ILLINOIS TOLLWAY SYSTEM VALUATION

STUDY REPORT

CONFIDENTIAL | AUGUST 2006

CREDIT SUISSE

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Executive Summary

1.1. Introduction

Credit Suisse Securities (USA), LLC ("Credit Suisse," "CS") has prepared this preliminary Valuation Study Report (the "Report") to determine potential monetary valuation ranges of a public-private partnership ("PPP") with the existing Illinois Tollway System (the "System") for the Commission on the Government Forecasting and Accountability (the "Commission"). This Report includes a discussion on selected privatization structuring options, key business issues, and policy and regulatory framework.

The preliminary analysis included in this Report is limited to calculating potential valuation ranges of the existing assets and South Extension to the North-South Tollway if the State of Illinois (the "State") were to enter into a long-term concession and lease agreement with a private entity in which the private entity would lease all or a portion of, and manage the operations of, the State's toll highway systems in return for toll revenues at the current toll rates or an adjusted rate structure. In preparing this report, we relied on information obtained from public sources or provided by or on behalf of the Commission and outlined preliminary valuation cases to illustrate valuation ranges potentially available to the State. Credit Suisse has not assumed any responsibility for independent verification of any of the foregoing information and has relied on the information being complete and accurate in all material respects. Our preliminary analysis also relies on the accuracy of certain additional assumptions derived from historical data and approved by the Commission. With the Commission's consent, we conducted only limited due diligence, and did not hire third-party consultants to provide traffic and engineering reports, and relied on projections provided by Wilbur Smith Associates ("WSA") and Consoer Townsend Envirodyne Engineers, Inc. ("CTE"). The Commission acknowledges that our preliminary ranges may change, potentially substantially, upon conducting further due diligence. We do not provide legal, tax, economic or traffic analysis and advice.

See the "Important Disclosure" section at the conclusion of this Report for important information regarding this Report, including the qualification and limitations thereof.

1.2. Commission Objectives

In providing our analysis in this Report, we have been instructed by the Commission to consider the following parameters:

- Optimize proceeds through a transparent process which maximizes investor demand
- Minimize the State's exposure to residual risks and liabilities

1.3. Feasibility of Privatization

Credit Suisse is not a legal advisor and therefore cannot provide legal guidance with regard to necessary regulatory and legal provisions associated with a potential concession or sale.

In the Report we have included a review of select precedent transactions to illustrate valuation parameters available to the tollway assets and some of the implementation considerations, including:

- Consideration of public interest and public opinions

- Understanding the objectives of the transaction and the use of proceeds, taking into account the amount of interest and publicity that the issue has received to date and public opinions expressed through discussions with State representatives / officials and mass media

- Thorough bidding process, winning bid selection and concession or sale agreement negotiations that represent public concerns

- Balancing the public interest of maintaining affordable toll rates while maximizing proceeds to the State from the transaction

For the benefit of the Commission, we have also included a brief comparison of selected precedent concession agreements.

1.4. Privatization Method – Discussion of Benefits and Considerations

There are 3 broad privatization method alternatives which Credit Suisse believes is appropriate to review for the Commission and which we have commented upon in this report.

- Entering into a transaction for the System as a whole

- Entering into a negotiated transaction for part of the System

- An IPO, under which shares of the profits of the System would be offered to both individual and institutional investors

For a transaction involving the System as a whole or a private sale of part of the System, we have focused on a concession agreement arrangement. A concession agreement typically enables a concessionaire to operate an asset for a defined period within set operating guidelines and standards. At the end of the concession, the tollroad typically reverts to the State. This and other options are discussed in further detail in Section 3 of this report. In terms of our conclusions regarding the feasibility of each privatization method, we reviewed each option against the following parameters:

- Investor demand

- Proceeds

- Desire to sell 100% of the System

- Relevant timing issues

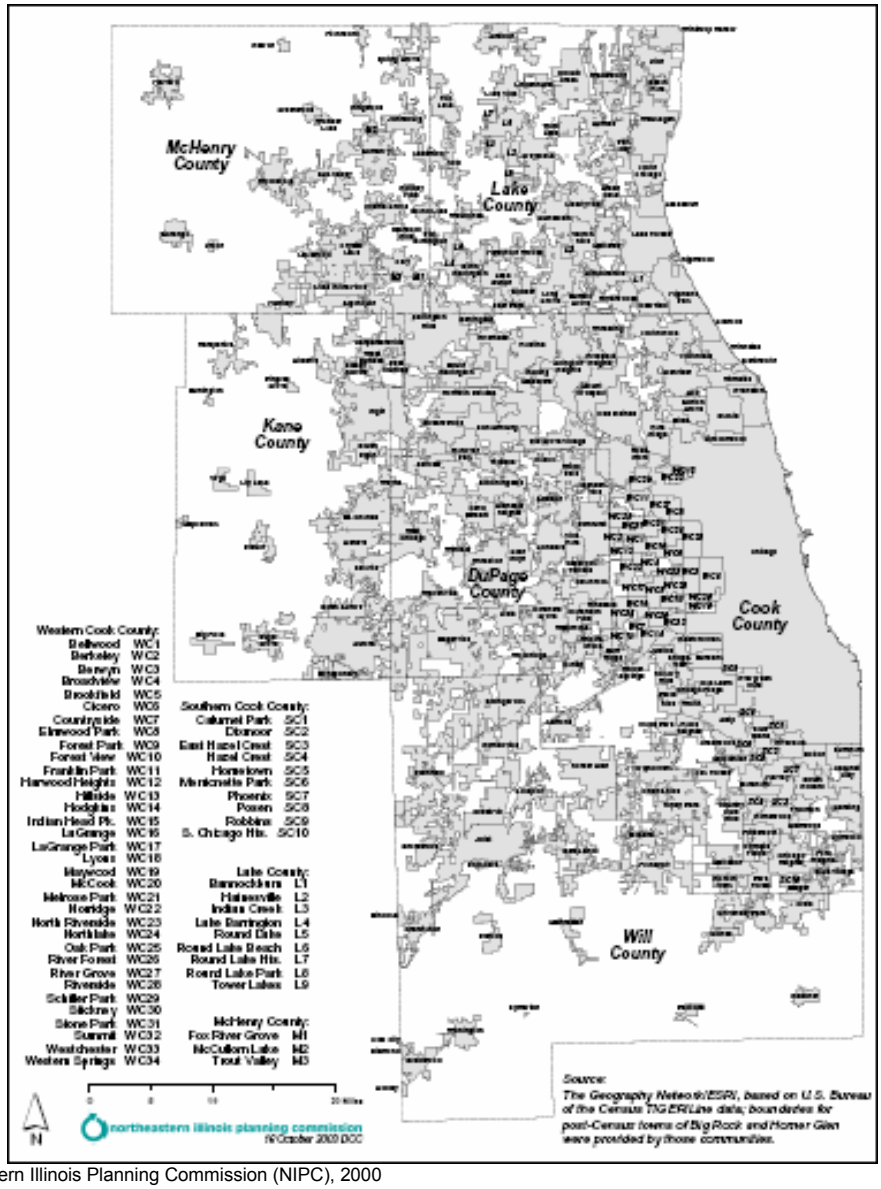
We summarize the above commentary in the following table:

CORE OBJECTIVES			
Transaction Method	**Maximize Upfront Proceeds**	**Receive Proceeds in a Timely Manner**	**Exposure to Residual Risks**
Concession of the System as a Whole	√	√	
Concession Through Break-Up		√	√
Sale of the System as a Whole	√	√	
Sale Through Break-Up		√	
IPO			√

Business and Assets Overview

2.1. Regional Market Overview

The System serves twelve counties that have a combined population of over 8.5 million people (over 70% of the State's population). Since its inception in the 1950s, the System has become an important part of the transportation infrastructure in northern Illinois. The largest counties are concentrated in the northeastern Illinois area and include Cook, DuPage, Kane, Lake, McHenry and Will counties. Within these six counties, there are 272 municipalities (see below). The discussion below is based on data for these six counties.



Source: Northeastern Illinois Planning Commission (NIPC), 2000

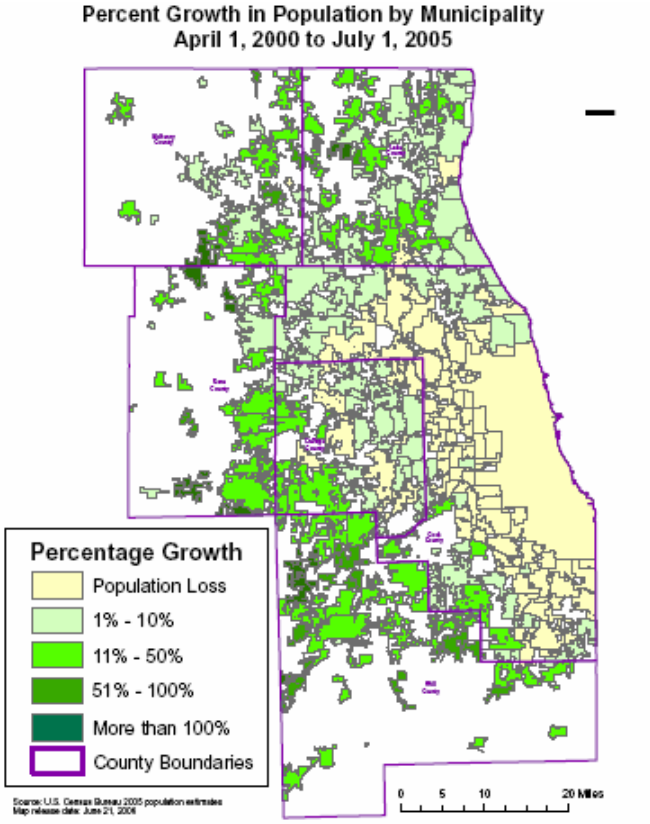
Northeastern Illinois Municipalities

LARGEST BY POPULATION		SMALLEST BY POPULATION	
Chicago	2,896,016	Symerton	106
Aurora	142,990	Pingree Grove	124
Naperville	128,358	Volo	180
Joliet	106,221	Indian Creek	194
Elgin	94,487	Greenwood	244

Source: Northeastern Illinois Planning Commission (NIPC)

The 6-county metropolitan area is home to over 8 million people. More than 4 million of these people are employed and 34 Fortune 500 corporations are headquartered in the area. Leading economic sectors include financial services, electrical machinery and equipment, insurance, pharmaceuticals, and retailing. Public services are provided by 6 county governments, 272 cities and villages, and nearly 1,000 schools, park and other special-purpose districts.

The rapid residential development of Northwest suburban Illinois area in the 1960s and 1970s and connections to the completed expressway system in Cook county made much of the System prime commuter routes in Chicago and suburban Cook county[1]. This trend evolved and expanded as regional development and employment grew. The area has in general experienced a high level of population and economic growth with much of the development occurring on land in the service areas of Illinois Tollway facilities.



Source: U.S. Census Bureau 2003

[1] Discussion based on data from Chicago District (Federal Reserve Bank), CFNAI, CFMMI, and CBAI

10 Fastest-Growing Illinois Counties
2004-2005

RANK	COUNTY	PERCENT CHANGE
1	Kendall County	9.4%
2	Grundy County	6.5%
3	Boone County	4.2%
4	Will County	4.1%
5	McHenry County	2.6%
6	DeKalb County	2.5%
7	Kane County	2.0%
8	Monroe County	1.8%
9	Ogle County	1.4%
10	Lake County	1.4%

10 Slowest-Growing Illinois Counties
2004-2005

RANK	COUNTY	PERCENT CHANGE
1	Alexander County	-3.3%
2	Pulaski County	-2.2%
3	Pope County	-1.7%
4	Washington County	-1.3%
5	Henderson County	-1.2%
6	Hamilton County	-1.1%
7	Hancock County	-1.1%
8	McDonough County	-1.0%
9	Mason County	-0.9%
10	Knox County	-0.9%

Source: Northeastern Illinois Planning Commission (NIPC)

These forecasts show continued steady growth through the three decades to 2030. Over the 30-year span, population in the six county area is projected to increase by 1.9 million, reaching a total population of approximately 10 million people. Jobs are projected to increase by 1.2 million, reaching 5.6 million by 2030.

Northeastern Illinois Population & Employment

	1990	2000	2030P
Population	7,261,176 [1]	8,091,720 [1]	10,034,800
Employment	3,844,700	4,339,400	5,563,900

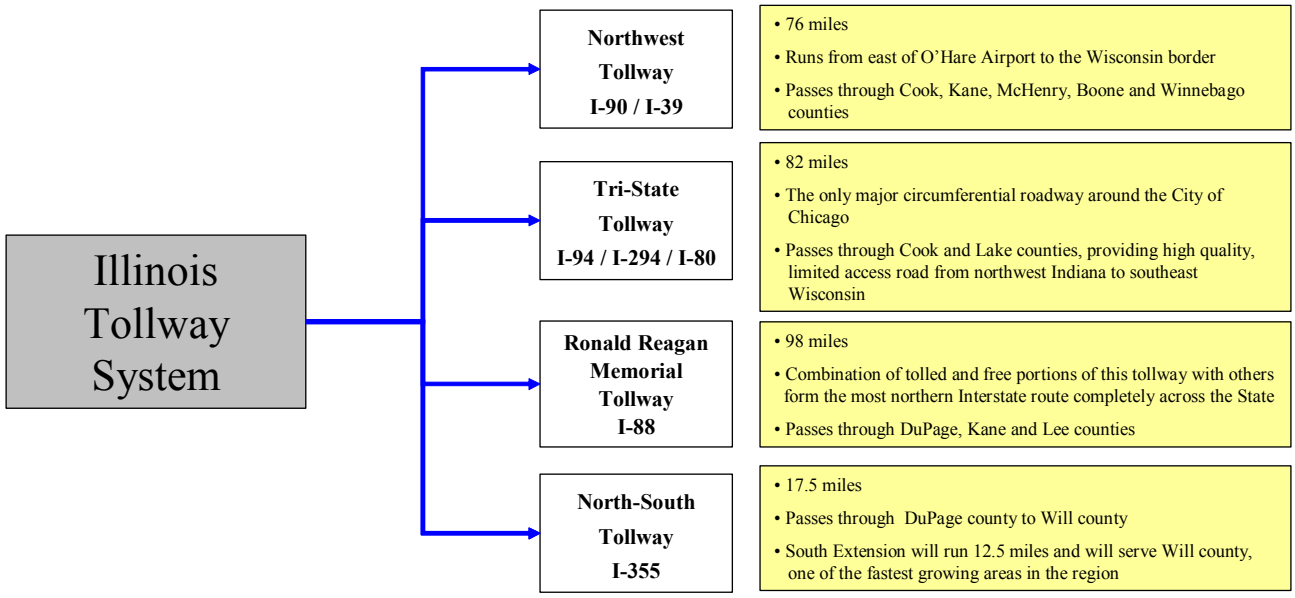
[1] Census

2.2. Businesses and Assets to be Evaluated

The Illinois Tollway operates a system of four toll highways in the northern portion of Illinois, including the Chicago suburban area. Currently, the system has 274 miles of limited access highways, all of which are part of the Interstate Highway System.

Assets to be Valued in this Report

The Illinois Tollway System includes following:



Source: Illinois State Toll Highway Authority

2.3. Tollway Characteristics and History

Traffic Volume and Toll Rates

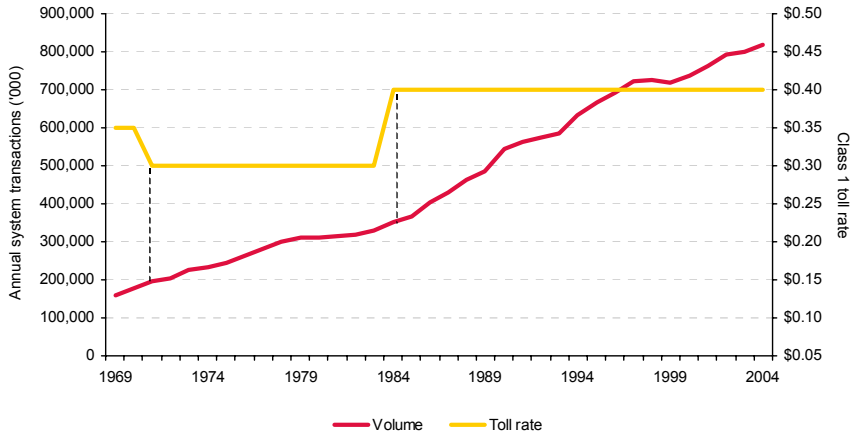
Traffic and revenue have grown steadily over the life of the System. Toll rates increased from $0.30 per automobile in 1959 to $0.40 through 2004 (see Annual System Transactions below). In 2004, the toll rates were raised to provide additional support in funding road improvements and construction works. Over the history of the tollway, annual revenues have dropped in only three years: 1980, 1999, and 2005.

Toll Rate History

CLASS #	DESCRIPTION	1959-1963	1964-1970	1971-1983	1983-2004	1959-2004 CAGR
1	Automobile, motorcycle, single unit truck or tractor, two axles, four or less tires	$0.30	$0.35	$0.30	$0.40	0.6%
2	Single unit truck or tractor, buses, two axles, six tires	0.40	0.45	0.30	0.50	0.5%
3	Three axle trucks and buses	0.50	0.50	0.45	0.75	0.9%
4	Trucks with four axles	0.50	0.60	0.60	1.00	1.6%
5	Trucks with five axles	0.50	0.75	0.75	1.25	2.1%
6	Trucks with six axles	0.50	0.90	0.90	1.50	2.5%
7	Class 1 vehicle with one axle trailer	0.50	0.50	0.45	0.60	0.4%
8	Class 1 vehicle with two axle trailer	0.50	0.60	0.60	0.80	1.0%
9	Miscellaneous, special or unusual vehicles not classified above	0.50	0.90	1.00	1.75	2.8%

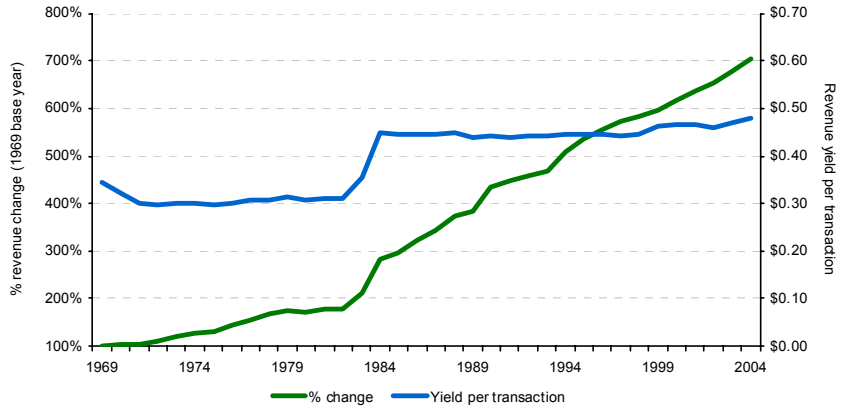
Note: Class 9 rate was $0.20 per axle for automobiles and $0.25 per axle for trucks

Annual System Transactions



Source: CAFR 2004

Revenue Change



Source: CAFR 2004

Current Toll Schedule

			DISCOUNT	
PASSENGER CARS	**CASH**	**I-PASS**	**OVERNIGHT**	**I-PASS OFF-PEAK**
Passenger cars	$0.80	$0.40		
Commercial vehicles				
Large	$4.00		$3.00	$3.00
Medium	$2.30		$1.80	$1.80
Small	$1.50		$1.00	$1.00

Source: WSA 2005

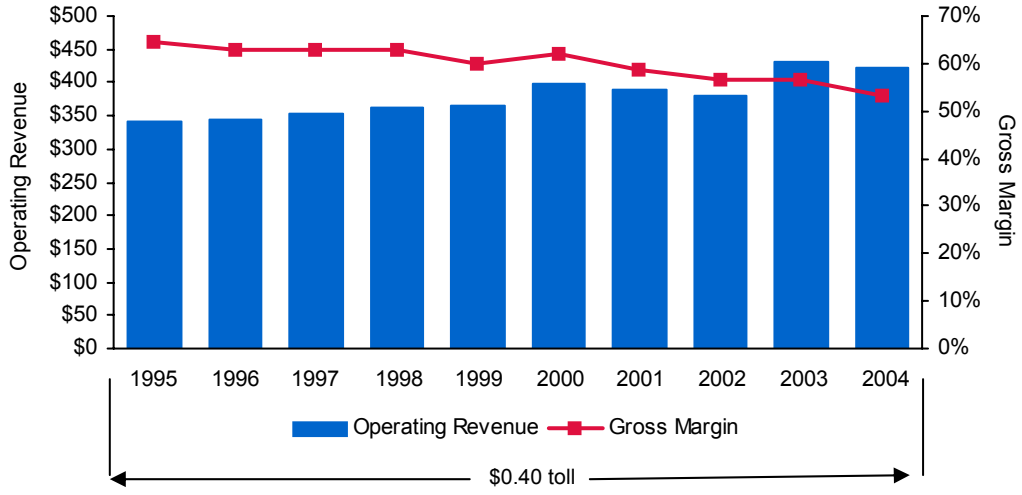
2.4. Historical Financial Analysis

Historic Financials Analysis

Revenue Trends

The Illinois Toll Authority has recorded consistently high performance in revenue generation, largely due to the continued demand for tollway services and sufficient operations and maintenance performance of the tollway. Toll rates were defined for nine classes of vehicles. The table on page 10 gives the definition of the vehicle classes and the historical toll rates at typical mainline plazas. Annual growth rates for tollway revenue varied between 0.5% and over 8% from 1995 to 2000; however after 2000 annual system-wide revenue has been fluctuating. The revenue decline in 2001 and 2002 and the subsequent increase in 2003 were due to the implementation of violation enforcement for toll violators. Backlogged toll revenue from 2001 and 2002 was recorded in 2003, thus explaining much of the 13% increase in revenue from 2002 to 2003.

Operating Revenue and Gross Margin
($ in millions)

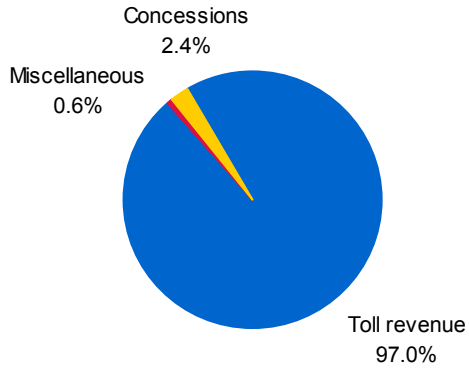
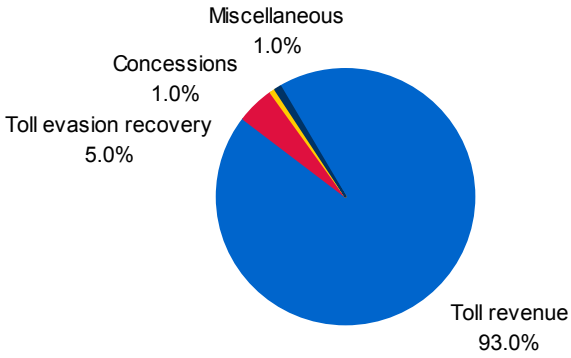


Source: CAFR 2004

On January 1, 2005, toll rates on the entire System were raised. Cash tolls for passenger cars doubled from the former rate. At a typical mainline plaza, the cash toll was raised to $0.80, while the passenger car toll for I-PASS customers remained at $0.40. The daytime rates for three commercial vehicle classes of large, medium and small became $4.00, $2.25, and $1.50, respectively, at typical mainline plazas.

Revenue Composition

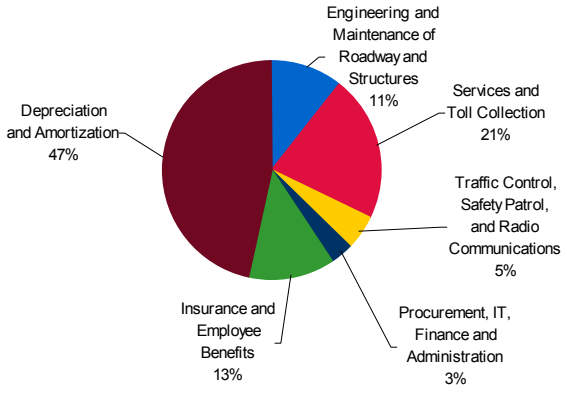
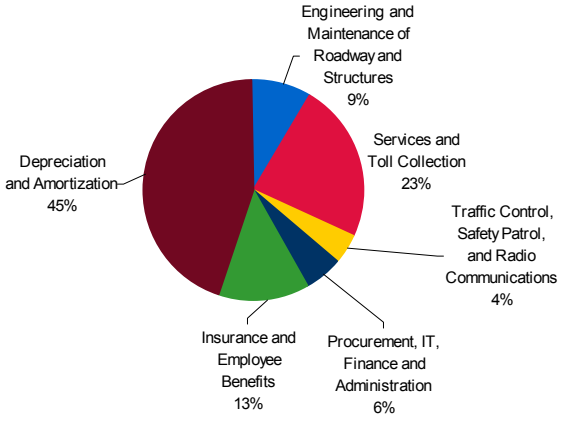
System revenue is overwhelmingly comprised of toll revenues; revenue compositions below demonstrate this trend for both 2003 and 2004. With between 87% and 94% of revenues stemming from toll collection, subcontracting through concession agreements has not been a key driver of revenues. In 2004, gross profitability declined as a result of increased operating expenses. The increase in operating expenses is largely attributable to a 15.5% increase in costs associated with insurance and employee benefits. A detailed view of the Toll Authority's Income Statement is in Appendix D.

2000 Revenue Composition	2004 Revenue Composition
	
Total Revenue: $354.5 million	**Total Revenue: $418.7 million**

Source: CAFR 2001 / 2004

Cost Composition

Annual maintenance and operating costs have historically grown between 2% and 11% annually; notable recent increases have occurred in 2003 when operating costs increased from $166 million to $187 million. More recent operating costs have decreased to around 3.4% as seen from 2004-2005. Components to costs are shown in the following chart.

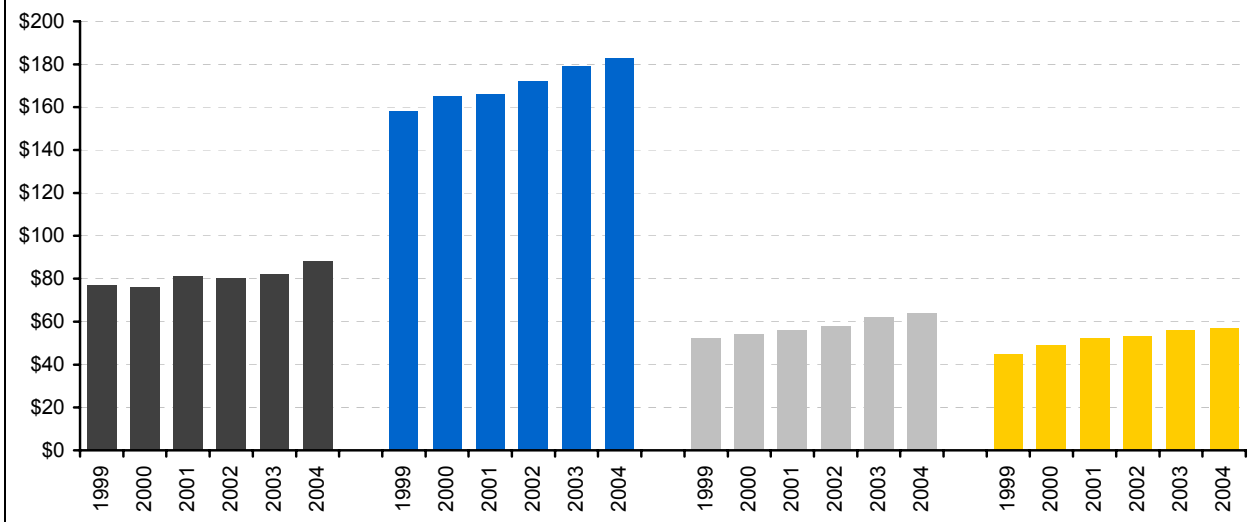
2000 Operating Expenses Composition	2004 Operating Expenses Composition
	
Total Expenses: $283.9 million	**Total Expenses: $366.1 million**

Source: CAFR 2001 / 2004

Individual Tollways

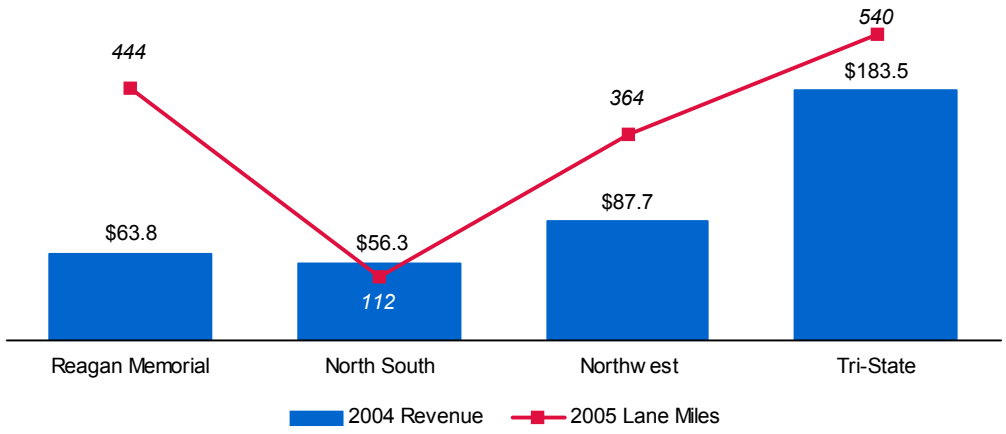
Among toll revenue, the System can be broken down by major route and revenue contribution. Annual growth along individual tollways has varied roughly between 1% and 6%. In 2004, the Northwest Tollway was the system leader in terms of percentage growth while, the Tri-State Tollway was the leader in terms of highest revenue generation with $183.5 million in toll revenues.

