

### 4.3.2 Conceptual Financial Plan<sup>1</sup>

#### Introduction and Overview

The Proposer understands that TxDOT is seeking a partner who can rapidly enable the construction of multiple facilities, maximize private participation in the corridor and minimize use of public funds for corridor build-out.

**Based on analysis of available preliminary and conceptual corridor traffic, revenue, capital, operating and maintenance costs, the Proposer intends to:**

- require NO public funds<sup>2</sup>
- invest over \$1.3 billion in equity in 5 near-term self-performed corridor facilities with construction costs of \$6 billion
- expand two of those facilities in the future at no cost to TxDOT
- pay concession fees of over \$1.2 billion to the State of Texas for the right to design, build, finance, operate and maintain these facilities for 50 years
- establish a not-for-profit TTC-35 Trust Fund to receive concession fee payments and reinvest these into additional corridor facilities
- apply a portion of Trust Fund monies to two additional near term facilities with construction costs of more than \$1 billion, and

The \$1 billion in potentially available public funds (in a \$200 million per year basis for 5 years), that was offered by TxDOT as part of this RFDP process, could be used by TxDOT to accelerate other corridor facilities, or elsewhere in Texas as appropriate, but it is not needed to develop the seven near-term facilities identified by the Proposer.

The Proposer proposes that each of these facilities be developed making the best use of private finance and delivery methods and limiting public funds requirements. Of the seven facilities identified for near-term development:

- Six highway projects will be developed with private equity participation
- Five of these as self-performed by the Proposer under concession model, of which four will utilize US taxable bond financing and one will utilize European bank debt financing
- One of the six (San Antonio Southeast Loop) will be competitively delivered as a concession
- One (UP Railroad Relocation) will be developed on a design/bid/build basis or design/build basis
- None will require public funds

<sup>1</sup> The Conceptual Financial Plan is intended to be conceptual in nature and was developed using data available at this time. This data is subject to confirmation in the Master Financial Plan development stage. Such further analysis and confirmation may change the results presented here. To provide as realistic an analysis as possible, the Proposer has used an inflation rate of 2.5% over the CDA period, discount and borrowing rates which reflect best estimates of market conditions. If TxDOT wishes for the Proposer to re-run the models with 4% inflation and 5% discount rates this would be possible, but would represent a much less accurate analysis of potential development in the corridor. Unless otherwise stated the values presented in the CFP are nominal values.

<sup>2</sup> 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.

<sup>3</sup> The Developer here refers to the private party who will develop, design, construct, finance, operate and maintain the facility. On Self-Performed facilities, the Proposer will be the Developer. On Competitively Procured facilities, the Proposer may or may not be selected to be the Developer.

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Private equity participation facilities will be developed on a turn-key basis, with the Developer<sup>3</sup> assuming the risk of cost overruns, revenue forecasts and long-term performance of the facilities.

The Table below shows each facility, its financing and delivery method, construction start date, initial construction costs, equity investment to be made, payment to/(from) the TTC-35 Trust Fund, and the public funds required.

Facility	Facility Financing	Delivery Method <sup>4</sup>	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
SH 130N to Dallas SE	Private Financing	DBFO	Yes	2010	1,694	357	32	0
<b>Subtotal</b>					<b>5,958</b>	<b>1,387</b>	<b>1,173</b>	<b>0</b>

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
<b>Subtotal</b>					<b>1,341</b>	<b>56</b>	<b>(981)</b>	<b>0</b>

<b>Total</b>					<b>7,298</b>	<b>1,443</b>	<b>192</b>	<b>0</b>
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The Proposer's experience in the public and private design, construction, financing, operation and maintenance of road and rail facilities in North America, Europe, Australia and South America provides TxDOT with a team capable of drawing on a wide range of financial structures, funding resources and delivery methods with which they are intimately familiar and have used successfully, repeatedly. Information on the Proposer's capabilities can be found in previously submitted qualification documents.

<sup>4</sup>DBFO: Design, Build, Finance and Operate; DBB: Design, Bid Build; DB: Design, Build

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## Summary of Response to CFP Evaluation Criteria A through K (ITP Section 5.4.2.1)

**A. Minimization and efficiency in the use of public funds, loans, and guarantees** - The Team recognizes that public funds are scarce. The approach taken and demonstrated in this CFP is that the use of public funds can be minimized and private investment and federal government programs such as TIFIA can be maximized to deliver needed corridor development.

This proposal includes no requirement to draw on the \$1 billion in public sector funds assumed by the RFDP documents to complete \$7 billion in near term facilities and two expansions in the medium and long term. Rather, for the right to develop 5 of these facilities the Proposer anticipates making concession fee payments exceeding \$1.1 billion to the State of Texas, through a Trust Fund, for development of other corridor facilities.

The \$1 billion in available public funds offered as part of this RFDP process could be used by TxDOT to accelerate other corridor facilities, or elsewhere in Texas as appropriate, but it is not needed to develop these seven facilities.

The Proposer believes that the Corridor can and should be developed minimizing the use of public funds and utilizing the following prioritization of funding and delivery methods for corridor facilities:

**1. Concessions using Private Financing** – These are Design/Build/Finance/Operate (DBFO) facilities developed on purely private financed structures comprising equity and taxable non-recourse debt. They may leverage federal programs such as TIFIA, and should private activity bonds be approved and available, it may be possible to accomplish these projects with tax-exempt debt. Wherever possible, a concession fee should be paid by the Developer into the TTC Trust Fund to provide funding for other facilities which may require a subsidy.

**2. Tax-Exempt DBFOs** – These are facilities developed on a Design/Build/Finance/Operate and Maintain basis using tax-exempt financing. They would include 63-20 structures and 501-(c)-3 struc-

tures which involve no private equity participation but turn-key DBFO requirements from developers. Developers may choose to provide subordinated debt to facilitate financing. Tax-exempt DBFOs would be used where Concession structures are less viable. Should these facilities require subsidy support, funds available through the TTC 35 Trust would be applied first and public funding only as a last resort.

**3. Design/Build and Design/Bid/Build** – These are facilities that do not lend themselves to private financing participation typically because they have very limited or no revenue generation capability. In many cases, these facilities can be developed on a design/build basis, assigning key risk and performance requirements to the constructor. Certain facilities or works will not lend themselves to design/build and would be performed on a design/bid/build basis.

The first priority is use of funds from private sources alone (including equity, bank debt, and taxable and tax-exempt bond issuance and federal programs such as TIFIA). Trust Fund resources are the second priority and the CFP indicates that these funds could be substantial. If public funds are needed, first call should be on “credit enhancement” mechanisms such as counter guarantees, standby facilities and innovative financing schemes such as pass-through (or shadow) tolling. Public grant funds are last resort funding mechanisms, when there are no other means by which to structure and finance facilities to achieve TxDOT objectives within the corridor.

**This CFP shows that financing for near-term facilities and several expansions can be completely accomplished through private financing structures and leveraging funds paid in to the Trust Fund. That is, no public funds would be needed.**

**B. Understanding of innovative financial techniques and capital market instruments** - The Team has extensive experience in a wide range of transportation project financing used around the world. In addition to Cintra’s experience, financial resources and

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expertise, the Team includes PricewaterhouseCoopers who has acted as financial advisor to Cintra on multiple successful transportation private financings around the world. PwC is consistently ranked as the leading advisor on project finance and public private partnership transactions worldwide<sup>5</sup>. JP Morgan is consistently ranked as a top underwriter of surface transportation debt. In the last ten years, JP Morgan has participated in over \$73 billion of tax-exempt turnpike or highway transportation revenue bonds issued by states, state agencies or local governments.

In addition, Public Resources Advisory Group, the most successful US public sector financial advisory firm is also committed to the project. As is Mercator Advisors, a financial advisory firm dedicated to maximizing leverage of federal funding resources such as TIFIA, RRIF and FTA Full Funding Grant Agreements. Our combined expertise includes the structuring and use of:

- Federal financing programs and options including GANS, GARVEES, TIFIA, RRIF, FTA FFGAs, private activity bonds, and related grant, loan and credit enhancement structures.
- State financing programs and options including GANS, GARVEES, TANS, State Infrastructure Bank products and related grant, loan, credit enhancement and tax and grant based financing structures.
- Local and real estate based financing options including:
  - ◆ Ad Valorem property tax based options: Certificates of Obligation, Contract Revenue Bonds, Certificates of Participation, Tax Increment Reinvestment Zones, Tax Abatements, Public Improvement Districts, Municipal Management Districts, Other Special Districts, Road Utility Districts, etc.
  - ◆ Sales and use tax based options: Economic Development Corporations, County Development Districts, Neighborhood empowerment zones, Economic Development Grants
  - ◆ Other Alternatives: Venue Projects, Urban Renewal Agency, Enterprise/Commercial/Industrial Zone, Conduit Financing Vehicles,

Hotel Occupancy Tax financing, Federal Empowerment Zone, Economic Development Agreement

- ◆ Revenue bond (limited and non-recourse) structures
- ◆ Taxable and tax-exempt project financing structures including equity, quasi-equity, 63-20 corporation and 501-(c)-3 project structures
- ◆ Bank debt financing structures such as PwC has advised on in Canada, Europe and Asia and have been used for numerous Cintra projects in Europe and North America (e.g. for the 407 ETR in Toronto, Canada)
- ◆ Limited Public Participation structures such as pass-through (shadow) tolling and availability payments.

Analysis of near term facility development and expansion of two of these projects indicates that **more than \$7 billion in projects can be accomplished on a private financing basis using a mix of private equity, revenue bonds, bank debt and TIFIA financing**. The specific financing structures are shown in the Near Term Facility Section 4.3.2.3 A, below.

**C. Commitment to revenue sharing, reinvestment, equity participation, and debt support** - The Team's proposal is structured to enable substantial equity participation, revenue sharing, reinvestment of funds, and, as needed, debt support. The Team proposes a financial structure which (1) includes substantial equity participation by the Proposer, (2) pays TxDOT upfront (into the TTC-35 Trust Fund) for the right to self-perform the design, construction, finance, operation and maintenance five specific facilities, (3) reinvests (through the Trust) those funds to provide support to other facilities, and (4) provides for the ability to issue "sponsor" debt if needed. Specifically:

- Equity Participation: The Proposer proposes to maximize private participation wherever possible in facility development. Direct equity investment in facilities should be substantial. Based on current data,

<sup>5</sup> See Project Finance International and the Infrastructure Journal league tables. Copies available on request.

