Proposal for TTC-35 High Priority Trans-Texas Corridor Project Comprehensive Development Agreement

August 23, 2004

Submitted to:
Texas Department of Transportation
Texas Turnpike Authority Division
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Austin, Texas 78701-2483
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Submitted by:

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4.1.1 Executive Summary[1]

Texas has seen dramatic growth in its population over the past 20 years. Projections for the next several decades forecast a continuation of this growth at one of the highest rates in the nation. To ensure this growth in population translates into economic prosperity, Texas must prepare its transportation infrastructure to efficiently accommodate both the mobility and economic development needs of its citizens and the domestic and international trade traversing the state. Texas has a plan to achieve this vision - the Trans Texas Corridor.

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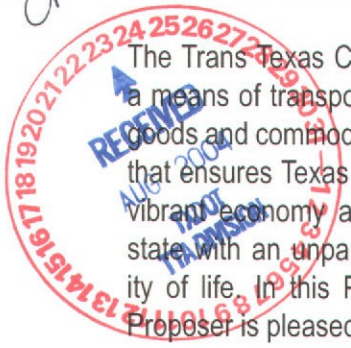

The Trans Texas Corridor offers a means of transporting people, goods and commodities in a way that ensures Texas will retain its vibrant economy and remain a state with an unparalleled quality of life. In this Proposal, the Proposer is pleased to present a plan that will transition the Trans Texas Corridor from a vision to reality. As was envisioned by TxDOT in the Crossroads of the Americas: Trans Texas Corridor Plan, and the Legislature in House Bill 3588, the proposal sets forth a public/private partnership both investing significant private capital into the development of specific Facilities for the Trans Texas Corridor, as well as providing a significant up-front payment to the State to reinvest in other infrastructure projects.

CONCEPTUAL PLAN

- No public funds required
- Over $7 billion and 442 miles of Facilities all started between 2005 and 2009
- Over $1.3 billion of equity to be invested by the Proposer
- Over $1.2 billion paid up-front to the State of Texas for the right to design, build, finance, operate and maintain five near-term Facilities under a toll road concession model

Several aspects of the Trans Texas Corridor are revolutionary. Certainly the proposed multi-modal approach is unparalleled in its scope and potential benefits to the State. As will be seen in the sections that follow, the Proposer is offering a realistic and innovative means of developing and financing TTC-35. **In the near-term, the Conceptual Financial Plan will finance and initiate construction on more than $7 billion and 442 miles of infrastructure in 7 facilities stretching from Dallas to San Antonio.**

Perhaps most impressive, however, is the fact that **all will be accomplished with the Proposer requiring none of public investment proposed by TxDOT for the near-term Facilities. Moreover, the Proposer offers to pay to the State, in the near-term, over $1.2 billion for the right to design, build, finance, operate and maintain five of the seven Facilities within the Corridor. Additionally, the Proposer will invest over $1.3 billion in private equity into those five near term Facilities.**

The Proposer includes in its near-term plan the development of a toll road system that will essentially connect all of the major metropolitan areas along TTC-35 (San Antonio – Austin – Dallas) through 6 different Facilities. In this same near-term period, the Proposer will initiate the design and early development of a high-speed freight rail system for Central Texas. In the mid-term, the system will be expanded such that au-

[1] As it is stated in the RFDP Documents (Section 1 of the ITP), ***"The Conceptual Development Plan (CDP), Conceptual Financial Plan (CFP), Project Management Plan (PMP), and Quality Management Plan (QMP), set forth in the Proposals are intended to be conceptual in nature and based on current information regarding environmental, economic, political and other factors. The plans set forth in the Proposal will evolve after award of the CDA and provide a basis for the plans to be prepared by the Developer with input from TxDOT under the CDA. Neither the Proposers nor TxDOT shall be bound by any provisions, commitments or statements contained in the Proposals except to the extent set forth in the RFDP documents."***

tomobile and truck traffic will travel on separate lanes for a major portion of the Corridor. In the long-term, the Corridor will ultimately grow to a complete toll road system from the Rio Grande Valley to the Oklahoma border (approx. 600 miles). It will separate automobiles from trucks on almost the entire length of the system; and it will offer high-speed freight and passenger rail connections for the Corridor's major metropolitan centers. Finally, the Corridor will also be capable of accommodating utilities that efficiently move water, electricity, information and other commodities.

In devising this new paradigm for the development and implementation of TTC-35, the Proposer assumed toll rates comparable with those currently being charged in Texas today. The Proposer also used realistic estimates for construction costs and preliminary traffic estimates. Different in its conceptual finance model is the willingness of the Proposer to view the Corridor as a long-term asset and bear the long-term traffic and revenue risk (among others) and, in turn, accept the opportunity for a long-term return on its investment. Although this view of infrastructure projects and corresponding investment time horizons is common elsewhere in the world, it is relatively new to the United States.

An equally important foundation underlying these benefits to the State is the assumption by the Proposer that five near-term projects will be self-performed (i.e., designed, built, financed, operated and maintained by the Proposer). With that being said, a large number of the future mid- and long-term Facilities could be developed by third parties in the same way that, if the proposer is not selected, the Team will be willing to invest in facilities developed by TxDOT and the final selected proposer. In fact, the Proposer envisions the involvement of other design and construction teams though the competitive process to complete the ultimate build-out of TTC-35.

As envisioned in House Bill 3588, the benefits to the State of this view are dramatic. While the long-term economic development impacts of the TTC-35 will be substantial, the construction phase itself will support thousands of local jobs throughout Texas. **The total statewide economic impact (direct, indirect, and induced effects) of constructing $7 billion and 442 miles of infrastructure in the near-term would yield an estimated increase of $14.3 billion in total output, $4.3 billion in employee compensation and benefits, while supporting a total of over 140,000 local jobs (part and full-time).**

This paradigm shift in infrastructure development and delivery is possible first and foremost due to the foresight of the State's leaders in crafting and passing farsighted legislation. Equally critical in achieving these benefits, however, is transplanting to Texas the global knowledge and experience of the concession model that Cintra has developed over more than thirty-five years on over 1,000 miles of toll roads in North America, Europe and South America. That experience coupled with the construction expertise of Zachry and Ferrovial Agroman, the design experience of Earth Tech, and the additional financial capability of PricewaterhouseCoopers and JP Morgan Securities, make the possibility of the Trans Texas Corridor under such favorable terms a reality.

Described in further detail below are the elements of the Proposal that will lead to the development of the Corridor.

A. PROPOSAL ORGANIZATION AND CONTENTS

This proposal is organized into four primary categories following the format set forth by TxDOT in the ITP. Those categories are:

4.3.1 Conceptual Development Plan – describes the broad approach to developing the Corridor

4.3.2 Conceptual Financial Plan – describes financial tools and methods to be deployed in financing the Corridor

4.3.3 Project Management Plan – describes the organizational structure, the roles and the individuals that will have responsibility for executing the proposed plan

4.3.4 Quality Management Plan – describes the quality control and quality assurance plans the Proposer will employ

Also included as part of the proposal are Appendices that provide additional information for the Evaluation Team, which include:

- Summary and detailed cost estimates
- Multilane free flow system report
- Monte Carlo Schedule Analysis
- Key Individuals' résumés
- 2010 and 2025 traffic maps
- Schematics of:
  - TTC-35 Temple to Dallas Southeast Connector
  - UP Railroad Relocation (MoPac)
- Other data

B. SUMMARY OF CHANGES TO PROPOSER'S PRE-QUALIFICATION STATEMENT (PQS)

The PQS submitted by Cintra was focused largely on demonstrating how Cintra's concession model could be applied to the TTC-35 Project. At the time, very limited traffic and diagrammatic data were known. Thus, Cintra was unable to incorporate such data into its initial list of Facilities capable of being developed along the TTC-35 Corridor. However, a preliminary estimation of cost and revenue was developed and some Facilities were identified and even phased.