Revenues
($ in millions)



Source: CAFR 2004

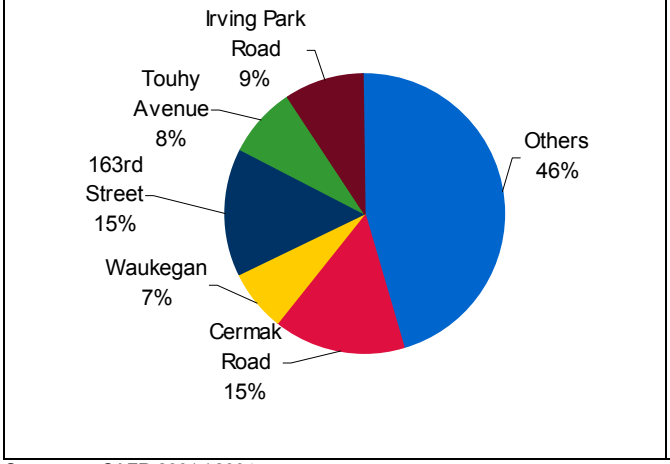
2004 Revenue Composition by Tollway and 2005 Projected Lane Miles
($ in millions)



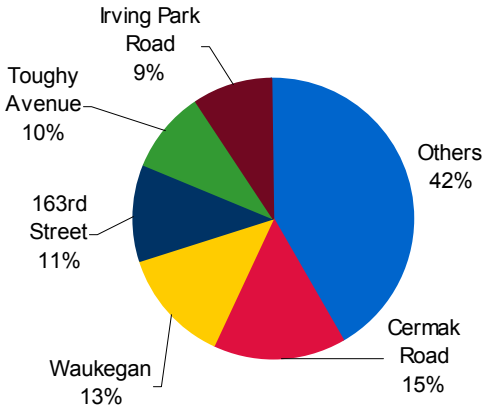
Source: CAFR 2004 and CTE Report, 2006

To analyze the importance of various toll paying points for each tollway, we have reviewed historical revenues. The results are represented below.

Tri-State Tollway: Toll Revenue by Major Toll Plaza - 1994

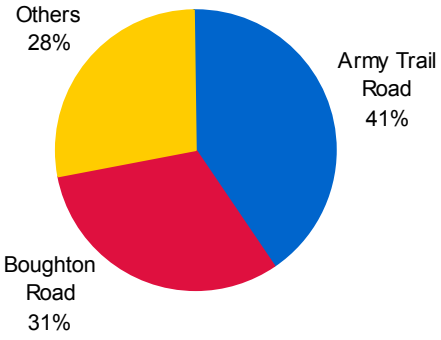


Tri-State Tollway: Toll Revenue by Major Toll Plaza - 2004

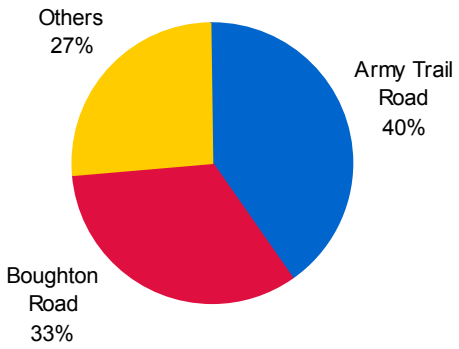


Source: CAFR 2001 / 2004

North-South Tollway: Toll Revenue by Major Toll Plaza - 1994

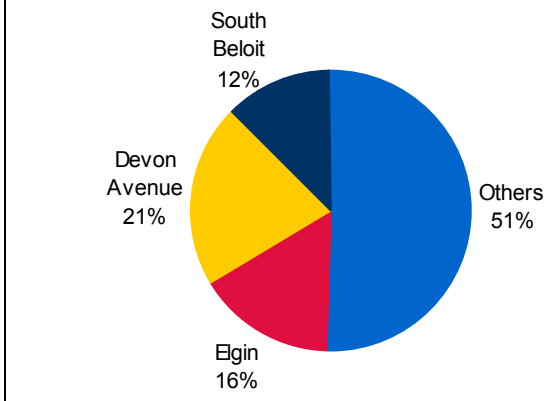


North-South Tollway: Toll Revenue by Major Toll Plaza - 2004

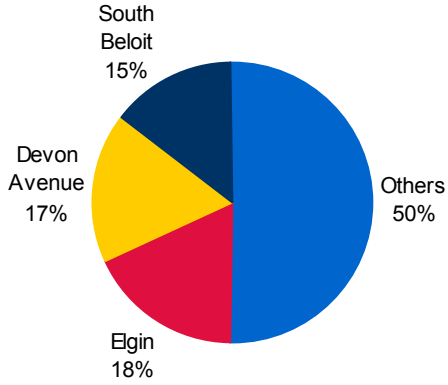


Source: CAFR 2001 / 2004

Northwest Tollway: Toll Revenue by Major Toll Plaza - 1994

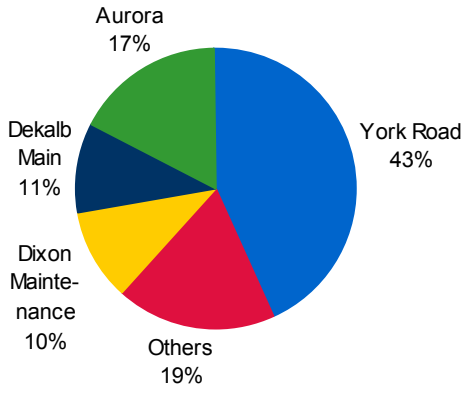


Northwest Tollway: Toll Revenue by Major Toll Plaza - 2004

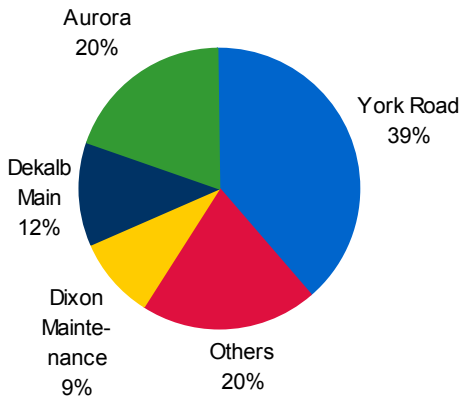


Source: CAFR 2001 / 2004

Ronald Regan Tollway: Toll Revenue by Major Toll Plaza - 1994



Ronald Regan Tollway: Toll Revenue by Major Toll Plaza - 2004



Source: CAFR 2001 / 2004

Selected Passenger Fares

	SYSTEM TOTAL FARE (CASH / I-PASS)	SYSTEM LENGTH (MILES)	FARE PER MILE (CASH / I-PASS)
Ohio Turnpike	$9.00	237	$0.04
Pennsylvania Turnpike	$25.80	442	$0.06
New Jersey Turnpike	$6.50	113	$0.06
Transportation Corridor (Orange County, CA)	$8.65	51	$0.17
E-470 (Denver, CO)	$11.75	56	$0.21
Illinois Tollway System:			
Ronald-Reagan Memorial Tollway	$5.40 / 2.70	98	$0.06 / 0.03
North-South Tollway	$2.00 / 1.00	31	$0.06 / 0.03
Northwest Tollway	$4.20 /2.10	76	$0.06 / 0.03
Tri-State Tollway	$4.90 / 2.45	82	$0.06 / 0.03

Source: State Tollway Authorities Websites, CAFR Statements

Overview of Assets and Liabilities

The Toll Authority's Balance Sheet is detailed in Appendix D. The distinction between current and non-current assets and liabilities would likely be removed upon entering into an arrangement for private financing, as the covenants regarding time-release of funds and use of funds (CAPEX vs. OPEX) are removed.

Debt Multiples

	2000	2001	2002	2003	2004
EBITDA / Total Debt Service	2.5x	2.6x	2.6x	2.2x	4.5x
Total Debt / EBITDA	4.1x	3.9x	3.8x	3.0x	3.1x

Source: CAFRs 2004-2001

2.5. Summary of Improvement Plan

Plan Outline

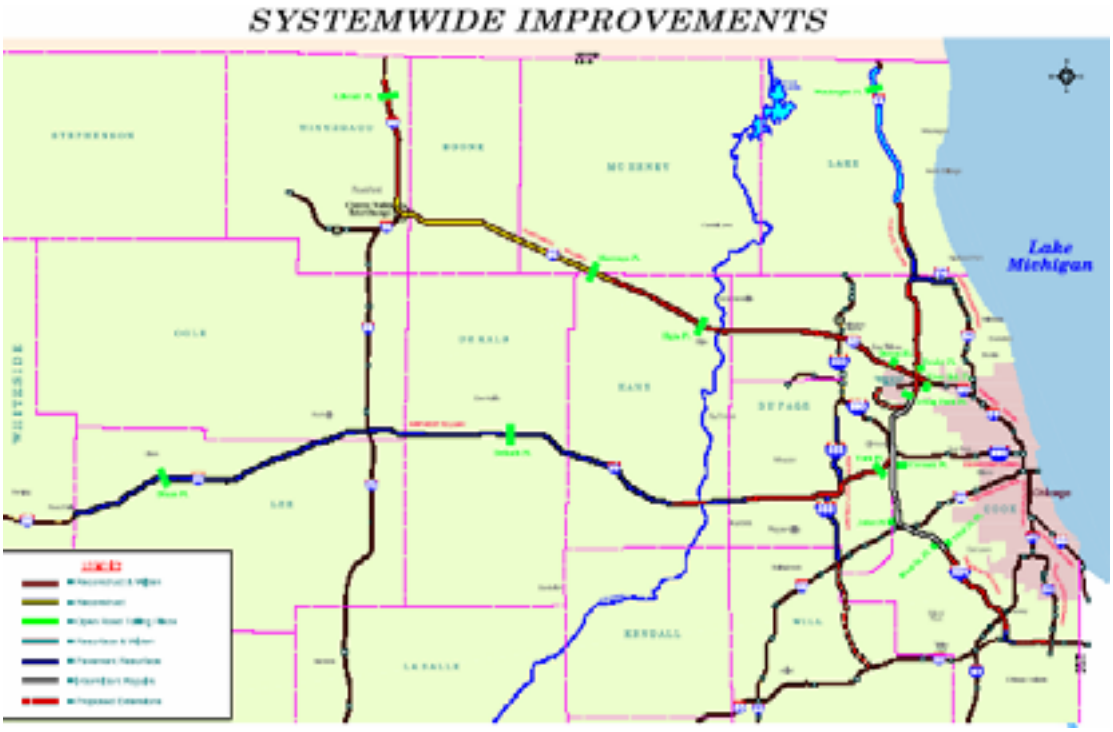
The single largest impact on valuation results from the congestion relief plan. We have assumed that any operator will honor the Illinois Tollway Board's plan for congestion relief *(Open roads for a Faster Future* or "the Board Plan"*)*. While many private operators have substantial capabilities which could lower the projected cost and increase the value we have assumed, the costs are as stipulated by the public plan. An understanding as to the method and timing of the execution of the plan could be important to potential bidders.

Open roads for a Faster Future put in place a new toll structure to fund the plan and provides for relief of existing congestion and addition of new capacity to accommodate future traffic growth. Additional mainline lanes will be added to a portion of the system, and a new 12.5 mile south extension to the North-South Tollway will be built and open by year-end 2008.

The $5.3 billion Congestion-Relief Program (the "CRP") is a 10-year capital program that is front-loaded, with most construction occurring in the first five years. The CRP was designed to:

- Rebuild / reconstruct 90% of the system, where some roads are more than 45 years old

- Widen /add lanes to nearly half the system
- Convert 20 mainline toll plazas to barrier-free, non-stop Open Road Tolling by 2006
- Extend I-355 south to I-80 to serve Will County , one of the fastest-growing areas in the state



Capital Needs

The System's current capital needs include construction and improvements scheduled under the Program and ongoing maintenance. For the program the estimated $5.3 billion in spending is drawn upon based on the following schedule:

YEAR	ESTIMATED PROGRAM DRAWS
2005	$425,700,000
2006	1,046,200,000
2007	775,000,000
2008	990,300,000
2009	928,400,000
2010	206,800,000
2011	369,100,000
2012	325,900,000
2013	185,900,000
2014	100,700,000
Total	**$5,354,000,000**

For purposes of our analysis we have assumed no cost efficiencies in this Program. However many private toll road operators have substantial construction experience and may be able to meet or exceed the State's goals for the plan at a lower cost. This experience may increase the value they are willing to pay.

Scheduled Improvements

LOCATION		TYPE OF WORK	SCHEDULED CONSTRUCTION
TO	FROM		
Ronald Reagan Memorial Tollway			
East of Finley Road	West of Naperville Road	Add lane/reconstruction	2006, 2007, 2008, 2009
IL 83	East of Finley Road	Resurfacing/reconfiguration	2007, 2008, 2009
Orchard Road	Aurora (Plaza 61)	Add lane/reconstruction	2007, 2008, 2009
East of York Road	IL 83	Add lane/reconstruction	2007, 2008, 2009
IL 251	Orchard Road	Reconstruction	2006, 2007
Naperville Road (Reagan Tollway Interchange)		Interchange reconstruction	2006, 2007
York, Meyers, DeKalb & Dixon Toll Plazas (51, 52, 66, and 69)		Open Road Tolling (ORT) conversion	2006
Tri-State Tollway			
I-394	167th Street	Add lane/reconstruction	2006
159th Street	95th Street	Add lane/ reconstruction	2007, 2008, 2009,
Balmoral Ave	Dempster Street	Add lane/ reconstruction	2006, 2007, 2008
Dempster Street	Lake Cook Road	Add lane/reconstruction	2008, 2009
Half Day Road (IL 22)	IL 132	Add lane/reconstruction	2007, 2008, 2009
Edens Spur		Resurfacing	2011, 2012
Edens Spur	Half Day Road (IL 22)	Resurfacing	2012
IL 132	Russell Road	Reconstruction	2007, 2008, 2009
Irving Park, Cermak, 82nd, and 83rd Toll Plazas (33, 35, 36, and 39)		ORT conversion	2006
Waukegan, Joliet and 163rd Toll Plazas (21,37, and 41)		ORT conversion	2006,2007
Northwest Tollway			
Newburg	Rockton Road	Add lane/reconstruction	2008, 2009
Elgin (Plaza 9)	Sandwald Road	Reconstruction	2010, 2011, 2012
Kennedy Expressway	Elmhurst Road	Add lane/reconstruction	2010, 2011, 2012
Elmhurst Road	Elgin (Plaza 9)	Resurfacing	2010, 2011, 2012
Interstate 39 Interchange		Interchange reconstruction	2008, 2009
Sandwald Road	Newburg Road	Reconstruction	2010, 2011, 2012
South Beloit, Belvidere, Marengo, Toll Plazas (1, 5, and 7)		ORT conversion	2006
Elgin, Devon and River Road (9, 17, and 19)			2006, 2007
North-South Tollway			
I-55	Army Trail Road	Resurfacing	2011, 2012
I-55	I-80	New roadway	2006, 2007
Other Toll Routes			
Indiana Toll Road (Broadway Bridge)		Add lane, bridge reconstruction	2006, 2007
Other Expressways			
Dan Ryan (31st - 95th Street)		Add lane/Interchange reconstruction	2006, 2007
Kingery (I-94 to US 41)		Add lane/Interchange reconstruction	2006
Boman (I-65 Interchange)		Interchange reconstruction, add lane	2007, 2008, 2009
I-94 (Wisconsin, Kenosha and Racine Counties)		Interchange reconstruction	2009, 2011
Arterial Routes			
I-80 (I-55 Interchange)		Interchange reconstruction	2006
I-190 (US 12 / US 45 / Mannheim Road))		Bridge replacement	2006
IL 56 (Summit Road to IL 83)		Add lane	2006
IL 56 (IL 59 to Naperville Road)		Add lane	2007
Palatine Road (Cedar Street to US 45/IL 21)		Resurfacing, bridge rehabilitation	2007
IL 22 (US 12 to US 4t)		Add lane	2006
Washington Street (Hunt Club Road to Great America Pkway)		Add lane	2006, 007

Source: Illinois Tollway, Illinois, Indiana and Wisconsin state transportation departments.

Need for Additional CAPEX in the Future

In addition to construction CAPEX, there is $600 million budgeted for non-roadway capital needs through 2014. Estimated annual renewal and replacement deposits (the "Maintenance Capex") are scheduled to fund a portion of the Program and non-roadway capital requirements and are projected at $175 million a year until

2011, and $200 million thereafter, except for $175 million in 2013, based on the CPE schedule. We have allocated the system-wide component of CRP capex, maintenance capex and non-roadway capex toward particular tollways based on lane miles as of 2006.

While the Program covers approximately 73% in terms of roadway reconstruction and 22% in rehabilitation, the Program does not cover certain segments of the System. For the purposes of our analysis, we have assumed that an ongoing maintenance program will be in place following completion of the Program, and that in 45 years (2050-2059), assuming the length of the concession allows for full debt amortization and sufficient equity returns, the System will have to go through another comprehensive capex program, in line with the size and magnitude of the Program today. Therefore, to estimate the impact of future CAPEX programs under a 99-year concession, we have assumed a 2006-2014 spending program and escalated costs at inflation rates for future periods.

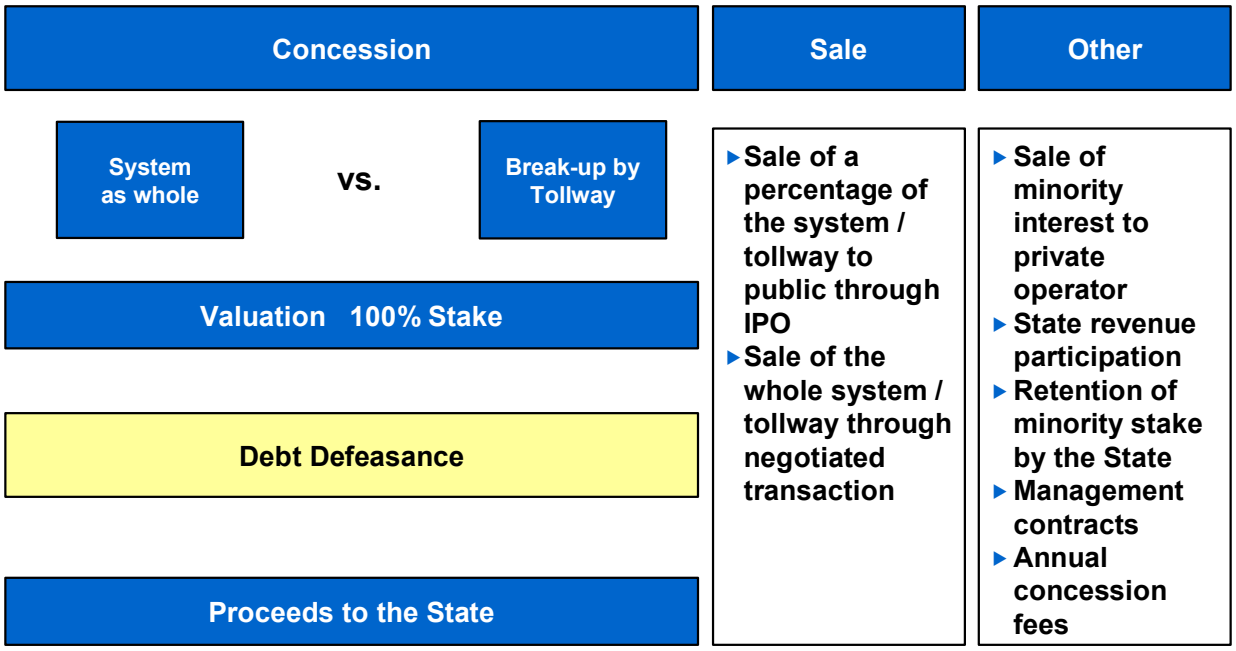
Private toll road operators have strong economic incentives to maintain the road's condition and safety since traffic delays and unsafe conditions may divert traffic to alternate routes.

Method & Structure of Transaction

3.1. Introduction

In this section, we review selected precedents for sale in the marketplace and the primary methods of sale, and discuss the pros and cons affecting the sale. In relation to each of these alternatives, we have reviewed certain key issues, focusing in particular on demand, proceeds, ability to sell 100%, timing issues, risk analysis and the impact on the System's strategic plan.

3.2. Primary Valuation Approach



In evaluating the options identified, the State can pursue a dual track process, considering both a sale / concession and an IPO, for example. If the State decides to establish a stabilization fund to absorb the cost if tolls are raised, proceeds to the State will be net of fund contributions.

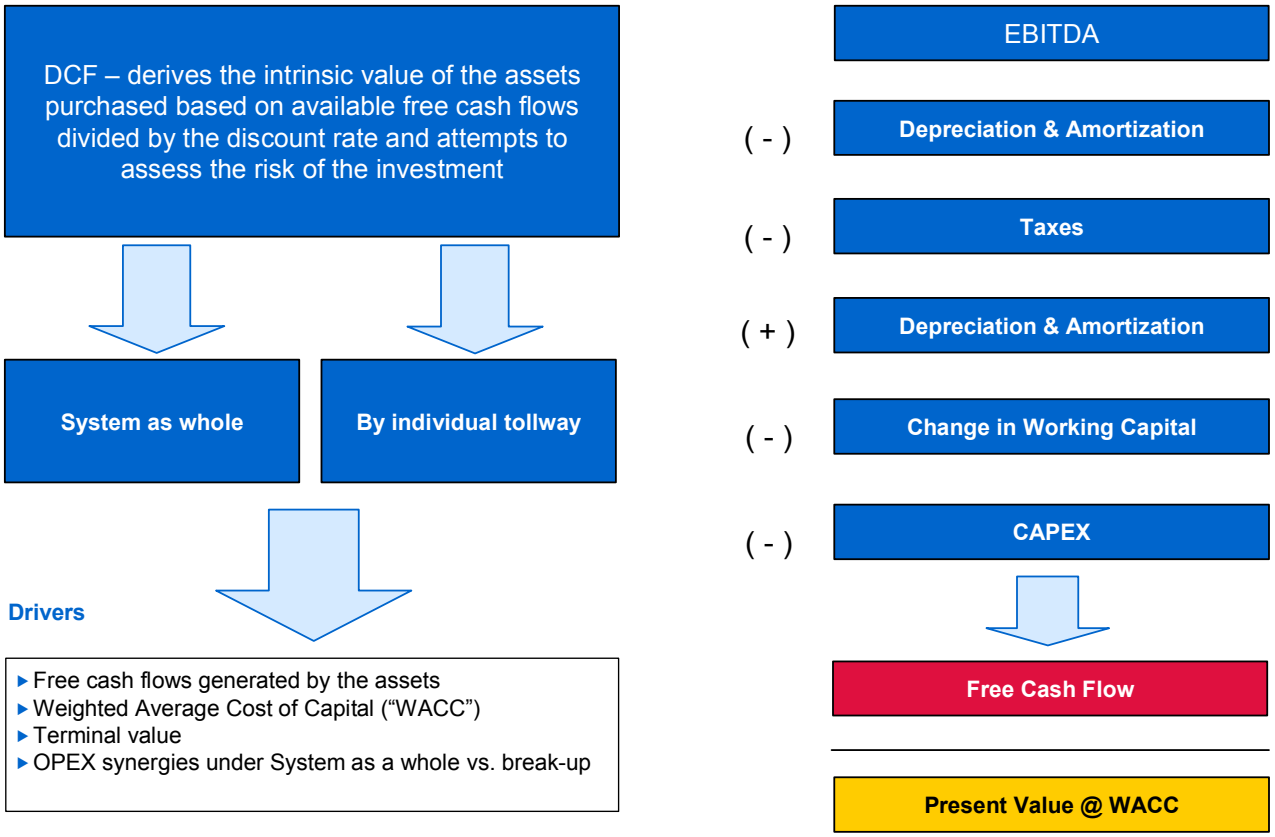
3.3. Valuation Methodology

To evaluate the estimated value of the assets under consideration, we have utilized the following methodologies:

Discounted Cash Flow ("DCF") Methodology

A DCF analysis is one of the main methodologies utilized to assess the System's long-term value potential. While a bit more theoretical than experiential, it nonetheless provides an important perspective. Generally, public and private investors consider it a key component of their valuation. Public market investors are

increasingly using a DCF valuation to verify the validity of comparable valuations and gain comfort about long-term prospects for their investment. Trade buyers use it as one of the main valuation tools.



Assumptions

- Target capital structure of 25% equity and 75% debt. We have assumed this approach as
  - Previous transactions (e.g. ITR, Skyway, A28) have had leverage in the 65-85% range[2]
  - Method of sale (which could impact the capital structure) is not determined
  - Foreign banks with government backing have lower capital costs
- The cost of equity is based on a 7.1% average equity risk premium[3], a leveraged beta of 1.0 (market risk) and a 10 yr Government yield
  - Macquarie Infrastructure Group[4] indicates that they look at assets such as the Chicago Skyway and the Indiana Toll Road as having an equity risk premium of approximately 7%
  - Our cost of equity of approximately 12.2% is derived as follows

[2] See Appendix B for detailed case studies
[3] Long-horizon equity risk premia, 2006 Ibbotson report
[4] MIG Year-End Presentation, December 21, 2005

- (5.1% + 1.0 * 7.1% = 12.2%)

- Below is a table which shows the relevant industries and toll road investors and their respective levered betas

	Average Predicted Beta	Average Historical Beta
Industry Wide		
Electric Utilities	0.82	0.95
Railroads	1.24	1.23
Toll Road Companies		
Bouygues	0.98	0.99
Cintra	1.18	1.19
Egis	0.89	0.96
MIG	0.95	0.67
Vinci	1.14	0.84
Average Beta	***1.03***	***0.98***

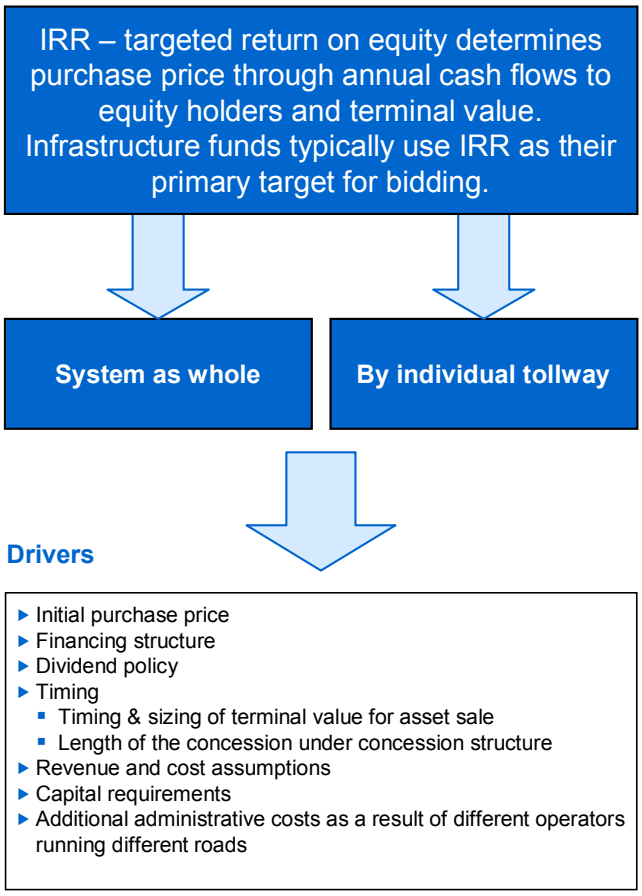
Source: Barra Beta research, 2006

- The average cost of debt is based on the current 10 yr Government yield, a blended debt premium of 200bps and an effective tax rate of 35.0%

The cost of debt will differ among potential bidders, thus providing for additional valuation sensitivity on the WACC basis. Below is a table that shows the WACC range based on various beta and leverage assumptions. For the purposes of this Report, we used a WACC range of 6.0% to 6.9% (with a mid case of 6.5%) to perform the analysis.