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the Proposer is prepared to invest more than **\$1.3 billion in equity** in five near term self-performed facilities and related expansions. Moreover, the Proposer is committed to mobilizing additional equity participation from local and international project participants. It is not uncommon for Cintra to mobilize 30%-50% additional equity participation from other investors on a project by project basis. Upon additional analysis the Proposer may be prepared alone or in combination with others to invest similar sums for future corridor facilities which can be developed on a concession basis. Equity participation shifts considerable risk onto the Developer and off of TxDOT for successful facility performance. The Proposer will also consider investment through sponsor subordinated debt which could be used in Tax-Exempt DBFO delivery structures. Both equity and sponsor debt participation will also be encouraged for the development of facilities which would not be self-performed by the Proposer.

- **Revenue Sharing:** The Proposer is committed to developing sequentially and in the shortest period of time possible under NEPA approvals and cash availability, multiple facilities where the economics of the package of facilities makes sense as a whole, rather than on an individual basis. This proposal provides for the near-concurrent development of seven near-term facilities and a similar approach for development of medium and long-term facilities. Medium

and long-term expansion of privately invested near-term facilities is accomplished through leveraging same-facility cash flows to fund needed capital expenditures.


Revenue sharing is accomplished through the Trust Fund mechanism. The Proposer would pay a fee for the right to develop specific facilities under concession arrangements. The “concession fee” is calculated based on the expected revenue performance of the facility. The fees are paid into the Trust at close of finance for each facility. Six facilities are proposed to be developed on a concession basis, of which five would be self-performed by the Proposer. **The estimated concession fees paid into the Trust are \$1.173 billion.**

Concession fee payments immediately monetize future revenues from privately developed facilities. These funds are paid into the Trust and reinvested in other facilities needing financial support.

- **Reinvestment:** Funds in the Trust are available to be applied to facilities needing capital support. It is proposed that funds in the Trust can only be used for the further development of corridor facilities in accordance with the evolving Master Development Plan and Master Financial Plan. This will enable the highest priority facilities to be developed as quickly as possible wherever they need financial support.

The following table demonstrates how the Trust will work for these near term facilities.

**TTC-35 Trust Funding in Near-Term**

(All Figures in Millions (Nominal))	Start	Jan-05	Jan-06	Jan-07	Jan-08	Jan-09	Jan-10	Jan-11	Jan-12	Jan-13	Jan-14
	Mid	Jul-05	Jul-06	Jul-07	Jul-08	Jul-09	Jul-10	Jul-11	Jul-12	Jul-13	Jul-14
	End	Dec-05	Dec-06	Dec-07	Dec-08	Dec-09	Dec-10	Dec-11	Dec-12	Dec-13	Dec-14
<b>Interest on Trust Balance</b>		<b>2.6%</b>									
Balance <i>b/f</i>		0.00	37.81	1085.47	1227.96	1240.06	1203.31	1153.63	1006.47	721.64	519.12
<b>Concession Payment from Developer to Trust for Projects:</b>											
SH 130, Segments 5 & 6		36.85	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Dallas SE Connector		0.00	580.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Dallas NE Connector		0.00	407.88	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
TTC-35 Georgetown to Temple		0.00	0.00	116.25	0.00	0.00	0.00	0.00	0.00	0.00	0.00
TTC-35 Temple to Dallas SE Connector		0.00	32.27	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>Total</b>		<b>36.85</b>	<b>1020.15</b>	<b>116.25</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>Payment from Trust to Fund Projects:</b>											
San Antonio SE Loop		0.00	0.00	(5.00)	(12.00)	(11.00)	(18.00)	(38.00)	(45.00)	0.00	0.00
MoPac Relocation		0.00	0.00	0.00	(7.82)	(57.99)	(62.96)	(139.16)	(266.00)	(221.28)	(97.20)
<b>Total</b>		<b>0.00</b>	<b>0.00</b>	<b>(5.00)</b>	<b>(19.82)</b>	<b>(68.99)</b>	<b>(80.96)</b>	<b>(177.16)</b>	<b>(311.00)</b>	<b>(221.28)</b>	<b>(97.20)</b>
Interest Earned on Trust Balance		0.96	27.51	31.24	31.93	32.24	31.29	29.99	26.17	18.76	13.50
Balance <i>c/f</i>		37.81	1085.47	1227.96	1240.06	1203.31	1153.63	1006.47	721.64	519.12	<b>435.42</b> 
<b>Balance Carried Forward to Fund Mid-Term Projects</b>											

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**The Proposer anticipates \$129 million from the Trust be applied for funds needed for the SAT SE facility which will be developed on a competitively procured private basis and an additional \$852 million be applied to finance the complete relocation of rail lines and facilities at MOPAC.**

Specific details on facility financing, equity contribution and revenue sharing capability are found in the near term facility models and in summary form in [Section 4.3.2.3 A](#) below.

**D. Level of reinvestment of financial resources generated by the Facilities - The Proposer projects concession fee payments to exceed \$1.2 billion for the five facilities proposed to be developed on a concession basis by 2010.** As noted above, the approach is to reinvest financial resources generated by these and potentially other facilities. Concession fee payments are the primary means to monetize these revenues for near-immediate use for other corridor facilities. However, the Trust is structured so as to be able to capture other revenue generation (such as excess revenues generated under Tax-Exempt DBFO structures) and apply these to future facility development as well. Please see discussion of Trust structure above.

**E. Level of risk assumed by Proposer in developing the Project and Facilities -** The risk matrix in [Section 4.3.2.2 C](#) below shows the allocation of risks between public and private entities in developing corridor facilities. International experience demonstrates that properly structured concession projects enable the private sector to take on a considerable amount of performance risk. The Proposer is prepared to invest \$1.3 billion in equity in five near-term self-performed facilities. The Proposer's equity participation constitutes over 22% of the construction costs of the identified facilities. These facilities will be developed on a turn-key basis, with the Proposer assuming the risk of cost overruns, revenue forecasts and long-term performance of the facilities.

**F. Consistency with the Conceptual Development Plan, current financial market conditions, and the current economic environment -** [Section 4.3.2.1](#) below provides an overview of the anticipated financial require-

ments of the near, medium and long-term facilities for the corridor over the 50 year CDA period. In developing the financial requirements and structuring options of near term facilities, assessments were made of current financial market conditions including interest rate environment, capital markets appetite for various forms of debt and for financial innovations, historical performance of traffic and revenue forecasts and capital markets attitudes in this regard, potential availability of the federal TIFIA program resources and the current and near term economic environment for development of these resources. This includes consideration of economic and demographic growth trends in the corridor at or around near term facilities, as well as economic development impacts of these facilities. A full list of assumptions for each near term facility is found in its model. A description of common assumptions is found in the Near Term Facility section below.

For medium and long-term facilities financial market and economic projections were considered, however at this point they can only be estimates. These assumptions are also described in [Section 4.3.2.1, Project](#), below.

**G. Extent and reasonableness that the Conceptual Financial Plan anticipates or relies upon the merger, combination, and/or conversion of existing or future facilities to toll or public/private ownership -** The Proposer understands this question to be asking if the Proposer intends to merge, combine or convert existing or future facilities that would not otherwise be combined or converted to toll or public/private ownership. This proposal does not rely on the merger, combination or conversion of existing or future facilities to toll or public/private ownership. Based on data available, the Proposer does not believe such actions are needed or warranted. For instance, this proposal does not rely on tolling I-35 or absorbing SH 130 Segments 1 through 4. With the exception of the UPRR Relocation (MoPac), all facilities proposed by the Proposer would be developed on a toll basis, but they do not rely on combining or converting other in place or planned facilities.

**H. Management and allocation of financial risks to the party best able to handle the risks, including reasonableness of risk hedging strategy -** [Section 4.3.2.3 C](#) below provides a risk matrix for the facilities

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proposed to be developed. The Proposer's success as a developer, financier and operator of transportation infrastructure projects for governments in North America, Europe, Australia and South America has been based on its ability to effectively allocate risks where they are best able to be managed, and to take on those risks which the private sector should and could best manage. Financial risks are borne by the Proposer and the investors on each facility.

**I. Comprehensive, consistent, and integrated proforma analyses for the project as an aggregate and for near-term facilities** - Comprehensive, integrated proforma analyses for the near-term facilities and for their related medium-term expansions are found in Section 4.3.2.1 Project, below, and Near Term Facility projections are found in Section 4.3.2.3 A, Near Term Facilities, below. As per the ITP and the constraints of projecting medium and long term facility financing requirements, near term facility financial analysis was considerably more detailed and rigorous than medium and long-term financial analysis. All facilities identified in the Conceptual Development Plan are considered in the aggregate corridor analysis.

**J. Comprehensive and realistic schedule for reaching Close of Finance for near-term Facility(ies)** - Reaching financial close on a project requires the concerted effort of multiple parties: the Proposer, the financial advisors, traffic and revenue consultants, engineers, federal and local governments (as appropriate) and TxDOT. The table and detailed discussion in Section 4.3.2.5 below was developed by the Team reflecting the combined experience of Cintra, JP Morgan, PricewaterhouseCoopers, Earthtech and Zachry. It shows the typical process for reaching financial close from the date of Notice to Proceed 3 (NTP3).

**K. Strategies with regard to the evolving nature of the overall Master Financial Plan over the term of the CDA** - The Team's approach to updating and maintaining the Master Financial Plan<sup>6</sup> is described in detail in Section 4.3.2.6 below. Several fundamental principles drive the Team's approach to this process. First, mar-

ket conditions and funding sources change on a regular basis and these can have a material impact on the timing and nature of facility development. Additional financial resources may be identified or previously identified resources may no longer be available. For example, TxDOT may determine that the \$1 billion in public funds be made available for corridor facilities or that other public funds could also be available. This would enable acceleration of facility development and necessitate appropriate adjustments to the MFP. Second, as facilities enter development, their progress and success may have an impact on the timing and nature of the development of other facilities. Third, circumstances may permit certain facilities to be accelerated, expanded or reduced in scope or new facilities to be added.

Once the Master Financial Plan is developed under the Initial Scope of Work it will be updated at minimum annually, reflecting all changes incurred during that year. However, each quarter the MFP will be reviewed and where key financial or cost indicators have changed or key events have transpired requiring changes in the Master Development Plan, these will be incorporated into a revised MFP. The Proposer believes it is essential that the MFP and MDP remain closely aligned and integrated. Events which would trigger an update include significant changes in interest rates, construction cost indices or traffic and revenue forecasts, key political events, additional funding sources, and changes in facility delivery, etc. Whenever a facility agreement is reached, the final details of this facility's development will be incorporated into the MFP.