A further detailed analysis of TTC-35 during the Proposal phase and the Industry Review Period, together with the addition of legal, financial, technical and local expertise to the Team, has changed most of the initial conclusions reached by Cintra and presented in the PQS. New traffic data and forecasts, together with more accurate financial models, have allowed the Proposer to have a much more specific and concrete view of Texas' more urgent infrastructure development needs related to the TTC-35 Project. The original general and broad approach to Corridor development has now been narrowed, and a number of specific feasible highway and railway Facilities have been identified from San Antonio to Dallas.

Specific elements of the Conceptual Development Plan and the Conceptual Financial Plan have been modified from that originally submitted in the PQS. However, the Proposer's fundamental commitment vision and business approach for TTC-35 remain the same and fundamental to our proposal:

- Develop as many Facilities as feasible under a concession model where the Proposer would enter into a long-term relationship with TxDOT to acquire right of way, design, build, finance, operate and maintain a specific toll Facility under a long term concession agreement.
- Finance the construction of the Facilities through the Proposer's infusion of significant amounts of private equity into a Special Purpose Vehicle (Concession Company), together with the arrangement of external debt through revenue bonds or bank debt, thereby minimizing the use of public funds.
- Traffic, revenue, design, construction, operation and maintenance risks should be allocated to the Proposer (instead of to the State).

C. SUMMARY OF CHANGES IN THE PROPOSER'S ORGANIZATION, EQUITY OWNERS, MAJOR PARTICIPANTS AND KEY PERSONNEL SINCE SUBMISSION OF THE PQS

Summary of changes in Proposer's organization:

In the PQS, Cintra Concesiones de Infraestructuras de Transporte, S.A. (Cintra) was the only Equity Owner of the Proposer.

However, pursuant to Cintra's Requests for Approval dated July 19 and August 2, and pursuant to Addendum #3 of the RFDP, the new Proposer will be "Cintra Concesiones de Infraestructuras de Transporte, S.A. and Zachry Construction Corporation as Equity Owners of a Proposer that has not yet been formed."

The following is the proposed legal structure of the Proposer and its Equity Owners:

- The Proposer if selected will be formed as a Texas limited partnership, which will also be the Developer under the CDA.
- The Equity Owners in the Proposer are Cintra Concesiones de Infraestructuras de Transporte, S.A. ("Cintra"), a Spanish corporation, and Zachry Construction Corporation ("Zachry"), a Delaware corporation that is qualified to do business in Texas.
- Cintra's equity interest in the Proposer will be held by a Delaware corporation ("Cintra U.S.") to be formed as an indirect, wholly owned subsidiary of Cintra. Cintra U.S. will be formed immediately prior to the formation of the Proposer.
- The Proposer will be a Texas limited partnership whose sole general partner (the "General Partner") will be a Texas limited liability company. The General Partner will be formed immediately prior to the formation of the Proposer and will hold a one (1%) percent partnership interest in the Proposer.
- The General Partner will have two members. One member will be Cintra U.S., which will hold an 85% interest in the General Partner. The other member will be Zachry, which will hold a 15% interest in the General Partner.
- The Proposer will have two limited partners. One limited partner will be Cintra U.S., which will hold an 84.15% partnership interest in the Proposer as a limited partner. The other limited partner will be an affiliate of Zachry, Capitol Construction, Inc., a Nevada corporation, which will hold a 14.85% partnership interest in the Proposer as a limited partner.
- The General Partner will be jointly and severally liable for any and all of the duties and obligations of the Proposer under the Proposal and under any contract arising there from. When formed, the General Partner can provide a letter to TxDOT confirming such liability.

Summary of changes in Proposer's team:

Cintra, as equity member, and Ferrovial Agroman, as Major Participant for Construction, remain as members of the Team, but following companies have been added to the Team after the submission of the PQS:

- Zachry Construction Corporation both as Equity member and Major Participant for Construction
- Earth Tech, Inc., as Major Participant for Planning and Design
- PricewaterhouseCoopers, as lead financial advisor
- JP Morgan Securities, as Major Participant for arranging financing for the Facilities
- Bracewell & Patterson, as legal advisor
- Pate Engineers, Inc., as engineering advisor
- Aguirre & Fields LP, as engineering advisor (DBE)
- Rodriguez Transportation Group, as engineering advisor (DBE)
- OTHON, Inc., as engineering advisor (DBE)
- Railroad Industries Incorporated, as railway advisor
- Amey, as O&M railway advisor
- Mercator, as financial advisor
- Public Resources Advisory Group, as financial advisor
- Southwestern Capital Markets, as financial advisor (DBE)
- National Corporate Network, as employment recruiter (DBE)
- HRM Consultants, as ROW services (DBE)

Summary of changes in Key Personnel

Based on the information known at the time, the organizational structure and key individuals listed in the PQS indicated the type of individuals that would manage a large concession project in Texas. With the additions to the Team and with the benefit of significantly more information, the Proposer now suggests an organizational structure that will maximize the value of the proposal to TxDOT, optimize resources, and ensure fulfillment of the Proposer's obligations under the CDA. The Key

Personnel from the Proposer identified in this new organizational structure are the following:

- Fernando Redondo, Project Director (CINTRA)
- Diego Marín, Project Manager (CINTRA)
- Angel Sánchez, Design and Construction Leader (FERROVIAL AGROMAN)
- Richard Klassen, Project Quality Manager (ZACHRY)
- Klaus M. (Sonny) Brown, Deputy Project Manager (ZACHRY)

D. SUMMARY OF PROPOSAL CONTENTS

(1) Conceptual Development Plan

The Conceptual Development Plan (CDP) distills the Proposer's vision of how TTC-35 will develop over the 50-year life of the Comprehensive Development Agreement. It describes how the past is shaping the future demand for transportation, and how these trends will impact TTC-35 in the near- and long-term. The CDP outlines how the Proposer will integrate with the numerous governmental, quasi-governmental and private entities that will have input into shaping TTC-35.

In the Conceptual Development Plan, a prospective Corridor is developed and evaluated within the TxDOT furnished TTC-35 study area from near Oklahoma to the Mexico border. Although the proposal generally maintains a 1,200' ROW width, in some areas it is assumed certain factors prohibit ROW at that width. In those instances, certain modes of the Corridor are separated. For instance, TTC-35 will include the currently under construction general purpose SH 130 lanes (Segments 1 to 4), as well as the parallel rail and utility Facilities that would be placed on a new alignment further to the east.

At the heart of this Proposal is Cintra's well established concession model. This model is based on revenue generated from highway user tolls. This model matched well with the travel demand identified by TxDOT's Statewide Analysis Model (SAM). A description of the traffic studies performed, on many more Facilities than are presented here, is included as the basis for the revenue estimates included in the Proposal.