		Leverage				
		65.0%	70.0%	75.0%	80.0%	85.0%
Beta	0.80	6.7%	6.4%	6.1%	5.8%	5.5%
	0.85	6.8%	6.5%	6.2%	5.9%	5.5%
	0.90	7.0%	6.6%	6.3%	5.9%	5.6%
	0.95	7.1%	6.7%	6.4%	6.0%	5.6%
	1.00	7.2%	6.8%	6.5%	6.1%	5.7%
	1.05	7.3%	6.9%	6.5%	6.1%	5.7%
	1.10	7.5%	7.0%	6.6%	6.2%	5.8%
	1.15	7.6%	7.1%	6.7%	6.3%	5.8%
	1.20	7.7%	7.3%	6.8%	6.4%	5.9%
	1.25	7.8%	7.4%	6.9%	6.4%	6.0%

IRR Methodology



Assumptions

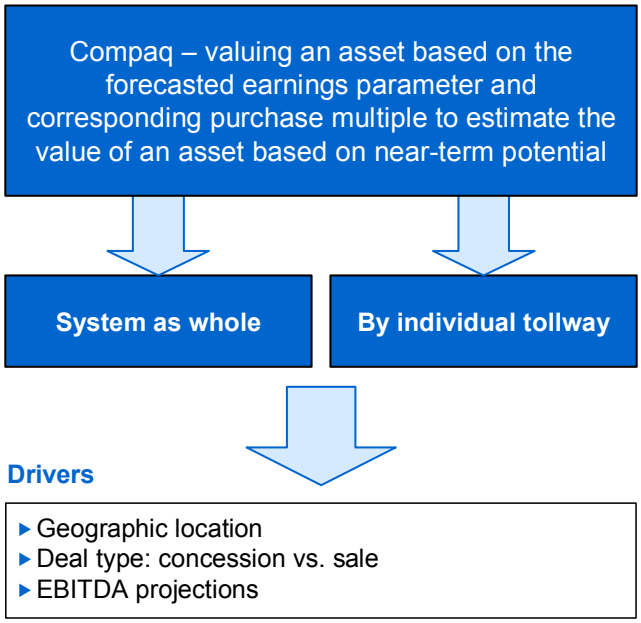
- Targeted IRR range of 8.5-12%
- Permanent capital markets financing at closing
- Under break-up analysis, each individual tollway assumes additional administrative costs
- Concession: we assessed valuation under shorter concession arrangement (50 years), as well as longer arrangements (75 years)

Comparative Analysis Methodology

This analysis is predicated on the assumption that the value of an asset can be established by reference to the value paid for comparable assets in the past. As for the comparable transaction analysis, a key elements of this analysis is establishing appropriate links between market value and operating and financial performance indicators. A key element of a comparable acquisition analysis is identifying comparable transactions.

Comparable acquisition analysis ("Compaq") is typically based on historical multiples ("LTM" or last twelve months), whereas comparable companies analysis typically is based on forward-looking performance.

Unlike comparing a company to other toll road operators that trade in the public markets, a Compaq often arrives at a higher value because investors are willing to pay more if they can control the asset. If a company trades publicly, it is generally the case that no single investor controls the asset.



There have been relatively few publicly announced US-based transactions which represent a suitable precedent to value the System. Thus, Credit Suisse anticipates that the comparable acquisitions valuation technique will play only a limited role in this valuation exercise.

Below, we have outlined recent transactions and have highlighted the ones which we believe are most relevant to the System:

COMPARABLE ACQUISITIONS SUMMARY

Date	Acquiror	Target	Stake Acquired	Pro Forma Equity Value	Pro Forma Enterprise Value	Pro-Forma Deal Value / Sales	EBITDA	EBIT
Jan-06	MIG/Cintra	Indiana Toll Road [1]	100.0%	$732	$3,850	40.3x	64.0x	NA
Dec-05	Vinci	ASF	50.0%	€11,549	€19,237	7.8x	12.3x	17.9x
Dec-05	Eiffage/MIG Consortium	APRR	70.2%	€6,895	€11,960	7.6x	12.3x	18.7x
Dec-05	Abertis Consortium	SANEF	75.5%	€5,324	€8,897	7.7x	12.0x	19.6x
Oct-04	MIG/Cintra	Chicago Skyway [2]	100.0%	$830	$1,830	46.0x	64.9x	NA
Oct-04	CCR	Via Oeste	100.0%	€132	€201	2.8x	3.8x	5.4x
Sep-04	ACS and La Caixa	Abertis	5.0%	€8,052	€11,129	8.4x	12.4x	16.9x
Oct-03	A. G. C., Brisa, C. C. T. and Serveng [(1)]	CCR	16.9%	€609	€942	3.1x	6.3x	10.2x
May-03	Sacyr, SCH and Local banks [(2)]	Grupo ENA	100.0%	€611	€1,586	10.1x	13.4x	18.4x
Mar-03	Schema28	Autostrade	54.1%	€11,946	€13,302	5.6x	9.0x	12.5x
Feb-03	Acesa	Aurea	100.0%	€1,901	€2,616	7.7x	9.7x	12.1x
Sep-02	Brisa	Acesa	5.8%	€3,787	€5,059	7.4x	10.5x	14.3x
Jul-02	Vinci [(3)]	ASF	17.2%	€6,034	€14,383	7.5x	12.5x	19.1x
May-02	Acesa	Brisa	10.1%	€3,363	€5,137	11.4x	14.4x	19.5x
Mar-02	Acesa	Iberpistas	100.0%	€960	€1,506	11.5x	14.3x	17.6x
Sep-01	Macquarie Infra. Group	Cintra	40.0%	€2,040	€2,540	7.0x	11.0x	13.7x
Mar-01	Autostrade	Acesa	4.9%	€2,429	€3,251	5.9x	8.4x	10.9x
Oct-99	Acesa	Autostrade	3.9%	€8,571	€10,229	5.2x	9.9x	16.0x
				Median		7.7x	12.1x	16.4x
				Average		11.3x	16.7x	15.2x

[1] 75-year concession
[2] 99-year concession

We found that European transactions were not as relevant to our analysis:

- Since European transactions are mostly corporate transactions for toll road operators that involve
  - Portfolio approach with a mix of toll roads with different concession terms and at different stages of life cycles

3.4. Financial Assumptions

In evaluating financial projections for the System and tollways on a standalone basis, Credit Suisse adopted the following methodology.

Toll Revenues

The forecast model assumes Wilbur Smith Associates traffic and revenue projections as a base case (the "WSA case"). The WSA projections is the only publicly available analysis of the State's toll way traffic and can be found as an attachment to the bond prospectus dated May 25, 2006. For the WSA sensitivity cases, we have included the South Extension in the valuation analyses.

WSA case scenario

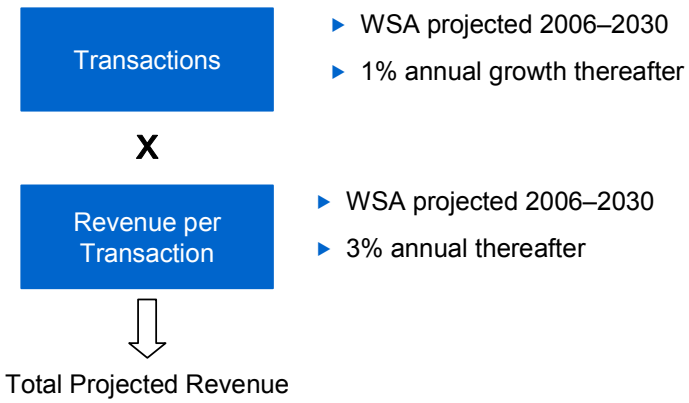
The WSA case is based on transactions and revenue projections prepared by Wilbur Smith, dated May 2006. Below is a summary of transactions and revenue projections used for the WSA case for the 2006-2030 forecasted period:

Estimated Annual Traffic and Expected Revenue by Facility
Existing Tollway System Only
(transactions and revenues in thousands)

	REAGAN MEMORIAL TOLLWAY		NORTH-SOUTH TOLLWAY		NORTHWEST TOLLWAY		TRI-STATE TOLLWAY		SYSTEMWIDE TOTAL	
	TRANSACTIONS	REVENUES	TRANSACTIONS	REVENUES	TRANSACTIONS	REVENUES	TRANSACTIONS	REVENUES	TRANSACTIONS	REVENUES
2006	129,689	$95,561	120,054	$73,870	180,534	$140,791	346,248	$288,840	776,525	$599,062
2007	129,368	95,727	124,992	76,081	190,869	148,066	357,128	296,120	802,357	615,994
2008	132,266	97,777	128,890	77,930	196,134	149,930	373,303	307,797	830,593	633,434
2009	143,582	109,066	131,666	84,402	191,122	156,431	389,583	333,793	855,953	683,692
2010	157,663	120,790	134,559	86,327	184,901	154,524	415,403	355,238	892,526	716,879
2011	163,374	125,920	124,479	80,102	186,374	157,111	429,111	369,877	903,338	733,010
2012	167,063	128,553	127,201	81,799	192,823	159,622	435,176	371,889	922,263	741,863
2013	175,604	135,970	144,805	93,312	203,800	172,392	443,013	383,430	967,222	785,104
2014	179,285	140,923	146,512	95,019	218,550	183,505	448,412	391,746	992,759	811,193
2015	182,554	144,972	147,410	98,621	221,777	197,165	456,149	393,236	1,007,890	833,994
2016	185,710	148,475	148,709	99,789	224,596	200,445	459,934	397,253	1,018,949	845,962
2017	188,682	151,722	149,940	100,859	227,251	203,474	463,507	400,921	1,029,380	856,976
2018	191,484	154,791	151,103	101,881	229,761	206,325	466,885	404,389	1,039,233	867,386
2019	194,135	157,755	152,205	102,859	232,141	209,015	470,089	407,679	1,048,570	877,308
2020	196,650	160,583	153,252	103,799	234,404	211,561	473,138	410,809	1,057,444	886,752
2021	199,038	163,342	154,243	104,748	236,560	214,034	476,039	413,926	1,065,880	896,050
2022	201,321	165,936	155,197	105,623	238,624	216,331	478,823	416,785	1,073,965	904,675
2023	203,500	168,484	156,103	106,518	240,598	218,580	481,484	419,662	1,081,685	913,244
2024	205,592	170,877	156,979	107,340	242,496	220,673	484,047	422,341	1,089,114	921,231
2025	207,599	173,180	157,822	108,139	244,322	222,683	486,516	424,969	1,096,259	928,971
2026	209,528	175,402	158,633	108,915	246,081	224,608	488,900	427,514	1,103,142	936,439
2027	211,386	177,549	159,415	109,670	247,779	226,457	491,206	430,024	1,109,786	943,700
2028	213,178	179,624	160,171	110,407	249,415	228,388	493,437	432,605	1,116,201	951,024
2029	214,910	181,570	160,907	111,077	251,000	230,230	495,610	435,084	1,122,427	957,961
2030	216,585	183,453	161,619	110,728	252,536	232,009	497,729	437,508	1,128,469	963,698

Note: Off-peak I-PASS commercial vehicle discount to be discontinued effective January 1, 2009. Toll Revenues are all expected revenues. Forecasts do not include South Extension impacts. Assumes toll rate structure approved by ISTHA Board on September 30, 2004

For the period after 2030, we assume a 1% annual growth in transactions and an annual rate increase equal to 3%. The precedent transactions in the US have seen toll increases capped at the greater of 2%, CPI and GDP, and we assumed 3% for purposes of our analysis, taking into account that the Federal Reserve Bank of Chicago published GDP and CPI for 2005 of 3.5% and 3.4%, respectively.



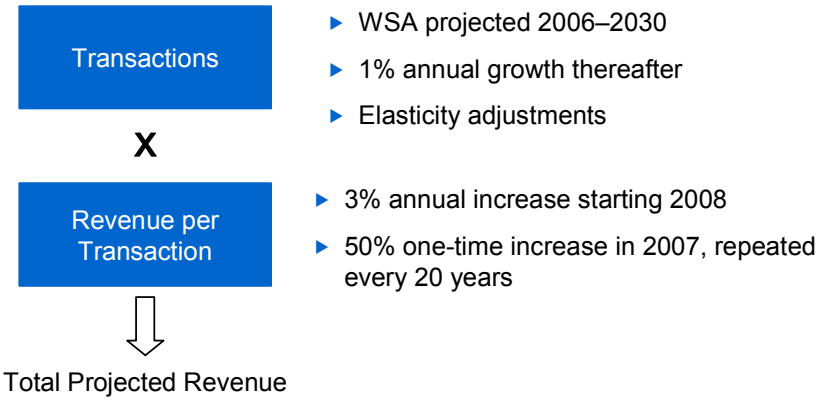
WSA Sensitivity Cases

For the sensitivity cases, we have assumed various changes regarding toll increases and traffic forecasts. The sensitivity case illustrated below assumes a toll increase of 50% in 2007. In the valuation section, we have included a number of variations to illustrate the impact of different revenue assumptions on a valuation of the System and standalone tollways.

Estimated Annual Traffic and Expected Revenue by Facility
Existing Tollway System
(transactions and revenues in thousands)

	REAGAN MEMORIAL TOLLWAY		NORTH-SOUTH TOLLWAY		NORTHWEST TOLLWAY		TRI-STATE TOLLWAY		SYSTEMWIDE TOTAL	
	TRANSACTIONS	REVENUES	TRANSACTIONS	REVENUES	TRANSACTIONS	REVENUES	TRANSACTIONS	REVENUES	TRANSACTIONS	REVENUES
2007	120,611	$137,307	111,650	$106,140	167,897	$202,296	322,011	$415,020	722,168	$860,762
2008	123,313	144,594	115,132	112,734	172,528	214,112	336,595	446,831	747,568	918,271
2009	133,863	161,674	117,612	118,617	168,119	214,900	351,274	480,307	770,868	975,498
2010	146,990	182,855	120,196	124,860	162,647	214,142	374,555	527,505	804,389	1,049,361
2011	152,315	195,163	111,192	118,971	163,943	222,323	386,915	561,259	814,365	1,097,717
2012	155,754	205,557	113,623	125,220	169,615	236,917	392,384	586,268	831,377	1,153,961
2013	163,717	222,548	129,348	146,826	179,271	257,916	399,450	614,730	871,787	1,242,021
2014	167,149	234,029	130,873	153,014	192,246	284,880	404,318	640,889	894,586	1,312,812
2015	170,196	245,445	131,675	158,570	195,085	297,759	411,295	671,505	908,251	1,373,280
2016	173,139	257,179	132,836	164,767	197,564	310,590	414,707	697,390	918,246	1,429,926
2017	175,910	269,134	133,935	171,115	199,900	323,690	417,929	723,891	927,674	1,487,829
2018	178,522	281,324	134,974	177,615	202,108	337,083	420,975	751,042	936,579	1,547,064
2019	180,994	293,776	135,958	184,278	204,201	350,792	423,864	778,882	945,017	1,607,727
2020	183,338	306,509	136,894	191,112	206,192	364,838	426,613	807,452	953,037	1,669,910
2021	185,565	319,538	137,779	198,118	208,088	379,239	429,229	836,775	960,661	1,733,670
2022	187,693	332,899	138,631	205,324	209,904	394,025	431,739	866,918	967,967	1,799,166
2023	189,725	346,597	139,440	212,718	211,640	409,203	434,138	897,888	974,944	1,866,406
2024	191,675	360,665	140,223	220,329	213,310	424,804	436,449	929,748	981,657	1,935,546
2025	193,546	375,112	140,976	228,158	214,916	440,843	438,676	962,525	988,114	2,006,637
2026	179,998	523,281	131,108	318,280	199,872	614,975	407,968	1,342,722	918,946	2,799,258
2027	181,594	543,759	131,754	329,444	201,251	637,795	409,893	1,389,527	924,492	2,900,526
2028	183,133	564,819	132,379	340,937	202,580	661,267	411,754	1,437,714	929,846	3,004,736
2029	184,621	586,491	132,987	352,779	203,867	685,433	413,568	1,487,366	935,043	3,112,068
2030	186,060	608,793	133,575	364,970	205,115	710,316	415,336	1,538,537	940,086	3,222,617

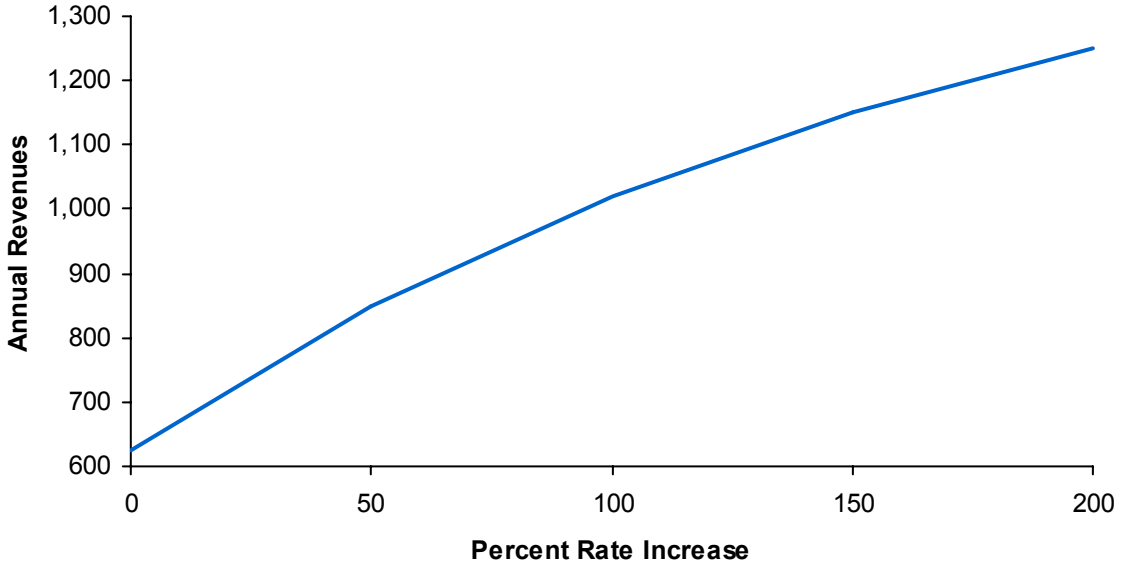
Note: Off-peak I-PASS commercial vehicle discount to be discontinued effective January 1, 2009. This table does not include South extension impact. Toll Revenues are all expected revenue



While valuation ranges are directly correlated with toll increases, a significant one-time toll increase is expected to trigger negative transaction volume impact. In the year of this one-time increase, traffic volume is expected to dip based on the traffic elasticity factors that can be approximated from a WSA traffic study (graph below).

Elasticity factors are used to determine motorists' desire to continue using the tollways after a toll increase. The graph below shows that a 100% increase in tolls will not generate a 100% increase in revenues since some motorists will not use the tollway due to the increased tolls.

Total Vehicles
($ in millions)



Source: WSA Report, 2005, Figure 6-12

Based on the graph above, we estimate an elasticity factor of 0.93 in the years of toll implementation, assuming a 50% rate increase.

Overview of Other Revenue Sources

The Illinois State Toll Highway Authority owns property where the operational functions of cash counting, communications, and traffic control are performed. US Equities Realty performed a valuation analysis of the 145,000 square foot property for the Toll Authority highlighting options for alternative properties and leasing opportunities. The resulting analysis was based on a speculative purchaser taking into account the market conditions in 2003 – the time of the valuation analysis. These estimated values ranged from $65 to $80 per square foot. Assuming the average value of $70 per square foot, this equates to a purchase value of $10.15 million as of 2003.

An additional asset associated with the Tollway is 274 miles of fiber optic network. The network was installed in multiple stages and consists of counts of 72 to 864 fiber strands. The intended use of the network was for Tollway communications, including toll data, I-PASS, radio communications, computer data, security systems, and public safety. In addition, revenue streams have been secured through third party leasing of the network. Commercial, governmental, and educational users have entered into 20-year agreements with the Tollway. Lease payments for nearly all of the 18 leases are one-time payments. A schedule of lease payments by year is provided below.

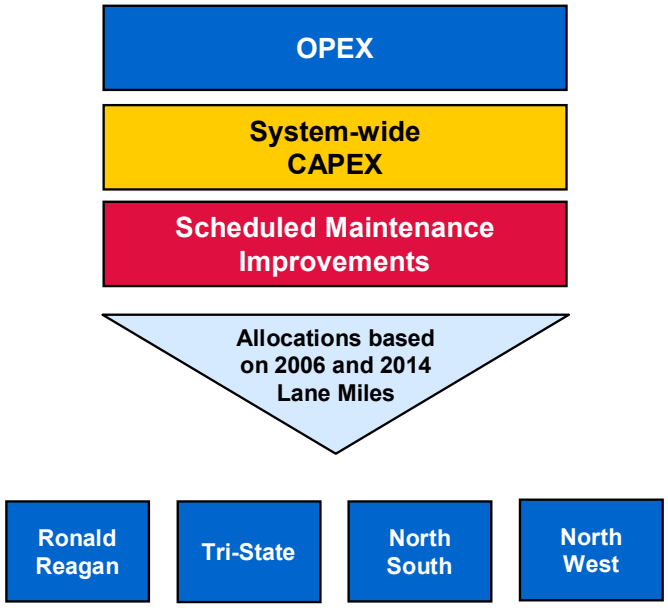
($ in millions)

	1998	1999	2000	2001	2002	2003	2004	2005
Lease Value	$12.13	$5.55	$7.49	$0.24	$0.00	$0.26	$0.20	$0.16

These additional revenue sources are not included in the valuation analysis.

Expenditures

Operating Expenses



Under both WSA and upside scenarios, operating expenses ("OPEX") are calculated based on budgeted 2006 and projected 2006-2020 OPEX provided by CTE, allocated toward individual tollways on the basis of lane miles (2006 lane miles prior to 2014 and 2014 lane miles after 2014). Post 2020, OPEX is assumed to grow at the average growth rate recorded for 2006-2020 – that is, at 3.2% annually. For purposes of our analysis, we have calculated the South Extension OPEX by estimating that it will amount to 35% of North-South projected OPEX until 2020, escalating at a rate of 3.2% thereafter.

Property Taxes

Based on the review of Illinois statutes, whether tollroads property will be valued at the local or state level has not yet been determined. We have assumed that property will be valued using the income approach at the state level. Property valued at the state level will have an allocation percentage applied. For the purpose of our analysis, we have assumed an assessment of 33% and a property tax rate of 7% based on our preliminary discussions with CS tax consultants.

Key valuation assumptions and sources

- First projected year – 2007

	Input	Growth Assumptions	Info Sources
Toll Revenues	▶ 2006-2030 projected revenues by tollway ▶ 2008-2030 South Extension revenues	▶ 3% annually thereafter	▶ WSA May 2006 report
Other Revenues	▶ 2006-2027 concession payments, allocated by total traffic volumes through the oases	▶ 3% annually thereafter	▶ 2006 bond prospectus ▶ 2004 CAFR ▶ 2004 WSA traffic study
Revenue leakage and recovery	▶ Historic rates ▪ 3.8% revenue leakage ▪ 3.2% revenue recovery with a 12-month lag	▶ Fixed	▶ 2006 bond prospectus ▶ 2004 CAFR
OPEX	▶ 2004 & 2005A ▶ 2006 Budgeted ▶ System-wide OPEX through 2020, allocated by lane miles	▶ 3.2% annually post 2020	▶ 2004 CAFR ▶ 2006 Budget ▶ 2006 CTE report
D&A	▶ 2004 depreciation rates by asset class	▶ Fixed	▶ 2004 CAFR
Property Taxes	▶ 7% property taxes, with 33% allocation factor	▶ Fixed rate	▶ Credit Suisse Tax consultant
CAPEX	▶ 2005-2014 CRP ▶ System-wide CAPEX outside the Program ▶ Annual maintenance CAPEX ▶ 2004 D&A rates fixed over time	▶ For concession term over 85 years, CAPEX program of CRP magnitude, approximated at compounded inflation rate 45 years after the completion of CRP ▶ Maintenance - $175MM through 2011, $200MM through 2020. Thereafter – 3% annual growth	▶ CTE 2006 report ▶ WSA 2006 report ▶ 2004 CAFR
Interest rates	▶ Current market rates for investment grade and sub-investment grade capital markets financing and bank facilities	▶ Fixed at refinancing	

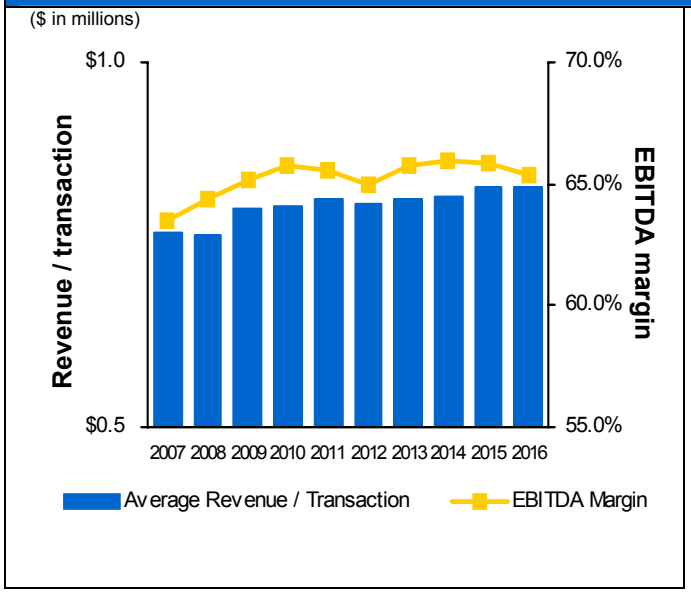
3.5. Summary Financial Forecasts

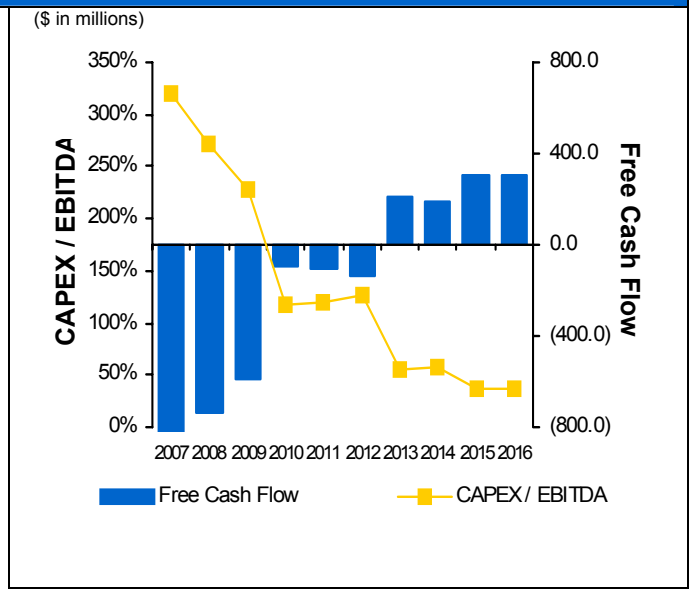
Summary Financial Projections – WSA case