### Conceptual Financial Plan for the Project

**Sections 4.3.2.1 and 4.3.2.2** - These sections have been moved to follow section 4.3.2.3, Near Term Facilities, as that discussion provides greater detail on the financing plans and methods for the identified facilities and other potential projects in the corridor.

<sup>6</sup> The CFP has been developed based on information and data currently available. Results in the CFP may vary from those in the Master Financial Plan which is anticipated to have much more robust data available.

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## 4.3.2.3 Near-Term Facilities

**Section 4.3.2.3A** - This section presents the financial structure, assumptions and performance of each of the near term facilities based on the available data and analysis. Financial models for each of these facilities are found in the accompanying CD-ROM. The financial models include:

- Proforma analysis and financial statements
- Summary of all assumptions used
- Revenue forecasts for each facility
- Inflation and discount rates
- Initial and final year of construction
- Timing of expansion construction (if appropriate)
- Public and private sources and uses of funds
- Cash flow analysis on an annual basis
- Balance sheet, income statement and capital requirements
- Capitalized interest and reserve requirements,
- Operations and maintenance requirements,
- Revenue sharing and reinvestment assumptions,
- Pledge and collateral requirements,
- Issuing and closing fees and costs, as a percentage

Financial assumptions common to these facilities are summarized here:

1. **Concession Structure and Fee Payment** - Six facilities are proposed to be developed on the basis of private concessions, utilizing private equity investment, taxable debt and TIFIA credit. **Five of these would be self-performed by the Proposer.** Should legislation pending in Congress permit the use of private activity bonds, these could be applied to these facilities. Under the proposed concession structure the Proposer would invest at least 10% of construction costs from their own funds as equity. The five self-performed facilities' equity contribution averages 23%. Additional funds needed would be raised either through bank loans or taxable bond issues. The **proposed period of the concession is 50 years**—underscoring the Proposer's commitment to a long standing relationship with TxDOT as

well as the economic fundamentals projected for the projects.

Capital expansion anticipated in the medium and long-term to maintain Service Level C for Dallas SE and SH130 Segments 5 & 6 is funded through accumulating reserves and/or additional borrowing.

**Wherever possible a concession fee would be paid by the Proposer to TxDOT (to the Trust).** The size of the concession fee is based on the projection of future revenues available after debt service to creditors and dividend payments to equity investors. Given the nature of the cash flows of these projects, the majority of such revenues are generated after retirement of debt service 30 to 40 years after the concession agreement is entered. Despite this, the future value of these revenues is calculated and this amount is paid upfront on the date the financing for each facility is closed. **These concession fee payments monetize distant future revenues, making them available for corridor development today.**

A private equity concession structure may be the only means of monetizing today such future revenue streams. These revenues could not be securitized in the bond markets. **Concession fee payments provide a substantial source of near-term funding for corridor facilities that would not otherwise be available.**

2. **Non-Compete Arrangements** - The Proposer has assumed that the roads and related facilities identified in the Statewide Analysis Model provided by TxDOT will be constructed consistent with that forecast. Other facilities not identified in this plan may compete with the Developer's facilities and negatively impact their financial performance. The Developer would expect to enter into agreements with TxDOT similar to those TxDOT entered on SH 130 Segments 1 through 4, providing for a process to evaluate whether such an unplanned facility would compete with the Developer's facility(ies) and if so, mechanisms for compensating debt and equity investors should such a facility be constructed.
3. **Toll Rates** - Toll rates are set at \$0.15 mile for cars and \$0.50 mile for trucks. Toll revenues were inflat-



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ed at 2.5% per annum along with all costs associated with the facilities. Please see Section 4.3.1.9 of the CDP for a full discussion of traffic and revenue analysis for the facilities.

4. **Inflation** - All projections were made based on a 2.5% long-term inflation forecast.<sup>7</sup>
5. **Discount Rates** - Concession fee payments to the TTC-35 Trust were discounted at the Proposer's estimated weighted average cost of capital, approximately 9.4% (see also Footnote on Inflation Rates).
6. **Base Year** - The Conceptual Financial Plan assumes that January 2005 is the date of commencement of the CDA and activities related to facility development in the corridor. Specific facilities will commence pending environmental approvals and agreements with TxDOT for facility implementation. The timeline to accomplish these facilities and agreements has been factored into the expected construction and financing start dates for each facility modeled. The start date for UPRR Relocation (MoPac) is based on availability of funds from the Trust to commence this work.
7. **Public and Private Sources of Funding** - All six near-term facilities to be developed under private concession arrangements are fully privately financed. That is, **they require no public funds as defined by TxDOT**. TIFIA financing is anticipated for each.
8. **Interest Rates, Coverages and Tenors** - Forty (40) year taxable senior non-recourse bonds are used. Interest rate with monoline insurance coverage has been estimated at 8% based on current market conditions, expectations with respect to market acceptance of privately financed real toll road issues and expectations of interest rate movements over the next several years. A 1.7 x debt service coverage ratio has been modeled for these bonds, consistent with current market requirements.

TIFIA borrowings have been sized at 33% of total initial construction costs, with a tenor of 35 years in every case. TIFIA debt is subordinated to senior bond or bank debt. Interest is assumed at 5.32% based on TIFIA funding rules and current market conditions. We have assumed capitalized interest in initial years of TIFIA. Debt service coverage requirement for TIFIA is set at 1.2 x.

Interest earned on bond holding accounts and reserve funds is calculated based on two year Treasuries at 2.6%.

For Dallas SE, bank loans are calculated based on assumed draw from European banks more familiar with private infrastructuring financing. Tenor of loans is 30 years. Interest is calculated at 5.33% based on a 1.35% margin on base rates of US dollar LIBOR swap. There is a 1% front end fee payable upon establishment of the loan facility and a 0.6% commitment fee paid on undrawn balances. The Dallas SE structure includes a bank loan for initial construction and a second loan for the expansion in 2015. Interest and financing fees are capitalized on the first bank loan through construction, after which principal and interest payments are made.

9. **Equity - More than \$1.4 billion is anticipated to be invested as equity in these six projects based on current data available**, of which \$1.387 billion would be injected by the Proposer for the five near term self-performed facilities. Equity will be injected at financial close and during the initial construction period, as needed. It may fund debt service reserves, concession fee payments or construction costs depending on the individual project cash flow requirements and expected requirements of lenders and TxDOT. Equity is projected to earn a 12% rate of return.
10. **Bond Insurance** - All senior bonds are assumed to be wrapped by a monoline insurer. Bank debt is not

<sup>7</sup> To provide as realistic an analysis as possible, the Proposer has used an inflation rate of 2.5% over the CDA period, discount and borrowing rates which reflect best estimates of market conditions. If TxDOT wishes for the Proposer to re-run the models with 4% inflation and 5% discount rates this would be possible, but would represent a much less accurate analysis of potential development in the corridor.

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assumed to be wrapped. Costs are calculated at 1% of total debt service requirement over the life of the bond (principal and interest), payable at date of issuance of the bonds.

**11. Capitalized Interest and Reserve Requirements**

- All projects except Dallas SE (which is bank debt financed) utilize bond financing and assume a period of capitalized interest during the construction phase of each project. Dallas SE is financed through bank debt as this was determined more efficient given the expansion build-out which is expected to commence in 2015 and the ability to draw, in effect, construction financing from the banks and thereby avoid oversized bond issues.

Each project funds a required debt service reserve which is one year of debt service requirement. Interest is earned on this reserve and on bond holding accounts. Bond issues are sized accounting for these interest earnings.

**12. Operations & Maintenance Costs** - The models assume full costs of operations and maintenance as set out in Section 4.3.1.12 F and G of the Conceptual Development Plan. **Should an Electronic Toll Collection Free Flow System be implemented in any of the near-term facilities, O&M cost estimations could be higher than the ones used in the models herein.****13. Revenue Sharing and Reinvestment Assumptions**

- **Concession fee payments monetize future revenue streams for each facility and pay them into the Trust at close of finance for each facility.** The Trust may then reinvest these funds into other priority corridor facilities. **It is projected that concession fee payments will exceed \$1.2 billion.** The Team proposes that \$129 million be invested by the Trust into the San Antonio SE facility and \$852 million be applied to the relocation of rail track and facilities at MOPAC. Net balance remaining in the Trust after these expenditures is \$ 435 million.

**14. Pledge and Collateral Requirements** - The concession agreements will contain obligations on the part of both parties with respect to the design, construction, operation and maintenance of the facilities.

However, because of the private finance structure proposed, no TxDOT financial pledges or collateral requirements are anticipated.

**15. Issuing and Closing Costs and Fees** - The analysis includes estimates of issuing and closing costs, inclusive of underwriters, traffic consultants, financial advisors, legal counsel and other necessary expenditures. On average, these costs are estimated at approximately 2.5% of construction costs.

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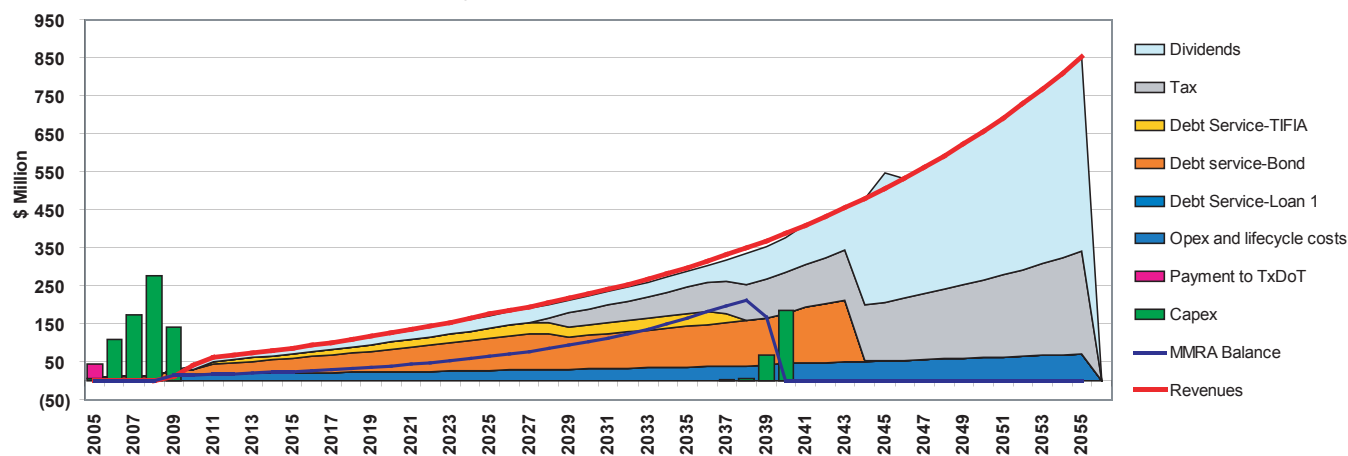
**Individual Facility Descriptions**

The following section summarizes the financial structures and arrangements for each of the six identified near term facilities privately financed.