The Proposer studied various tolling scenarios, and determined the sequence, prioritization and future widening requirements for the TTC-35 Facilities. The CDP describes the Facility selection criteria utilized. The selection criteria included the minimization of public funds, revenue estimate, construction cost, potential for political support, if the Facility is part of the State or Regional plan, and how far the environmental process has progressed. This analysis culminated in the seven near-term Facilities being proposed. For example, SH 130, Segments 5 & 6 was selected as the first Facility to be ready for development because it has environmental clearance, can go to construction soon, and has local and regional support to move forward and generates an up-front payment to TxDOT. The TTC-35, Dallas Southeast Connector was selected second due to its revenue contribution to the Project, and its ability to remove long-haul traffic from the Dallas area Interstates.

As described in the Conceptual Financial Plan, the phasing of these Facilities, comprising 341 centerline miles of new roadways and 101 miles of freight rail, allows their revenue streams to support other non self-standing Facilities.

The Team assumed that a Level-of-Service (LOS) "C" needs to be maintained for the toll Facilities. This results in the expansion of SH 130, Segment 5 and the TTC-35, Dallas Southeast Connector within the term of the CDA. These expansions are included in the financial models.

The suggested list of Facilities and their respective time horizons are as follows (See attached map).

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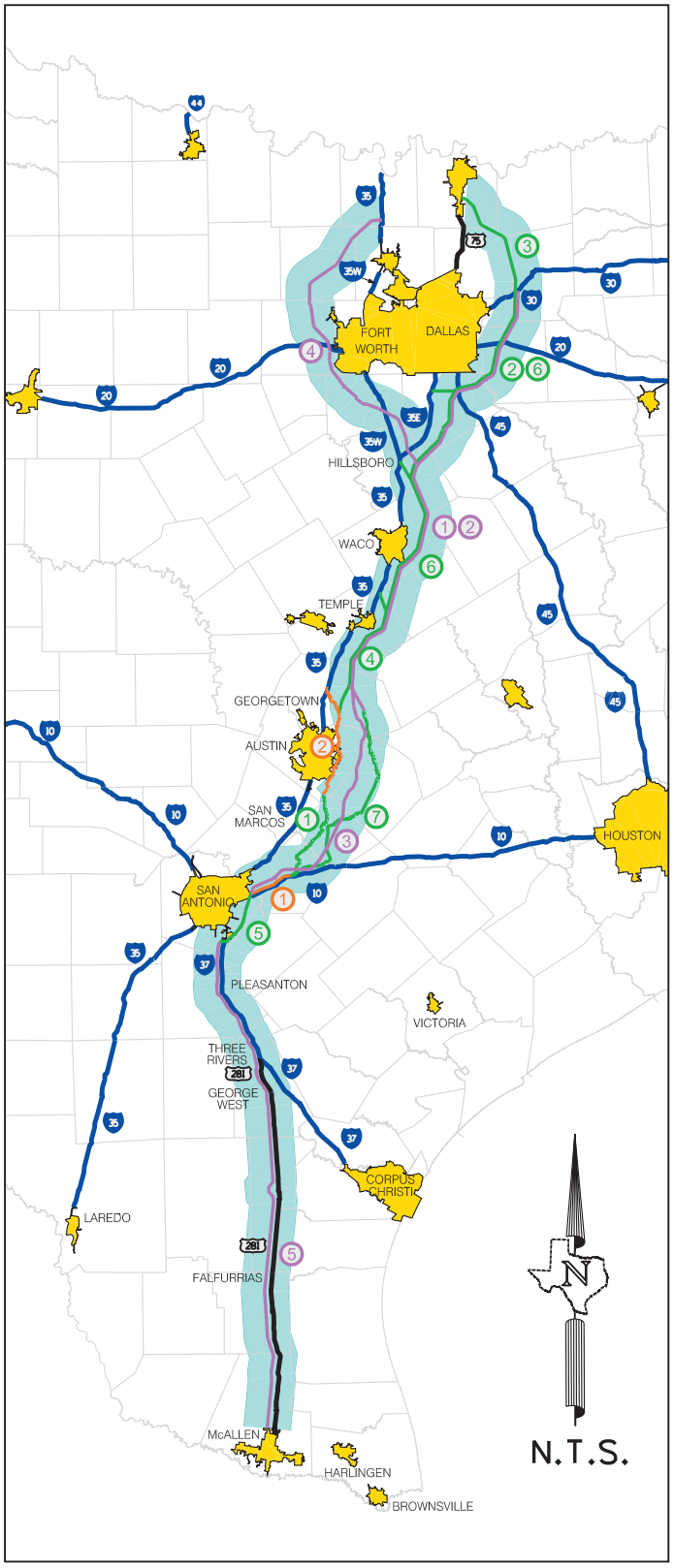


Near-Term (2005-2010) Facilities
1) SH 130, Seg 5 & 6
(General purpose mainlanes and frontage roads)
2) TTC-35, Dallas Southeast Connector
(Ultimate truck lanes)
3) TTC-35, Dallas Northeast Connector
(Ultimate truck lanes)
4) TTC-35, Georgetown to Temple
(Ultimate truck lanes)
5) TTC-35, San Antonio Southeast Loop
(Ultimate truck lanes)
6) TTC-35, Temple to Dallas Southeast Connector
(Ultimate truck lanes)
7) UP Railroad Relocation (MoPac)
(Double track)

Mid-Term (2010 - 2025) Facilities
1) IH 10 Expansion, Seguin to San Antonio Southeast Loop
(General purpose mainlanes)
2) SH 130-Segments 1 to 4
(Truck Lanes)

Long-Term (2025-2055) Facilities
1) Dallas to Austin Freight Rail
(Double track)
2) Dallas to Austin High Speed Rail
(Double track)
3) Austin-San Antonio High Speed Rail
(Double track)
4) TTC-35, Fort Worth Southwest & Northwest Connectors
(Ultimate truck lanes)
5) TTC-35 - San Antonio to Rio Grande Valley
(Ultimate Truck Lanes)

Near-Term Facilities:

1. **SH 130, Segments 5 and 6** (Austin/San Antonio area) - General purpose mainlanes and frontage roads. By 2040, additional automobile lanes will be constructed, and automobile and truck traffic will be segregated. (Length: 45.8 miles)
2. **TTC-35, Dallas Southeast Connector** (Dallas area) - Between IH 30, IH 20, IH 45 and IH 35 E. This Facility will provide a route around the Dallas area mainly for traffic going west to south and north to east. By 2020, additional automobile lanes will be constructed, and automobile and truck traffic will be segregated, these lanes will be further expanded by 2045. (Length: 57.6 miles)
3. **TTC-35, Dallas Northeast Connector** (Dallas area) – Between IH 30 and US 75. This Facility will provide a route around the Northeast Dallas area mainly for traffic going west to north and south to east. (Length: 47.6 miles)
4. **TTC-35, Georgetown to Temple** (Austin/Temple area) – Between SH 130 Segment 1 and IH 35 North of Temple. This Facility will provide a route around the Temple-Belton area and connect into and provide a continuation of SH 130. (Length: 58.0 miles)
5. **TTC-35, San Antonio Southeast Loop** (San Antonio area) – Between IH 10 and IH 37. This Facility will provide a route around San Antonio to facilitate movement of people and goods from/to the east along IH 10, and from/to the Rio Grande Valley along IH 37. (Length: 25.6 miles)
6. **TTC-35, Temple to Dallas Southeast Connector** (Temple/Dallas area) – Between North of Temple and the TTC-35 Dallas SE Connector. This Facility will provide a route around the Waco - Hillsboro area and connect into and provide a continuation of TTC-35 between the Temple and South Dallas area. (Length: 106.1 miles)
7. **UPRR Relocation** (Austin/San Antonio area) - Build new and upgraded rail Facilities from Georgetown to and within San Antonio and relocate through freight rail service out of Austin and neighboring communities. (Length: 101 miles)