($US)

Year:	2007	2008	2009	2010	2011	2012	2013	2014	2015
Total System Transactions	**802,357,000**	**830,593,000**	**855,953,000**	**892,526,000**	**903,338,000**	**922,263,000**	**967,222,000**	**992,759,000**	**1,007,890,000**
Total System Revenues	**$615,994,000**	**$633,434,000**	**$683,692,000**	**$716,879,000**	**$733,010,000**	**$741,863,000**	**$785,104,000**	**$811,193,000**	**$833,994,000**
Revenue Leakage	($23,407,772)	($24,070,492)	($25,980,296)	($27,241,402)	($27,854,380)	($28,190,794)	($29,833,952)	($30,825,334)	($31,691,772)
Revenue Recovery	19,169,984	19,711,808	20,269,888	21,878,144	22,940,128	23,456,320	23,739,616	25,123,328	25,958,176
Concesison revenues	$4,000,000	$4,000,000	$4,000,000	$4,000,000	$4,000,000	$4,000,000	$4,000,000	$4,000,000	$4,000,000
Total OPEX	**($224,627,000)**	**($225,161,000)**	**($236,702,000)**	**($244,024,000)**	**($251,345,000)**	**($258,885,000)**	**($266,723,000)**	**($274,725,000)**	**($282,967,000)**
EBITDA	**$391,129,212**	**$407,914,316**	**$445,279,592**	**$471,491,742**	**$480,750,748**	**$482,243,526**	**$516,286,664**	**$534,765,994**	**$549,293,404**
EBITDA Margin	63.5%	64.4%	65.1%	65.8%	65.6%	65.0%	65.8%	65.9%	65.9%
Total D&A	(296,095,147)	(399,035,725)	(475,272,925)	(533,344,068)	(535,668,527)	(540,407,004)	(548,546,116)	(519,797,062)	(496,732,385)
EBIT	**$95,034,065**	**$8,878,591**	**($29,993,333)**	**($61,852,326)**	**($54,917,779)**	**($58,163,478)**	**($32,259,452)**	**$14,968,932**	**$52,561,019**
EBIT Margin	15.4%	1.4%	(4.4%)	(8.6%)	(7.5%)	(7.8%)	(4.1%)	1.8%	6.3%

System-Wide Projections



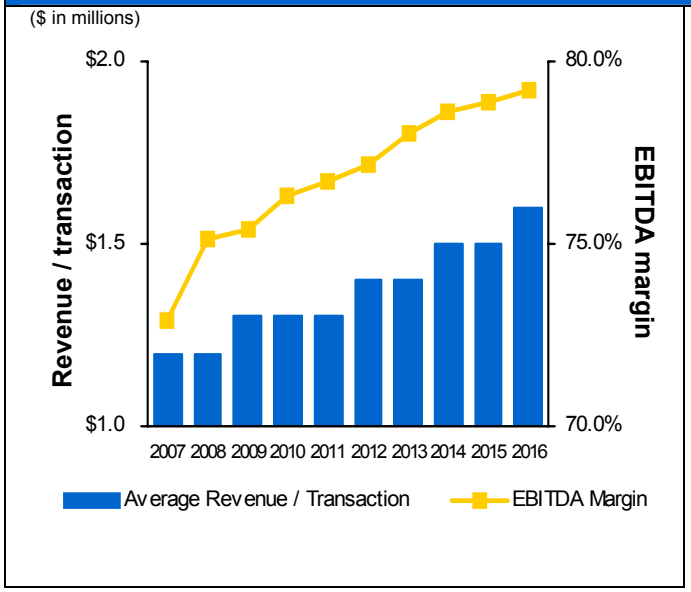


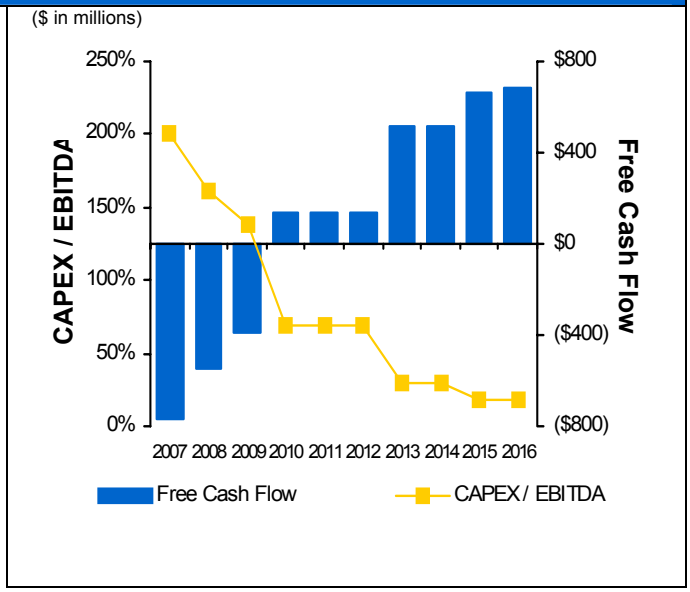
Summary Financial Projections – WSA Case with a 50% toll increase

($US)

Year:	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Total System Transactions	**722,168,250**	**747,567,791**	**770,867,842**	**804,388,653**	**814,364,782**	**831,376,946**	**871,786,926**	**894,586,382**	**908,251,051**	**918,246,282**
Total System Revenues	**$860,762,235**	**$918,271,141**	**$975,497,666**	**$1,049,360,994**	**$1,097,716,663**	**$1,153,961,244**	**$1,242,020,565**	**$1,312,812,034**	**$1,373,279,945**	**$1,429,925,650**
Revenue Leakage	($32,708,965)	($34,894,303)	($37,068,911)	($39,875,718)	($41,713,233)	($43,850,527)	($47,196,781)	($49,886,857)	($52,184,638)	($54,337,175)
Revenue Recovery	19,745,084	27,544,392	29,384,677	31,215,925	33,579,552	35,126,933	36,926,760	39,744,658	42,009,985	43,944,958
Concesison revenues	$4,000,000	$4,000,000	$4,000,000	$4,000,000	$4,000,000	$4,000,000	$4,000,000	$4,000,000	$4,000,000	$4,000,000
Total OPEX	**($224,627,000)**	**($225,161,000)**	**($236,702,000)**	**($244,024,000)**	**($251,345,000)**	**($258,885,000)**	**($266,723,000)**	**($274,725,000)**	**($282,967,000)**	**($291,456,000)**
EBITDA	**$627,171,353**	**$689,760,229**	**$735,111,431**	**$800,677,202**	**$842,237,981**	**$890,352,650**	**$969,027,543**	**$1,031,944,835**	**$1,084,138,292**	**$1,132,077,434**
EBITDA Margin	72.9%	75.1%	75.4%	76.3%	76.7%	77.2%	78.0%	78.6%	78.9%	79.2%
Total D&A	(296,095,147)	(399,035,725)	(475,272,925)	(533,344,068)	(535,668,527)	(540,407,004)	(548,546,116)	(519,797,062)	(496,732,385)	(464,926,905)
EBIT	**$331,076,206**	**$290,724,504**	**$259,838,507**	**$267,333,134**	**$306,569,454**	**$349,945,646**	**$420,481,428**	**$512,147,773**	**$587,405,906**	**$667,150,529**
EBIT Margin	38.5%	31.7%	26.6%	25.5%	27.9%	30.3%	33.9%	39.0%	42.8%	46.7%

System-Wide Projections





Valuation Analysis

4.1. Summary Valuation – Concession

WSA Case under 75-year Concession

Under the WSA case and assuming full implementation of the CAPEX program, Ronald Reagan Memorial Tollway generates negative NPV as the capital outlays required by the Board Plan are disproportionate to the revenues in the early years. The estimated total cost of defeasance is approximately $2.01 billion, after taking into account unrestricted and restricted for debt service cash and cash equivalent positions as of the latest CAFR (2004). The debt amount to be defeased can be assigned to stand-alone tollways and is based on a lane-miles analysis as a proxy for the amount of debt to be retired with each of the tollways undergoing a transaction.

Below is a table illustrating the potential impact on total value of the System based on various WACC assumptions.

DCF Analysis WACC Sensitivities

WACC	System DCF ($'000)
6.0%	1,946,227
6.1%	1,824,838
6.2%	1,708,772
6.3%	1,597,759
6.4%	1,491,543
6.5%	1,389,884
6.6%	1,292,554
6.7%	1,199,339
6.8%	1,110,035
6.9%	1,024,450

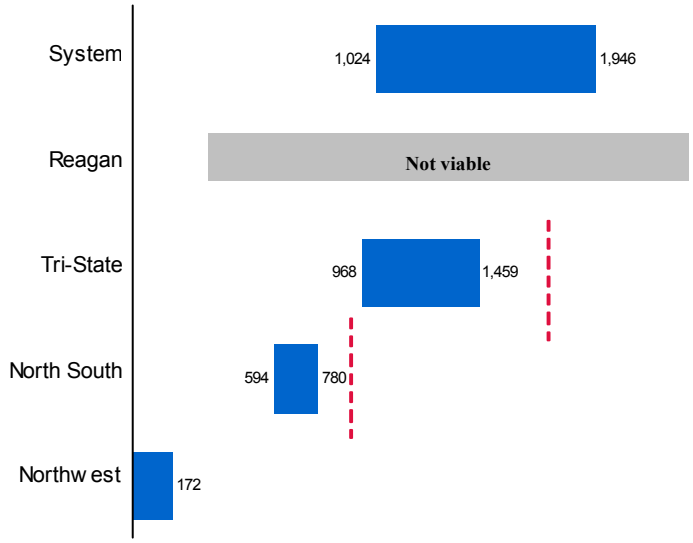
Preliminary Valuation Analysis – Enterprise Value under Concession Agreement

The ranges below illustrate the DCF results based on our WACC range of 6.0% - 6.9%, whereas the dotted line represents the valuation based on the IRR analysis with a fixed capital structure of 75% leverage.

1. WSA Case

($ in millions)

- 75 year concession
- WSA transactions and revenue projections till 2030
- 3% annual toll increase after 2030
- 1% traffic increase after 2030

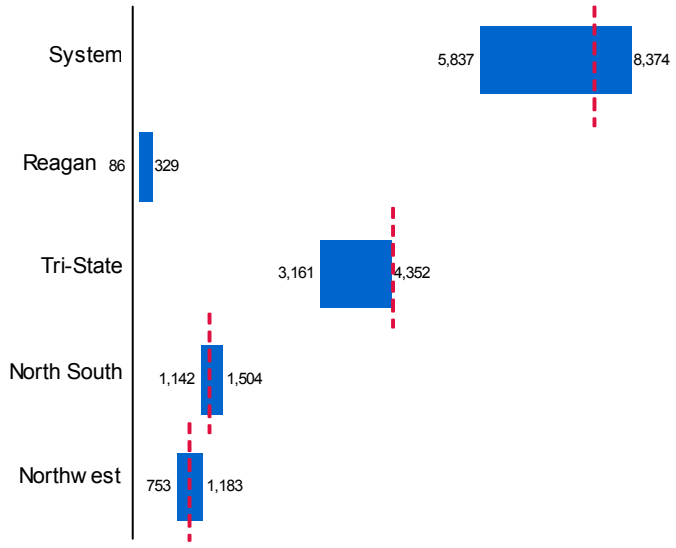


Note: For the System, Reagan, and Northwest, IRRs don't reach the targeted range.

2. WSA Case with inflation-linked toll increase only

($ in millions)

- 75 year concession
- 3% annual toll increase, starting 2007
- WSA traffic assumptions until 2030, with a 1% increase thereafter

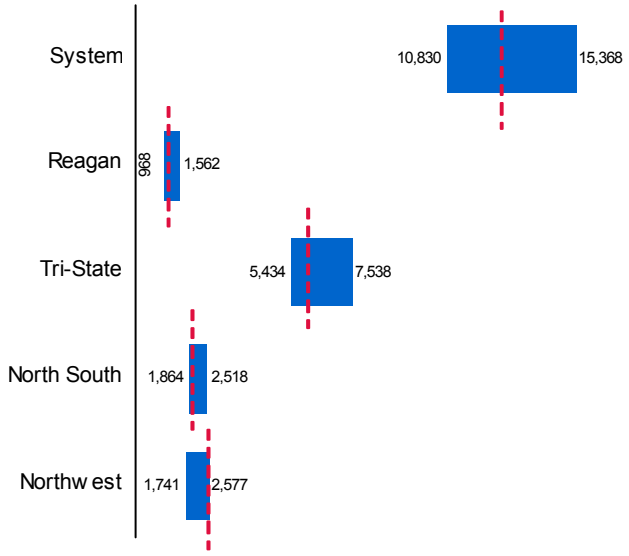


Note: For Reagan, IRRs don't reach the targeted range

3. WSA Case with inflation-linked toll increase and traffic increase

($ in millions)

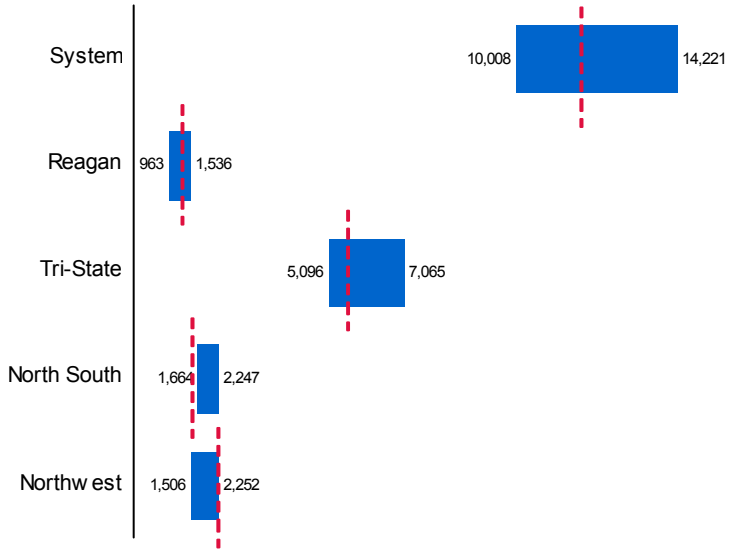
- 75 year concession
- 3% annual increase, starting 2007
- Annual traffic grows at 1.5% annually above WSA projections starting with 2008



4. WSA Case with 25% toll increase

($ in millions)

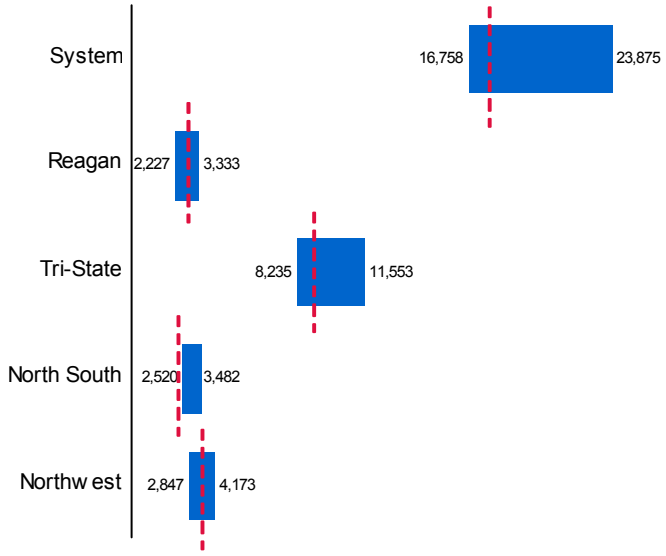
- 75 year concession
- 25% toll increase every 20 years, starting with 2007
- 3% annual toll increase in all other years, starting with 2008
- WSA traffic assumptions until 2030, with a 1% increase thereafter



5. WSA Case with 50% toll increase

($ in millions)

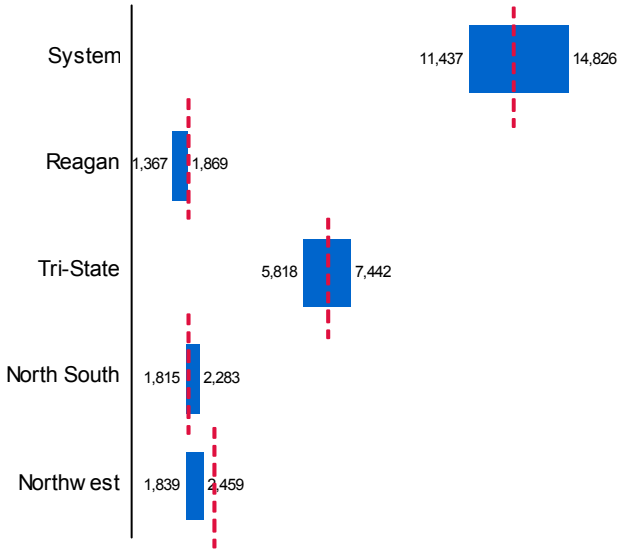
- 75 year concession
- 50% toll increase every 20 years, starting with 2007
- 3% annual toll increase in all other years, starting with 2008
- WSA traffic assumptions until 2030, with a 1% increase thereafter



6. WSA Case with 50% toll increase and 50-year concession length

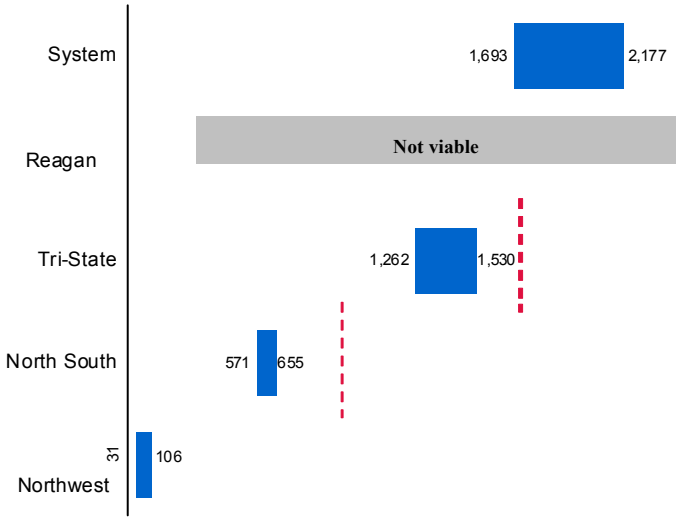
($ in millions)

- 50 year concession
- 50% toll increase every 20 years, starting with 2007
- 3% annual toll increase in all other years, starting with 2008
- WSA traffic assumptions until 2030, with a 1% increase thereafter
- A reserve account can be set aside to absorb the increase in tolls for end users in earlier years



7. WSA Case with inflation-linked toll increase and 25-year concession length
($ in millions)

- 25 year concession
- 3% annual toll increase, starting 2007
- WSA traffic assumptions until 2030, with a 1% increase thereafter



Note: For the System, Reagan, and Northwest, IRRs don't reach the targeted range

Main valuation drivers

- Length of the concession agreement:
  - Greater number of years for the bidder to receive cash flows
  - Greater financing structure flexibility with extended amortization period
  - Based on our discussions with potential bidders, concession length of 75 years and up is preferred by the bidders
- Initial toll increase
- Cost of capital
- Traffic projections
- Operating efficiencies

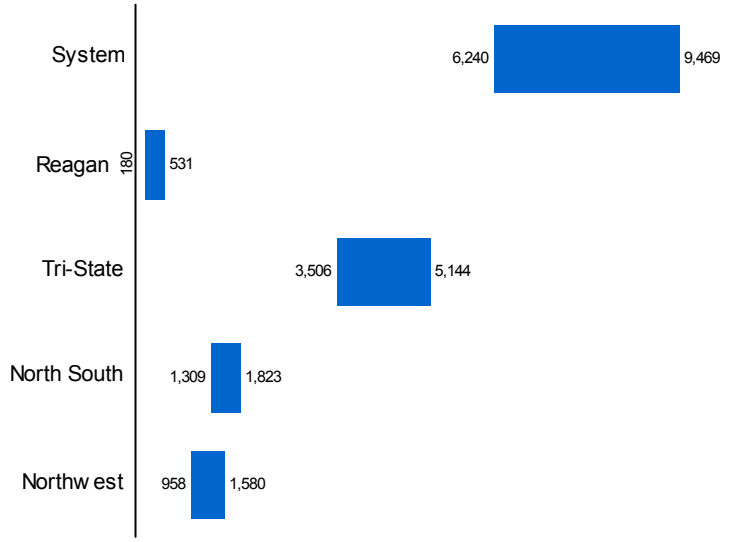
4.2. Summary Preliminary Valuation – System Sale Scenario

System-wide Transaction under WSA Case

To illustrate the potential value change if an asset sale is considered instead of a concession agreement, we have adjusted WSA DCF analysis to account for an alternative transaction structure.

(in $ millions)

- Terminal value calculated at 2015 to account for the completion of the CRP
- 2015 EBITDA in perpetuity at 3.0%-3.9% discount rate (using the perpetuity growth formula with a 3.0% inflation as a constant)[5]
- WACC of 6.0%-6.9%



- The valuation methodology is highly sensitive to the perpetuity rate and WACC
  - Below is an illustration for the System as a whole under various perpetuity rates and WACC assumptions

WACC	PERPETUITY RATE 2.00%	3.00%	4.00%	5.00%
6.0%	$15,109,442	$9,468,522	$6,648,062	$4,955,785
6.1%	$14,967,604	$9,374,353	$6,577,728	$4,899,752
6.2%	$14,827,120	$9,281,092	$6,508,077	$4,844,269
6.3%	$14,687,977	$9,188,728	$6,439,103	$4,789,329
6.4%	$14,550,159	$9,097,252	$6,370,799	$4,734,926
6.5%	$14,413,655	$9,006,656	$6,303,156	$4,681,056
6.6%	$14,278,449	$8,916,929	$6,236,169	$4,627,713
6.7%	$14,144,529	$8,828,064	$6,169,831	$4,574,891
6.8%	$14,011,881	$8,740,050	$6,104,134	$4,522,585
6.9%	$13,880,493	$8,652,880	$6,039,073	$4,470,790

4.3. Reducing Impact of Toll Increases on Local Constituencies

For the benefit of the Commission, if tolls were to increase, we have analyzed an option to set up a stabilization fund that would allow the State to absorb the cost of the increased tolls for the first 5 or 10 years of operations under a concession agreement and allow potential bidders to customize their capital structure to maximize their bids. We have run the analysis with the maximum rate increase shown to reflect the amount of reserve which would need to be set aside.

[5] Per Chicago Fed Bank

Cash Available for Debt Service
(in '000s)

	2007	2008	2009	2010	2011	2012	2013	2014
Case 5 - WSA Case w / 50% toll increase	$607,854	$685,797	$731,632	$797,250	$838,598	$885,520	$963,647	$1,026,649
(-) Case 1 - WSA case	379,082	411,962	450,992	477,317	486,808	487,906	522,043	541,836
= Cash differential	$228,772	$273,835	$280,639	$319,933	$351,790	$397,614	$441,604	$484,813

	2015	2016	2017	2018	2019	2020	2021	2022
Case 5 - WSA Case w / 50% toll increase	$1,076,082	$1,124,672	$1,174,176	$1,225,282	$1,277,174	$1,330,361	$1,383,160	$1,436,802
(-) Case 1 - WSA case	554,201	559,283	563,225	565,980	567,639	569,114	576,151	582,341
= Cash differential	$521,881	$565,389	$610,950	$659,301	$709,535	$761,247	$807,009	$854,461

Reserve Fund Estimates

Interest Rate	Number of Years: 5	10	15
4.75%	$1,557,781	$3,277,239	$5,249,643
4.90%	$1,549,632	$3,246,926	$5,180,113
5.05%	$1,541,545	$3,217,000	$5,111,811
5.20%	$1,533,521	$3,187,456	$5,044,713
5.35%	$1,525,560	$3,158,286	$4,978,793
5.50%	$1,517,660	$3,129,486	$4,914,029

4.4. Assets to Consider under Transaction – Preliminary Thoughts

Transaction Structures to Consider

- 100% sale of system
- State retaining minority stake
- State selling minority stake

Relevant Timing Issues

The State needs to evaluate its capital requirements going forward together with timing considerations. In response to concerns on trade-offs between transaction proceeds, capital needs and control over the assets under consideration, at the time of the transaction, the State can further explore several options to optimize cash inflow and outflow for the State, including

- One time upfront payment, considered in this report
- Staggered sale
- Annual concession payments

IPO as an Alternative to Asset Sale

The State can consider an IPO as an alternative to the concession agreement or asset sale. In order to execute the IPO, a newly formed entity will be established that will acquire the assets under consideration. The financing arrangements will be made at the new entity level. Among the strengths of this approach are:

- Greater investor base, including both strategic and financial investors
- Ability for the State to retain a stake in the assets through initial buy-in, with the opportunity to capture the potential upside from the assets' future performance, subject to legal analysis and structuring

Capital Structure and Financing

5.1. Current Debt Profile

The Authority has historically maintained debt service coverages in excess of required coverage ratios, ranging from 2.19x in 1993 to a projected 3.45x in 2006. Such a conservative use of debt allows the Authority to maintain an increased level of flexibility in order to accommodate emergency capital needs or other events that may affect the System.

	GROSS REVENUE[1]	OPERATING EXPENSES[2]	NET REVENUE AVAILABLE FOR DEBT SERVICE	DEBIT SERVICE REQUIREMENTS			REVENUE BOND COVERAGE
				PRINCIPAL	INTEREST	TOTAL	
2006 budgeted	$624.0	$219.8	$404.2	$47.4	$70.0	$117.3	3.45x
2005 estimated	630.0	210.9	419.1	45.0	54.3	99.4	4.22
2004	421.2	198.6	222.6	13.5	35.2	48.7	4.57
2003	441.7	195.7	246.0	41.2	38.4	79.7	3.09
2002	384.9	165.9	219.0	39.4	40.3	79.7	2.75
2001	391.7	160.7	231.0	37.6	42.1	79.7	2.90
2000	380.1	151.4	228.7	35.9	43.8	79.7	2.87
1999	358.0	146.9	211.1	33.6	46.3	79.8	2.64
1998	361.1	133.3	227.8	27.8	49.8	77.6	2.94
1997	356.9	130.5	226.4	26.6	51.0	77.6	2.92
1996	344.0	122.5	221.5	30.3	52.5	82.7	2.68
1995	342.2	115.0	227.2	25.8	56.3	82.0	2.77
1994	311.0	120.3	190.7	24.3	57.8	82.0	2.32
1993	276.8	108.3	168.5	21.5	55.5	77.1	2.19

(1) Gross revenue includes operating and non-operating revenue

(2) Operating expenses exclusive of depreciation and amortization

Source: 2006 Annual Budget

Projected Debt Service

The Senior Revenue Bonds are secured by a pledge of net toll revenues. The Authority's debt profile is moderately mid-loaded with higher levels of debt service in years 2014 – 2024. Average annual debt service ramps up in the early years from $145 million in 2007 to $198 million in 2024 and then ramps down to $115 million in 2031. Projected debt service coverage ratios for the existing debt (based on WSA revenue projections) range from 2.42x to as high as 6.06x in 2028.

