a TEFRA hearing and authorized the issuance of the ABAG FAN Series 2005 Bonds pursuant to Section 147(f) of the Internal Revenue Code of 1986, as amended.

In June 2008, $11,945,000 of outstanding principal of the ABAG FAN Series 2005 Bonds were remarketed along with $3,720,000 of outstanding principal of California Statewide Communities Development Authority Variable Rate Refunding Bonds (Institute for Defense Analyses Project) Series 2000 ("CSCDA Series 2000 Bonds"). The proceeds of CSCDA Series 2000 bonds and other moneys were used for the purposes of providing for the current prepayment of certificates of participation issued in 1992, the proceeds of which were loaned to the Borrower to the finance the acquisition, construction, and equipping of its office research facility located at 4320 Westerra Court, San Diego, California, along with other purposes related to funding a debt service reserve fund and other costs associated with the bond issuance. The bonds were remarketed in connection with the mandatory tender and remarketing caused by the deposit of the Letters of Credit issued by BB&T Community Holdings Co. ("BB&T") securing the principal and purchase price of and interest on the CSCDA Series 2000 Bonds and ABAG FAN Series 2005 Bonds.

The Original Indenture of the ABAG FAN Series 2005 Bonds was amended and restated pursuant to an Amended and Restated Trust Indenture, dated as of December 2, 2015, between the Issuer and the Trustee (the "2015 Indenture") and the Original Loan Agreement was amended and restated pursuant to an Amended and Restated Loan Agreement, dated as of December 2, 2015, between the Issuer and IDA (the "2015 Loan Agreement"), in order to document the conversion of the interest rate on the ABAG FAN Series 2005 Bonds to an Alternate Rate and the remarketing of the Bonds to BB&T, the sole registered owner of 100% of the ABAG FAN Series 2005 Bonds. With the consent of BB&T, as sole owner of the ABAG FAN Series 2005 Bonds, the bond insurance policy and the letter of credit securing the ABAG Series 2005 Bonds, were released and canceled, and $1,195,000 of the principal amount of the Bonds was redeemed. As a result of these transactions, the ABAG FAN Series 2005 Bonds were treated as reissued for federal tax purposes on December 2, 2015 ("ABAG FAN Series 2015 Bonds").

C. PROPOSED ABAG FAN 2019 REISSUANCE BONDS

IDA has requested that the Authority and the Trustee enter into a Supplemental Trust Indenture and Supplemental Loan Agreement (the "2019 Supplement") in order to match the tender provisions of the ABAG FAN Series 2015 Bonds with the tender provisions of a new bond financing through the Industrial

Development Authority of the City of Alexandria, Virginia (see following section for more information). Per our review of the draft 2019 Supplement between the Issuer, Borrower, and Trustee, the proposed 2019 Supplement will amend and supplement the 2015 Indenture and 2015 Loan Agreement. BB&T, as owner of all the outstanding bonds, has granted its consent and approval to execution and delivery of the 2019 Supplement per the draft bond documents. Like the ABAG FAN Series 2015 Bonds, the proposed reissuance is unrated.

The 2019 Supplement extends the Bank Holder Rate Period end date from January 5, 2026, to October 1, 2029, and revises the formula for determining the monthly interest rate on the Bonds through the new Bank Holder Rate Period. The 2015 Indenture defines the monthly interest rate, or "Tax-Exempt Rate," as follows:

> "A rate of interest per annum equal to the sum obtained (rounded upwards, if necessary, to the next higher 1/100th of 1.0%), by adding (i) the product of (x) 68% and (y) One-Month LIBOR plus (ii) the Spread. The Tax-Exempt Rate shall be adjusted monthly on the first day of each LIBOR Accrual Period. The Tax-Exempt Rate shall also be adjusted for any change in the LIBOR Reserve Percentage so that the Owner shall receive the same yield."

The new formula for the monthly interest rate per the 2019 Supplement amends variable (x) from 68% to 79%.

Jones Hall as Bond Counsel has determined that these changes will cause a reissuance of the Bonds under federal tax law and will result in an increase in weighted average maturity for the Bonds such that a new TEFRA hearing and approval is required prior to the date of the reissuance of the Bonds. The TEFRA hearing is currently scheduled for May 21, 2019, before the County of San Diego Board of Supervisors.