Mid-Term Facilities:

1. **IH 10 Expansion, Seguin to San Antonio Southeast Loop** (San Antonio area) - Add four toll lanes to IH 10. (Length: 19.4 miles)
2. **SH 130 – Segments 1 through 4** (Austin area). (Length: 48.0 miles)
   - Construction of automobile-only toll lanes (two lanes in each direction)
   - Segregate automobiles and trucks

Long-Term Facilities:

1. **Dallas to Austin Freight Rail** – Between Dallas and relocated UP tracks. (Length: 217 miles)
2. **Dallas to Austin High Speed Passenger Rail**. (Length: 217 miles)
   - Tie to currently planned Texas T-bone
3. **Austin to San Antonio Area High Speed Passenger Rail.** (Length: 95 miles)
4. **TTC-35, Fort Worth Southwest and Northwest Connectors** – Between IH 35 North of Hillsboro to IH 35 North of Denton. (Length: 129 miles)
   - Construction of ultimate truck lanes (two-lanes in each direction)
5. **TTC-35, San Antonio to the Rio Grande Valley** (Length: 222 miles)

The CDP includes an accelerated schedule to develop the near-term Facilities. **This includes completing Segments 5 & 6 of SH 130 by the end of 2009 and commissioning for operation of all near-term Facilities by 2014.** Development of intermodal facilities, high speed, freight and commuter rail, and utility transport along TTC-35 are also outlined in the CDP.

The CDP contains the conceptual diagrammatics for the near-term Facilities. These drawings include probable interchange locations, proposed ramps and major structures.

In the CDP and cost estimates, the Proposer is recommending, and assumes, traditional tolling systems

for all the near term Facilities with ETC capability in all lanes. However, the Proposer recommends a free flow Electronic Toll Collection (ETC) system on high demand TTC-35 Facilities (e.g. TTC-35, Dallas Southeast and Northeast Connectors) to reduce delay and travel time, though the cost of this has not been considered in the Proposer's cost estimate.

A description of Cintra's current free-flow ETC system in operation on Canada's 407-ETR is included. This was the world's first free-flow ETC system placed in operation. This is one of the collection systems that could be implemented on some TTC-35 Facilities.

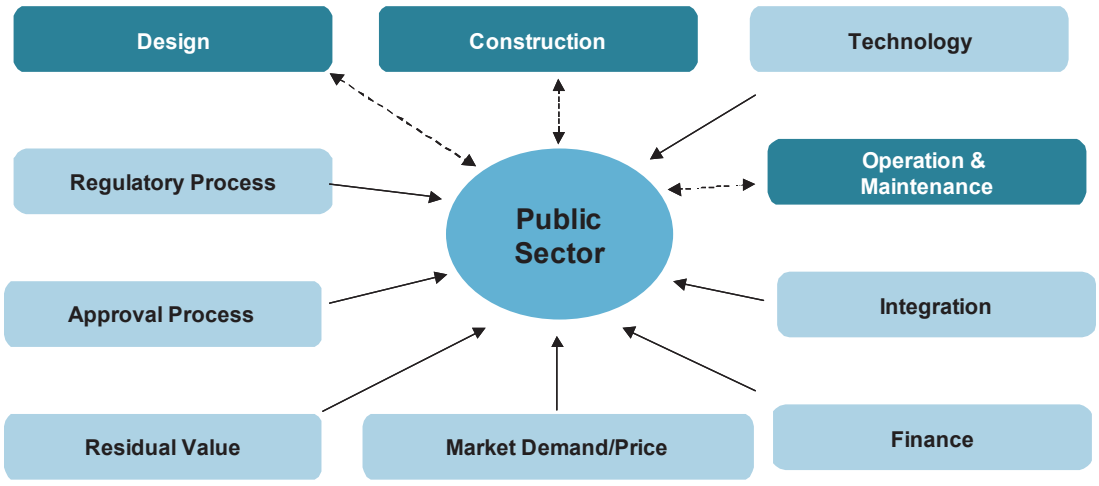
Conceptual cost estimates for each Facility are provided including all aspects of development, design, ROW, environmental mitigation, construction, operation, maintenance, expansion and financing.

The Proposer's approach to ROW acquisition, including funding the acquisition through the Facility's financing is described. The Proposer suggests to include ROW acquisition in the financing plan, after Notice to Proceed 3, the Proposer plans to acquire required ROW on an accelerated schedule and transfer titles to the State. The Proposer will strive to acquire as many properties as possible through this methodology, but because the Proposer will not have condemnation authority, "problematic" parcels may go through TxDOT's condemnation process, funded by the Proposer.

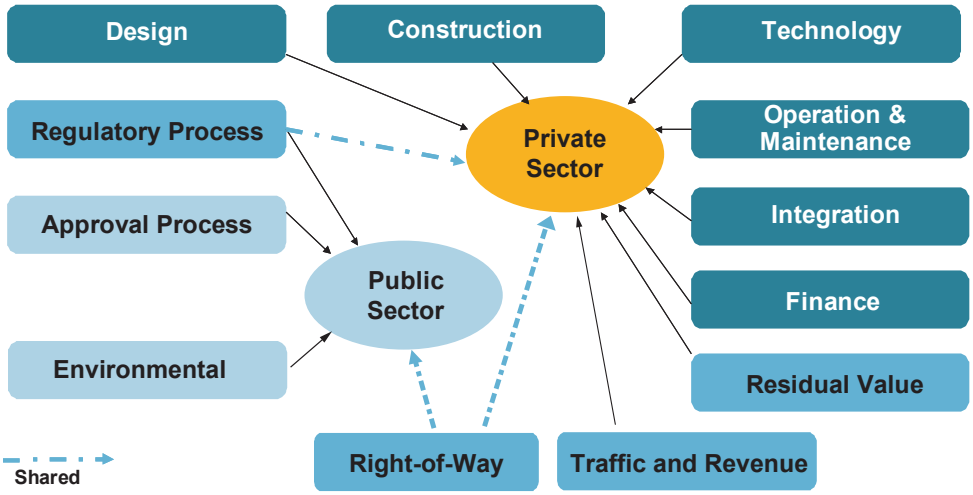
The Proposer is committed to making sure that TTC-35 is developed in an environmentally safe manner and in accordance with all applicable laws and regulations. A key component to environmental management for the TTC-35 will be the establishment of Mr. Eddie McFalls as the Environmental Manager. It will be the responsibility of the Environmental Manager to track and monitor environmental permit requirements, environmental commitments construction monitoring and environmental mitigation.

The Proposer's vision of risk management and allocation of risks is based on the fundamental principle that the party that is able to manage each type of risk in the most efficient way should assume it. The following figures indicate the risk allocation for a typical TxDOT project, followed by the risk allocation anticipated for a TTC-35 PPP Project self-performed by the Proposer under a concession model.

Traditional allocation of risks in a project



Example of allocation of risks in a PPP:



(2) Conceptual Financial Plan

The Conceptual Financial Plan demonstrates the economic and financial basis upon which the Conceptual Development Plan can be realized for TTC-35 over the 50 year CDA period. The CFP demonstrates that utilizing a long-term concession structure can not only mobilize substantial private equity for investment in Corridor Facilities, but generate almost immediately substantial funds for TxDOT for reinvestment into other Corridor Facilities. The CFP shows that under this structure both high revenue generating and non-revenue generating near-term projects can be delivered without a requirement of public funds.