Defeasance Analysis

Most municipal bonds have a non-call period of 10 years and these bonds will have to be defeased to maturity or to the next call date, subject to cost analysis. In order to defease the bonds outstanding, required proceeds from the new financing will have to be deposited into a sinking fund, proceeds from which can then be invested

in either Treasuries or AAA- rated municipal bonds with maturity dates matching repayment dates on the Authority's bonds. Approximately $2.44 billion would be required to defease the $2.38 billion senior debt outstanding. By defeasing the bonds, the winning bidder could potentially benefit from a favorable discussion with monolines in securing attractive rates for new bonds issued. Eligible sources to be contributed to the sinking fund amount to $425.8 million and comprise:

- Cash and cash equivalents from current unrestricted assets valued in 2004 at $366.7 million
- Cash and cash equivalents for debt service from current restricted assets valued in 2004 at $59.2 million
- US Treasury Bills (not applicable for the Illinois Tollway)

Series	Issued	Outstanding	PV [1]	NPV	Redemption
Senior Revenue Bonds					
Series 1992 A	$459,650,000	$100,665,000	$108,527,278	$7,862,278	non-callable
Series 1993 B	$178,200,000	147,300,000	147,300,000	–	callable
Series 1996 A	148,285,000	44,275,000	45,313,552	1,038,552	non-callable
Series 1998 A	202,035,000	197,070,000	207,144,441	10,074,441	non-callable
Series 1998 B	123,100,000	123,100,000	123,100,000	–	callable
Series 2005 A	770,000,000	770,000,000	780,312,314	10,312,314	callable
Series 2006 A1 & A2	1,000,000,000	1,000,000,000	1,024,204,953	24,204,953	callable
Total	**$2,881,270,000**	**$2,382,410,000**	**$2,435,902,538**	**$53,492,538**	

[1] Assumes forward T_{10} discount rate

Covenants

All bonds issued by the Authority are payable solely from and secured by a pledge of and lien on the Net Revenues of the Tollway System. Taking the 2006 Bonds as an example, there are multiple other covenants under the Indenture. There is a Debt Service Reserve Account in the amount sufficient to meet the Debt Reserve Requirement for the bonds. In the event that the balance in the Debt Service Reserve Account is less than the Debt Service Requirement, the Authority is required to transfer from the Revenue Account the funds sufficient to cover the difference. The Authority is also required to maintain tolls such that net revenues will be equal to 1.3x the aggregate debt service. Under this provision, the Authority has the exclusive right to set tolls at a level sufficient to meet this requirement. Finally, the Authority also has the ability to incur additional indebtedness on a parity to the current outstanding bonds in order to pay for various costs, including construction costs, refunding or prepaying prior to maturity Senior Bonds and paying for hedge costs.

5.2. Description of Capital Structures Employed by Buyers

The US financial markets have seen an increasing number of toll road financings over the past few years. The recent transactions with Chicago Skyway ("Skyway") and Indiana Toll Road ("ITR") materialized a significant change in approaching brownfield toll road projects and have triggered an unprecedented interest from both financial and strategic investors toward infrastructure investments. As many US States are in discussions over currently available and potential toll road projects, financial structures continue to evolve to fit the needs of market players. Below is a brief discussion on financing structures presently available in the market and certain risk considerations. Future developments in project financings in the sector will be closely linked to ongoing PPP discussions. In addition to traffic and operational projections, public policy issues will be central to the investors' decision-making for an individual project. While a capital structure will be highly tailored to reflect a set of risks and assumptions inherent in each standalone investment, based on the analysis of projects completed to date there are a number of fundamentals that remain relevant over time.

Private Sector Financing Strategy Overview

The federal government has historically supported innovative toll road financings through employment of Garvee bond, TIFIA loans and toll credit programs and most recently with SAFETEA-LU. At the same time, private operators, in their efforts to maximize financial flexibility and simultaneously returns to equity, have pursued active financial engineering. Investors' appetite and their approach to transaction structuring are largely determined by the following key factors:

- Length of concession agreement
- Stability and historical performance of toll roads attract substantial debt package
- Debt markets that allow flows to equity
- Returns in competing investment sectors are lower
- Monoline wrappers

Below is a brief discussion on some of the financing tools utilized. These structures allow the bidder to better match underlying cash flows with minimum coverage requirements in highly levered environment and manage equity dividend flows, while allowing partial equity payout at the time of refinancing as well.

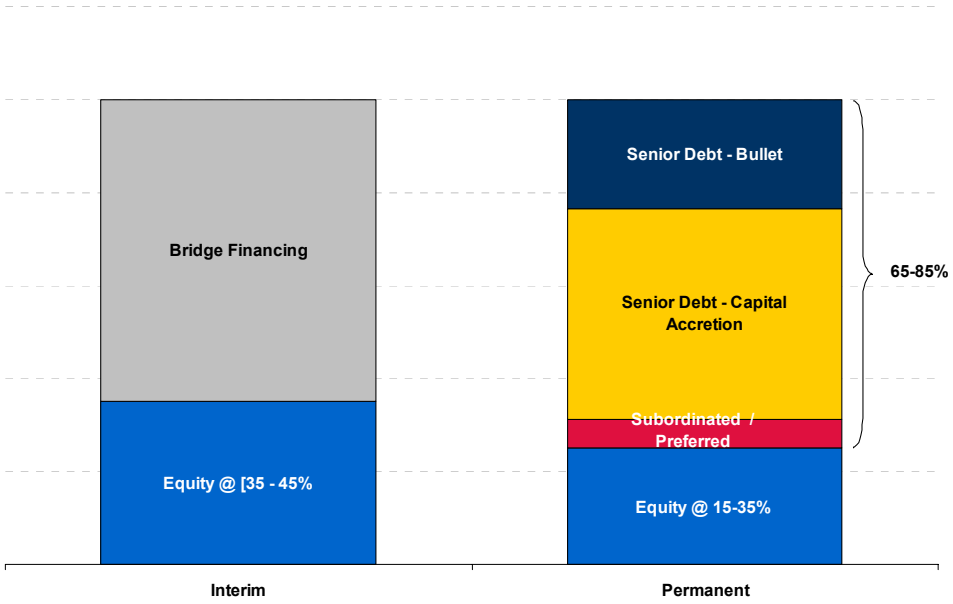
Length of concession agreement

Due to price increases and debt repayment, the project can support a substantial amount of debt. Because debt is issued in nominal values and toll increases, there is substantial opportunity for significant dividends in later years. As the tenor of the concession offered by the toll way increases, the financial value of that concession increases due to the following factors:

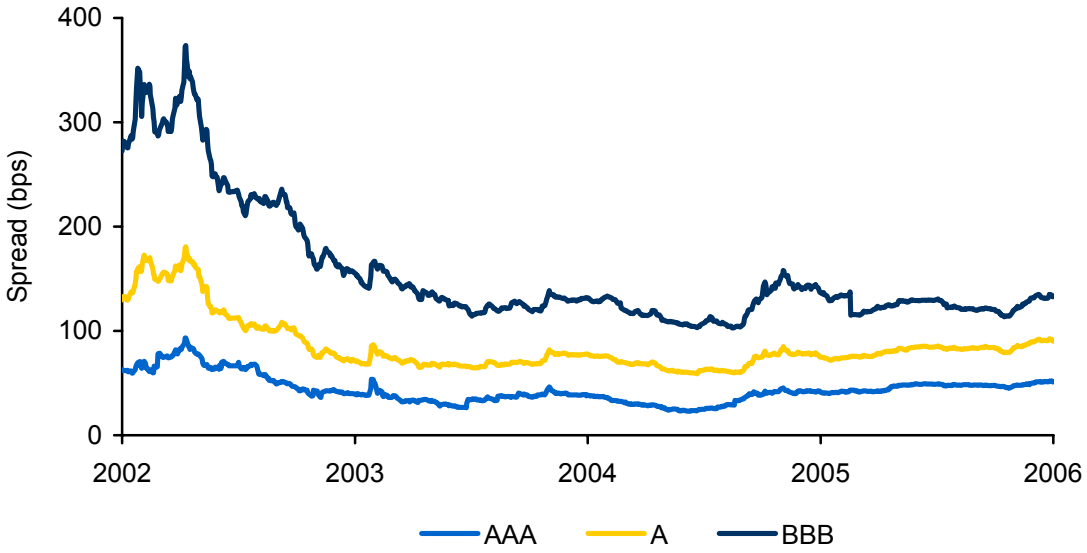
- Greater number of years for the bidder to receive cash flows
- Greater financing structure flexibility with extended amortization period

High leverage: Bank and capital markets achieving high leverage

In both Skyway and ITR, the bidders first executed committed bank financings, with tenors as high as 9 years in the case of ITR, priced attractively with initial leverage as high as 85%. In Skyway and ITR, this financing came from a group of state sponsored European and Australian banks with a lower return threshold. This supports the view that there is a debt market comprised of banks who have a large appetite for this type of assets, making bank financing a mid-term funding source in addition to bonds. However, if bank financing is available as a source of interim financing before a permanent structure is put into place, then such financing is most useful when a bond takeout is feasible and planned for the near future. Capital markets financing can involve a mix of senior accreting, interest-paying and subordinated debt:



In analyzing public vs. private financing, it appears that private sector employs relatively aggressive leverage techniques to maximize return on equity. At the same time, debt tenors are also extended to allow a private operator to de-lever over the term of the concession. However, increased leverage comes at a price of lower ratings, with private sector debt financing rated at the bottom of BBB range. In the past few years, the investment grade market has witnessed an extraordinary compression between higher rated and lower rated assets as cash-rich investors have searched for higher absolute yields. Lower interest rates and an extremely tight and stable spread environment have combined to lower borrowing costs, leaving many investors with no choice but to take on additional risk through investing in lower credit quality assets. The differential between the LUCI (Liquid U.S. Corporates Index) for A and BBB rated issues is currently around 43 bps, whereas the average differential over the past five years has been approximately 75 bps. In more difficult credit market environments, the basis between ratings widens significantly, even reaching a high of +193 bps in late 2002.



However, even low investment grade bonds can still be wrapped by monolines. Repayment of debt principal is generally deferred for at least 50 years in longer dated concessions. Shorter concession tenor will significantly reduce the bidders' ability to structure financing with greater flexibility, thus inhibiting valuation.

The accreting note structure allows the borrower to increase debt capacity upfront, while other debt provisions push out amortization into the later years of the concession agreement. The bond underwriter pays a stream of cash flows to the issuer, which matches the coupon (or its swapped equivalent coupon) that the issuer pays to investors. These cash flows are "principal draw-downs." There are minimal upfront payments from the issuer to the underwriter. Unpaid interest due to the issuer accretes periodically. After the accreting period, the issuer continues to pay semi-annual coupons on the bonds to investors. At the end of the swap, there is a significant termination payment that further increases overall leverage on the asset. The issuer pays coupons on the accreted note to the underwriter to maturity. The accreting note is accounting friendly (both parties recognize it as a note and not as a derivative) and uses the liquid interest rate and credit derivatives markets to meet any set of targeted return requirements.

Equity payout and IRRs

Given the large cash flows that are likely to accrue to the private sector operator, what are the returns on equity that can be achieved given a toll increase floor, historical GDP ceiling increases that might be allowed and the traffic growth that might actually be achieved in the corridor? Using the Skyway as an example, the projected IRRs are based upon two scenarios:

- Original equity contribution of $882 million made by the private operator at the time of closing with $1 billion in debt financing.
- Reduced equity investment achieved a few months later at refinancing of $652 million with $1.4 billion in debt financing.

This analysis produces the following return on equity matrix depending upon actual toll increase and traffic growth

- Chicago Skyway Transaction Projected Average Annual Return on Equity - based on initial equity investment of $887.6 Million

Annual Traffic Growth	With 2% Floor	With 3% CPI	With 4% GDP	With 5.5% GDP	With 7% GDP
Internal Rate of Return on Equity					
No Growth	5.3%	5.3%	7.3%	8.7%	9.9%
Historic Growth (3.78%)	11.0%	11.0%	12.6%	13.8%	14.9%
Moderate Growth (2%)	8.5%	8.5%	10.2%	11.4%	12.6%
Aggressive Growth (5%)	12.7%	12.7%	14.2%	15.3%	16.4%

- Chicago Skyway Transaction Projected Average Annual Return on Equity - based on final equity investment of $652.6 Million after refinancing

Annual Traffic Growth	With 2% Floor	With 3% CPI	With 4% GDP	With 5.5% GDP	With 7% GDP
Internal Rate of Return on Equity					
No Growth	5.9%	5.9%	7.9%	9.3%	10.6%
Historic Growth (3.78%)	12.0%	12.0%	13.5%	14.7%	15.8%
Moderate Growth (2%)	9.3%	9.3%	11.0%	12.2%	13.4%
Aggressive Growth (5%)	13.8%	13.8%	15.2%	16.3%	17.4%

Source: Chicago Skyway Sale, An Analytical Review, 06/07/2006, NW Financial Group

The structures briefly discussed in this section allow a wider range of investors to participate in the process, including insurance companies and pension funds. The number of private infrastructure funds has steadily increased as well. Investors view tollroads as a natural hedge to mitigate the impact of a changing economic outlook because the concessionaire's return is improved by strong economic growth and higher inflation.

Rating Agency Considerations

Because debt financing is so integral to the concessionaire's purchase price, we have outlined the published views of the various agencies. These views articulate what the agencies find to be the cogent characteristics that the agencies consider as they determine the risk associated with debt supported by toll revenues.

Moody's Rating Methodology[6]

Market Position

Rating agencies feel traffic demand is the most essential factor for financial success. A strong demand for a toll facility should exist, as demonstrated through a need for congestion relief and reduced travel time. A facility that is heavily used by commuter or commercial traffic generally has a more robust and stable demand profile than one that depends on recreational traffic, however commercial traffic that is concentrated in one cyclical industry may be less stable.

The scope of operations is a basic factor in the credit rating. The number of assets operated, whether the road is well established and fully built out, expanding into new areas, or whether it is still in the ramp-up stage will make a difference in the rating. Additionally, the distribution of assets is a key consideration whether the system's assets serve a densely populated metropolitan area, or a larger, more dispersed service area. An established multi-asset system of roads or bridges is better positioned than a single road or bridge to withstand competition.

[6] See Moody's Research Report titled "Moody's Rating Methodology for State and Local Government Owned Toll Facilities in the United States" (March 2006)

The more diverse the economy in which it operates, the more a toll will be able to withstand downturns in any given industry. Growth prospects for the local economy and the socio-economic profile of the customer base are influential factors.

Governance and Management

In assessing a toll facility's management credit agencies focus on the authority's track record in both operating and capital budgeting. Toll facilities managed by authorities that have a long established track record of conservative and realistic operating budgets and coherent long-range strategic and capital planning tend to have higher credit ratings than those with a less stable track record. Rating agencies view clearly articulated budgeting practices, debt and investment management policies, past record of successfully dealing with industry volatility, and the ability to achieve favorable financial results as indicators of management strength.

Financial Position and Performance

Rating agencies analyze the facility's operational and financial performance by evaluating the level of revenues relative to costs, composition of operating revenues and customer base, trends in revenues and expenditures, and the availability of reserves and other sources of liquidity relative to debt and operating expenses. Key financial and operating performance ratios are calculated for each facility and compiled into sector medians which are then used as benchmarks in credit analysis of issuers. Key financial ratios include the debt service safety margin, the debt service coverage ratio, debt per mile, operating and maintenance expense per roadway mile and compounded annual growth rates for transactions and toll revenue.

Debt and Capital Plan

In evaluating a toll facility's debt and capital program, rating agencies focus not only on current leverage but also on the debt repayment structure, the type of debt being used, the use of derivatives and future borrowing anticipated to fund its capital improvement program. The capital improvement program and proposed plan of finance can have a major impact on a toll facility's rating due to the potential for additional debt as well as for enhanced revenue generation. Rating agencies evaluate the nature and condition of current assets relative to service needs and the impact of planned future capital expenditures on leverage, liquidity and debt service coverage. Rating agencies also evaluate the mix of variable and fixed-rate debt and the debt service profile. The pace at which annual debt service requirements escalate is evaluated to determine whether it can be supported by achievable traffic and revenue growth projections. Regardless of how conservative the assumptions, reliance on future traffic and revenue growth to meet future debt service requirements increases the risk profile for toll facilities.

Covenants and Legal Framework

Rating agencies look to indenture covenants as a source of protection for bondholder interests. Rating agencies view management's willingness to incorporate effective covenants in bond legal documents or indentures as a signal of its commitment to abide by stated financial risk parameters over the long term. Indenture provisions governing the flow of funds, rate covenants, additional bond issuance, debt service and other reserve requirements, and provisions allowing for the distribution of excess cash flow, are important for toll facility issuers as they provide for a balance between the demands of an issuer's other stakeholders, its own priorities, and the security of bondholders.

Standard & Poor's Rating Methodology[7]

For strong mature assets, milestones would be:

[7] See S&P Research Report titled "Credit FAQ Assesses the Credit Quality of Highly Leveraged Deep-Future Toll-Road Concessions" (February 23, 2006)

Long-Term Revenues

S&P points out that the challenge with long-term concession terms is that the fundamental assumptions used to project long-term revenues, such as demographic changes and land use developments, only go out for 10-20 years in the future. To address this concern, S&P takes a conservative approach to longer-term traffic forecasts, reducing growth-rate expectations over time to reflect increasing future uncertainty and unforeseen events that could result in real declines. They also view year-over-year compounded traffic growth assumptions with much skepticism. A 1% annual traffic growth rate is an acceptable increase which would qualify for an investment grade rating.

Total Leverage

S&P believes that Debt / EBTIDA multiples in excess of 30x at financing would not qualify for an investment grade rating. Only mature assets with strong historical performance and stable future cash flows could support such multiples.

Swap Transactions

S&P will look closely at each swap agreement independently and assess the credit risk of the swap counterparty. Close attention is paid to collateral posting and replacement requirements.

Structural features contributing to investment-grade ratings:

CONCESSION TERM	DEBT ACCRETION PEAKS NO LATER THAN	50% OF THE MAXIMUM DEBT IS PAID DOWN BY	100% OF THE MAXIMUM ACCRETED DEBT IS PAID DOWN BY	MINIMUM TAIL
Up to 60 years	Year 15	Year 30	Year 45	10 years
Beyond 60 years	Year 20	Year 40	Year 50	20 years

- Compliance with ring-fencing criteria
- Covenant that assets acquired by a concessionaire cannot be pledged as security to any stakeholder other than senior creditors to the issuer
- Covenant that provide that no debt can be issued at any of the operating companies that might hold the acquired toll-facility assets, ensuring that structural subordination does not occur in the future
- Lender step-in rights that gives creditors the ability to control the debt-issuing entity for an uncured event of default

Fitch's Rating Methodolgy[8]

Fitch recommends the following structural enhancements to achieve investment-grade ratings

Higher liquidity levels

Fitch sites a number of examples where higher levels of liquidity contributed to rating stability. In the case of the Pocahontas Parkway, Fitch points to the large size of the debt service reserve and the small size of potential draws to its strong credit quality. In contrast, the Transportation Corridor Agencies project, which did not have a fully funded debt service reserve had to be restructured early and currently has a high debt level. Fitch recommends the use of liquidity reserves, with a release mechanism, in addition to a debt service reserve to maintain an investment-grade rating.

[8] See Fitch Research Report titled "The Continuing Search for Bliss: Flexible Toll Road Structures" (Oct 20, 2004)

Less frequent, initially planned toll rate increases

Fitch recommends maintaining an adequate headroom below the toll elasticity curve in order to provide flexibility in the future in the event of a downside scenario. In order to preserve this flexibility, the original finance plan must not call for periodic increases every 3-4 years. Fitch believes that periodic increases should occur no less than every 5 years in order to maintain adequate flexibility to maximize revenues in a potential downside scenario.

Lower initial levels of leverage

Fitch points to the recent trend in taking on inordinately high leverage in the early years of the project. Based on experience, they suggest taking on less initial debt as there is a high risk of traffic and revenue forecasting risk. Additional debt could be added after 10 years when a stronger demand profile is established.

Eliminating dependence on non-core revenue

Fitch's financial analysis discounts non-core revenues (e.g. interest income from debt service reserve, liquidity accounts, etc) from its assessment of a project's credit strength. They recommend lowering the initial reliance on non-core revenues in order to improve credit quality.

Use of conservative growth assumptions

Fitch underlines the imprudence of using optimistic inflationary growth assumptions as they believe expense growth trends tend to exceed inflationary growth. They recommend using conservative O&M assumptions in the original financing plan.

Forecasting risk

Fitch underlines the most fundamental risk in toll road financing – forecasting risk. They point to the need to develop more sophisticated and accurate traffic demand models to give investors more comfort and lower interest premiums.

Monoline Practices and Considerations

Credit insurance ("wrapping") is the core business of monolines. Credit wrapping involves the provision of a financial guarantee to the obligations of the underlying issuer. The guarantee itself is an unconditional and irrevocable guarantee of principal and interest on a security. In the asset backed market, this is typically a promise to pay timely interest and principal with the ultimate principal paid on the final maturity date. The standard contract does not allow for an acceleration of principal after default by the underlying bond issuer. In the event of a default in payment of principal and interest by an issuer, the monoline promises to make funds available in the amount of the interest or principal then due on the next business day following notification. Even if the holders are permitted by the terms of the insured obligations to have the full amount of principal, accrued interest or other amounts due and payable immediately in the event of a default, the monoline is required to pay only the amounts scheduled to be paid, but not in fact paid, on each originally scheduled payment date.

The industry itself can be described as oligopolistic, dominated by four key players; AMBAC Financial Group, Financial Guaranty Insurance Company (FGIC), Financial Security Assurance (FSA) and MBIA Insurance Corporation – all US based companies. Between the four monolines, approximately 92% of the guaranteed US asset backed securities market is controlled.

After discussions with various monolines, we have found a number of similarities relating to insurance of toll road debt.

- The first and foremost consideration monolines will focus on whether there is a public demand for the infrastructure project being financed. Public acceptance and usage of a toll facility is negatively correlated to the presence of alternate routes. Toll facilities that have little or no competition from other roadways or alternate modes of transportation generally are viewed as more favorable than those more susceptible to competition. Current and planned competing alternatives are taken into account in evaluating toll facility credit.

- Monolines are constrained by state and rating agency regulations on how much debt they can insure. Although the monolines we contacted did not want to commit to a specific number, we believe, based on those discussions, that approximately $1-2 billion of debt would be the maximum that monolines will be willing to undertake. This number may fluctuate depending on the specific project. For larger projects, several monolines can team up to wrap the project's debt.

- The monolines we contacted indicated that their highest priority is maintaining their financial strength and preserving their AAA ratings. They described "prudent risk management" as the way to approach evaluating each project. More leverage is not necessarily a non-starter for monolines if that additional debt is due to a substantial capital expenditures program which will improve public accessibility and increase near-term revenues. However, the monolines we contacted were extremely cautious about the use of accreting swaps to increase leverage and alleviate the burden of debt service in the early years of a concession. They suggested that, in the future, rating agencies will reexamine accreting swaps, and monolines will not be willing to automatically wrap the refinancing debt as they did in the Chicago Skyway transaction.

Precedents – Overview

($ in millions, unless otherwise noted)

	Closing Date	Bid Amount	Lease Term	Financing
North America transactions				
Pocahontas	06/29/06	$611 million	99 years	Equity, Term Loans
Indiana Toll Road	06/28/06	$3.85 billlion	75 years	Term Loan, Equity
Dulles MIG	08/31/05	$533 million	51 years	Subordinated Loans, Options
Skyway	01/24/05	$1.83 billion	99 years	Term Loans, Credit Facility and Equity
407	05/05/99	$2.40 billion	99 years	Bridge Facility, Equity, Bond, Swap Facility
Dulles TRIP II	09/01/95	$318 million	61 years	Institutional bonds, Construction Loan
European transactions				
A28	06/28/02	$890 million	65 years	Equity, Bonds
M5	08/14/92	$285 million	35 years	Equity, Syndicated Bank Loan

For detailed case studies, please refer to Appendix B.

Framework for PPP

6.1. Introduction

Infrastructure needs continue to grow across the country as population increases and regional migration confront under-funded transport systems. At the same time, local and state governments are facing pressure to reduce taxes and support projects that shift the costs of much-needed capital expenditure to future tollway users, either through debt financing or other arrangements. The federal government has responded to the need for additional financing sources and options for tolling with passage of a new Federal transportation bill (SAFETEA-LU). The bill enables alternate revenue generation under private activity bonds, and greater responsibilities for state and local authorities to raise tolls.

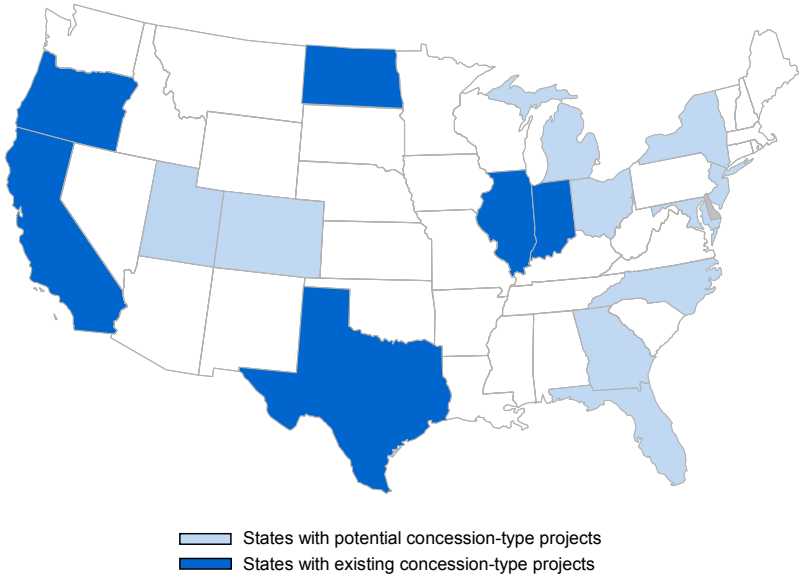
With rising infrastructure needs have come significant capital improvement plans like the Congestion-Relief Program. Many other states and local governments have embarked on similar programs for road and bridge systems alike. Across the United States, the need for additional capital investment in highway lane miles is exceedingly large: the number of highway lane miles has increased by only 6% while the number of highway vehicle numbers has increased by more than 94% since 1980[9]. Due to extensive capital costs and associated assumption of debt, governments are receiving downgraded credit ratings reflecting the insecurity of meeting future debt obligations, particularly in cases where revenue streams are not secured through tolling systems. The Illinois Tollway System has been an exception to this trend where, due to the existing capacity to secure revenues through toll systems, credit ratings in response to the CRP were upgraded from A1 to Aa3.

Within North America, “Deep-future” toll road concessions have come online in the US and Canada in the past two years. The traditional mid-length concession contract of 25-40 years has been replaced by 79-99 year terms, thus accommodating far higher leverage. The structure of PPPs deals has also evolved to match the higher debt levels: a blend of corporate and project finance structures has evolved to suit individual project needs. Internationally this trend has manifested itself in a range of mega-deals in the transport as well as other areas. Projects such as the London Underground have become an example of the large-scale PPP investment in the UK where over the past five years the average annual capital value was Euro 2.8 billion[10].

The culmination of these trends within the United States is evidenced as at least 18 states are publicly discussing tollroad and bridge PPPs[11].

[9] See Standard and Poor’s PPP Credit Survey 2006 “Public Private Partnerships are Gaining Traction in U.S. Transportation”
[10] Note that PPP include infrastructure, health care facilities, and the like. See Archer, Adele. 2006. “Evolution and Innovation in PPP/PFI: Standard and Poor’s Global PPP Credit Survey 2005.” Presentation at the Institute of Civil Engineers PFI Symposium, London. June 22, 2005
[11] See Standard and Poor’s PPP Credit Survey 2006 “Public Private Partnerships are Gaining Traction in U.S. Transportation”

States with Existing or Potential PPP Projects



Source: Florida Department of Transportation, "Workshop on Public Private Partnerships" Available online at: http://www.dot.state.fl.us/financialplanning/finance/p3/PPP20060315f.ppt#24

The discussions are for both management and finance of existing "brownfield" systems, as well as arrangements for greenfield projects. Recently the addition of a blend between greenfield and brownfield PPPs has emerged in High-Occupancy Toll lanes, ("HOT"), where private financing is sought to construct and operate traffic corridors adjacent to existing routes. Commonality amongst different types of PPPs generally exist in the reasons[12] that public agencies enter PPPs, including:

- Accelerating the implementation of high priority projects by packaging and procuring services in new ways
- Turning to the private sector to provide specialized management capacity for large and complex programs
- Enabling the delivery of new technology developed by private entities
- Drawing on private sector expertise in accessing and organizing the widest range of private sector financial resources
- Encouraging private entrepreneurial development, ownership, and operation of highways and/or related assets
- Allowing for the reduction in the size of the public agency and the substitution of private sector resources and personnel.

[12] These primary reasons for entering PPPs were described to the US Subcommittee on Highways, Transit and Pipelines in a Hearing on, "Understanding Contemporary Public Private Highway Transactions: The Future of Infrastructure Finance?"