**1. SH 130 Segments 5 and 6: Self-Perform**

Model Summary Sheet - SH 130: Segments 5 & 6					
CONCESSION PAYMENT TO TTC-35 TRUST		\$37m			
All figures are in Nominal US\$ Millions (unless otherwise stated)					
PROJECT ASSUMPTIONS		COVER RATIOS			
Project Start Date	1-Jan-05	Min ADSCR (after ramp-up)	Min Average		
Construction Completion	31-Dec-09	Bond	1.70 1.70		
Operating Start Date	1-Jan-09	Loan 1	N/A N/A		
Funding Until	31-Dec-09	TIFIA	2.24 2.24		
Project End Date	31-Dec-55	Min LLCR	1.65		
Expansion in	1-Jan-37	Min PLCR	1.87		
Expansion value of	258 \$m	First Expansion			
Funded from MMRA max balance	212 \$m	Bond	N/A N/A		
Funded from cashflow	46 \$m	Loan 1	N/A N/A		
		TIFIA	N/A N/A		
SOURCES AND USES DURING INITIAL CONSTRUCTION					
<b>Sources</b>	<b>\$m</b>	<b>%</b>	<b>Uses</b>	<b>\$m</b>	<b>%</b>
Bond	497	54.5%	Construction Costs	(710)	78.0%
TIFIA Drawn	225	24.6%	Payment to TTC-35 Trust	(37)	4.0%
Equity	156	17.1%	Bond Arranging Fee	(3)	0.4%
Interest Income	34	3.8%	Monoline Insurance	(29)	3.2%
			Pre-funding of DSRA	(43)	4.7%
			Pre-funding of MMRA	(14)	1.5%
			Interest During Construction on Bond	(56)	6.1%
			Sponsor and Development Fees	(19)	2.1%
<b>Total</b>	<b>911</b>	<b>100.0%</b>		<b>(911)</b>	<b>100.0%</b>

**Summary Cashflows**



Due to its advanced stage of environmental approval, SH130 Segments 5&6 is expected to be the first facility developed. If Self-Performed a payment of \$37 million to the Trust is forecast to be made in 2005. The Proposer would then inject \$156 million in equity in the project and raise additional funds through a non-recourse taxable bond issue valued at \$497 million and through a TIFIA loan of \$225 million. A major maintenance reserve account (MMRA) is established to accumulate revenues for the planned expansion in year 2037. The MMRA together with current cash flows is sufficient to fund required capex in 2037. Underwriting fees and issuance costs are approximately 2.5% of total costs.

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**2. Dallas Southeast Connector: Self-Perform**

**Model Summary Sheet - Dallas Connector**

<b>CONCESSION PAYMENT TO TTC-35 TRUST</b>	<b>\$580m</b>
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PROJECT ASSUMPTIONS	
Project Start Date	1-Jan-06
Construction Completion	31-Dec-12
Operating Start Date	1-Jan-12
Funding Until	31-Dec-12
Project End Date	31-Dec-55
First Expansion in	1-Jan-15
Second Expansion value of	783 \$m
Funded from MMRA max balance	579 \$m
Funded from cashflow	204 \$m

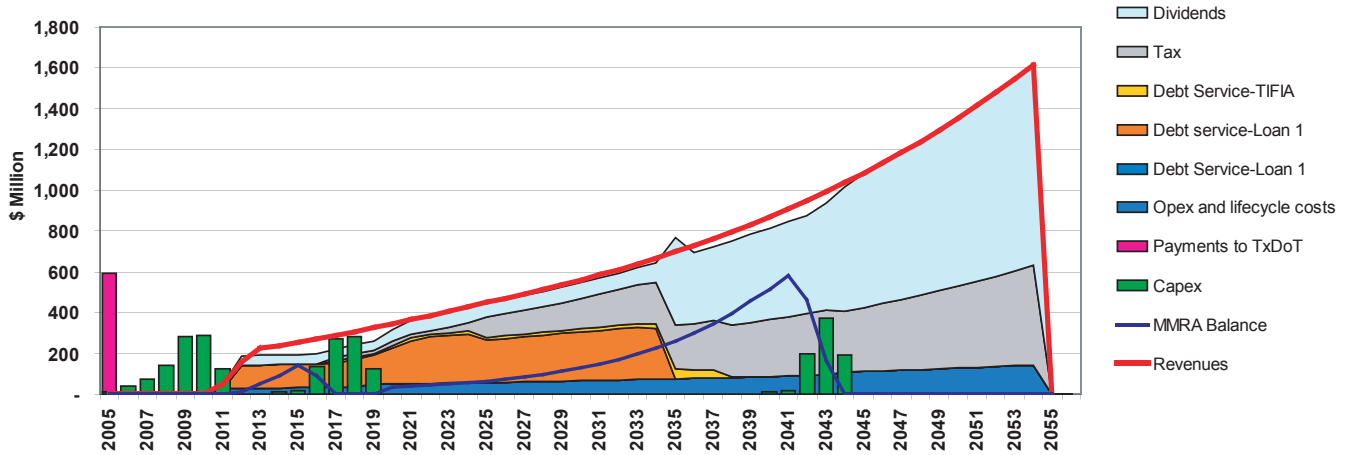
All figures are in Nominal US\$ Millions (unless otherwise stated)

COVER RATIOS		
<b>Min ADSCR (after ramp-up)</b>		<b>Min Average</b>
Bond	N/A	N/A
Loan 1		1.40 6.40
TIFIA		6.00 6.00
Min LLCR		1.40
Min PLCR		2.30
<b>First Expansion</b>		
Bond	N/A	N/A
Loan 1	N/A	N/A
TIFIA	N/A	N/A

**DURING INITIAL CONSTRUCTION and FIRST EXPANSION**

Sources	\$m	%	Uses	\$m	%
Loan 1	1,210	47.1%	Construction Costs	(1,793)	69.8%
Expansion capex funded via cashflow	467	18.2%	Payment to TTC-35 Trust	(580)	22.6%
TIFIA Drawn	126	4.9%	Bond Arranging Fee	-	0.0%
Equity	367	14.3%	Monoline Insurance	-	0.0%
Interest Income	23	0.9%	Pre-funding of DSRA	(134)	5.2%
Expansion capex funded via additional Loan 1	376		Pre-funding of MMRA	(32)	1.2%
			Interest During Construction on Bond	0	0.0%
			Sponsor and Development Costs	(30)	1.2%
<b>Total</b>	<b>2,569</b>	<b>100.0%</b>	<b>Total</b>	<b>(2,569)</b>	<b>100.0%</b>

**Summary Cashflows**



Based on available data and analysis, if Self-Performed, the Dallas SE connector would be funded through more efficient bank debt financing than through US bond market issues. A payment of \$580 million is anticipated to be made to the Trust. The Proposer would then inject \$367 million in equity in the project and raise additional funds through a non-recourse bank debt valued at \$1.2 billion and through a TIFIA loan of \$126 million. Underwriting fees and issuance costs are approximately 2.5% of total costs.

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**3. Dallas Northeast Connector: Self-Perform**

**Model Summary Sheet - Dallas NE Connector**

<b>CONCESSION PAYMENT TO TTC-35 TRUST</b>	<b>\$408m</b>
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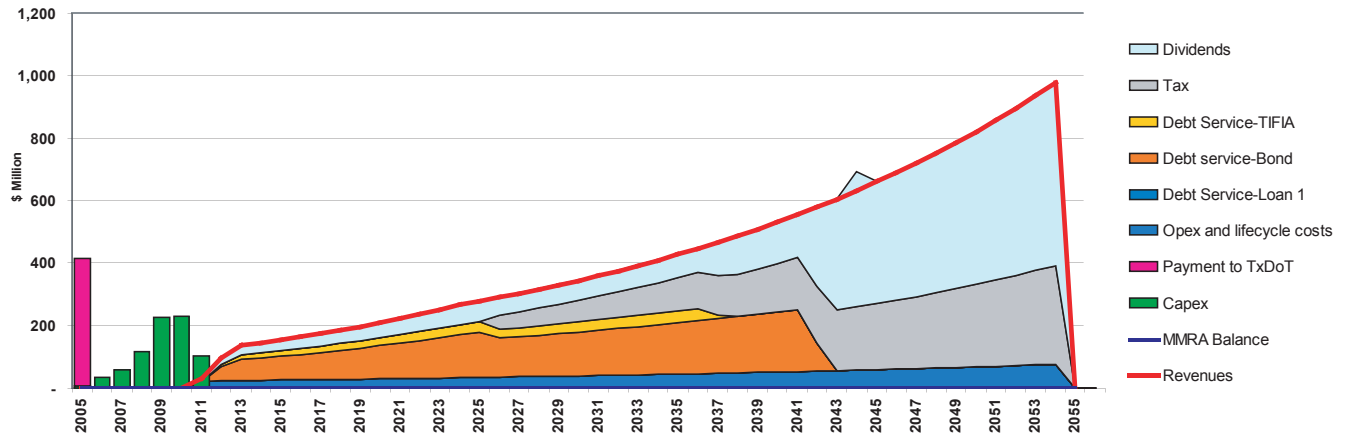
PROJECT ASSUMPTIONS	
Project Start Date	1-Jan-06
Construction Completion	31-Dec-12
Operating Start Date	1-Jan-12
Funding Until	31-Dec-12
Project End Date	31-Dec-55
Expansion in	0-Jan-00
Expansion value of	0 \$m
Funded from MMRA max balance	0 \$m
Funded from cashflow	0 \$m

All figures are in Nominal US\$ Millions (unless otherwise stated)

COVER RATIOS		
<b>Min ADSCR (after ramp-up)</b>	<b>Min Average</b>	
Bond	1.70	1.70
Loan 1	N/A	N/A
TIFIA	3.02	3.02
Min LLCR	1.70	
Min PLCR	1.84	
<i>First Expansion</i>		
Bond	N/A	N/A
Loan 1	N/A	N/A
TIFIA	N/A	N/A

SOURCES AND USES DURING INITIAL CONSTRUCTION					
Sources	\$m	%	Uses	\$m	%
Bond	698	53.4%	Construction Costs	(775)	59.3%
TIFIA Drawn	275	21.1%	Payment to TTC-35 Trust	(408)	31.2%
Equity	284	21.8%	Bond Arranging Fee	(5)	0.4%
Interest Income	49	3.7%	Monoline Insurance	(40)	3.0%
			Pre-funding of DSRA	(61)	4.6%
			Pre-funding of MMRA	-	
			Interest During Construction on Bond	-	0.0%
			Sponsor and Development Costs	(19)	1.5%
<b>Total</b>	<b>1,307</b>	<b>100.0%</b>		<b>(1,307)</b>	<b>100.0%</b>

**Summary Cashflows**



Based on available data and analysis, if Self-Performed a payment of \$408 million would be made by the Proposer to the TTC-35 Trust at close of finance. The Proposer would inject \$284 million in equity in the project and raise additional funds through a non-recourse taxable bond issue valued at \$698 million and through a TIFIA loan of \$275 million. Underwriting fees and issuance costs are approximately 2.5% of total costs.