D. PROPOSED VIRGINIA ISSUANCE

The Industrial Development Authority of the City of Alexandria, Virginia, approved a bond resolution on April 2, 2019, to authorize the issuance of up to $249.4 million in new money revenue bonds for the benefit of the IDA and the amendment and reissuance of up to $57.515 million of its Variable Rate Revenue Bonds (Institute for Defense Analyses Project) Series 2015 ("Virginia Reissuance") and to serve as conduit issuer on said issuance. The proposed bonds are backed by the Borrower, not by the full faith and credit of either Alexandria or the state of Virginia. Following approval of the transaction by the Industrial Development Authority of the City of Alexandria on April 2, 2019, the City Council of the City of Alexandria approved the bond resolution on April 23, 2019.

The proceeds of $249.4 million new money issuance are intended for the purpose of refinancing the taxable debt incurred to finance the acquisition of land in Alexandria by IDA and construction of a new headquarters for the IDA in the Potomac Yard development. The project, per the bond resolution, will total 370,000 square feet above grade, comprising two six-story towers over a two-story base, along with two stories of below-grade parking.

The bond documents for the proposed Virginia reissuance were not made publicly available, and as such we are unable to review and compare them to the draft 2019 Supplement.

III. BORROWER FINANCIAL AND RISK ANALYSIS

As part of our review, we were able to analyze audited financial statements provided by IDA for the fiscal years ended (FYE) September 28, 2018, September 29, 2017, September 30, 2016, and September 25, 2015, along with the unaudited interim financial statements for the first half of fiscal year (FY) 2019.

A. OPERATIONS

Per the financial statements, most of the IDA's revenue is from cost-plus-fixed-fee contracts, with a smaller portion related to fixed price contracts. IDA recognizes revenues from cost-plus-fixed-fee contracts on the basis of direct and indirect costs incurred, plus a fixed fee determined as a percentage of cost. Since 2015, annual revenue has remained steady, exhibiting minimal annual growth at 1.7% to 5.3%. In FY2018, IDA generated $247.4 million in revenue, slightly up over FY2017 revenues of $ 235.0 million. Revenue for the first half of FY2019 was $115.0 million, compared to $107.6 million during the same period the prior fiscal year.

Most of IDA's business is with U.S. Government departments and therefore is subject to certain risks, including the possibility of budget cuts or a lapse in funding, related to government funding for the research areas associated with IDA's operations. IDA recognizes revenue as costs are incurred, therefore it is difficult to ascertain what if any effect the U.S. federal government shutdown of 2018-2019 had on IDA's revenues and receivables based on the unaudited FY2019 financial statements. We were not provided with and have not reviewed any information relating to the length or terms of IDA's client contracts related to its revenues and therefore cannot make a determination as to whether or not IDA is likely to maintain future stability in its revenue stream.

IDA's expenses are primarily related to research and development costs and support costs (principally general and administrative costs). Contract expenses represent 96.8% of operating revenues on average, and non-contract expenses represent 2.2% of operating revenues on average.

With operating expenses averaging 98.9% of operating revenues, historically, IDA has had positive net operating income. Due to rising non-contract expenses, however, operating income has declined annually since 2015. In FY2018, operating income was $1.5 million, a 30% decline from the year prior. FY2017 operating income of $2.2 million represented a decline of 19.5% from the prior year, and FY2016 operating income of $2.7 million represented a 24.1% decline from the year prior.

IDA has maintained a positive change in net assets since 2016. Net assets represent the accumulated excess of contract revenue and other income over total costs and expenses.

IDA also generates income from investments, unrealized gains on swap agreements, and miscellaneous sources. IDA generated $15.9 million in investment and other income in FY2018 and $25.1 million in FY2017.

B. FINANCIAL RESOURCES AND LIQUIDITY

IDA's total current assets as of FYE 2018 held at $58.6 million. As of FYE 2018, IDA had a cash balance of $18.6 million, a decline of 18% compared to the year prior. IDA's investments include long-term equity and fixed income investments. The fair value of IDA's investments as of FYE 2018 and 2017 was $208.8 million and $196.1 million respectively, including a $4.4 million certificate of deposit in both years. The fair value of investments as of March 15, 2019 was $214.7 million. IDA's total cash and investments have increased annually since FYE 2015. As of FYE 2018, total cash and investments were $227.4 million, up 4% from the year prior at $218.8 million as of FYE 2017. As noted in the financial statements, market values of investments may change for a number of reasons, including changes in prevailing market and interest rates, increases in defaults, and credit rating downgrades.