6.2. PPP Framework

Introduction

Assembling and reconciling various participants and their individual objectives is one of the most challenging tasks in designing a PPP agreement. Competing objectives may include:

- Considering the need of the constituencies the roads serve
- Ensuring an acceptable level of investment, as well as return on such investment
- Maintaining sufficient operation and meeting performance targets with fair and feasible toll charges
- Receiving tollway lease payments and allocating revenue streams for competing public sector interests
- Considering the work status of toll employees

These diverse interests can reconcile through careful PPP design comprised of contractual or arrangement types, legal framework, and regulatory framework.

Legal Landscape and Requirements

Legal requirements specific to privatization of tollways will generally include significant commitments at various stages of designing an arrangement with private operators. Central areas of concern can be grouped into considerations with project preparation and eligibility requirements, revenue determinations, and regulatory oversight. Some of these issues, as well associated legislative solutions in different states are shown below. Of particular concern for some Illinois residents has been the potential use of tollway lease payments. Repeated suggestions have been made for lease proceeds to be diverted for public education needs.

Examples of Legal Considerations

	MAIN ISSUES	LEGAL RAMIFICATIONS	EXAMPLES OF LEGISLATION
Project Preparation and Eligibility Requirements	Careful study of ramification Tollway specific legislation or Infrastructure-wide legislation Determination of use of funds	More sector specific legislation can promote unique solutions but cause problems with synchronizing related sector legislation	Maryland does not have specific tollway statutes authorizing PPPs and additional legislation may be needed to solicit or accept proposals
	Public confirmation or veto rights	Projects associated with investments greater than a predefined level can be subject to public approval.	California State and Local legislation enables potential public vote on projects with investments greater than $50 million
	Contracting authority by level of government	State level determinations (DOT, Turnpike Authority) as well as local level ability to enter into agreements	Louisiana legislation enables parishes, municipalities, and the state Transport Authority to enter into agreements. Many states limit authority to the State level
Source of Funds	Combination of local/state/federal funds with private sector funds on a PPP project	Statutes enabling initial or eventual use of public loans for private entities	Oregon: Loans from the State Tollway Account can be issued to private entities
Revenue Determinations	State use of lease payments including initial or eventual diversions of funds	Government authority receiving lease payments should be able to use funds or divert when necessary	Indiana law enables other government departments to submit requests to receive portions of annual tollway lease revenues
Regulatory Oversight	Rate-setting authority for user fees Variable rate limits Flexibility in fee increase	Regulation by contract as opposed to regulation by authority or commission	States rely on a mix of regulation by contract and commission with general fixed toll periods of 5 to 10 years
System Coordination	Synchronization with State plans and public road system	Clauses to ensure that private tollways comply in the same manner as public tollways concerning planning and review requirements	Colorado's HB05-1342 was passed to ensure the private tollroads requirements were in synch with public tollroads

Internationally, European countries have embraced tollroad PPPs more frequently than the US. For example, in Spain, legislation was expanded in 2003 such that more expansive infrastructure needs could be addressed by

concession legislation. Increased role for the private sector was specifically integrated into the 15-year plan announced by the Public Works Ministry for Euro 241 billion. In Portugal, a 2004 law enabled the Government to have holdings in private companies enabling a more equitable transfer of risks in private tolling transactions.

Under the Illinois Toll Highway Act (605 ILCS 10/), the Toll Authority is granted the right to enter into agreements for toll collection and other parts of the tollway system, but entering into contracts for control of the roadways is not permitted[13]. On May 4, 2006, a bill was introduced in the Illinois Senate that would specify the requirements that must be met if a public-private agreement is authorized by either the Governor or the General Assembly. Among other things, the bill specifies a maximum term of 20 years for any lease of the Tollway System, requires that a public hearing be held before entering into a lease, and establishes requirements for the use of any proceeds[14]. To date, the Illinois State Toll Highway Authority has adopted key legal precedence that could be continued under private finance and management agreements. Key precedents established include:

- Power to enter or exit any subcontract agreements deemed necessary in fulfilling performance objectives, with the exception of labor agreements
- Requirement to hold public hearings prior to increasing toll rates
- Property belonging to the Toll Authority is exempt from taxation; property that is leased by the Toll Authority to a private corporation for a use that is not exempted from taxation is subject to taxation[15] regardless of any provision in such a lease to the contrary.

In proceeding with private finance and management of toll authorities, it may be difficult to retract rights and responsibilities previously granted to the public authority. Of particular concern are information disclosure policies related to toll adjustments and tollway expansion, as well as taxation of potential private operators. A lease proposal in Harris County, Texas demonstrates the significance of taxation of public versus private tollway operators; from the county's approximate $373 million annual toll revenue in 2006, having a potential private concessionaire pay state and local taxes was estimated to drive down the system value by as much as $4 billion[16].

Types of Arrangements or Contracts

The private sector can be engaged in different financial, as well as operational obligations. Variation typically exists surrounding:

- Length of contract
- Responsibilities reserved for private versus public sector
- Investment obligations
- Revenue sharing agreements
- Asset ownership

[13] Source: P.A. 94-636, eff. 8-22-05. Part (f) reads: "To enter into an intergovernmental agreement or contract with a unit of local government or other public or private entity for the collection, enforcement, and administration of tolls, fees, revenue, and violations"
[14] The Illinois State Toll Highway Authority: Toll Highway Senior Priority Revenue Bond Prospectus. Page 38
[15] Property that is not exempted from taxation under Article 15 of the Property Tax Code is subject to taxation as provided in Section 9-195 of the Property Tax Code, regardless of any provision in such a lease to the contrary. Source: P.A. 88-670, eff. 12-2-94
[16] See Houston Chronicle, Bill Murphy: "Toll Road's System's sale, lease at issue." June 17, 2006

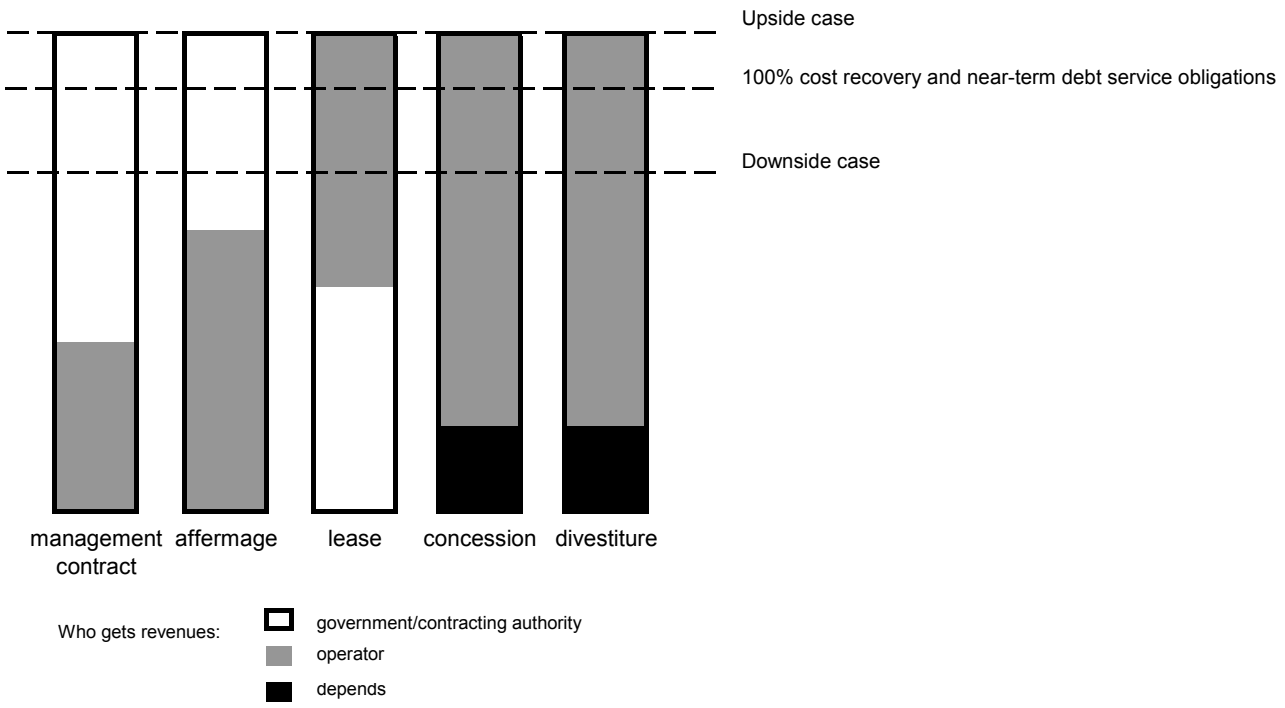
Five types of contracts – management contracts, lease, affermage, concession, and divestiture – are highlighted below. The table below indicates the allocation of risks and responsibilities while the figure illustrates revenue distribution under different arrangements. The spectrum of risks and responsibilities – both operational and financial – increase from the lowest point of management contracts to the highest level of risk transfer with full divestiture. As noted in Appendix A, recent tollroad transactions have taken the form of concession (Chicago Skyway and Highway 407) and Design-Build-Operate-Maintain (Pocahontas Toll Road and Indiana Toll Road). The label attached to different contract types can be limiting in description. For example, Build-Operate-Transfer (BOT), Design-Build-Finance-Operate-Transfer (DBFO), and Build-Own-Operate (BOO) describe only broadly the terms of the contracts. The specific allocation of risks and responsibilities as set forth below is the basis for contract differentiation.

PPP Arrangements – Allocations of Risks and Responsibilities

TYPE OF ARRANGEMENT	OPERATOR RESPONSIBILITIES	OPERATOR PROFIT FUNCTION	RISKS BORNE BY OPERATOR	OWNERSHIP OF OPERATING ASSETS	OWNERSHIP OF INFRASTRUCTURE ASSETS
Management Contract	▶ Providing management services	Profit = fixed fee + bonus – managers' salaries and related expenses	Variable	Contracting authority	Contracting authority
Affermage	▶ Employing staff ▶ O&M	Profit = (affermage fee x traffic volume) – O&M costs	Operating and commercial risks	State	Contracting authority
Lease	▶ Employing staff ▶ O&M	Profit = operating revenue – O&M – lease fee	Operating and commercial risks	State	Contracting authority
Concession	▶ Employing staff ▶ O&M ▶ Managing and financing investment requirements	Profit = operating revenue – O&M – finance costs – concession fee (where applicable)	Operating, commercial, and investment-related risks	Public	Contracting authority
Divestiture (Sale or IPO)	▶ Potentially employing staff ▶ O&M, Managing and financing investment requirements	Profit = operating revenue – O&M – finance costs – license fee (where applicable)	▶ Operating, commercial, and investment-related risks ▶ Maintenance of Road Police ▶ Sanitation/snow	Operator	Operator

RISK TO THE OPERATOR

Source: Adapted from Approaches to Private Participation in Water Services: World Bank, 2005
Note: The operator generally bears more demand risk in an affermage because the government's payment is fixed in a lease, and variable in an affermage. Types of Arrangements – Revenue Distribution



Note: Each bar shows total operating revenue (toll collection, toll evasion recovery, concessions where applicable and other sources) and indicates how revenue is shared between the private operator and the government/contracting authority. In a downside case where revenue is short of meeting cost recovery and near-term debt service obligations, the party expecting to receive revenue above that level loses. The reverse is true for the upside case where the party expecting to receive revenue above the 100% level gains. The black parts of the bars indicate that payments to the government may or may not be made in concessions and divestitures, because in contrast to affermage or lease arrangements, the government/contracting authority is not responsible for financial investment.
Source: Adapted from Approaches to Private Participation in Water Services: World Bank, 2005.

Guarantee Payments

While less common in the United States, guarantee payments have been an effective method in Europe, as well as Latin America for mitigating demand risks or other project related risks. Where revenue streams are unpredictable or subject to variation – in the case of Illinois where some tollways are far less profitable than others or where future competing public toll routes may diminish revenue of a private tollway operator – minimum revenue guarantees can be an effective way to secure minimum revenue streams, thereby increasing the overall value of the System. Guarantees can take a variety of forms: for a privately financed tollroad in Hungary, the government issued loans to the concessionaire that were subordinated to the senior debt holders and repayable only when senior lenders were fully repaid.

Selecting an Operator

The mechanism for selecting an operator can be tailored to the specific profile of a project, including the opportunity for competition, areas of efficiency improvements, and the like. There are traditionally three ways to extend contracts – through competitive bidding, competitive negotiation, or direct negotiation. In order to maximize transparency and monitor competition, competitive bidding is usually preferred. Within these contract extension possibilities, competition and efficiency can be driven in three ways:

- Competition for the market, also known as Demsetz competition or Demsetz auction. This type of competition is possible particularly in short-term management agreements given that competition for the

market implies rebidding of contracts at defined time intervals. Explicit competition for the market can occur through toll controls and other regulatory interventions.

- Competition in the market. Exclusivity of toll road development makes competition in the market more difficult, but indirect competition within the market can exist with alternate routes particularly for truck transportation.

- Competition via capital markets. In the case of an IPO or the presence of traded shares, investors can trade shares and help improve financial and operational performance of the tollroad operator.

Selection criteria for competitive bidding can also be adapted to fit project needs, particularly concerning optimal toll levels, required capital expenditure, and the like. At the three different stages of bidding - including prequalification, submission of technical proposals and submission of financial proposals – there are selection criteria that should be established to capture aspects that are important to the contracting authority. Considerations for these sections are highlighted in the table below. Contract evaluation criteria will vary depending on the type of PPP selected; for example a concession will place more importance on future capital expenditure as part of the financial evaluation than would a management contract where quality of staff and related resources are crucial for the technical evaluation.

	POSSIBLE CONTRACT EVALUATION CRITERIA
Prequalification	▸ Legal status, including nationality of bidders ▸ Track record, including distinctions for bidders combining firms with operational, construction, and financing experience ▸ Geographic presence, including domestic and/or international presence ▸ Scope of existing customer base in toll road sector or related sectors ▸ Capacity to raise necessary funds, including track record in projects of similar financial requirements
Technical Evaluation	▸ Investment related issues respective to planned operations o Plans to extend and renew the road network o Level of commitment from debt and equity providers ▸ Operational capacity o Quality of staff and related resources, if hiring of staff is the responsibility of the private operator o Previous experiences of the bidder in related contracts, preferably in the operation and finance of toll road or related facilities
Financial Evaluation	▸ Payment method (upfront fee, periodic lease payments, concession payments) ▸ Forecasted future revenue stream, for example establishing criteria on the Present-Value-of-Revenues (PVR) where toll revenue is discounted at a predetermined rate specified in the contract[17] ▸ Customer toll levels over the life of the contract ▸ Capital expenditure committed for the life of the project ▸ Extension targets for additional toll sections or additional lanes on existing systems

6.3. Toll Design and Regulation

Consumer toll rates function as methods of allocating risks to different actors than the private operator. Three aspects are crucial to this risk allocation: toll design, toll level, and toll adjustment.

The design of tolls – including the frequency of payment and the number of payment categories by vehicle classes – guides risk allocation and revenue collection. The frequency of payment includes options for the location of collection centers or plazas. If, for example, motorists have longer average distances traveled on tollroads, one time collection centers for higher tolls can be more efficient (in terms of operating expenses and limiting traffic congestion) than multiple collection centers. Long-term traffic studies should be able to determine the cost effectiveness of adjusting the number of collection centers along the Illinois tollway system; toll design will need to accommodate the number and location of collection centers. Classification of vehicle types will also influence the toll design and toll levels. In 2005, the number of truck classifications along the Illinois tollway was reduced from seven to three classifications depending on the number of axels. The design of classification systems can significantly determine traffic patterns, as well as system revenue, particularly when truck traffic has potential to use competing alternate routes.

Toll levels are based on the aforementioned toll design with predefined tolls established by vehicle class. Depending on the initial level of tolls prior to any form of private operations and private finance, toll rates are often increased in order to attract potential bidders to the concession or lease agreement. This initial increase

[17] See Engel, Eduardo, Ronald Fischer, and Alexander Galetovic. 2002. "A New Approach to Private Roads." *Regulation* Fall 2002, pp. 18-22

need not occur however, particularly in the case of Illinois where toll rates were increased in January 2005. Considerations for toll level however can be made from efficiency and practicality reasons for motorists. For example, the recent increase to $0.80 for motor vehicles has been found to be inefficient for motorists (those not using I-PASS) as they rarely have exact change necessary for automatic collection systems[18]. An increase to $1.00 - where motorists can easily use a bill – was potentially cited as more efficient not only for collection purposes but also for reduction of traffic congestion[19].

Public and political acceptability remains the key constraint to the broader adoption of user charging. Reports suggest that a number of European cities, as many as 32, are actively considering road pricing as a realistic response to congestion management, environmental concerns, or requirements for significant investment in urban transportation.

- Publicity and the transparency of the investment decision making process appears to contribute to a lowering of public resistance to tolls
- There are serious challenges to securing long-term, cross-party political support – some of the schemes have been developed only as demonstration or pilot projects before city residents get to vote on the continuation or cessation (i.e. Stockholm initiative ran until Spring 2005)
- Revenue dependability is identified as a key credit strength, future schemes will need to demonstrate particularly robust revenue predictions against a range of downside scenarios
- There is normally a tendency to underestimate the traffic-reduction impact of congestion charging which overstates revenues
- Strong financial flexibility will be a major credit strength for future schemes in order to respond to unanticipated and/or evolving consumer behavior
- In Norway, the surplus from the Oslo tollring, operated by Fjellinjen (AA / Stable) contributes to the funding of local transport improvement packages; however, this contribution is entirely discretionary

[18] See Toll Road News, "Higher Cash and Truck Tolls in Illinois to Fund $5.3b Program." August 26, 2005, http://www.tollroadsnews.com/cgi-bin/a.cgi/yPFw.PfYEdiRW6r2jfFwDw
[19] Ibid

Global Congestion Charges Schemes			
LOCATION	**LAUNCH YEAR**	**DESCRIPTION**	**COMMENTS**
Singapore	1975	Initially a coupon-based Area Licensing Scheme, replaced by electronic road pricing in 1998. Prices vary by time of day	Uses prepaid smart cards. Rates revised periodically to maintain traffic speeds
Hong Kong from 1983-1985	1983	Electronic road pricing scheme piloted	Demonstration project shelved despite meeting all requirements. Toll tunnels link Hong Kong Island and Kowloon Peninsula
Bergen, Oslo, and Trondheim, Norway	1986, 1990, and 1991	Urban toll rings	Early Norwegian toll ring revenues were dedicated to highway investment. The infrastructure improvement packages were subsequently extended to include investment in public transport services and cyclist / pedestrian facilities
Kristiansand, Norway	1992	Partial toll ring opened in 2000	A complete ring with five tolling stations
Rome, Italy	1998	Electronic gates control access to a 6 square kilometer Limited Traffic Zone	City-centre access control introduced in 1989. Pricing policy for nonresidents introduced in 1998
Stavanger, Norway	2001	Urban toll ring with 21 stations. Prices vary by time of day	Regional road pricing scheme with the neighboring city of Sandnes
Durham, U.K.	2002	Small, single-street scheme using a rising bollard linked to a ticket machine	Motorists pay £2 to leave historic central area containing the city's castle and cathedral.
Namsos, Norway	2003	Urban toll ring	Small town with a population of only 12,000
London, U.K.	2003	Urban toll ring. Electronic toll collection.	Congestion zone of 21 Km^2. Controlled by 688 fixed cameras. £5 congestion charge per car from Monday to Friday
Stockholm, Sweden	2005	Electronic toll collection with two zones. Prices will vary by of day	This is an 18-month congestion charging pilot project. Residents will vote on retention of the scheme in a referendum scheduled for 2006
Edinburgh, U.K.	N/A	A referendum on a preferred cordon-based charging scheme is scheduled	N/A

6.4. Public Interest Protection Provisions

Backlash to tollroad PPPs has become increasingly strong with the advent of recent arrangements (see Appendix A for recent private arrangements). Such backlash derives in large part from concerns over property rights, potential toll increases, and other factors. There are several provisions that can be embedded in operating and performance agreements with private sponsors so that public interests are protected. Initial public interest concerns however can be secured by adopting an open and transparent process with private operators and financiers and spreading ownership of the process. This can occur through:

- Identifying stakeholders and prime concerns, for example:
  - Consumers
  - NGOs and community based organizations
  - Work force (Managers, Unionized and non-unionized labor, and Contractors)
  - Competing road operators and communities falling along competing routes

- Media representatives

- Interacting with stakeholders through:
  - Printed materials including brochures and flyers to inform of PPP options, rationale of a PPP, and expected impacts on stakeholders
  - Open discussion forums and public hearings including those covered under the Illinois Tollway Act

6.5. Control vs. Price Considerations

Many of these considerations will be founded on public policy concerns and priorities of the State. Below is a summary of various value drivers under concession and sale arrangements and public policy considerations.

Decision	Significance	Solution and Valuation Impact
For Concession Only		
Concession length	▶ Public sensitivity toward longer concession term	▶ Length of the concession is one of the main drivers of value creation for bidders ▪ The decision will depend on the incremental value the State is getting in return for longer concession terms ▪ Bidders' appetite for shorter concession terms will largely depend on targeted capital structure
For Both Sale and Concession		
Toll Rates Regulation	▶ Reservations against greater flexibility in toll increases by a private operator	▶ Less restrictions on toll increases will generate additional upfront proceeds, however, many municipalities have limited these increases in the interest of balancing public interest with higher financial value
Operating Requirements	▶ Setting operating requirements is an important public policy concern	▶ Stipulating standards of operations rather than specific expenditures will often create additional value for the investor as they are incented to meet the standards of public interest in the most cost-effective manner
CAPEX Requirements	▶ To ensure that ongoing requirements, traffic growth and congestion are solved in a timely manner through sufficient CAPEX program	▶ To the extent that investors are permitted control over the delivery of capital improvement plans, they may be able to drive incremental value from the system through the contracting expertise that they often bring to bear. The greater the influence exerted by the State as to such delivery of capital improvements, the less opportunity for increased financial upside to the State
Non-Compete Requirements	▶ Would need to be justified from public interest perspective; there is significant value created for the bidder by restricting the construction of routes that could create an alternative route to the tollway	▶ Concession agreements that prevent competing alternative routes (often by stipulating that no route can be constructed which reduces the amount of time saved today by using the current route) will generate substantially higher proceeds than an agreement without such a restriction
Labor Requirement	▶ Labor concerns and compensation / benefits and pension provisions are very important	▶ It is critical to the welfare of the current system's workers that their current jobs, pay and benefits are protected. However, stipulating such protections in the sale / concession agreement will reduce the value of the toll system to the bidder
Regulatory and Safety Requirements	▶ State or local police	▶ States will most likely want the state or local police to keep jurisdiction

Sales, whether by way of a negotiated sale process or concession, generally are perceived to generate higher valuations than IPOs. This so called "strategic premium" is typically paid because a strategic buyer has the benefit of better industry knowledge and due diligence access, allowing the buyer to assess more upside and better quantify risks without a price discount. Also, strategic buyers may have synergies with existing road systems, which they are able to realize. However, the size of the strategic premium depends heavily on whether "control" is sold through a majority stake. Buyers will pay more to control the CAPEX plans, board, capital structure, strategy, financing and exit arrangements. In order to maximize value, it is key for the State to sell a minimum stake that will give a buyer effective control (50%+1).

6.6. Description of Comparable Agreements

In this section, we present summary considerations based on precedent North American transactions, details of which can be found in Appendix B with relevant case studies and Appendix A on comparative concession agreement analysis. A concession agreement is a legal document certifying terms and conditions of a long-term lease of a public asset by a private company / operator. A concession agreement would cover future toll increase mechanisms, toll collection enforcement, operating and performance standards and regulations and other obligations of the operator and the public body.

North America precedent transactions – Summary concession agreement considerations

Agreement Type / Structure

The 407 ETR Concession Agreement ("407 Agreement"), the Indiana Toll Road Agreement ("ITR Agreement"), and the Route 895 Connector (Pocahontas) Agreement ("Pocahontas Agreement") are concessions to Design, Build, Operate and Maintain ("DBOM") and resulted from competitive procurement following unsolicited proposals. The 407 Agreement, dated as of 6th of April, 1999, was between The Crown in Right of Ontario and 407 ETR Concession Company Limited. The main parties to the ITR Agreement, made and entered into as of 12th of April, 2006, are the Indiana Finance Authority and ITR Concession Company LLC. The main parties to the Pocahontas Agreement to Develop and Operate Route 895 Connector, made and entered into as of June 3, 1998, are the Virginia Department of Transportation and FD/MK Limited Liability Company (the Developer).

The Chicago Skyway Concession and Lease Agreement ("Skyway Agreement") made and entered into October 27, 2005 by and between the City of Chicago and Skyway Concession Company, LLC, is a purely investor financed concession agreement. It also resulted from a competitive bidding process, which was similar to a corporate auction.

None of the 407 Agreement nor the ITR Agreement or the Skyway Agreement contemplate a subsequent assignment of the private entity's rights to another entity, such as a non-profit corporation to be formed for the purpose of financing the project. However, the Pocahontas Agreement allows the rights and obligations under the Comprehensive Agreement to be transferred to Pocahontas Parkway Association ("Pocahontas Association"), a non-profit, 63-20 corporation that issued tax-exempt bonds to finance the project. Otherwise, all of the foregoing agreements restrict transfer of rights to other parties. The Chicago concessionaire can transfer its interest after 3 years only to the City. Still, it provides for a Leasehold Mortgage similarly to the 407 concession. In both cases, any transfer is prohibited during a Concessionaire Default.

In all agreements except the Pocahontas Agreement, the concessionaires are responsible for obtaining any financing necessary for the performance of their obligations. In the Pocahontas case, the project was financed with a combination of $348 million of tax-exempt Bonds issued by the Association and secured by first lien on project revenues, an $18 million State Infrastructure Bank loan from the Commonwealth of Virginia and a $5

million line of credit from the design-build contractor. In the Indiana case, the IFA will issue tax-exempt bonds of up to $30 million to finance the Project. The Bonds will be defeased but not redeemed immediately after the closing date.

Terms for what constitutes developer/operator default – as well as public authority remedies - are similar among the agreements. In addition, the 407 and ITR deals include provisions for the public entity to attempt and remedy a concessionaire default, where all costs incurred, plus a 15% fee, are payable by the concessionaire. Apart from occurrence of a default and termination for convenience, the public entities have other rights to terminate the agreement in all four cases.

Private Entity's Compensation

The concessionaires have exclusive rights in all toll revenues except for the Pocahontas Agreement. The Pocahontas Agreement was structured differently from other deals, largely due to the speed of arrangement implementation. Unique features include:

- No equity contribution was made by the private developer
- Agreement execution occurred one month prior to the financing of this project and VDOT agreed to pay the developer $1.5 million for certain early design tasks
- Compensation to the developer is made for design and construction from bond proceeds under the Design-Build Contract[20].
- The government bore some of the preparation costs of the several bidders for the deal.

All other non-toll revenues and activities generating other non-toll-revenues are controlled and owned by the Grantors from all projects. The ITR Agreement contains a provision for the public entity to exercise its powers of eminent domain and acquire or condemn additional lands for required expansions. Furthermore, in the ITR Agreement, the concessionaire is obligated to make a payment of $3.8 billion in cash, and in the Skyway Agreement, $1.83 billion was paid to the contracting authority.

Duration of the Agreements

The 407 Agreement is for 99 years or less, and the ITR Agreement is for 75 (or such later date as required pursuant to the terms of the agreement in connection with the occurrence of Delay Events). The Skyway deal provides for term extension in an event of Force Majeure, and, in the case of Pocahontas, the term ends on the latest date when the bonds are paid or defeased. There are no specific major performance milestones apart from the prompt receipt of payments.

Toll Rates and Adjustment

Toll rates, and schedules for their adjustment, are established in all of the arrangement terms. In the Skyway Agreement, maximum toll rates are limited by schedule through January 1, 2017. Thereafter, rates can increase annually by the greater of inflation (CPI) or the increase in per capita gross domestic product, with a minimum guaranteed increase of 2% per annum. In the Pocahontas Agreement, the first two years of toll rates are set forth in the contract. Thereafter, the Virginia Department of Transportation ("VDOT") has the right to adjust the tolls, subject to a requirement to meet the covenants in the Indenture.