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**4. SH 130 N to Temple: Self-Perform**

**Model Summary Sheet - SH 130N to Temple**

<b>CONCESSION PAYMENT TO TTC-35 TRUST</b>	<b>\$116m</b>
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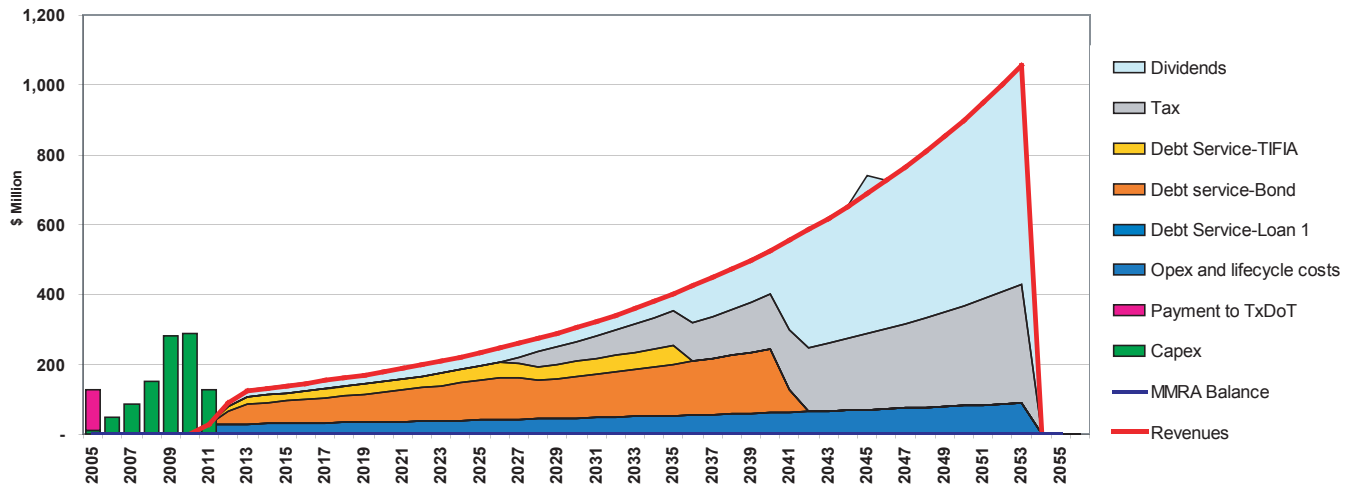
PROJECT ASSUMPTIONS	
Project Start Date	1-Jan-07
Construction Completion	31-Dec-13
Operating Start Date	1-Jan-13
Funding Until	31-Dec-13
Project End Date	31-Dec-55
Expansion in	0-Jan-00
Expansion value of	0 \$m
Funded from MMRA max balance	0 \$m
Funded from cashflow	0 \$m

All figures are in Nominal US\$ Millions (unless otherwise stated)

COVER RATIOS		
	Min	Average
<b>Min ADSCR (after ramp-up)</b>		
Bond	1.70	1.70
Loan 1	N/A	N/A
TIFIA	1.98	1.98
Min LLCR	1.74	
Min PLCR	1.91	
<b>First Expansion</b>		
Bond	N/A	N/A
Loan 1	N/A	N/A
TIFIA	N/A	N/A

SOURCES AND USES DURING INITIAL CONSTRUCTION					
Sources	\$m	%	Uses	\$m	%
Bond	581	47.9%	Construction Costs	(986)	81.3%
TIFIA Drawn	354	29.2%	Payment to TTC-35 Trust	(116)	9.6%
Equity	223	18.4%	Bond Arranging Fee	(4)	0.3%
Interest Income	54	4.5%	Monoline Insurance	(33)	2.7%
			Pre-funding of DSR	(50)	4.2%
			Pre-funding of MMRA	-	
			Interest During Construction on Bond	-	0.0%
			Sponsor and Development Costs	(23)	1.9%
<b>Total</b>	<b>1,213</b>	<b>100.0%</b>		<b>(1,213)</b>	<b>100.0%</b>

**Summary Cashflows**



Based on available data and analysis, if Self-Performed a payment of \$116 million would be made by the Developer to the TTC-35 Trust at close of finance. The Developer would then inject \$223 million in equity in the project and raise additional funds through a non-recourse taxable bond issue valued at \$581 million and through a TIFIA loan of \$354 million. Underwriting fees and issuance costs are approximately 2.5% of total costs.

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**5. San Antonio Southeast Loop: Competitive Procurement**

**Model Summary Sheet - SAT SE Loop**

<b>PAYMENT FROM TTC-35 TRUST</b>	<b>\$129m</b>
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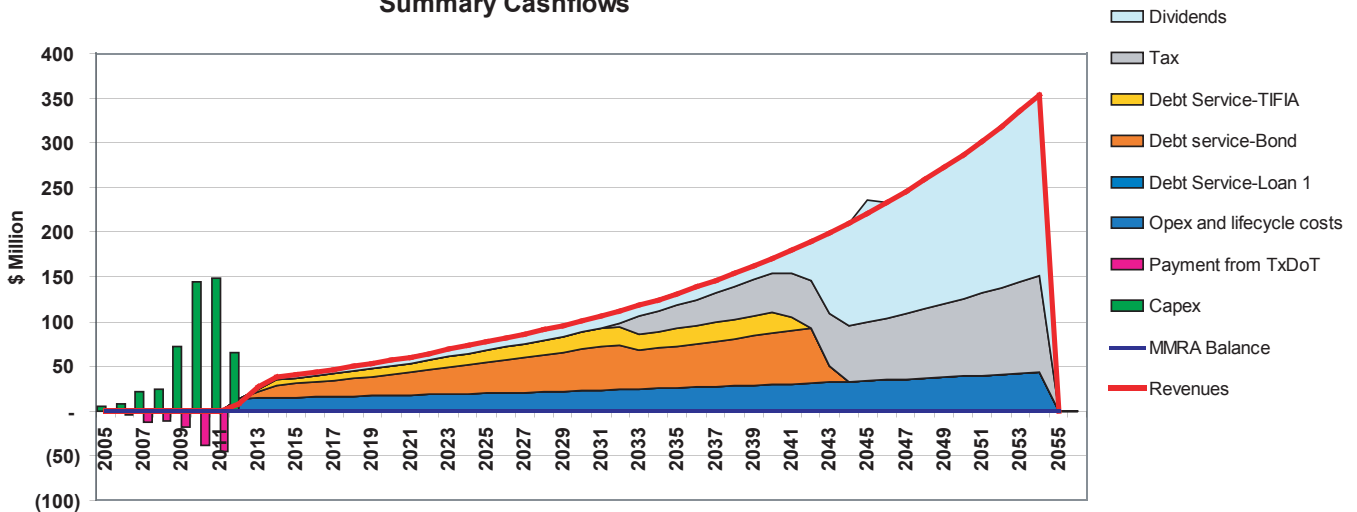
PROJECT ASSUMPTIONS	
Project Start Date	1-Jan-06
Construction Completion	31-Dec-13
Operating Start Date	1-Jan-13
Funding Until	31-Dec-13
Project End Date	31-Dec-55
Expansion in	0-Jan-00
Expansion value of	0 \$m
Funded from MMRA max balance	0 \$m
Funded from cashflow	0 \$m

All figures are in Nominal US\$ Millions (unless otherwise stated)

COVER RATIOS		
<b>Min ADSCR (after ramp-up)</b>	<b>Min Average</b>	
Bond	1.70	1.70
Loan 1	N/A	N/A
TIFIA	1.70	1.70
Min LLCR	1.69	
Min PLCR	1.87	
<i>First Expansion</i>		
Bond	N/A	N/A
Loan 1	N/A	N/A
TIFIA	N/A	N/A

SOURCES AND USES DURING INITIAL CONSTRUCTION					
<b>Sources</b>	<b>\$m</b>	<b>%</b>	<b>Uses</b>	<b>\$m</b>	<b>%</b>
Bond	170	42.4%	Construction Costs	(489)	122.1%
TIFIA Drawn	152	38.0%	Payment to TTC-35 Trust	129	-32.2%
Equity	56	13.9%	Bond Arranging Fee	(1)	0.3%
Interest Income	23	5.7%	Monoline Insurance	(11)	2.8%
			Pre-funding of DSRA	(15)	3.7%
			Pre-funding of MMRA	-	
			Interest During Construction on Bond	-	0.0%
			Sponsor and Development Costs	(13)	3.3%
<b>Total</b>	<b>400</b>	<b>100.0%</b>		<b>(400)</b>	<b>100.0%</b>

**Summary Cashflows**



SAT SE is the only facility of the six delivered under private concession financing where a payment from the Trust Fund is needed. The Proposer suggests that a Competitive Procurement process be used for this facility to select the Developer. The payment from the Trust Fund is valued at \$129 million. The selected Developer would then inject \$56 million in equity in the project and raise additional funds through a non-recourse taxable bond issue valued at \$170 million and through a TIFIA loan of \$152 million. Underwriting fees and issuance costs are approximately 2.5% of total costs.