It is unclear based on IDA's financial statements what is considered restricted cash, cash equivalents, or investments. As of FYE 2018 and 2019, IDA held a certificate for deposit of $4.4 million for the purpose of paying the remaining balance of the 2016 land purchase in Alexandria, Virginia. Excluding this amount from investments and assuming all other cash, cash equivalents, and investments are unrestricted, IDA had a spendable cash and investments to operating expenses ratio of 0.9x in FY2018 and FY2017. Following that same assumption, as of FYE 2018 and FYE 2017 IDA had approximately 340 and 336 days cash on hand, respectively.

Net contract receivables as of FYE 2018 were $27.0 million, a 12% percent increase versus FYE 2017 net contract receivables balance of $24.2 million. Per the notes to the financial statements for FY2018, most of the IDA's business is with U.S. Government departments and agencies and is subject to government audit. The IDA is only able to bill certain costs and fees after the government has completed its audits; these costs and fees are included in unbilled receivables, as well as any costs recorded after the billing cycle. Per the financial statements, a management reserve is maintained for potential losses from certain areas of risk associated with performing contract work with the federal government. Per the financial statements, the management reserve balance as of September 28, 2018 and September 29, 2017 amounted to $250,000 for both fiscal years and is included in accounts payable in the balance sheets.

As noted in the financial statements, as substantial portion of IDA's revenues and receivables are dependent on federal government audit. Any disruptions in U.S. government operations could have a material adverse impact on IDA's financial condition and results of operations. Any future federal government shutdown, U.S. government default on its debt and/or failure of the U.S. government to enact annual appropriations could have a material adverse impact on IDA's financial condition and results of operations.

C. LEVERAGE AND OUTSTANDING DEBT

As of FY2018, IDA has $80.9 million in outstanding debt in the form of tax-exempt variable rate bonds, as shown in the table below. All bonds are privately held by BB&T Bank, as noted in the financial statements. Interest on the bonds is paid monthly. Interest expense related to long-term debt was $2.7 million and $2.4 million for the fiscal years 2018 and 2017 respectively. The debt to operating revenue ratio for FY2018 and FY2017 was 0.3x for both years and for FY2016 and FY2015 was 0.4x for both years.

		Outstanding Par as of FYE			
Issue	**Original Par as of FY2016**	**2018**	**2017**	**2016**	**2015**
New Jersey Education Facilities Authority Variable Rate Revenue Bonds Series 2000D, 2015 Reissuance	$11,070,000	$8,286,356	$8,781,480	$9,272,103	$11,339,147
California Statewide Communities Development Authority Variable Rate Revenue Refunding Bonds Series 2000, 2015 Reissuance	$2,920,000	$2,163,649	$2,266,709	$2,363,269	$2,628,609
California Association of Bay Area Government (ABAG) Authority Variable Rate Revenue Bonds Series 2005, 2015 Reissuance	$11,945,000	$10,624,204	$10,616,342	$10,608,979	$11,533,609
Industrial Development Authority of the City of Alexandria Variable Rate Revenue Bonds Series 2006	See note.				$14,464,273
Industrial Development Authority of the City of Alexandria Variable Rate Revenue Bonds Series 2005	See note.				$39,741,503
Industrial Development Authority of the City of Alexandria Variable Rate Revenue Bonds Series 2000B	See note.				$16,413,912
Industrial Development Authority of the City of Alexandria Variable Rate Revenue Bonds Series 2015A	$69,935,000	$59,850,128	$62,582,324	$65,212,519	
TOTAL	**$95,870,000**	**$80,924,337**	**$84,246,855**	**$87,456,870**	**$96,121,053**

Note: Industrial Development Authority of the City of Alexandria Variable Rate Revenue Bonds Series 2006, Series 2005, and Series 2000B were refunded in FY 2016 by Industrial Development Authority of the City of Alexandria Variable Rate Revenue Bonds Series 2015A.

1. PLANNED NEW MONEY ISSUANCES

IDA plans to issue of up to $249.4 million in revenue bonds through Industrial Development Authority of the City of Alexandria, Virginia, for the purpose of refinancing the taxable debt incurred to finance the acquisition of land in Alexandria by IDA and construction of a new headquarters for IDA in the Potomac Yard development. The bond documents are not publicly available and therefore have not been reviewed as a part of this Due Diligence Report.

Assuming the full $249.4 million authorized is issued, outstanding debt for FY2019 would be projected at $326.8 million (less any principal payments on the new money bonds). If assuming operating revenues for FY2019 increase at the average growth rate since 2015 (3.4%), IDA would have a 1.28x debt to operating revenue ratio. As noted previously, the debt to operating revenue ratio for FY2018 was 0.3x. The additional debt increase would represent a significant increase in leverage for IDA.