[20] $6 million was paid to developer at closing as a development fee

Grounds for Termination

All four agreements describe detailed measures of compensation upon contract termination for reasons other than force majeure. In the Skyway Agreement, the City of Chicago has no right to terminate for convenience. However, payment of compensation to concessionaire must be made if an "Adverse Action" occurs (defined as action by the City, Cook County or the State of Illinois that has an adverse material effect on the fair market value of the concessionaire's interest). In such case, the concessionaire can terminate the agreement and receive the fair market value of its interest. In the Pocahontas Agreement, VDOT must pay the Pocahontas Association all amounts necessary to retire and defease all outstanding bonds and to pay all amounts due under the Design-Build Contract.

In the 407 Agreement the grantor has no right to terminate for any reason other than default by the concessionaire. In the event of force majeure, the grantor and the concessionaire can agree to terminate the agreement and the grantor will pay the force majeure termination value as specified in the agreement. In the ITR arrangement, if the IFA terminates the agreement, it is obliged to compensate the concessionaire based on the toll road concession value at the time of termination.

Performance Standards

All four agreements provide performance standards and contain schedules with required expansions and capital improvements. Concessionaires are responsible for the maintenance of the completed facility. There are varying obligations with respect to ancillary services such as traffic patrol and police services. For example, the Highway 407 concessionaire cannot engage in private security services or provide traffic patrol or traffic law enforcement services. The Skyway Agreement keeps jurisdiction of the Skyway with the Chicago Police Department, while the Pocahontas Agreement does not contain any provision with respect to enforcing rules.

Performance agreements for the ITR concessionaire are secured with a letter of credit. The Skyway Agreement contains a provision that requires ten years prior to the end of the term, the concessionaire must provide a letter of credit in an amount equal to the highest gross revenues received in the prior ten years. The purpose of this requirement is to ensure that the concessionaire continues to maintain the Skyway before it is returned to the city at the end of the 99-year lease. In the Pocahontas Agreement, the obligation of the developer is secured by parent guarantees from Fluor and Morrison Knudsen.

All of the agreements provide for dispute resolution mechanisms. The Pocahontas Agreement includes court proceedings compared to the mediation and arbitration prescribed in the other concessions. In addition, the ITR involves an independent engineering firm in an informal dispute resolution process for resolving technical issues.

European Regulatory Framework for PPP

In our analysis, we have also considered existing regulatory framework for PPP transactions in Europe, to provide additional guidance to the Commission. Below are summary considerations.

France

- French motorway system is based on concessions
  - Concessionaire finances, builds, maintains and operates at its own risk the motorway network for a given period (normally 35 years)
- Toll increases have price caps based on inflation, revisions of tolls are completed yearly. Government incentives investment through reduced toll increases if Program Contract is not renewed
- Industrial plans are established and agreed to with the Government normally for 5-year periods
- At the end of the concession, the toll road assets will revert to the Government for free

Italy

- Toll concessions released by State Road Authority, ANAS, part of the Ministry of Public Works
- Tolls regulated by ANAS on the basis of a price-cap formula that takes into account: (i) inflation, (ii) quality of network and (iii) productivity requirements. The inflation and quality items are updated every year, while the productivity requirements are set every 5 years
- Industrial plans are established and agreed to with the Government normally for 5-year periods
- Capital expenditures have beneficial tax treatment in Italy (Tremonti Law)
- At the end of the concession, the toll road assets will revert to ANAS for free

Spain

- Spanish motorways are regulated by the Central Government and Regional authorities, concessions are ruled by a private contract between the administration and the concessionaire
- Tolls are updated every year by the previous year average CPI corrected by a traffic growth coefficient. There is a 75% CPI minimum and 115% maximum by which tolls can be updated. The traffic factor is an adjustment for the spread between real traffic and forecasted traffic to moderate the capex expenditures
- At the end of the concession, the toll road assets will revert to the Government for free

Portugal

- Portuguese concession agreements are subject to periodic revision, concessions also have beneficial tax regimes
- Tolls are determined by a fix formula linked to inflation. Concessionaires can increase the toll 90% of inflation without approval of the Government
- Industrial plans are established and agreed to with the Government normally for 5-year periods
- At the end of the concession, the toll road assets will revert to the Government for free

Employee Considerations

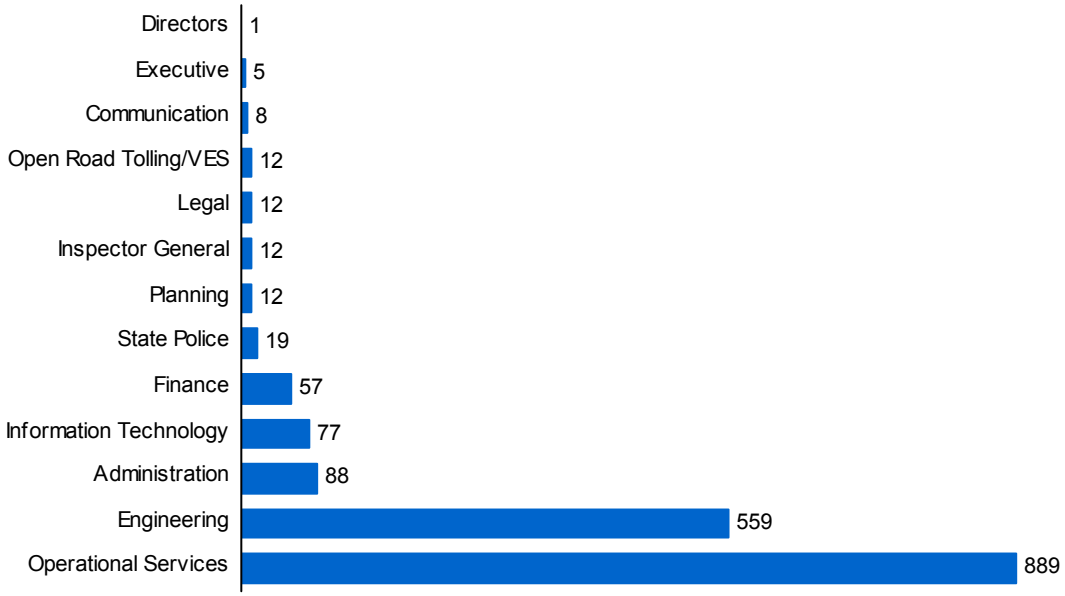
7.1. Current Resource Allocation

Given the labor intensity of the business, employee costs are an important consideration for the operations of the Illinois Tollway. An overview of the Illinois Tollway 2006 annual budget resource allocation is reflected below for payroll headcount, allocation of salaries and wages, FICA and retirement services, and employee training. In addition, there is a group health insurance policy that encompasses all payroll for full-time employees.

Head Count

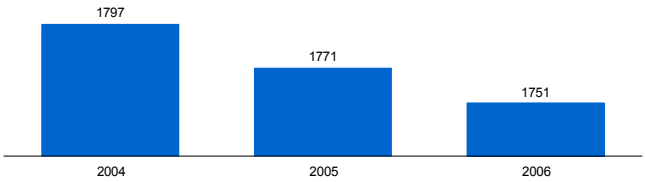
More than 85 percent of payroll employees stem from three departments – operational services, engineering, and State Police services. It is expected that these respective numbers will vary in the future depending on the level of I-PASS usage, particularly as the increased incidence of I-PASS usage may decrease the number of operational staff. Between 2004-2005 and 2005-2006, the number of operational employees decreased by 9% and 3%, respectively. It should be noted that the head count is based on full-time payroll employees and does not include interns or seasonal employees.

Payroll Head Count by Department: 2006 Budget



Source: Illinois Tollway, 2006 Budget

Total Budgeted Headcount: 2004-2006

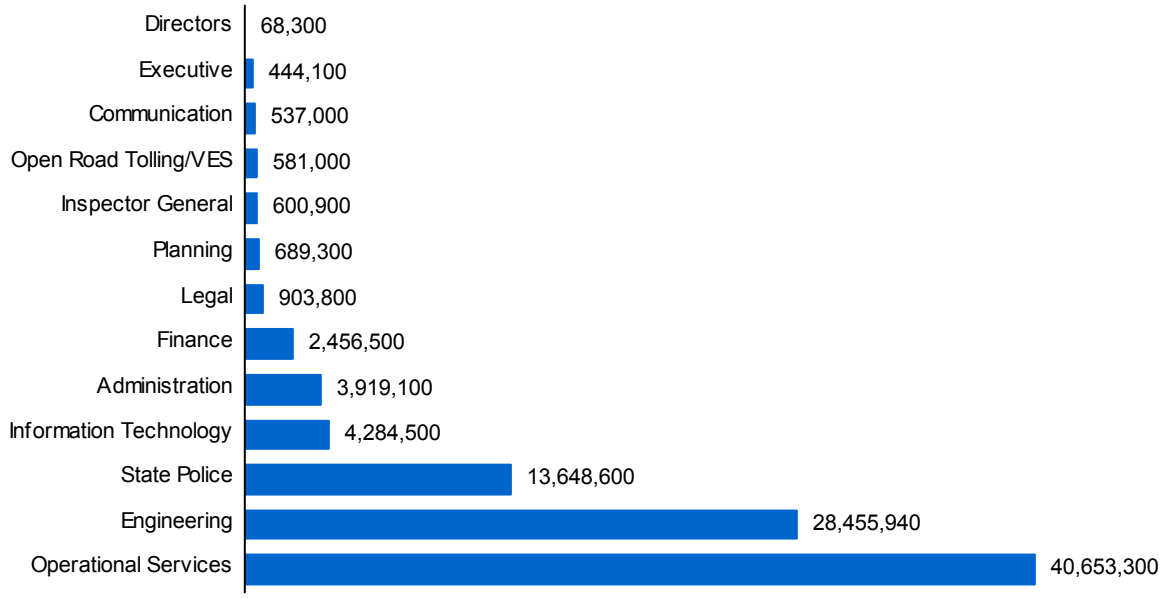


Source: Illinois Tollway, 2006 Annual Budget

Employee Expenditure

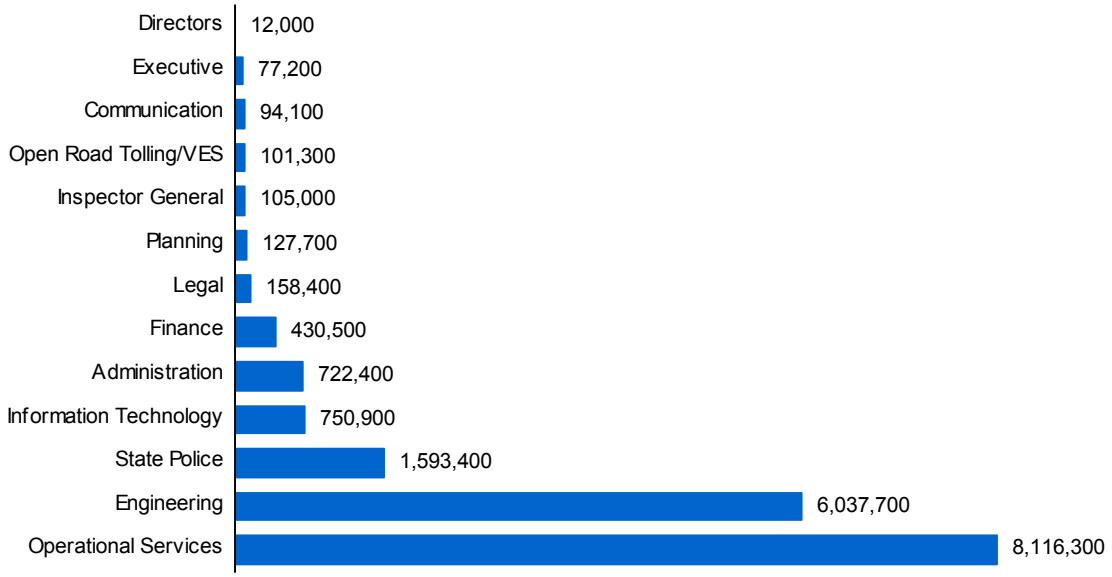
The Illinois Tollway budget has four primary allocations for employee expenditures, including salaries and wages, FICA and retirement budget, employee training, and group insurance. Operating costs associated with labor account for 52.6% of total operating expenditures in 2006 and 18.5% of all spending. Combining salaries and wages, FICA and retirement budget, and employee training, the total budgeted expenditure in 2006 is $142.4 million, representing an increase of 2.6%. Allocations for each of these expenditures by department is highlighted below.

Salaries and Wages by Department: Budget Request 2006



Note: Illinois Tollway, 2006 Annual Budget

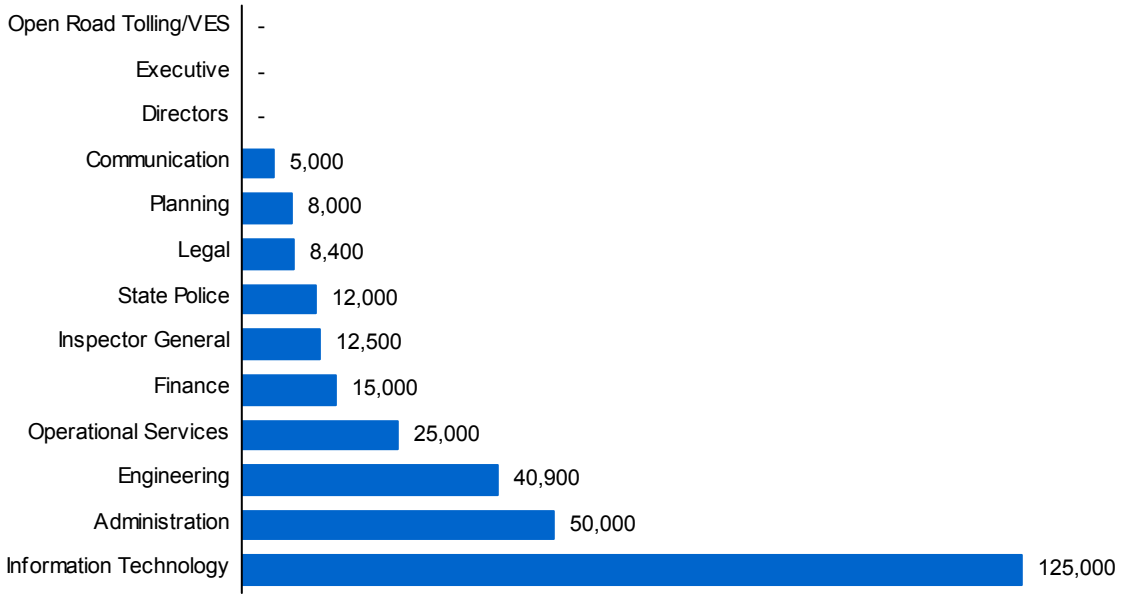
FICA and Retirement Fund: Budget Request 2006



Source: Illinois Tollway, 2006 Annual Budget

Given extensive construction and rehabilitation under the Congestion Relief Plan, including the introduction of open road tolling and other collection techniques, there has been a dramatic increase in expenditure on employee training. It is unlikely that the extent of this training will continue in the future given that many of the technological and engineering changes will be implemented in the next five years. However, the extent of expenditure per employee is not limited to salary, wages and related benefits but also extends to employee training programs. The extent of this growth in employee training expenditure is demonstrated in the growth rates from 2004-2005 and 2005-2006 with values of 25.7% and 19%, respectively.

Employee Training: Budget Request 2006



Source: Illinois Tollway, 2006 Annual Budget

7.2. Collective Bargaining Agreements

The Illinois Tollway has been effective in dealing with the unions and in finding solutions without major disruptions to the business. Most Tollway employees are covered by Collective Bargaining Agreements that specifies the essential terms and conditions of the working relationship between employer and its employees, and protects employees, by setting minimum rights and standards for employment conditions and remuneration.

There are two Collective Bargaining Agreements for different types of jobs, including agreements with the Municipal Teamsters and Chauffers Union, and the Service Employees International Union ("SEIU"). In 2005, the agreement with SEIU was renegotiated and resulted in increased expenditure on labor in addition to securing the works contract until December 2008. The increase is largely seen in the Operational Services department where expenses rose $1.4 million or 3.3%; with this, the headcount within Operational Services was reduced by 31 positions and the Lane Walker positions were eliminated. Primary characteristics of the agreements are highlighted below.

	SERVICE EMPLOYEES INTERNATIONAL UNION	STATE AND MUNICIPAL TEAMSTERS AND CHAUFFEURS UNION
Duration	2005 to 2008	2003 to 2006
Renewal Clause	Contract is automatically renewed on a year to year basis unless either party requests otherwise within 60 days prior to the expiration date or the anniversary of a yearly extension.	Contract is automatically renewed on a year to year basis unless either party requests otherwise within 60 days prior to the expiration date or the anniversary of a yearly extension.
Number of Employees Under Agreement	754 funded headcount with approximately 725 on board	430 funded headcount with approximately 420 on board
Scope of Employment Covered	Operations department, including toll collectors, lane walkers, money room attendants and truck drivers, clerks, and warehouse workers.	Operations department, including mechanics, automotive attendants, and electricians
Duration of Work Week	168 hour weeks with either five or six day work weeks followed by one or two days off depending on type of position.	8 hours, five days per week; potential 10 hours with four days per week
Overtime Pay	1.5 x	1.5 x
Wages	Wages range depending on position and level, but base pay spans from $15.10 to $25.73 per hour.	Wages range depending on position and level, but base pay spans from $14.75 to $25.44 per hour.
Incentive Pay Eligibility Programs	Additional compensation can be generated based upon a high standard of attendance, certificate programs, seniority, and “lead” positions.	Additional compensation can be generated based upon seniority, “lead” or “specialist” positions, performance on tests, years working with the Union, and certification programs.
Policy on Strikes and Lockouts	Strikes are not permitted under contract and the employer has the right to terminate employment as a result of a strike. Likewise, the employer is not permitted to undergo lockouts.	Strikes are not permitted under contract and the employer has the right to terminate employment as a result of a strike. Likewise, the employer is not permitted to undergo lockouts.

7.3. Employment Share Ownership

When proceeding with a concession or similar arrangement, there are several aspects for the Commission to consider in deciding whether to introduce employee participation in the share capital of the newly formed company:

Considerations for Introducing Employee Participation in Company Share Capital

Government objectives	The State and Commission on Government Forecasting and Accountability should define the objectives for introducing share ownership by employees. These could be to secure support for a privatization, to align interests of employees with the other investors and to enhance the performance of the Tollway. Determining the percentage of the total shares which would be allocated to employees to reach Government objectives will be influenced by the capital structure of the Tollway.
Allocation of shares at sale and/or subsequently	Another consideration concerns the timing of the share allocation. If employee shares are granted at the time of financial closure, there may be stronger alignment between the other owners and the employees and may also reduce the potential for windfall profits on an initial share allocation.
Eligibility	Determining who is eligible to receive shares will involve considerations such as the class of employees (full-time, part-time), minimum length of service with the Tollway or Collective Bargaining Organization, and management or board discretion in awarding the shares to employees.
Capital and/or dividend growth	In order to maximize benefits to employees, the tax implications of capital versus dividend growth should be reviewed.
Value of shareholding	The net value to employees will be a function of 1) the value of the Tollway System and the subsequent value of a gross share of the Tollway, 2) the capital structure of the Tollway System, and 3) the structure of the employee share participation.
Choice of instrument	Different instruments to select from include: ordinary shares, non-voting depositary receipts for ordinary shares, and the like.
Lock up	There will need to be a decision regarding the post-completion of financial closure when there may be an embargo on employees selling shares acquired through the employee auction.
Liquidity of Investment	Following the lock-up period, there needs to be a sufficient system that enables a liquid market for employees to readily assess and, as appropriate, realize the value of their shares.
Timing	The sequence of timing for selecting / deterring eligibility, selecting an instrument, and ensuring equitable distribution of shares will need to be coordinated with the overall project timeline.

Employee ownership or stakes in tollroads and other infrastructure projects has occurred in Europe as well as Latin America; domestic tollroad projects have yet to opt for partial employee ownership or similar programs. Driver behind these employee options has been based on providing efficiency and productivity incentives as well as in accordance with legal requirements in certain countries, providing mandatory 5% project stake must be held by employees. Domestically, the trends for employee participation in equity or revenue distribution has occurred in sectors outside of tollroads and generally is in one of the following forms: employee stock ownership programs, stock options, and 401k plans.

Employee Stock Ownership Programs

Employee Stock Ownership Programs ("ESOPs") are employee participation plans where full-time employees have the option to partake in revenue sharing as a percentage equity holder. Often an employee-appointed trust is formed to manage the percentage ownership (traditionally around 5% in the infrastructure sectors and increasing up to 10%). Terms under the ESOP are negotiable by employees under the agreement; however, a common structure is to have the flexibility for employees to receive bonuses, where applicable, and/or remuneration in ordinary shares. While not specific to the tollroad or infrastructure sectors, there is evidence that companies with ESOPs grow faster than would have been expected without and ESOP for sales, employment, and sales per employee[21]. The US Government through the Department of Labor mandates that ESOPs must be registered and regulated on an annual basis.

[21] See National Center for Employee Ownership, July 2006, "A Statistical Profile of Employee Ownership." Studies drawn from Rutgers University and General Accounting Office

Investor Demand Feedback

8.1. Next Steps

As part of our follow up work we will undertake an extensive survey of toll road investors to provide feedback on their view on the important key provisions of a sale / concession agreement.

Appendix A: North American Concession Agreements Analysis[22]

NO.	KEY ELEMENT/LEGAL ISSUE:	CHICAGO SKYWAY	POCAHONTAS
1.	Type of PPP agreement: a. Design-Build-Operate-Maintain b. Pre-Development Agreement c. Concession – Investor Financed d. Concession – Tax-exempt Financed e. Other	Concession – Investor Financed.	Other: Comprehensive Agreement to Design-Build-Operate-Maintain.
2.	Agreement resulted from: a. Unsolicited proposal and negotiations b. Competitive procurement following unsolicited proposal c. Competitive procurement d. Sole-source negotiations e. Other	Competitive bid process used; process was similar to a corporate auction.	Unsolicited proposal followed by negotiations.
3.	What is the title and date of the primary PPP agreement? Who are the parties to that agreement?	The Chicago Skyway Concession and Lease Agreement, made and entered into Oct 27, 2005, by and between the City of Chicago and Skyway Concession Company, LLC.	Comprehensive Agreement to Develop and Operate Route 895 Connector, made and entered into as of Jun 3, 1998, by and between the Virginia Department of Transportation, and FD/MK Limited Liability Company (the Developer).
	What is the form of the private entity (e.g., corporation, LLP, LLC, partnership or joint venture)? If a joint venture, is there joint and several liability?	Limited liability company.	FD/MK is a limited liability company.

[22] USDOT and relevant Concession Agreements. A summary of the agreements contained in this Report have been prepared for the Commission's convenience. Please refer to the full text of the agreements for details regarding the terms and conditions.

NO.	KEY ELEMENT/LEGAL ISSUE:	CHICAGO SKYWAY	POCAHONTAS
	Are the obligations of the private entity guaranteed by one or more third parties (other than sureties)?	No. Bid was secured by a $55 million letter of credit. Upon signing, the private investor's obligation to close on the agreement within 180 days was secured by a letter of credit in the amount of 5% of the rent payable at closing.	The obligations under the Comprehensive Agreement and Design-Build Contract and a $5 million line of credit were guaranteed by Fluor Corporation and Morrison Knudsen.
4.	Does the PPP agreement contemplate a subsequent assignment of the private entity's rights to another entity, such as a non-profit corporation to be formed for the purpose of financing the project?	No.	Yes. The rights and obligations under the Comprehensive Agreement are to be transferred to Pocahontas Parkway Association, a non-profit, 63-20 corporation that issued tax-exempt bonds to finance the project.
5.	Describe conditions applicable to the financing plan (types, sources, and covenants of capital financing).	Financing of the rent payment is the responsibility of the Concessionaire (the private investor), subject only to the City of Chicago's representations and warranties continuing to be true and correct, no default by City, no law passed making the transaction illegal, and no injunction.	The project was financed with a combination of $348 million of tax-exempt bonds issued by the Association and secured by a first lien on project revenues, an $18 million State Infrastructure Bank loan from the Commonwealth of Virginia and a $5 million line of credit from the design-build contractor.
6.	What other major ancillary agreements are there? Are other agreements contemplated to be executed in the future (e.g., such agreements might include a design-build contract, a concession agreement, a full or partial completion guaranty and/or financing agreements)?	None. However, Schedule 3 to the Agreement contains detailed operating standards.	The other major ancillary agreements include: Design-Build Contract; Completion Guaranty; Project Financing Agreement; SIB Loan Agreement; Contractor Loan Agreement; Master Indenture.
7.	What are the roles of the public and private entities for pre-financing tasks, such as project definition, preparation of environmental documents, permitting, traffic and revenue studies, surveys, geotechnical investigations, right-of-way acquisition and preliminary engineering, public involvement?	City made certain information relating to the Skyway available to bidders during the due diligence period.	The agreement was executed about a month prior to the financing of this project. VDOT agreed to pay the developer $1.5 million for certain early design tasks. The remaining pre-development work was done by the developer at its own risk prior to signing.

NO.	KEY ELEMENT/LEGAL ISSUE:	CHICAGO SKYWAY	POCAHONTAS
8.	How is the private entity to be compensated for pre-financing costs (e.g., current reimbursement, reimbursement from financing proceeds, development fee, return-on-equity contribution)?	No part of the several bidders' bid preparation costs was born by City.	$6 million was paid to developer at closing as a development fee.
9.	How is the private entity to be compensated for its equity and debt contributions? How is the private entity to be compensated for post-financing design, acquisition, permitting, construction, and related services? How is the private entity to be compensated for operation and maintenance services?	The Concessionaire has the right to toll revenues during the 99-year lease period, subject to detailed toll regulations. There is no express limit on the Concessionaire's rate of return.	Unlike more recent deals, no equity contribution was made by the private developer. The Developer is compensated for design and construction from bond proceeds under the Design-Build Contract. Holders of bonds issued by the nonprofit association are secured by toll revenues. VDOT assumed responsibility for operation and maintenance, to be paid from toll revenues, after payment of project debt service and operating expenses.
10.	Is the public entity required to exercise its power of eminent domain to facilitate the transportation facility?	NA.	VDOT is to acquire title to and, as necessary and appropriate, condemn, all rights of way for the project, as detailed in the Design-Build Contract.
11.	Does the public entity establish the design, construction, operation and maintenance standards with which the private entity must comply?	Yes. There are detailed operating standards to assure safety in operations and high engineering standards during the term of the lease. These standards are included as a schedule to the Agreement.	Yes.
12.	Describe any payment due from the private entity to the public entity for the grant of rights.	$1.83 billion, payable at closing. The original bid was $1.82 billion, but this amount increased under an inflation formula by the time the Chicago City Council approved the agreement.	None.

NO.	KEY ELEMENT/LEGAL ISSUE:	CHICAGO SKYWAY	POCAHONTAS
13.	What is the mechanism by which user fees, if any, are established and adjusted? Describe any limitations or user fees and exempt vehicles.	Maximum toll rates are limited by schedule through Jan 1, 2017. Thereafter, rates can increase annually by the greater of inflation (CPI) or the increase in per capita gross domestic product, with a minimum guaranteed increase of 2% per annum.	First two years of toll rates are set forth in the contract. VDOT has the right to adjust the tolls thereafter, subject to a requirement to meet the covenants in the Indenture.
14.	Describe any revenue recovery between the public and private entities.	Concessionaire has the right to all toll revenues and revenues from the lease of a restaurant. City has right to all other revenues, including the sale of naming rights and the installation of utilities and billboards.	Developer has no right to toll revenues. Funds in the Surplus Account are to be applied at the direction of VDOT for any purpose related to the project, including retirement of debt and reimbursement of expenses paid by VDOT.
15.	What is the duration of the agreement and what are the options to extend this timeframe (if applicable)?	99 years. No renewal provision. Term can be extended to provide compensation for an event of Force Majeure.	The Term ends on the latest date when the Bonds, the SIB Bond and the Contractor Bond are paid or defeased.
16.	What are the major performance milestones that will be required of the parties, including the public entity and the private entity?	Payment of Rent at Closing, which must occur within 90 days of the signing of the Agreement (this deal closed on Jan 24, 2005 when City received a wire transfer for $1.83 billion).	VDOT had the right to terminate the agreement if bonds were not sold by Dec 31, 1998.