In the CFP all proposed Corridor Facilities near, medium and long-term, have been evaluated for their potential financial performance. An aggregate financial analysis of the Project as a whole is provided, and each of the revenue generating near-term Facilities has been analyzed and modeled to determine the optimum financial structure to achieve TxDOT's objective of rapid Corridor build-out with minimal public funds.

While the concession structure will not always be appropriate for a Corridor Facility – and the CFP treats the use of tax-exempt financing for some projects and even of public funds for future high speed rail – the CFP demonstrates the capability of properly structured private participation to accomplish TxDOT's Corridor objectives.

Specifically, based on available data for the near-term Facilities, the Proposer's Conceptual Financial Plan includes:

- **NO requirement for public funds[2]**
- **an equity investment by the Proposer of over $1.3 billion in five near-term self-performed Corridor Facilities with capital costs of $6 billion**
- **expansion of two of those Facilities in the future at no cost to TxDOT**
- **payment of up-front concession fees to the State of Texas of over $1.2 billion for the right to develop, operate and maintain these Facilities for 50 years**
- **establishment of a not-for-profit TTC-35 Trust Fund to receive concession fee payments and reinvest these into additional Corridor Facilities, and**
- **application of a portion of TTC-35 Trust Fund monies to complete the two last near-term Facilities with capital costs of more than $1.3 billion**

[2] Public funds are understood to include state and federal highway funds. State infrastructure bank, TIFIA credit instruments or local sources are not included in the public funds assumption per Q&A response dated August 3, 2003. Of these sources, the CFP anticipates TIFIA funding only.

The table below shows the timing, delivery and funding characteristics of each of the near-term Facilities identified in the Conceptual Development Plan and Conceptual Financial Plan:

Facility	Facility Financing	Delivery Method[3]	Self-perform	Initial Construction Date	D, B and ROW Initial Capital Cost	Equity Investment	Payment to/(from) TTC-35 Trust	Use of Public Funds
SH 130 5&6	Private Financing	DBFO	Yes	2007	710	156	37	0
Dallas SE	Private Financing	DBFO	Yes	2009	1,793	367	580	0
Dallas NE	Private Financing	DBFO	Yes	2009	775	284	408	0
SH 130N to Temple	Private Financing	DBFO	Yes	2010	986	223	116	0
Temple to Dallas SE	Private Financing	DBFO	Yes	2010	1,694	357	32	0
				Subtotal	**5,958**	**1,387**	**1,173**	**0**
SAT SE	Private Financing / Trust Financing	DBFO	No	2010	489	56	(129)	0
UPRR Relocation (MoPac)	Trust Financing	DBB/DB	No	2011	852	-	(852)	0
				Subtotal	**1,341**	**56**	**(981)**	**0**
				Total	**7,298**	**1,443**	**192**	**0**

In order to accomplish TxDOT's Corridor objectives, the Proposer believes it is essential to consider the development of multiple Facilities and create a financial structure which leverages investments and revenues from these Facilities to other needed Facilities.

Five of the near-term Facilities are proposed to be Self-Performed by the Proposer who would inject over $1.3 billion in equity and pay – to a specially established TTC-35 not-for-profit Trust Fund – more than $1.1 billion in concession fees. The concession fees would then be applied for needed financing of the SAT SE project (which would be competitively procured under a concession structure), and for needed financing of the non-revenue generating MOPAC relocation (which would be delivered on a design-build or a design-bid-build basis).

The sequencing of Facility development was designed to enable near immediate commencement of Corridor Development and early funding of the Trust Fund. Environment approvals already obtained on SH 130 Segments

[3] DBFO: Design, Build, Finance and Operate; DBB: Design, Bid Build; DB: Design, Build

5&6 would enable development to proceed quickly once a Facility Implementation Plan was agreed with TxDOT. The financial structure for this Facility and all other self -performed Facilities (except Dallas SE) are proposed as equity and taxable US bond financings. Dallas SE is proposed as a European bank financing structure due to its need for expansion capital in 2015. The Bank debt structure proposed is considerably more efficient than bond financing given the capital requirements of this Facility.

Development of Dallas SE and Dallas NE would follow shortly after the commencement of SH130 Segments 5 & 6. Both Dallas projects entail substantial equity investments and will generate nearly $1 billion in funds for the Trust. SH 130 N to Temple would be next, followed by SAT SE. The SAT SE project will need an investment from the Trust of $129 million, and the Proposer recommends that this Facility be competitively procured as an equity concession. Temple to Dallas SE would be the next Facility, requiring a significant equity investment, but because of its economics, not generating substantial funds for the Trust. By 2010 the funds available in the Trust are more than sufficient to fund the needed MOPAC relocation.

The financial structure proposed enables $7 billion and 442 miles of seven Facilities to be constructed in the near-term. Five of these, to be self-performed by the Proposer, will attract more than $1.3 billion in private equity investment. TxDOT's potential $1 billion in public funds would be untouched and available for use either on the Corridor or on other priority investments the State may have, and more than $400 million would remain available in the Trust Fund for other Corridor Facilities.

The Conceptual Financial Plan includes detailed financial models (included in the Proposer's CD-ROM), sources and uses tables and assumption explanations for each of the five Facilities proposed to be self-performed and for the sixth Facility, SAT SE, proposed to be competitively procured. It provides a model of how the Trust Fund would work and the flows of capital into and out of the Trust.

Aggregate financial statements (profit and loss, balance sheet and cash flows) for all revenue generating near term Facilities are provided in Appendices. An aggregate sources and uses table for the near term Facilities is provided in the text of the CFP. As noted, an aggregate Project financial plan is also provided showing sources and uses of funds for near, medium and long-term projects.

The CFP describes the various capital structures that might be employed to fully finance the Project. These include taxable and tax-exempt structures which will be utilized to supplement the concession model that is the essence of the Proposal. These other financial structures may include revenue bonds, tax-exempt 63-20 corporations and 501c3 structures as well as bank debt – with all of these potentially coupled with the creative use of limited public support (GANS, GARVEES, TIFIA, etc).

This section also details financial risk allocations under the concession structure, showing how the Developer takes on the majority of risk in the proposed program. The Proposer's more than $1.3 billion in equity constitutes approximately 23% of the capital costs of the five self performed Facilities, and represents a substantial commitment to the transfer of revenue, construction, operation and maintenance risk to the Developer.

The Conceptual Financial Plan demonstrates the mechanisms by which the TTC-35 Corridor can be realized, bringing substantial new capital to Texas, facilitating rapid development of the Corridor, and minimizing or even eliminating the need for public funds to accomplish the program.