2. FINANCIAL COVENANTS

Per IDA’s financial statements, the bonds require that IDA meet certain financial covenants, including maintaining a debt service coverage ratio of 1.1x to 1.0x and certain other liquidity ratios at the end of each fiscal year. We do not have the bond documents for all IDA’s bond issuances to review, with the exception of documents for the ABAG FAN Series 2005 and ABAG FAN Series 2015 Bonds, however, it is likely that the financial covenants are similar to, if not identical to, those on the ABAG FAN Series 2015 Bonds. Per IDA’s financial statements, in the opinion of IDA management, IDA was in compliance with all covenants of the bonds as of September 28, 2018 and September 29, 2017.

Per the Continuing Covenants Agreement between IDA and BB&T for the ABAG FAN Series 2015 Bonds, IDA is required to meet certain financial covenants, including maintaining a debt service coverage ratio of 1.1x to 1.0x on any Measurement Date, which occur semiannually, on the last day of the Borrower’s fiscal year and the last day of the 6th month following the fiscal year end. Failure to meet the debt service coverage ratio shall not constitute an event of default so long as the ratio of the Borrower's Unencumbered Liquid Assets to Long-Term Indebtedness as of such Measurement Date is at least 0.55x to 1.00x and the Borrower was in compliance with the debt service coverage ratio on the prior Measurement Date. In FY2018, the debt service coverage ratio declined from 9.8x in FY2017 to 5.8x.

The other financial covenant is an Unencumbered Liquid Assets to Long-Term Indebtedness Ratio which should achieve, on each Measurement Date, a ratio of Unencumbered Liquid Assets to

Long-Term Indebtedness of at least 0.40x to 1.00x. Since 2015, this ratio has remained above 1.9x, with ratios in FY2018 and FY2019 at 2.8x and 2.6x respectively.

D. SWAP AGREEMENTS

Per IDA's financial statements, IDA uses interest rate swap agreements "to effectively fix the interest rates on outstanding variable rate debt." The fair value of the swaps is based on a calculation specified in the agreements and any gain or loss is included in statement of activities.

Per IDA's financial statements, two of the swap agreements collectively hedge the cash flow associated with the Industrial Development Authority of the City of Alexandria Variable Rate Revenue Bonds Series 2015A. Both agreements are in the amount of $18,485,000 and carry a fixed rate of 3.475% which the IDA pays. In return, IDA receives interest based on a variable rate equal to the USD-BMA municipal Swap Index. The agreements are set to expire October 1, 2030.

Per IDA's financial statements, the third Swap agreement is to hedge $11,945,000 of the ABAG Series 2005 Bonds. The swap agreement carries a fixed rate of 3.416% which IDA pays. In return IDA receives interest based on a variable rate equal to 70% of LIBOR. The agreement is set to expire October 1, 2035. We note that the maturity of the swap agreement extends beyond the January 5, 2026, maturity of the outstanding ABAG FAN Series 2015 Reissuance Bonds and the maturity of the proposed ABAG FAN 2019 Reissuance Bonds, which extends the maturity to October 1, 2029. We have not been provided with any other information on the swap agreement, and therefore have not reviewed any information related to the counterparty, terms and conditions of the swap agreement, or triggers for unwinding the swap. It should also be noted that in 2021 regulators are expected to transition from LIBOR to a new index rate.

IV. QUALITATIVE RISK ASSESSMENT

In general, the role of the Authority as conduit issuer is to provide tax-exemption or tax credits related to the bonds or to otherwise provide the borrower access to the municipal bond market. As a conduit issuer, the Authority is only obligated to make payments on the bonds to the extent it receives funds from the borrower. The Authority serving as conduit issuer does not have any financial liability or obligation to make certain payment on the bonds, does not have any continuing disclosure requirements on the bonds, does not have any regulatory requirements, or any ongoing monitoring requirements or responsibilities.

A. NO PECUNIARY LIABILITY TO THE AUTHORITY

Per the 2015 Indenture and the 2015 Loan Agreement, neither the Bonds nor the interest on the Bonds nor any obligation or agreement of the Authority under this Indenture or the other bond documents shall be construed to constitute an indebtedness of the Authority within the meaning of any constitutional or statutory provision. The bonds shall constitute special limited obligations of the Authority, shall be without recourse to the Authority, shall not constitute general obligations of the Authority, shall not constitute a pledge of or involve the faith and credit or the taxing power of the Authority, and shall not constitute a debt of the Authority. No instruments or actions requested by the Trustee shall be deemed to create or give rise to a general obligation of the Authority, a debt of the Authority or a pledge of the faith and credit of the Authority. Per the 2015 Indenture, each and every covenant made in the 2015 Indenture is predicated upon the condition that the Authority shall not have any pecuniary liability for the (i) payment of the principal, redemption price, including any premium, purchase price or interest on the Bonds, or (ii) performance of any pledge, mortgage, obligation or agreement created by or arising out of this Indenture or the issuance of the Bonds. Additionally, the Authority shall have no liability or obligation for the payment of any costs of issuance.