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**6. SH 130 N Temple to Dallas Southeast Connector**

**Model Summary Sheet - SH 130N - Temple to Dallas SE**

All figures are in Nominal US\$ Millions (unless otherwise stated)

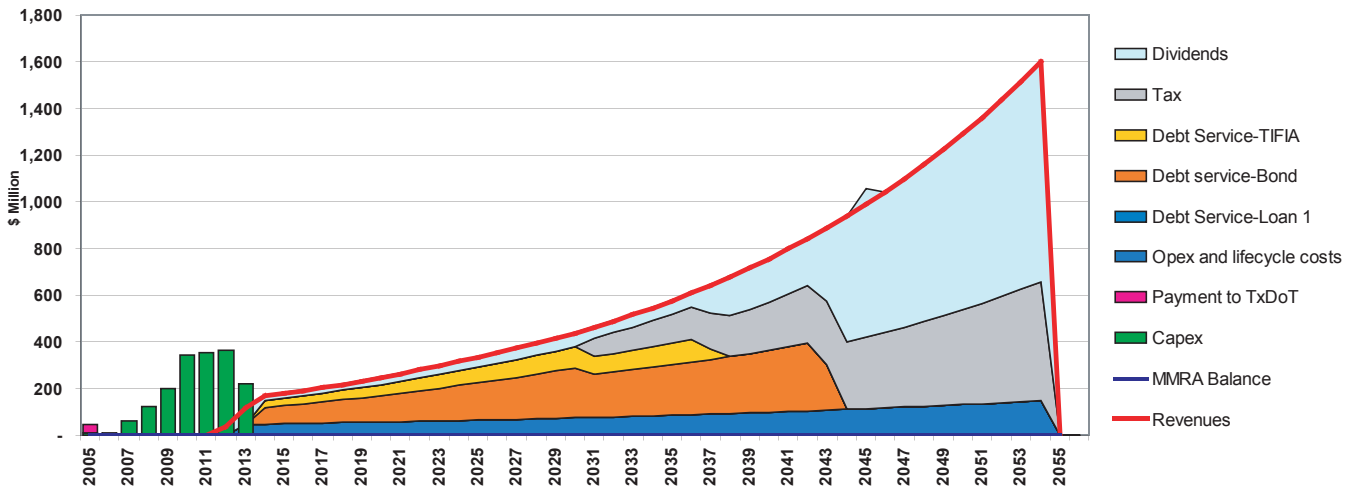
<b>CONCESSION PAYMENT TO TTC-35 TRUST</b>	<b>\$32m</b>
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PROJECT ASSUMPTIONS	
Project Start Date	1-Jan-06
Construction Completion	31-Dec-14
Operating Start Date	1-Jan-14
Funding Until	31-Dec-14
Project End Date	31-Dec-55
Expansion in	0-Jan-00
Expansion value of	0 \$m
Funded from MMRA max balance	0 \$m
Funded from cashflow	0 \$m

COVER RATIOS		
<b>Min ADSCR (after ramp-up)</b>	<b>Min</b>	<b>Average</b>
Bond	1.70	1.70
Loan 1	N/A	N/A
TIFIA	1.65	1.65
Min LLCR	1.69	
Min PLCR	1.92	
<i>First Expansion</i>		
Bond	N/A	N/A
Loan 1	N/A	N/A
TIFIA	N/A	N/A

SOURCES AND USES DURING INITIAL CONSTRUCTION					
Sources	\$m	%	Uses	\$m	%
Bond	781	41.3%	Construction Costs	(1,694)	89.6%
TIFIA Drawn	640	33.9%	Payment to TTC-35 Trust	(32)	1.7%
Equity	357	18.9%	Bond Arranging Fee	(5)	0.3%
Interest Income	112	5.9%	Monoline Insurance	(53)	2.8%
			Pre-funding of DSRA	(69)	3.6%
			Pre-funding of MMRA	-	
			Interest During Construction on Bond	-	0.0%
			Sponsor and Development Costs	(37)	2.0%
<b>Total</b>	<b>1,890</b>	<b>100.0%</b>		<b>(1,890)</b>	<b>100.0%</b>

**Summary Cashflows**



Based on available data and analysis, if Self-Performed a payment of \$32 million would be made by the Proposer to the TTC-35 Trust at close of finance. The Proposer would then inject \$357 million in equity in the project and raise additional funds through a non-recourse taxable bond issue valued at \$781 million and through a TIFIA loan of \$640 million. Underwriting fees and issuance costs are approximately 2.5% of total costs.



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**4.3.2.3B Near-Term Facilities, Proforma Analysis and Financial Statements**

The table below shows the aggregate sources and uses of funds for the facilities during the initial construction period. Amounts shown are nominal values unless otherwise noted. In the Appendix, aggregate balance sheet, profit and loss statement and cash flow statements on an annual basis are provided identifying the key assumptions and items requested in Section 4.3.2.3 A above for the six facilities developed on a concession basis. It should be noted that these statements provide a consolidated view from the perspective of the Proposer, including not only the five facilities proposed to be self-performed by the Proposer, but also the facility proposed for competitive procurement.

The table below shows a sources and uses statement for the initial facilities developed on a private finance basis. It provides a summary aggregate view of bond and bank debt, TIFIA debt, equity contributions and other sources of capital. It also aggregates initial construction costs for all six facilities, financing costs and payments to or from the Trust.

**Trans-Texas Corridor 35  
Near-Term Facility Performance (Nominal Values unless PV noted)**

	SH130 5&6	Dallas SE (Bank)	Dallas NE	SH 130N to Temple	SAT SE	SH 130N to Dallas SE	Total	Percent of Total
<b>SOURCES OF FUNDS</b>								
Bond	497	1,210	698	581	170	781	3,937	47.5%
TIFIA Drawn	225	126	275	354	152	640	1,772	21.4%
Capex funded through cashflow (Dallas only)		467					467	5.6%
Capex funded through addit. debt (Dallas only)		376					376	4.5%
Equity	156	367	284	223	56	357	1,443	17.4%
Interest Income	34	23	49	54	23	112	296	3.6%
<b>Total</b>	<b>911</b>	<b>2,569</b>	<b>1,307</b>	<b>1,213</b>	<b>400</b>	<b>1,890</b>	<b>8,290</b>	
<b>USES OF FUNDS</b>								
Construction Costs	(710)	(1,793)	(775)	(986)	(489)	(1,694)	(6,446)	77.8%
Interest During Construction on Bond	(56)	0	0	0	0	0	(56)	0.7%
Bond Arranging Fee	(3)	0	(5)	(4)	(1)	(5)	(19)	0.2%
Monoline Insurance fee	(29)	0	(40)	(33)	(11)	(53)	(165)	2.0%
Development & Sponsor Costs	(19)	(30)	(19)	(23)	(13)	(37)	(142)	1.7%
Pre-funding of Reserves	(57)	(166)	(61)	(50)	(15)	(69)	(417)	5.0%
Payment from/(to) TTC-35 Trust	(37)	(580)	(408)	(116)	129	(32)	(1,044)	12.6%
<b>Total</b>	<b>(911)</b>	<b>(2,569)</b>	<b>(1,307)</b>	<b>(1,213)</b>	<b>(400)</b>	<b>(1,890)</b>	<b>(8,291)</b>	
First Expansion occurs in	1-Jan-37	1-Jan-15	N/A	N/A	N/A	N/A		
Second Expansion occurs in	N/A	1-Jan-42	N/A	N/A	N/A	N/A		
Expansion cost	258	783	0	0	0	0	1,041	
Funded from MMRA	212	579	0	0	0	0	791	
Funded from Cashflow	46	204	0	0	0	0	250	
Minimum ADSCR <sup>(1)</sup>	1.7	1.4	1.7	1.7	1.7	1.7	1.7	
Minimum PLCR <sup>(2)</sup>	1.9	2.3	1.8	1.9	1.9	1.9	2.0	
Equity IRR	11.9%	12.2%	11.9%	12.0%	12.1%	12.1%	12%	

(1) - Average Debt Service Coverage Ratio

(2) - Project Life Debt Service Coverage Ratio

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**4.3.2.3C Financial Risk Matrix**

<b>RISK DESCRIPTION</b>	<b>POTENTIAL CONSEQUENCES</b>	<b>LIKELIHOOD</b>	<b>RISK ALLOCATION</b>	<b>RISK MITIGATION</b>	<b>RISK SENSITIVITY ANALYSIS</b>
<b>Financial / economic risks</b>					
Traffic projections are not realized	Loss of revenue	Medium	Developer	Investment grade traffic studies are prepared and then audited by an independent specialist consultant to provide enough comfort.	Risk sensitivity analysis is carried out with different traffic assumptions.
Inflation	Additional cost	Medium	Contractor and Developer / TxDOT	Payments to Contractor will not be indexed (fixed price). Operational costs will be indexed. Risk of cost increase fully covered through indexation of toll tariffs to CPI.	Risk sensitivity analysis is carried out with different inflation rates.
Interest rates	Additional cost	Low	Developer	Hedging plan will be established in accordance with lenders' request. The Developer will conclude a fixed interest rate swap for all/part of the loan tenor.	Risk sensitivity analysis is carried out with different interest rates.
Enforceability of tolls (toll evasion)	Loss of revenue	Medium	TxDOT	Prosecution of the vehicles that don't pay the toll fees. Consider a certain percentage loss of the total toll revenue.	Risk sensitivity analysis is carried out with different percentages of loss of the total toll revenue.
Insufficient TIFIA Funds available	Additional cost of financing	Medium	Developer/ TxDOT	Confirm and maintain interest on Capitol Hill for TIFIA funds needed for TTC 35.	Risk sensitivity analysis is carried out on alternative financing structures.

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RISK DESCRIPTION	POTENTIAL CONSEQUENCES	LIKELIHOOD	RISK ALLOCATION	RISK MITIGATION	RISK SENSITIVITY ANALYSIS
<b>Financial / economic risks (continued)</b>					
Trust Structure cannot be established	Loss of revenue sharing and reinvestment capability	Medium	Developer/ TxDOT	MFP to develop and test appropriate structures. Alternatives to Trust structure likely to achieve similar goal.	Costs and requirements of alternative structures are evaluated.
Competing Facilities are built	Loss of revenue	Low	TxDOT	Clarity in concession agreements regarding what constitutes a competing facility and measures to address if one is developed.	Traffic and revenue forecasts and sensitivity analysis test and define competing facility scenarios.
US Capital Markets Appetite insufficient for Greenfield Tollroads	Additional cost of financing	Low	Developer	During Facility analysis assessments of capital markets appetite for Greenfield Tollroads to be considered. Underwriter to share risk of full subscription. European bank debt financing options to also be considered.	Risk sensitivity analysis on alternative financial structures and interest rates.
Adequacy of Bond Insurance Capacity	Higher borrowing costs	Low	To Be Determined	High quality structure, but will need to consider insurers' portfolio diversification.	Not applicable

**4.3.2.3D Funding Projections**

For the identified facilities the following is the mix or proportion projected:

- i. **Public funds:** 0%
- ii. **Private funds:** 100%
- iii. **Value capture from ancillary facilities:** 0%
- iv. **A description of any manner in which the Conceptual Financial Plan anticipates or relies upon the merger, combination, and/or conversion of existing or future facilities to toll or alternative public/private ownership.** The Conceptual Financial Plan currently does not anticipate or rely upon any merger, combination or conversion of existing or future facilities to toll or alternative public/private partnership.