$7 billion in Facilities, 442 miles,

$1.3 billion in private equity,

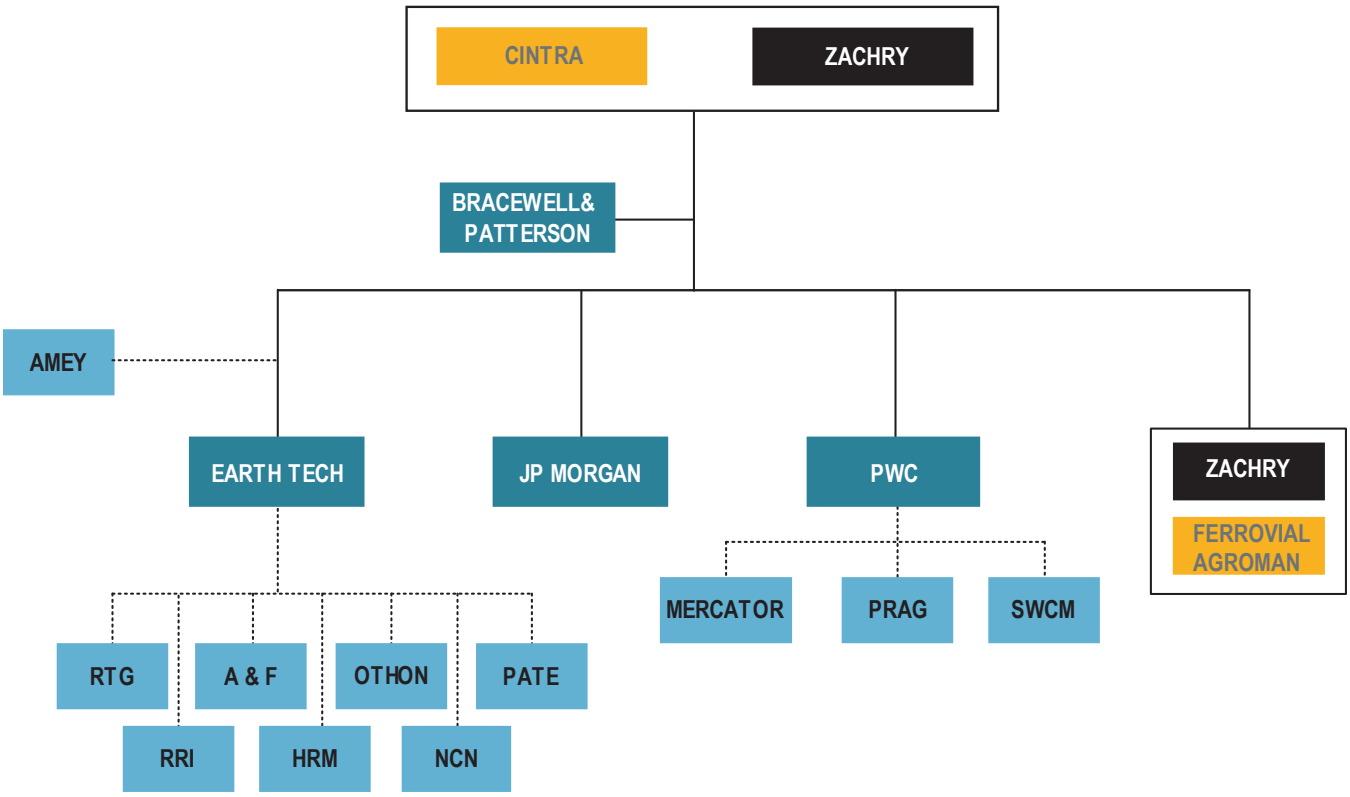
$1.2 billion for Corridor investment and

NO public funds.

(3) Project Management Plan

The Project Management Plan (PMP) outlines the equity partners, major participants and supporting firms identified to-date. The equity partners and major participants

included on the Team are nationally recognized leaders in their fields. The supporting firms include DBE firms that will be utilized to exceed the TTC-35 DBE goal. The following organization chart outlines how each firm will interface with each other, and report up the structure to Cintra and Zachry.



The PMP identifies the key leaders for the equity partners and major participants. These include:

Mr. Fernando Redondo, Project Director; Mr. Diego Marin, Project Manager; Mr. Richard Klassen, Project Quality Manager; Mr. Angel Sánchez, Design and Construction Leader; Mr. Klaus M. (Sonny) Brown, Deputy Project Manager; Mr. Jiri Filipovic, Engineering Team Leader; and Mr. Peter Raymond, Financial Team Leader.

The breakdown of Project work will include hundreds of individually managed tasks. The PMP outlines the proposed approach for each major task:

- **Project Direction** – Mr. Fernando Redondo with Cintra will serve as Project Director. He will have overall responsibility for the project and will be the primary person responsible for communication with TxDOT and third parties.
- **Project Management** – Mr. Diego Marin, with Cintra, will serve as the Project Manager. He will be responsible for the day-to-day interaction with TxDOT, the TTC GEC and TTC-35 Section Engineers. The TTC-35 Project Team will be coordinated with TxDOT to ensure there is a good fit between the public and private side.
- **Design and Construction Management** – Mr. Angel Sanchez with Ferrovial Agroman will serve as Design and Construction Leader. He will supervise the construction cost estimates and related design issues developed by the advisors and will serve as a liaison between the team and Ferrovial Agroman.

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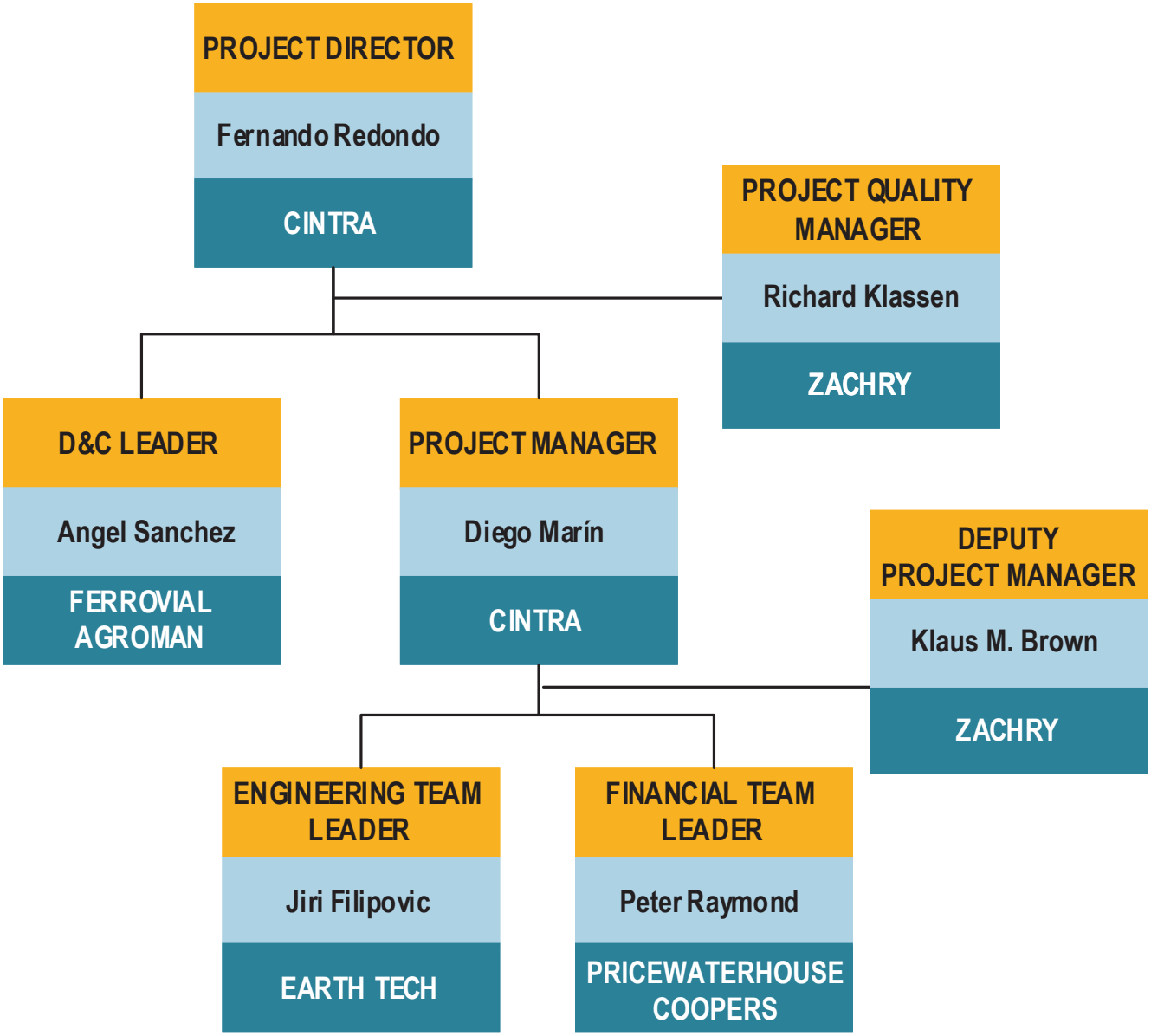

