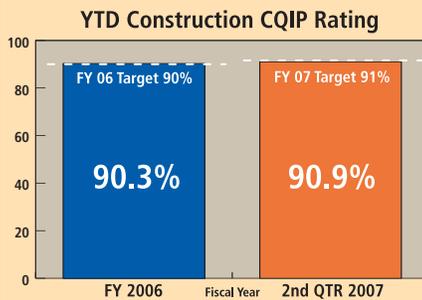




During consolidation plan listening sessions around the state, citizens said VDOT crews provide vital public services through snow removal and other emergency response.

Statewide Construction Quality Compliance



Construction quality, as evaluated by VDOT's Construction Quality Improvement Program (CQIP), measures project compliance with contract quality requirements. The evaluation is made through a critical assessment, guided by a checklist of more than 1,100 construction quality checkpoints. The results show VDOT's commitment to building quality roads and bridges while seeking opportunity for continuous improvement. In FY 06, the full-year 90.3 percent CQIP result surpassed the 90 percent target. Through the second quarter of FY07, the YTD 90.9 percent result is approaching the 91 percent target.

OVERVIEW

This report represents my first full quarter as Commissioner. I am pleased to report that significant progress is being made in VDOT's journey of innovation and improvement to become a leading 21st century transportation mobility agency.

The continued gains in our on-time and on-budget project delivery reflected in this quarterly report mark the trail that has led to a new approach to transportation. We will continue work to reshape our transportation system, our business and our workforce to address the evolving 21st century transportation challenges.

This quarter laid some keystones for our long-term modernization efforts. On Dec. 14, we announced the finalized area headquarters consolidation plan that will forever alter the way we deliver services within our maintenance organization. We will reduce by July 1, 2008 our number of field maintenance facilities from 335 to 248 while retaining our ability to respond to the needs of our citizens.

More than 1,000 citizens provided input on our consolidation plan during 13 listening sessions around the state. Resoundingly, we heard that the public views VDOT crews as providers of vital public services like their local fire department and law enforcement agencies. This shows that transportation is an issue that touches every Virginian's life daily and that our responsibilities are about providing customer service and emergency response more than just patching potholes and paving roads.

While VDOT continues modernizing, we are being recognized for our innovative project delivery. VDOT and Transurban were

recognized as one of the American Road & Transportation Builders Association's four best public-private transportation projects for 2006 for the Pocahontas Parkway.

We also signed major transportation agreements that will speed new infrastructure to address congestion and mobility. In November, we signed the final environmental impact statement for I-73 near Roanoke. We partnered with Alpha Natural Resources and the Pioneer Group to conduct a limited feasibility study on the Coalfields Expressway. This could simultaneously provide for the recovery of natural resources along the proposed corridor while reducing the potential cost of that project. We also transferred responsibility for enhancements in the Dulles Corridor to the Metropolitan Washington Airports Authority, a move that will expedite development of rail services to that corridor.

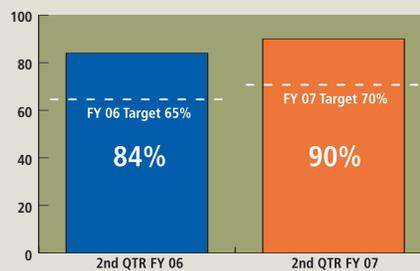
This is an exciting time in our history. We have just celebrated VDOT's first 100 years in 2006, and as we enter this new century we must work to transform transportation from a collection of asphalt and bridges to a system of integrated transportation solutions encompassing a multimodal approach, embracing technology and advancing new business-like practices in the transportation industry.

We will be a leading 21st century DOT, and this quarterly report shows that with hard work, dedicated public servants, clear vision and performance management, VDOT is making strides on our journey every day.

David S. Ekern, P.E.
Commissioner

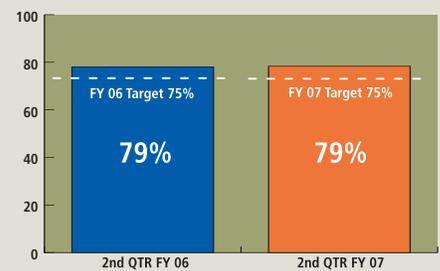
SCHEDULED PROJECTS PLAN-TO-ACTUAL PERFORMANCE

CONSTRUCTION ON-SCHEDULE PERFORMANCE



119 contracts were due for completion by the end of the second quarter. Of those 119 contracts, 107 (90%) were completed on schedule

MAINTENANCE ON-SCHEDULE PERFORMANCE



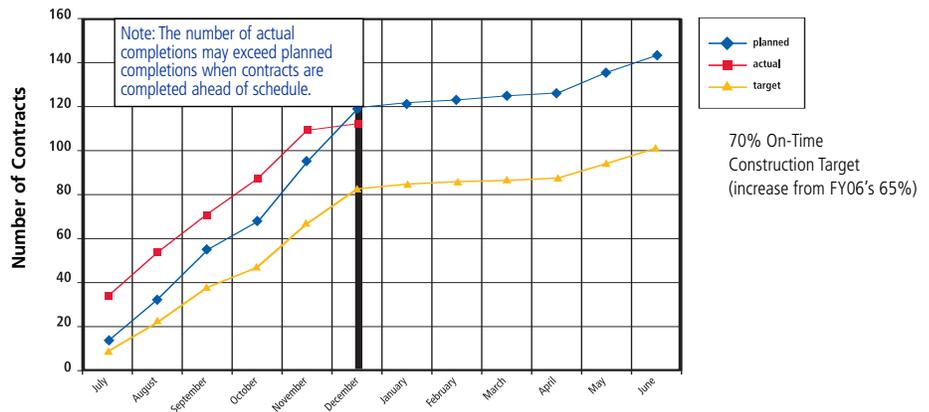
57 contracts were due for completion by the end of the second quarter. Of those 57 contracts, 45 (79%) were completed on schedule