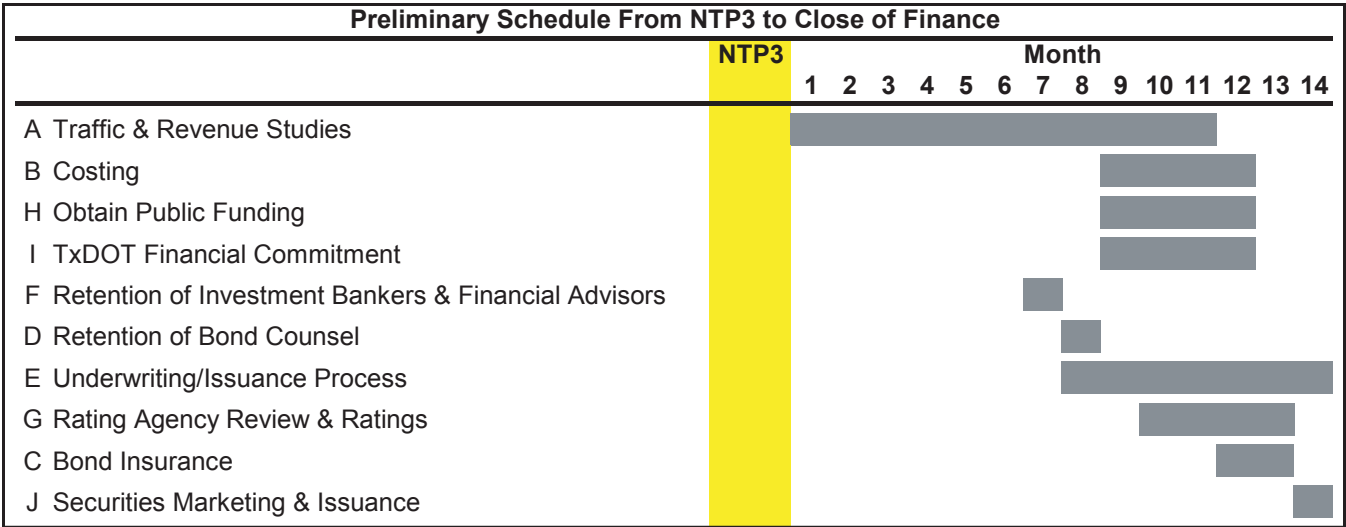
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**4.3.2.4 Accounting, Cost and Cash Management Controls**

The financial models have been prepared on a cash basis on reasonable assumptions regarding accounting, cost, cash management, and tax principles and FASB standards for private businesses—as the concession structure is a private business structure. Please refer to the financial models for these treatments. The Master Financial Plan will contain additional model detail and describe any additional appropriate expected accounting treatment in accordance with FASB standards.

**4.3.2.5 Preliminary Financing Schedule**

This preliminary schedule shall be integrated into the preliminary schedule of development required in **Section 4.3.1.15**, and shall address the following items, where applicable, for each Facility type:



**A. Traffic & Revenue Studies:**

- Preliminary and Final analyses of regional traffic & economic data
- Preparation of Final Study Reports and presentation of results to Rating Agencies.

**B. Costing:**

- Final refinements of project costs and contingency factors.

**C. Bond Insurance:**

- Preliminary meetings with Bond Insurers to determine levels of interest & capacity for the credit
- Negotiate Insurance premiums
- Receive Insurance commitments.

**D. Retention of Bond Counsel:**

- Distribute Requests for Proposals for Bond Counsel & other attorneys, if necessary
- Select Counsel.

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- Draft underwriting documents
- Discussions with Rating Agencies/Bond Insurers
- Ongoing analyses of bonding structure and market conditions.

**F. Retention of Investment Bankers & Financial Advisors:**

- Distribute Requests for Proposals for Underwriters & Financial Advisors
- Select Underwriting syndicate & Financial Advisory team.

**G. Rating Agency Review & Ratings:**

- Meet with Rating Agencies to familiarize analysts with the credit and each of the facilities
- Final presentation of financing structure
- Receive ratings.

**H. Obtain Public Funding:**

- Review & negotiate public funding
- Secure local, state and federal grants/loans/guarantees
- Draft funding documents
- Receive authorization of funding.

**I. TxDOT Financial Commitment:**

- Negotiate commitment terms
- Draft legal documents
- Receive commitment.

**J. Securities Marketing & Issuance:**

- Educate investors (Roadshows)
- Final determination of bond structure
- Market & price securities
- Close of Finance.

taken to develop realistic and reasonable estimates of near-term facility costs, revenues and financing structures. **Medium and long-term facility timing, costs, and revenues are considerably more tentative, as TxDOT recognized they must be.**

**A. Preliminary cost and financing estimates for the Project, as an aggregate;**

Preliminary cost and financing estimates were prepared for the Project as an aggregate and are shown below in two tables (nominal and present value) broken out in near, medium and long-term sources and uses sections and then aggregated for the project.

Near term facility sources and uses are the same as those shown in the sources and uses tables in [Section 4.3.2.3](#) with the following notable exception. The aggregate project figures for near term facilities presented here include the estimated costs of expansion for SH 130 Segments 5&6 and Dallas SE. In presenting the financial picture for near term facilities in [Section 4.3.2.3](#), these costs are not shown in the sources and uses. However, based on data available, the Proposer's proposal fully anticipates funding those expansions in the years they occur at no cost to TxDOT.

As noted, estimates of timing, costs, and revenues associated with each medium and long-term facility are at this stage speculative. The methodology used in arriving at the estimates in these tables for the medium and long-term facilities was as follows:

Construction, operating and maintenance cost estimates were developed for each facility, together with traffic and revenue estimates. A simplified financing analysis was undertaken to size the potential financing possible for these facilities. That calculation discounts net operating cash flows (revenues minus operations and maintenance costs) at 15%. These revenues were discounted to the start date of construction for the facility. Construction costs estimates were increased by 30% to cover potential contingencies, ROW acquisition and costs of any financing. These increased construction cost estimates were then discounted by the rate of inflation to the first

**4.3.2.1 Financial Plans and Schedules**

In this section, an aggregate estimate of corridor costs and possible financing requirements is presented as requested. In Section 4.3.2.3, above, detailed financial plans, spreadsheets and models are provided for the proposed near-term facilities. Considerable effort was

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year of construction. The cost of construction was then subtracted from the discounted revenue stream to arrive at a very preliminary estimate of excess revenues available from a facility or facility funding shortfalls. Funding shortfalls could be funded by excess revenues from other facilities (through the Trust structure) or through other sources of funding (such as federal, state or local government structures or funds). A soft copy of this model is available in the CD-ROM.

**This discussion treats medium and long-term facilities. Near-term facilities are discussed in significant detail in Section 4.3.2.3, above.**

**Aggregate Project (Nominal Values)**

The table below provides estimates of long-term facilities costs and financing in nominal dollars, that is, for near, medium and long- term facilities the anticipated values in the year they occur. For example, IH 10 construction takes place between 2022 and 2025. The construction cost estimates in the table below take the costs expected to be incurred in 2022, 2023, 2024 and 2025 and add them together to give a snap-shot of the estimated nominal construction costs. Total debt drawn is the nominal value at the year of construction start.

**Overall Project Financial Plan**

(all figures in \$ Millions (Nominal))

**Projects Initiated in the Near-Term <sup>(1)</sup>**

Sources of Funds	Total	SH 130 Segments 5 & 6	SH130N to Temple	SH 130N Temple to Dallas SE	SAT SE Loop	Dallas NE Connector	Dallas SE Connector
Total Debt Drawn	6,085.1	721.2	935.6	1,421.1	321.7	973.6	1,711.9
Equity	1,442.7	155.7	223.0	356.8	55.5	284.3	367.5
Other Income Sources	1,803.6	292.1	54.4	112.4	22.8	48.8	1,273.1
<b>Total</b>	<b>9,331.4</b>	<b>1,168.9</b>	<b>1,212.9</b>	<b>1,890.3</b>	<b>400.0</b>	<b>1,306.8</b>	<b>3,352.4</b>
<b>Uses of Funds</b>							
Construction Costs	(7,487.3)	(968.2)	(986.2)	(1,693.6)	(488.6)	(774.6)	(2,576.0)
Fees, Reserves and Other	(800.2)	(163.9)	(110.5)	(164.4)	(40.4)	(124.4)	(196.4)
Payment from/(to) Trust	(1,044.3)	(36.9)	(116.3)	(32.3)	129.0	(407.9)	(580.0)
<b>Total</b>	<b>(9,331.8)</b>	<b>(1,168.9)</b>	<b>(1,212.9)</b>	<b>(1,890.3)</b>	<b>(400.0)</b>	<b>(1,306.8)</b>	<b>(3,352.4)</b>

**Projects Initiated in the Mid-Term**

Sources of Funds	Total	SH 130 Segments 1-4	IH 10 Expansion
Total Debt Drawn	1,286.2	1,059.7	226.5
<b>Total</b>	<b>1,286.2</b>	<b>1,059.7</b>	<b>226.5</b>
<b>Uses of Funds</b>			
Construction Costs	(575.8)	(297.0)	(278.8)
Payment from/(to) in 2020	(710.4)	(762.7)	52.3
<b>Total</b>	<b>(1,286.2)</b>	<b>(1,059.7)</b>	<b>(226.5)</b>

**Projects Initiated in the Long-Term**

Sources of Funds	Total	Dallas-Austin Freight Rail	Dallas-Austin High Speed Rail	Austin-San Antonio High Speed Rail	Fort Worth SE and NE Connector	San Antonio -Brownsville
Total Debt Drawn	2,158.6	1,780.9	377.7	0.0	1,062.2	209.1
<b>Total</b>	<b>2,158.6</b>	<b>1,780.9</b>	<b>377.7</b>	<b>0.0</b>	<b>1,062.2</b>	<b>209.1</b>
<b>Uses of Funds</b>						
Construction Costs	(3,094.0)	(1,090.4)	(2,003.6)	(890.2)	(1,201.2)	(1,609.2)
Payment from/(to) in 2025	935.4	(690.5)	1,625.9	890.2	139.0	1,400.0
<b>Total</b>	<b>(2,158.6)</b>	<b>(1,780.9)</b>	<b>(377.7)</b>	<b>0.0</b>	<b>(1,062.2)</b>	<b>(209.1)</b>

**Total Sources** 12,776

**Total Uses** (12,777)

(1) - Near-term facility sources and uses are the same as presented in the sources and uses tables in Section 4.3.2.3 with the notable exception. The aggregate project figures for near-term facilities include the estimated costs of expansion for SH 130 Segments 5&6 and Dallas SE. In presenting the financial picture for near-term facilities in Section 4.3.2.3, these costs are not shown in the sources and uses.