- **Quality Management** – As detailed in the next Section, Mr. Richard Klassen with Zachry, will serve as the Project Quality Manager. Individual firm's Quality Managers, and Task-Specific Quality Managers will support him. The Quality Manager will monitor, analyze and report on Project and Facility quality.
- **Environmental Management** – Mr. Eddie McFalls, with Earth Tech, will serve as the Team's Environmental Manager. He will ensure full support of the NEPA process, and tracking of all environmental commitments and required environmental mitigation.
- **Contract Administration** – The Team will establish the procedures to manage contracts for the 50-year duration of the CDA. This will include all documentation and communication for the Project.
- **Feasibility, Preliminary Design and Engineering** – Mr. Jiri Filipovic will lead the early engineering effort to finalize the potential TTC-35 Facilities. This will include input from this Proposal, the competing Proposals, TxDOT, the TTC GEC and TTC-35 Section Engineers. He will also lead all preliminary and detailed engineering required to support the NEPA process and construction documents.

- **Transportation Planning** – Mr. Ravi Girdhar with Earth Tech will continue the traffic planning work he began for this Proposal. This includes combining all of the available planning models, the Statewide Analysis, and MPO models.
- **Financial** – Mr. Peter Raymond, with PricewaterhouseCoopers, will lead the financial analysis for the Project. This includes financial feasibility, financing plans and preparing each Facility's Official Statement. Mr. Don Henderson, with JPMorgan Securities, will support the Team with knowledge and expertise about innovative financing techniques and instruments.
- **Engineering** – Mr. Jiri Filipovic, with Earth Tech, will lead all preliminary and detailed engineering required to support the NEPA process, and construction documents.
- **Railroad Coordination** – Mr. Lee Johnson, with Railroad Industries, will lead the Team's efforts coordinating with the UP and other railroads.

The work breakdown structure is shown by means of a major schedule and high-level milestones for the typical Facility.

The equity partners and major participants also bring their extensive design-build expertise in delivering thousands of miles of highway in Texas and around the world to planning and executing this large-scale Project. The engineering and planning firms on the Team include more than 10,000 employees, a vast array of experience that can be brought to bear on this Project. Teams of specialty support have been identified and are poised to immediately mobilize for the TTC-35 effort. The PMP identifies its benefits to the State by optimizing Scope, Schedule and Budget.

(4) Quality Management Plan

The QMP is predicated on the premise that quality for all activities is ensured by those who have the responsibility for performing the work and that the work is confirmed by management and verified by those assigned to quality functions. It provides general guidelines for achieving quality on all deliverables, including investigations, engineering analysis, design, construction, operation and maintenance. The purpose of the QMP is to ensure the work will meet or exceed the requirements established for the product.

The Goals of the QMP include:

- Ensuring that Quality Management Activities are planned;
- Measurable quality standards and their priority are well defined, and that
- Progress in achieving quality is managed and documented.

The QMP identifies the hierarchy of the various Quality Managers required for TTC-35. Mr. Richard Klassen will serve as the Project Quality Manager. He will be responsible for coordinating with TxDOT on the development and approval of the Quality Management Plan. Firm Quality Managers and Task Specific Quality Managers will coordinate the day-to-day quality control and quality assurance aspects of the Project.

The QMP outlines the entire quality process from quality planning through quality control and finally quality assurance tasks. Specific examples of documentation and procedures are presented for each phase of the CDA. This includes project management, planning, design, construction, operation and maintenance, finance, environmental compliance, public involvement and safety.

The QMP outlines the submittal review process, evaluations and documentation that will be developed throughout the 50-year life of the CDA.

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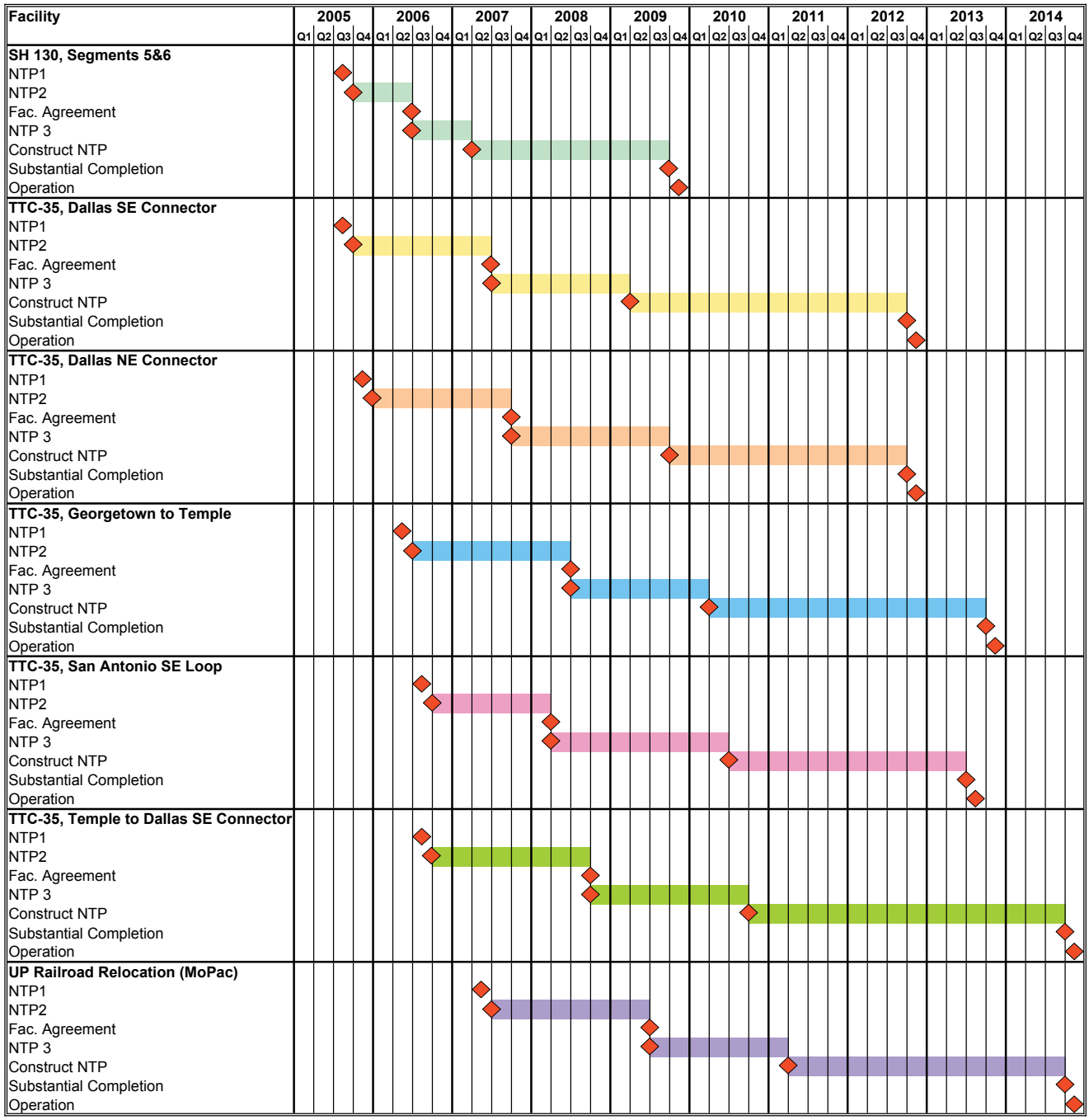
E. SUMMARY OF SCHEDULES, PHASING, SEQUENCING, KEY MILESTONES, AND ANTICIPATED MILESTONES