QUARTERLY NOTES

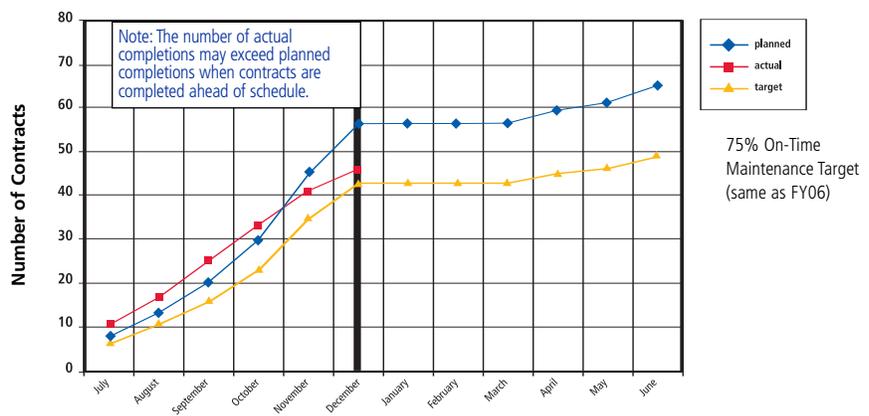
- At the end of 2006, VDOT signed the first of several agreements that will transfer responsibilities for the Dulles Toll Road to the Metropolitan Washington Airports Authority. It is the first in a series of steps required for the Dulles Metrorail Project to be financed and built by the authority. VDOT will continue to operate and maintain the toll road until a federal full funding grant agreement for the Metrorail project is executed in fall 2007. The next major milestone will be for the Federal Transit Administration to approve final design for Phase 1 of the Metrorail project in April 2007.
- VDOT and FHWA signed the Final Environmental Impact Statement for Interstate 73 on Dec. 1. FHWA is reviewing the document for a possible Record of Decision, which could come by March. Once a Record of Decision has been issued, work can begin to design the roadway, depending on the availability of funding. A Record of Decision is the final step in the National Environmental Policy Act process that includes public involvement and considers possible environmental impacts of transportation projects.
- VDOT, along with its private-sector partners Alpha Natural Resources LLC and Pioneer Group Inc. signed an agreement in January to perform a limited feasibility study for the Coalfields Expressway project. Both of these southwest Virginia natural resource companies will evaluate possible highway alignments that consider areas of marketable coal reserves controlled by the companies. The techniques used to recover this coal could significantly lower the cost of building the Coalfields Expressway, reducing the amount of public funds needed to develop the project.
- In early December, VDOT installed seven traffic cameras along the I-95 corridor in Stafford and Spotsylvania counties. Aside from providing a bird's-eye view of interstate traffic, the cameras will also allow viewers to monitor traffic on portions of Route 3 in Fredericksburg and portions of Route 17, Route 1 and Route 610 in Stafford County. There are now nearly 500 traffic cameras in VDOT's network.
- Just in time for the holidays, the Safety Service Patrol hours were increased in the Roanoke and New River valleys. The Safety Service Patrol in the Salem District now operates seven days a week from 7 a.m. to 10 p.m. The patrol covers a 50-mile portion of Interstate 81 from Buchanan in Botetourt County to Christiansburg in Montgomery County. The patrol also helps drivers along I-581 and the Route 220 Expressway in Roanoke.
- For the first time in 81 years, the Jamestown-Scotland Ferry carried more than 1 million cars in a calendar year. The milestone occurred at the end of 2006. The Jamestown-Scotland Ferry offers a free, 20-minute, scenic cruise along Virginia's historic James River as it crosses between Jamestown on the Peninsula and the Scotland Wharf on the south side of Hampton Roads.

SECOND QUARTER 2007 PERFORMANCE

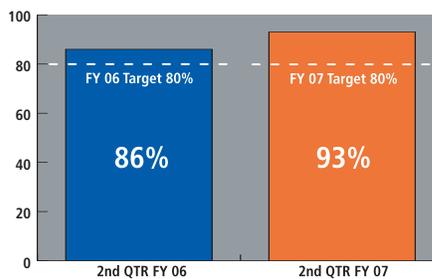
FY07 CONSTRUCTION CONTRACTS COMPLETED (ON TIME)



FY07 MAINTENANCE CONTRACTS COMPLETED (ON TIME)

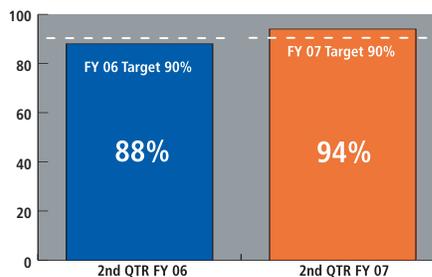


CONSTRUCTION CONTRACTS COMPLETED WITHIN BUDGET



By the end of the second quarter, 121 contracts had been completed. Of those 121 contracts, 113 (93%) were completed within 110% of their original contract award amounts.

MAINTENANCE CONTRACTS COMPLETED WITHIN BUDGET



By the end of the fiscal quarter, 54 contracts had been completed. Of those 54 contracts, 51 (94%) were completed within 110% or their original contract award amounts.