Per the 2015 Loan Agreement between the Authority and the Borrower, Authority directed the Borrower to make interest and principal payments directly to the Bank Holder, BB&T.

B. REPORTING REQUIREMENTS

As conduit issuer, the Authority does not have any reporting or continuing disclosure requirements with respect to the ABAG FAN 2019 Reissuance Bonds.

Per the Continuing Covenants Agreement (Series 2005 Bonds) dated as of December 2, 2015, between IDA and BB&T, the Borrower has reporting requirements directly to BB&T. These reporting requirements consist of quarterly and annual financial statement reporting and notices in the event of default. These financial statements and reports are delivered directly to BB&T without public disclosure on EMMA.

V. CONCLUSION

In this Due Diligence Report, Sperry has reviewed documents including:

- IDA's Conduit Borrower Application to ABAG FAN and attachments thereto, including:
  - Financial statements for the fiscal years ended September 28, 2018, September 29, 2017, September 30, 2016, and September 25, 2015, along with the unaudited interim financial statements for the first half of FY2019;
  - Draft TEFRA notice; and
  - Draft TEFRA Resolution of the Board of Supervisors of San Diego County;
- Bond documents, including the Loan Agreement, Indenture, and Continuing Covenants Agreement, for the ABAG FAN Series 2005 Bonds and ABAG FAN Series 2015 Reissuance Bonds; and
- Draft documents for the ABAG FAN 2019 Reissuance Bonds including the draft ABAG FAN Bond Resolution and Supplemental Trust Agreement and Supplemental Loan Agreement.

The proposed ABAG FAN 2019 Reissuance Bonds will amend and supplement the 2015 Indenture and 2015 Loan Agreement. BB&T, as owner of all the outstanding bonds, has granted its consent and approval to execution and delivery of the 2019 Supplement per the draft bond documents. The proposed reissuance is unrated. The 2019 Supplement extends the Bank Holder Rate Period end date from January 5, 2026, to October 1, 2029, and revises the formula for determining the monthly interest rate on the Bonds through the new Bank Holder Rate Period.

This Due Diligence Report identifies various risks that should be considered by the Authority if the Authority is to approve the proposed reissuance transaction. The Borrower's operations and revenues are closely tied to the U.S. federal government, and therefore is subject to certain risks related to government funding and operations in order to generate revenue and collect receivables. Historically, IDA has maintained a positive change in net assets since 2016. IDA's operating revenues have increased annually between 1.7% to 5.3%. IDA's total cash and investments have increased annually since FYE 2015. As of FYE 2018, total cash and investments were $227.4 million, up 4% from the year prior at $218.8 million as of FYE 2017. Net contract receivables as of FYE 2018 were $27.0 million, a 12% percent increase versus FYE 2017 net contract receivables balance of $24.2 million. The increased leverage anticipated with the proposed issuance through Industrial Development Authority of the City of Alexandria, Virginia of up to $249.4 million in new money revenue bonds on behalf of IDA for the construction of its new headquarters in Virginia may constitute a significant risk to the Borrower's ability to make debt service payments on its outstanding debt

With respect to the Authority's responsibilities as Issuer on the bonds, the Authority has no financial liability, no ongoing continuing disclosure requirements, no ongoing regulatory requirements, and no ongoing monitoring responsibilities.

Sperry was not provided with, and therefore was unable to review, certain non-public information on the Borrower, including information relating to the Borrower's current client contracts. Sperry was not provided with the swap agreements, such as the counterparty and terms of the swap agreements. Sperry was also unable to review any documents related to the Borrower's other outstanding debt issuances or the proposed 2019 issuance of $249.4 million in revenue bonds through Industrial Development Authority of the City of Alexandria, Virginia.

VI. DISCLAIMER

Sperry Capital has not independently verified any of the data contained in the 2019 Supplement or conducted a detailed investigation of the affairs of the Borrower to determine the accuracy or completeness of its financial statements or in its application to the Authority.