The following diagram represents the Proposer's anticipated schedule for the Near-Term Facility development. As discussed previously, the following Facilities were phased by their ability to meet the selection criteria. SH 130, Segments 5 & 6 was selected as the first Facility to be ready for development because it has environmental clearance, can go to construction soon, and has political support to move forward. Construction on the other six Facilities cannot be started until early 2009 due to the environmental process that should be complete by mid-2007. At that time all of the other self-performed Facilities could start, but they have been staggered approximately six months to allow a reasonable submittal and approval process.

Preliminary Development Schedule



F. SUMMARY OF APPROACH TO WORKING WITH TxDOT AND THIRD PARTIES

(1) Working with TxDOT

(i) Master Development Plan

The Proposer feels very strongly that the best means of accomplishing a project of this scope and size is to ensure there is close collaboration with TxDOT every step of the way. There are several aspects of the proposal that are designed specifically to accomplish this objective.

Primary in this regard is that an organizational structure that ensures a close working relationship with TxDOT.

As can be seen, there is a single point of contact at a senior level for each of the primary functions. The Project Director will have overall responsibility and accountability for the Project. The Project Manager will have the role of coordinating the day-to-day aspects of the Project. In key support roles will be a Design & Construction Leader, a Project Quality Manager, and leaders for both the engineering and financial roles. Ultimately, the Proposer will ensure its initial organizational structure corresponds with the structure TxDOT establishes to oversee the Project. This will ensure that the Project organizational structure facilitates the interaction between the key stakeholders and ultimately fosters the Project's success.

To supplement this structure and further ensure close coordination with TxDOT, the Proposer will co-locate key team personnel with TxDOT. This will allow constant interaction and consulting between the Proposer, TxDOT, the TTC GEC and TTC-35 Section Engineers.

Other key functional responsibilities which will have specific staff and draw on the expertise of Cintra, Zachry, Ferrovial and Earth Tech include: revenue collection; environmental management, review and compliance; contract administration; transportation planning; and rail and logistics coordination.

(ii) Master Financial Plan

The Master Financial Plan and Master Development Plan are integrally linked and will be developed in close coordination with each other and with TxDOT. For development of the Master Financial Plan, the Proposer will also work closely with TTA and TxDOT's Financial Division. While the CFP does not contemplate the need for public funds in the near-term, it will be important to work with TxDOT to determine what funds, if any, may be available and to agree and finalize approaches to leveraging any such resources. The structure and function of the Trust will be developed in close coordination with TxDOT to ensure maximum benefit can be made from revenue sharing, reinvestment and interest earnings. The Team includes local, national and global finance experts. The Proposer anticipates regular interaction with TxDOT to include briefings on financing options and structures and progress reports on the development and outputs of the Master Financial Plan.

(2) Working with Third Parties

(i) Master Development Plan

The key to advancing the Project and the individual Facilities is the simple philosophy of early and continuous involvement of those entities affected by the Project. The key stakeholders must first be identified. Those preliminarily identified include:

- Federal Regulatory: EPA, FHWA, FTA, FRA and FEMA
- State Regulatory: TCEQ, PUC of Texas, RRC of Texas, and ERCOT
- Planning Organizations: MPOs and COGs
- Local governments: cities and counties
- Tolling Authorities: HCTRA, NTTA and appropriate RMAs
- Private: railroads, utilities, and power companies (LCRA)

After these entities have been contacted, the Proposer will establish a key point of contact at each organization. A team member from the Proposer will also be given responsibility for coordinating efforts with each of these organizations. The proposal describes the various agreements required to negotiate with each of these organizations. The Proposer will ensure it has the neces-

sary personnel and expertise to negotiate each of these agreements.

Because the Union Pacific (UP) and Burlington Northern Santa Fe (BNSF) are unique as common carrier railroads, the Team has secured the expertise of Railroad Industries to facilitate all negotiations with the railroads.

(ii) Master Financial Plan

Members of the Master Financial Plan Team will work as integral team members in discussions with the identified third parties as these represent both financial and contractual partners for the development of the Project. In addition, the Master Financial Plan Team members will be working in close coordination with key sources or facilitators of funding not noted above. These include:

- Texas state government finance officials, as appropriate and in coordination with TTA and TxDOT's Finance Division
- Rating agencies
- Bond insurers
- European and US banks
- Institutional investors
- Potential equity partners
- Real estate developers
- Utility owners
- Advertising agencies (for ancillary revenues)
- Local Texas business, trade and finance organizations, as appropriate

G. SUMMARY OF COMMUNITY RELATIONS APPROACH

The team is aware that the significance of community The Team is aware that the significance of community relations on a project that involves tolling, large amounts of right-of-way, and a new model of financing infrastructure cannot be overstated. A sophisticated approach to public relations can make the difference between project success and project failure. Corridorwatch.Org is only one example of the many concerned groups that will need to be addressed during the course of developing the Corridor.

While the Proposer will work with TxDOT's local and national public relations professionals in dealing with affected communities, there are certain fundamental philosophies the Proposer will demand of any Public Relations team working on the Project. Those philosophies include:

- Keeping TxDOT informed and assisting with employee education as appropriate
- Focusing the PR efforts to reach and inform target audiences
- Listening to and engaging the public
- Addressing the public's concerns
- Engaging local opinion leaders
- Keeping track of public sentiment and immediately responding to any trends

Additionally, the Team is committed to incorporating such leading edge concepts as Context Sensitive Solutions into the Corridor's design. This will ensure, to the extent possible, that the public feels the Project has been adapted to its concerns and not the other way around.

Again, the Team considers informing and engaging the public as imperative to the success of a project this large in scope and reaching this far into the future. Informing, engaging and collaborating will define this Proposer's approach to community relations.

The Team appreciates the opportunity to provide this Proposal to join with TxDOT in the TTC-35 CDA for the next fifty years. The TTC-35 Project presents unique challenges that the Proposal Team is ready to accept. Extensive resources will be immediately mobilized to ensure Facilities are placed in operation as quickly as possible.

This Proposal presents the Team's vision to fully develop the TTC-35 Corridor. The Team will work with TxDOT to ensure this vision meets the State's goals, and stands ready to further discuss any portion of this Proposal in oral presentations or discussions.