**Aggregate Project (2010 Values)**

The table below provides estimates of the near, medium and long-term facility costs and financing on a more comparable basis. In this depiction, the nominal values have been discounted back to 2010 at the rate of inflation. Near term facility figures remain in nominal values, but discounting the medium and long term facilities values in year 2010 dollars enables a closer comparison of actual costs and financing at different stages of the project. **Again, the data for medium and long-term facilities is much less precise compared with that for near-term facilities. Conclusions should not be too readily drawn regarding costs, revenues and financings for these facilities at this stage.**

**Overall Project Financial Plan**

(all figures in \$ Millions (nominal for Near Term))

**Projects Initiated in the Near-Term <sup>(1)</sup>**

Sources of Funds	Total	SH 130 Segments 5 & 6	SH130N to Temple	SH 130N Temple to Dallas SE	SAT SE Loop	Dallas NE Connector	Dallas SE Connector
Total Debt Drawn	6,085.1	721.2	935.6	1,421.1	321.7	973.6	1,711.9
Equity	1,442.7	155.7	223.0	356.8	55.5	284.3	367.5
Other Income Sources	1,803.6	292.1	54.4	112.4	22.8	48.8	1,273.1
<b>Total</b>	<b>9,331.4</b>	<b>1,168.9</b>	<b>1,212.9</b>	<b>1,890.3</b>	<b>400.0</b>	<b>1,306.8</b>	<b>3,352.4</b>
<b>Uses of Funds</b>							
Construction Costs	(7,487.3)	(968.2)	(986.2)	(1,693.6)	(488.8)	(774.6)	(2,576.0)
Fees, Reserves and Other	(800.2)	(163.9)	(110.5)	(164.4)	(40.6)	(124.4)	(196.4)
Payment from/(to) Trust	(1,044.3)	(36.9)	(116.3)	(32.3)	129.0	(407.9)	(580.0)
<b>Total</b>	<b>(9,331.8)</b>	<b>(1,168.9)</b>	<b>(1,212.9)</b>	<b>(1,890.3)</b>	<b>(400.4)</b>	<b>(1,306.8)</b>	<b>(3,352.4)</b>

(all figures in \$ Millions (\$2010))

**Projects Initiated in the Mid-Term**

Sources of Funds	Total	SH 130 Segments 1-4	IH 10 Expansion
Total Debt Drawn	1,004.8	827.9	177.0
<b>Total</b>	<b>1,004.8</b>	<b>827.9</b>	<b>177.0</b>
<b>Uses of Funds</b>			
Construction Costs	(449.8)	(232.0)	(217.8)
Payment from/(to) in 2020	(555.0)	(595.8)	40.8
<b>Total</b>	<b>(1,004.8)</b>	<b>(827.9)</b>	<b>(177.0)</b>

(all figures in \$ Millions (\$2010))

**Projects Initiated in the Long-Term**

Sources of Funds	Total	Dallas-Austin Freight Rail	Dallas-Austin High Speed Rail	Austin-San Antonio High Speed Rail	Fort Worth SE and NE Connector	San Antonio -Brownsville
Total Debt Drawn	1,490.4	1,229.6	260.8	0.0	733.4	144.4
<b>Total</b>	<b>1,490.4</b>	<b>1,229.6</b>	<b>260.8</b>	<b>0.0</b>	<b>733.4</b>	<b>144.4</b>
<b>Uses of Funds</b>						
Construction Costs	(2,136.3)	(752.9)	(1,383.4)	(614.6)	(829.4)	(1,111.1)
Payment from/(to) in 2025	645.9	(476.8)	1,122.6	614.6	96.0	966.7
<b>Total</b>	<b>(1,490.4)</b>	<b>(1,229.6)</b>	<b>(260.8)</b>	<b>0.0</b>	<b>(733.4)</b>	<b>(144.4)</b>

<b>Total Sources</b>	<b>11,827</b>
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<b>Total Uses</b>	<b>(11,827)</b>
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(1) - Near-term facility sources and uses are the same as presented in the sources and uses tables in Section 4.3.2.3 with the notable exception. The aggregate project figures for near-term facilities include the estimated costs of expansion for SH 130 Segments 5&6 and Dallas SE. In presenting the financial picture for near-term facilities in Section 4.3.2.3, these costs are not shown in the sources and uses.

**B. Identification of funding sources and estimate of contribution levels** - The preliminary and initial estimates of the project as an aggregate indicate that at least two facilities in the medium and long term (SH 130 Segments 1-4 expansion and the Dallas-Austin Freight rail) may have the ability to be self financing and therefore undertaken on a private financing/concession basis. Not surprisingly the high speed rail facilities and the IH10 Expansion, Fort Worth, and San Antonio/Brownsville highway facilities appear to need financial support. For rail facilities, the Proposer would anticipate exploring potential support from federal RRIF or similar programs. Highway facilities may be supported at the federal or state level. However, it is also possible that Trust Funds may be available to support these facilities if the Trust is managed to achieve this. These financing and funding options will be further developed in the Master Financial Plan.

**C. Projection of the mix or portion of sources of finance** - The model shows that for medium-term facilities a surplus of approximately \$700 million may be generated and could be applied through the Trust to other facilities.

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ties. In the long-term a short-fall of approximately \$935 million may have to be covered by Trust Funds or public funds.

- D. **A description of the philosophy and assumptions of how the financial plan anticipates or relies upon the merger, combination, and/or conversion of existing or future facilities to toll or alternative public/private ownership** - The financial plan does not anticipate or rely upon the merger, combination or conversion of existing or future facilities to toll or alternative public/private ownership other than anticipating that highway facilities will be built as toll facilities and that user fees will be charged and can be collected for freight and high speed rail.
- E. **Identification of philosophy and assumptions used in developing the Conceptual Financial Plan** - The reader is referred to the Introduction and Overview at the beginning of the CFP section.
- F. **A description of general strategies for mitigating risks.** - Please refer to the risk matrix in Section 4.3.2.3C

**4.3.2.2 Strategic Approach, Financial Contributions, and Investment Requirements**

For a general description of the strategic approach to financial contributions for the Project, please review to the Introduction and Overview section of the CFP. For near-term facilities please see Section 4.3.2.3. For medium and long-term facilities the Proposer intends to continue both self-development and other methods of corridor development maximizing private participation in project deliver, financing, and risk assumption and management in the corridor, For medium and long-term facilities, all that are determined to be self-financing would be first considered for development through private participation. For those facilities requiring non-private resources, the benefits of some private sector participation may still be realized through properly structured design/build and operations and maintenance contracts.

**4.3.2.6 Updating the Master Financial Plan**

Describe the Proposer’s approach to updating the Master Financial Plan and maintaining consistency with the Master Development Plan. Identify, at a minimum, update triggers, which shall include periodic re-evaluations, material changes in the Master Development Plan, changes in interest rates, inflation, tax regulation, state or federal laws, climate for private investment, etc.

The Master Development and Master Financial Plans must be kept closely aligned. The Proposer proposes quarterly reviews of the MFP to determine if changes in key indicators such as interest rates, construction cost indices, traffic and revenue forecasts, changes in law or results from facility development should alter the current plan. The passage of private activity bonds, for example, would warrant an update to potential financing structures in the corridor and an MFP update. Close of financing on a facility would trigger an update. At a minimum, the MFP will be updated at least annually to reflect revisions to the environment in which the corridor is being developed and to ensure complete harmonization with changes in the MDP.

**4.3.2.7 Proposed Compensation Structures**

- A. **Initial Scope of Work elements other than preparing and submitting complete and responsive deliverables as identified in Section 1.4 of Exhibit K to the CDA;**  
 These services would be provided on a time and materials basis invoiced monthly to TxDOT.
- B. **Preparation of updates to the Master Development Plan, Master Financial Plan, Project Management Plan, Quality Management Plan and Project Schedule** - These services would be provided on a time and materials basis invoiced monthly to TxDOT.
- C. **Tier Two technical support and public information support after Master Development Plan approval** - These services would be provided on a time and materials basis invoiced monthly to TxDOT.



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- D. Preparation and revision of requests for Implementation Plans and the FIP Preparation Agreements through approval by TxDOT** - These services would be provided on a time and materials basis invoiced monthly to TxDOT.
- E. Preparation and revision of Implementation Plans through approval by TxDOT** - These services would be provided on a time and materials basis invoiced monthly to TxDOT.
- F. Facility Development Work for each Facility**
- If the facility is not self-performed by the Developer:
    - ◆ These services will be provided on a time and material basis and invoiced monthly to TxDOT.
  
  - If the facility is proposed to be self-performed by the Developer under a concession model:
    - ◆ The following services would be invoiced to the Developer, including but not limited to:
      - ◆ Technical advisory      ◆ Legal advisory
      - ◆ O&M advisory          ◆ Traffic and revenue advisory
      - ◆ ROW advisory            ◆ Tolling and traffic systems advisory
      - ◆ Insurance advisory      ◆ Financial advisory
      - ◆ Rating
  
    - ◆ At the close of finance of a Facility, the Developer would be reimbursed for the cost of the services above from the funds raised to finance the Facility.
  
    - ◆ If the Facility does not reach close of finance, TxDOT would pay for the services above on a time and material basis.
  
    - ◆ Preliminary engineering in support of the environmental process would be provided on a time and material basis and invoiced monthly to TxDOT unless otherwise negotiated between TxDOT and the Developer.