NO.	KEY ELEMENT/LEGAL ISSUE:	CHICAGO SKYWAY	POCAHONTAS
17.	Describe measures of compensation upon termination for convenience.	City has no right to terminate for convenience. However, payment of compensation to Concessionaire must be made if an "Adverse Action" occurs, defined as an action by the City, Cook County or the State of Illinois (or any subdivision or agency of any of the foregoing, including enacting any Law) the effect of which is reasonably expected (i) to be principally borne by the Concessionaire and (ii) to have a material adverse effect on the fair market value of the Concessionaire Interest. Importantly, the development of competing facilities is not an Adverse Action. Concessionaire can terminate the agreement and be paid the fair market value of its concession on the date of any such action. Fair market value will be determined by an independent third party appraiser.	VDOT must pay the Association all amounts necessary to retire and defease all outstanding bonds and to pay all amounts due under the Design-Build Contract. (Section 16.2)
18.	Describe any performance standards, performance warranties, or performance guarantees.	Concessionaire must meet various standards set forth in the agreement, including capital improvements and changes in such standards to (i) comply with any new Law applicable to the Skyway Operations or (ii) conform the Operating Standards to standards or practices generally adopted by other Governmental Authorities in the United States having jurisdiction over Comparable Highways.	Detailed performance standards are set forth in the Design-Build Contract.
19.	If applicable, describe the private entity's rights and obligations to provide future project capacity improvements, extras, or expansions.	See extensive provisions in Section 9.1 of the agreement.	NA.
20.	Who is responsible for the operation and maintenance of the completed facility?	Concessionaire.	All operation and maintenance responsibilities are delegated to VDOT.

NO.	KEY ELEMENT/LEGAL ISSUE:	CHICAGO SKYWAY	POCAHONTAS
21.	Does the private entity have the right to make and enforce, with the consent of the public owner, reasonable rules with respect to the transportation facility?	Chicago Police Department retains jurisdiction to enforce laws on the Skyway. Maximum tolls and exceptions for public vehicles are set forth in the Tolling Regulation. There are also specific provisions for off-peak truck use. Concessionaire is furthermore entitled to implement electronic tolling on this transportation system.	No provision.

NO.	KEY ELEMENT/LEGAL ISSUE:	CHICAGO SKYWAY	POCAHONTAS
22.	Is the private entity required to reimburse the public entity for services? For design review? Permitting? Operation and maintenance? Policing?	Concessionaire is required to reimburse City for its costs of policing the Skyway. §3.16 Concessionaire is required to reimburse the City for all costs and expenses reasonably incurred by the City during the Term (including employment costs and related overhead expenses allocable thereto, as reasonably determined by the City based on the time expended by the employees who render such services to the City) in monitoring the Skyway Operations and the Concessionaire's compliance with its obligations and duties under the Agreement (including any Audits, tests, reviews or exams of the Skyway, the Skyway Operations (or any part thereof), any information or the proposals, requests, procedures, certificates, plans, drawings, specifications, contracts, agreements, schedules, reports, lists or other instruments of the Concessionaire or its Representatives); provided, however, that the aggregate amount payable by the Concessionaire pursuant to this provisions shall not exceed $165,000 per calendar year, Adjusted for Inflation.	The Department is to be compensated for right-of-way acquisition costs and services, and its Oversight Services relating to (i) the construction, installation and equipping of the Project and all other Work under the Design-Build Contract except design and permitting. From and after the first to occur of the Opening Date or the Final Acceptance Date, and (ii) Operator's non-delegated responsibilities for management, administration and promotion of the Project. (Section 10.2) The Operator must also compensate VDOT for all its delegated responsibilities, including (i) to manage and control traffic on the Project, snow and ice removal; (ii) to maintain and repair the Project and all systems and components thereof, including but not limited to the ETTM Facilities and ETTM System; (iii) to operate the ETTM Facilities and ETTM System and otherwise to carry out the collection of tolls and user fees respecting the Project; (iv) to cause to be provided to the Project police and emergency services; and (v) to maintain, comply with and renew Regulatory Approvals necessary and incidental to the foregoing activities. (Section 8.3). Payment is to be made from available funds after payment of debt service on the bonds.
23.	If applicable, what is the reasonable/maximum return or rate of return on investment authorized for the developer/operator to earn, the formula by which such rate of return will be calculated and the distribution of project revenues?	No rate of return is established in the agreement.	None provided since there is no equity investment.

NO.	KEY ELEMENT/LEGAL ISSUE:	CHICAGO SKYWAY	POCAHONTAS
24.	What events constitute developer/operator defaults, and what are the major remedies available to the public owner?	Defaults include the failure to perform any term or condition of the agreement, a transfer of Concessionaire's interest in the agreement in violation of restrictions on transfer, the failure to comply with a final award for a matter submitted to dispute resolution, events of bankruptcy and levy under execution or attachment against the Skyway. Remedies include Termination (limited for failure to comply with Operating Standards), cure, at the cost of Concessionaire, specific performance, closure of the Skyway or exercise of any other remedies available at law or equity to City.	These include failure to perform any term of the agreement, the inaccuracy of any representation or warranty, failure to deliver a Project Agreement when required, events of bankruptcy of developer or Guarantor and event of default under design-build contract. VDOT has all remedies at law or in equity and can terminate the agreement and the Design-Build Contract. There are separate defaults for the Association.
25.	What other rights does the public entity have to terminate the agreement (e.g., failure to meet milestones, termination for convenience)? If the agreement is terminated for convenience, what compensation is paid to the private entity?	See above.	Aside from VDOT's right to terminate for convenience (see response to Question 17, above), VDOT also has the right to terminate Developer's (but not the Association's) rights under the Comprehensive Agreement if it terminates Developer's rights under the Design-Build Contract. VDOT has the right to terminate the agreement if any condition to the issuance of the bonds is not satisfied and or the bonds are not issued by Dec 31, 1998.
26.	What events constitute public entity defaults, and what are the remedies available to the developer/operator?	Defaults include failure to comply with the material conditions of the agreement (other than Adverse Action), failure to comply with a final arbitration award, levy under execution or attachment resulting from encumbrance created by City, or a voluntary act of bankruptcy. Remedies include termination of the agreement, exercise of rights or remedies available at law or equity and the ability to seek to recover Losses.	These include the failure to perform during the term of the agreement, inaccuracy of reps and warranties; an event of default by VDOT under any other Project Agreement; or the Virginia General Assembly enacts certain legislation that impacts only the Project or a class of operators or agreements under the states PPTA that materially impairs Developer's rights under the agreement.

NO.	KEY ELEMENT/LEGAL ISSUE:	CHICAGO SKYWAY	POCAHONTAS
27.	What are the lender's rights and remedies with respect to private entity defaults? Does the agreement provide for lender's rights and remedies?	Right to cure Concessionaire default for 30 days beyond any cure period applicable to Concessionaire. Leasehold Mortgagee can foreclose on lease and transfer Concessionaire's interest, subject to limitations on qualifications of transferee. City has right to purchase Leasehold Mortgage.	After the bonds are issued, VDOT's rights to terminate the agreement requires payment in full or defeasance of the bonds.
28.	How is the performance of the private entity secured (e.g., surety bonds, letters of credit or third party guarantees)?	Ten years prior to the end of the Term, Concessionaire must provide a letter of credit in an amount equal to the highest gross revenues received in the prior 10 years. The purpose of this requirement is to insure that Concessionaire continues to maintain the Skyway before it is returned to City at the end of the 99-year lease.	The obligations of the Developer under the agreement, the Design-Build Contract and the Project Financing Agreement are secured by parent guarantees from Fluor and Morrison Knudsen.

NO.	KEY ELEMENT/LEGAL ISSUE:	CHICAGO SKYWAY	POCAHONTAS
29.	What indemnification obligations do each of the parties have?	Concessionaire indemnifies City against losses due to (i) any failure by it to perform any of its obligations under the agreement or, any breach by the Concessionaire of its representations or warranties, (ii) any Assumed Liabilities, (iii) any tax or mortgage recording charge attributable to any Transfer of the Concessionaire Interest or any part thereof or (iv) any claim for brokerage commissions, by any Person who acted on behalf of the Concessionaire in connection with the agreement, any Transfer of the Concessionaire Interest or any part thereof or any other matter affecting the Skyway. City indemnifies Concessionaire for losses due to (i) any failure by City to perform any of its obligations under the agreement or, any breach by the City of its representations or warranties, (ii) any Excluded Liabilities, or (iii) any claim for brokerage commissions, by any Person who acted on behalf of the Concessionaire in connection with the Agreement. "Excluded Liabilities" include debts, liabilities and obligations (i) with respect to the City's obligations under the agreement, (ii) arising out of Skyway Operations prior to the Time of Closing, (iii) under any Environmental Law arising out of or relating to the ownership, operation or condition of the Skyway at any time prior to the Time of Closing or any Hazardous Substance or other contaminant that was present on the Skyway Land or otherwise existed at any time prior to the Time of Closing and (iv) incurred by the City under or in connection with certain ongoing contracts construction and engineering contracts.	Developer undertakes broad indemnities under the Design-Build Contract and other Project Agreements. There are no VDOT indemnities due to legal restrictions.

NO.	KEY ELEMENT/LEGAL ISSUE:	CHICAGO SKYWAY	POCAHONTAS
30.	What are the obligations of the developer/operator to maintain records, to allow inspection and audit and to provide regular reports to the public owner?	Concessionaire must provide quarterly traffic reports and forecasts. Upon request of City, Concessionaire must provide all information relating to Skyway operations, including income statements, details regarding Skyway revenues, capital expenditures, certificates, correspondence, etc. City has full rights of audit, inspection and review.	Developer has reporting requirements under the Design-Build Contract. The Association is required to furnish all reports as requested by VDOT. VDOT has the rights of audit and inspection.
	What obligation does the public entity have to maintain the confidentiality of specified information?	City is required to keep confidential any Information obtained from the Concessionaire that (i) constitutes trade secrets or commercial or financial information (A) where the trade secrets or commercial or financial information are proprietary, privileged or confidential, or (B) where disclosure of the trade secrets or commercial or financial information may cause competitive harm and (ii) is designated as such by the Concessionaire in writing to the City.	Developer has the obligation to assert and defend any claims for confidentiality under the Virginia Public Records Act. Any proprietary or confidential information must be specifically identified by the Developer.

NO.	KEY ELEMENT/LEGAL ISSUE:	CHICAGO SKYWAY	POCAHONTAS
31.	What are the conditions under which the private entity may assign its rights under the PPP agreement and/or its rights to the transportation facility? Can it assign its rights to a non-profit or other entity for purposes of financing? Can it make an assignment for security? Can it transfer its rights and obligations to an affiliate or unrelated third party? What are the conditions, if any, to obtain the consent of the government entity?	Concessionaire is barred from transferring its interest in the Concession within 3 years of Closing. Thereafter, it can only transfer its interest with the consent of the City, which may be based on the City's determination of: (i) the financial strength and integrity of the proposed Transferee, its direct or indirect beneficial owners, any proposed managers or operating partners and each of their respective Affiliates; (ii) the capitalization of the proposed Transferee; (iii) the experience of the proposed Transferee or the Operator to be engaged by the proposed Transferee in operating toll roads or highways and performing other projects; (iv) the background and reputation of the proposed Transferee, its direct or indirect beneficial owners, any proposed managers or operating partners, each of their respective officers, directors and employees and each of their respective Affiliates (including the absence of criminal, civil or regulatory claims or actions against any such Person and the quality of any such Person's past or present performance on other projects); and (v) the Operator engaged by the proposed Transferee. Concessionaire may make an assignment of its interest to a Leasehold Mortgagee.	Other than Developer's right to assign its obligations to the Association on the bond closing date, neither Developer nor the Association have any right to assign their rights under the agreement or the other Project Agreements without the prior consent of VDOT. Any transfer of the right or practical ability to control the policies and decisions of the Developer or the Association, whether due to transfer of partnership or membership interests or otherwise, is deemed a prohibited assignment.
32.	Describe lender protection provisions (if any).	See above.	See above.
33.	What dispute resolution mechanisms are provided for?	The agreement provides for informal dispute resolution, mediation and arbitration. Technical issues may be subject to resolution by an engineering expert.	Court proceedings.

NO.	KEY ELEMENT/LEGAL ISSUE:	CHICAGO SKYWAY	POCAHONTAS
34.	Describe any provisions regarding high-occupancy toll lanes or variable pricing.	HOV lanes and variable pricing are permitted by the agreement. The agreement also establishes lower toll rates during night hours for trucks.	None.
35.	Describe any provisions or HOV policy (if applicable).	None.	None.
36.	Describe any provisions limiting liability or waiving consequential damages.	Liability for Losses excludes consequential damages.	Developer is not liable for indirect, incidental or consequential damages of any nature, whether in contract, tort (including negligence) or other legal theory, unless arising out of the fraud or intentional misrepresentation of FD/MK or any of its members, managers, partners, directors, officers, employees or agents.
37.	Describe any public subsidy of revenues (e.g. shadow tolls, assumption of operation and maintenance costs).	None.	The Association's obligation to reimburse VDOT for costs of operation and maintenance are subordinated to the lien of the bonds on project revenues.

NO.	KEY ELEMENT/LEGAL ISSUE:	HIGHWAY 407	INDIANA TOLL ROAD
1.	Type of PPP agreement: a. Design-Build-Operate-Maintain b. Pre-Development Agreement c. Concession – Investor Financed d. Concession – Tax-exempt Financed e. Other	Other: Concession to develop, design and build the Highway, and to finance, operate, manage, maintain, rehabilitate and toll the Project.	Design-Build-Operate-Maintain.

NO.	KEY ELEMENT/LEGAL ISSUE:	HIGHWAY 407	INDIANA TOLL ROAD
2.	Agreement resulted from: a. Unsolicited proposal and negotiations b. Competitive procurement following unsolicited proposal c. Competitive procurement d. Sole-source negotiations e. Other	Competitive procurement following unsolicited proposal	Competitive procurement following unsolicited proposal
3.	What is the title and date of the primary PPP agreement? Who are the parties to that agreement?	The Highway 407 Concession and Ground Lease Agreement dated 6th of Apr, 1999 between The Crown in Right of Ontario and 407 ETR Concession Company Limited.	The Indiana Toll Road Concession and Lease Agreement made and entered into as of 12th of Apr, 2006 by and between the Indiana Finance Authority and ITR Concession Company LLC.
	What is the form of the private entity (e.g., corporation, LLP, LLC, partnership or joint venture)? If a joint venture, is there joint and several liability? Are the obligations of the private entity guaranteed by one or more third parties (other than sureties)?	LTD.	Limited Liability Company.
4.	Does the PPP agreement contemplate a subsequent assignment of the private entity's rights to another entity, such as a non-profit corporation to be formed for the purpose of financing the project?	NA.	NA.
5.	Describe conditions applicable to the financing plan (types, sources, and covenants of capital financing).	The Concessionaire shall be responsible for obtaining any financing for the performance of its obligations under this Agreement.	The Concessionaire shall be responsible for obtaining any financing for the performance of its obligations under this Agreement (except for completion of existing projects). As a representation and warranty, the IFA will issue tax exempt Toll Road Bonds in the amount of up to $30 million to finance the Project. These Bonds will be defeased but not redeemed immediately after the Closing Date.

NO.	KEY ELEMENT/LEGAL ISSUE:	HIGHWAY 407	INDIANA TOLL ROAD
6.	What other major ancillary agreements are there? Are other agreements contemplated to be executed in the future (e.g., such agreements might include a design-build contract, a concession agreement, a full or partial completion guaranty and/or financing agreements)?	NA.	NA.
7.	What are the roles of the public and private entities for pre-financing tasks, such as project definition, preparation of environmental documents, permitting, traffic and revenue studies, surveys, geotechnical investigations, right-of-way acquisition and preliminary engineering, public involvement?	NA.	NA.
8.	How is the private entity to be compensated for pre-financing costs (e.g., current reimbursement, reimbursement from financing proceeds, development fee, return-on-equity contribution)?	NA.	NA.
9.	How is the private entity to be compensated for its equity and debt contributions? How is the private entity to be compensated for post-financing design, acquisition, permitting, construction, and related services? How is the private entity to be compensated for operation and maintenance services?	All toll revenues are the sole and exclusive property of the Concessionaire. All sources of Other Non-Toll Revenues and activities generating other Non-Toll-Revenues are controlled by the Grantor, and the Concessionaire has no right in them.	The Concessionaire has the right in all revenues charged in respect of vehicles using the Toll Road, and revenues generated pursuant to the lease agreements from any of the assigned Toll Road Contracts. Other revenues, such as from mass transit facilities, permit fees, sale of alcohol, installation of utilities and advertisement, are property of the State or the IFA. The Concessionaire shall have no right or interest in these revenues whatsoever.

NO.	KEY ELEMENT/LEGAL ISSUE:	HIGHWAY 407	INDIANA TOLL ROAD
10.	Is the public entity required to exercise its power of eminent domain to facilitate the transportation facility?	NA.	If the IFA requires the construction of an Expansion pursuant to the terms of this Agreement, the IFA shall take such additional actions as may be reasonably necessary to initiate and diligently pursue to completion the proceedings necessary for the acquisition or the condemnation of Additional Lands and such Expansion. All costs in such event are borne by the IFA.
11.	Does the public entity establish the design, construction, operation and maintenance standards with which the private entity must comply?	Yes. These standards may change from time to time, and the Concessionaire must comply with all such changes at its own cost and expense. The Concessionaire shall cause each portion of the Development, Design and Construction to be performed in accordance with instructions in different sections of the agreement.	Yes. Different operating standards proposed by the Concessionaire are subject to approval by the IFA, and IFA retains the right to change the standards at any time during the Term, upon notice to the Concessionaire.
12.	Describe any payment due from the private entity to the public entity for the grant of rights.	None.	The Concessionaire shall pay IFA $3.8 Billion in cash.
13.	What is the mechanism by which user fees, if any, are established and adjusted? Describe any limitations or user fees and exempt vehicles.	The Concessionaire shall comply with the provisions of the Tolling, Congestion Relief and Expansion Agreement.	The Concessionaire shall comply with the provisions of the Tolling Regulation set fort in a schedule following the agreement. No consent or approval of the IFA is required for change in tolls within toll levels specified in the schedule.
14.	Describe any revenue recovery between the public and private entities.	NA.	All sources of revenues and activities other than Toll Road Revenues are property of the State or the IFA. Revenues earned by the Concessionaire attributable to operation of any Vendor are property of the Concessionaire.

NO.	KEY ELEMENT/LEGAL ISSUE:	HIGHWAY 407	INDIANA TOLL ROAD
15.	What is the duration of the agreement and what are the options to extend this timeframe (if applicable)?	99 years. The Term commences on the Effective date and expires on the earlier of the 99th anniversary of the Effective date and the Highway purposes Termination Date, unless sooner terminated in accordance with the Agreement.	75 years. The Term commences on the Closing date and expires on the 75th anniversary of the Closing Date (or such later date as required pursuant to the terms of the agreement in connection with the occurrence of Delay Events), unless terminated earlier as herein provided.
16.	What are the major performance milestones that will be required of the parties, including the public entity and the private entity?	NA.	The Transaction is effective upon the receipt of Rent payment (less the amount of Cash Deposit plus interest) in full payment of the Concessionaire Interest.
17.	Describe measures of compensation upon termination for convenience.	The Grantor has no right to terminate for any reason other than the occurrence of a Concessionaire's default. In addition, if an event of Force Majeure occurs that is reasonably likely to have the effect of delaying the performance of any material obligation, causing physical damage or destruction and suspending toll collection, and such effect continues for more than one year, the Grantor and the Concessionaire can agree to terminate the agreement. In this case, the Grantor will pay the Force Majeure Termination Value to the Concessionaire. The Force Majeure Termination Value shall be the aggregate of an amount equal to the outstanding principal of any Bona Fide Leasehold Mortgages granted by the Concessionaire plus accrued interest, less (i) the amounts received or claimable by the Concessionaire or any Lease Mortgagee from any insurance policies payable and (ii) expropriation proceeds received by the Concessionaire.	If IFA terminates the agreement, it shall pay the Concessionaire the Toll Road Concession Value as of the date of such termination and the reasonable out-of-pocket expenses and documented costs and expenses incurred by the Concessionaire as a direct result of such termination. Upon termination of the agreement prior to the end of the Term, the Concessionaire shall surrender the Toll Road and all Toll assets, tangible and intangible personal property located or used on the Toll road. The concessionaire waives all and any notice required by law with respect to vacating the Road. IFA will assume full responsibility for the Toll road operations and Concessionaire and shall be liable for all costs and expenses up to but not including the Reversion Date. All plans and models built in connection to the Road will become IFA property.

NO.	KEY ELEMENT/LEGAL ISSUE:	HIGHWAY 407	INDIANA TOLL ROAD
18.	Describe any performance standards, performance warranties, or performance guarantees.	Concessionaire must meet Ministry Safety Standards set forth in the Agreement. These standards may change from time to time, and the Concessionaire must comply with all changes at its own expense as long as such changes apply to any other Comparable Controlled Access Highways and the Concessionaire has received a notice advising it of such change.	The Concessionaire shall, at all times during the Term, and cause the Toll Road Operations to, comply with and implement the Operating Standards in all material respects (including any changes or modifications to the Operating Standards made pursuant to the terms of this Agreement).
19.	If applicable, describe the private entity's rights and obligations to provide future project capacity improvements, extras, or expansions.	The Concessionaire is required to Expand and/or Extend Highway 407 in accordance with and subject to schedule 22 and other provisions in this agreement. The Grantor may at any time issue a Change Order. The Concessionaire may initiate an Expansion or Extension by submitting a Change Request to the Grantor.	The Concessionaire's capital improvement obligations are set forth in Schedule 5.5 and the capital improvements required to be completed by the Concessionaire during the Term in accordance with the terms of the Agreement. The Concessionaire can submit a request to IFA for IFA's approval on additional Expansion or another fundamental change of any material part of the Toll Road
20.	Who is responsible for the operation and maintenance of the completed facility?	Concessionaire.	Concessionaire.
21.	Does the private entity have the right to make and enforce, with the consent of the public owner, reasonable rules with respect to the transportation facility?	The Concessionaire shall not engage private security services to provide traffic patrol or traffic law enforcement services. The Concessionaire shall permit OPP to maintain traffic control, and it shall perform and observe its covenants and obligations under the Police Service Agreements.	The Concessionaire must at all times and at its own expense observe and comply with, in all material aspects, and cause the Toll Road Operations to observe and comply with, in all material aspects, all applicable Laws now existing or later in effect that are applicable to it or such Toll Road Operations, including those Laws expressly enumerated in Article 11 of the Agreement.

NO.	KEY ELEMENT/LEGAL ISSUE:	HIGHWAY 407	INDIANA TOLL ROAD
22.	Is the private entity required to reimburse the public entity for services? For design review? Permitting? Operation and maintenance? Policing?	The Concessionaire shall be responsible for obtaining any financing for the performance of its obligations under this Agreement.	The concessionaire shall reimburse the IFA for all costs and expenses reasonably incurred by the IFA during the Term (including employment costs and related overhead expense allocable thereto, as reasonably determined by the IFA) in monitoring the Toll Road Operations and the Concessionaire's compliance with its obligations and duties hereunder (including any Audits, tests, reviews or exams of the Toll Road, the Toll Road Operations, any information or the proposals, requests, procedures, certificates, plans, drawings, specifications, contracts, agreements, schedules, lists or other instruments of the Concessionaire or its Representatives that are required), provided however, that the aggregate amount payable by the Concessionaire (excluding the payments by the Concessionaire for Police Services) shall not exceed $ 150,000 per calendar year, adjusted for inflation. For the period beginning on the closing date and ending on Jun 29, 2007, the Concessionaire shall annually reimburse IFA $6 million, payable in advance in equal quarterly installments. After that IFA shall be permitted to increase that payment amount.
23.	If applicable, what is the reasonable/maximum return or rate of return on investment authorized for the developer/operator to earn, the formula by which such rate of return will be calculated and the distribution of project revenues?	No rate of return is established in the agreement.	No rate of return is established in the agreement.

NO.	KEY ELEMENT/LEGAL ISSUE:	HIGHWAY 407	INDIANA TOLL ROAD
24.	What events constitute developer/operator defaults, and what are the major remedies available to the public owner?	A Concessionaire Default under this Agreement constitutes of: (i) if the Concessionaire fails to make any payment of any amount due to the Grantor under this Agreement for a period of 90 days following notice; (ii) If any material representation or warranty under this Agreement proves to be incorrect in any material respect; (iii) if the Concessionaire fails to perform or observe any of its material obligations or covenants under this Agreement; (iv) if there is a default by the Concessionaire under any Project Agreement; (v) if the Concessionaire fails to comply with the requirements or directives of a final award for a period of 90 days; (vi) if any resolution is passed for the dissolution of the Concessionaire or a suspension of its operations; (vii) if an order of a court is issued declaring the Concessionaire bankrupt or insolvent; (viii) if execution or any other analogous process is issued against the Concessionaire; (ix) if the Concessionaire becomes insolvent and acknowledges its insolvency; (x) if a disposition occurs that is not permitted under the Restriction on Transfer Agreement; (xi) if there is a pattern over an aggregate period of one year or more of the Concessionaire repeatedly failing to perform or observe any of its material obligations or covenants.	A Concessionaire Default under this Agreement constitutes of (i) if the concessionaire fails to comply with, perform or observe any material term or condition in this Agreement; (ii) if the Agreement or all or any portion of the Concessionaire Interest is Transferred in contravention; (iii) if the Concessionaire admits in writing that it is unable to meet its debt obligations; (iv) if within 90 days after the commencement of any proceedings against the Concessionaire seeking any reorganization or similar relief under the pressure of any U.S. bankruptcy code or any other present or future applicable law; (v) if a levy under execution or attachment has been made against all or any material part of the Toll Road or any interest therein as result of any Encumbrance.

NO.	KEY ELEMENT/LEGAL ISSUE:	HIGHWAY 407	INDIANA TOLL ROAD
		Upon occurrence of a Concessionaire Default the Grantor may terminate the agreement: (i) by giving 60 days prior notice; (ii) if the Concessionaire is in Default under the Agreement by reason of the failure to pay any monies; (iii) the Grantor may try and cure the Concessionaire Default (not an obligation) and all costs and expenses incurred by the Grantor in curing or attempting to cure the Concessionaire Default, together with an administrative fee of 15%, shall be payable by the Concessionaire to the Grantor.; (iv) the Grantor may seek specific performance, injunction or other equitable remedies; (v) with respect to those Concessionaire Defaults which entitle the Grantor to terminate the Agreement, the Grantor may reposess and enjoy the Project Lands; (vi) the Grantor may also distrain against any of the Concessionaire's goods which are situated on the project's Lands; (vii) the Grantor may stop the progress of the work and/or close any or all portions of Highway 407; (viii) finally, the Grantor may exercise any of its other rights and remedies provided hereunder.	Major Remedies for the public owner include: (i) the IFA may terminate this agreement by giving 60 days' prior notice to the Concessionaire; (ii) if the Concessionaire Default is by reason of failure to pay any monies, IFA may make payment on behalf of the Concessionaire, and any such amount will be payable by the Concessionaire to the IFA; (iv)I IFA may try to cure the Concessionaire Default (but is not obligated to), and all reasonable costs incurred by IFA in doing so, together with a 15% administrative fee will be payable by the Concessionaire to the IFA; (iv) IFA may seek specific performance or other equitable remedies, it being acknowledged that damages are an inadequate remedy for a Concessionaire Default; (v) the IFA may seek to recover its Loses arising from such Concessionaire Default; (vi) the IFA may distrain against any of the Concessionaire's goods situated on the Toll Road; (vii) the IFA may close any or all of portions of the Toll Road; (viii) the IFA may exercise any of its other rights and remedies provided at law or equity.

NO.	KEY ELEMENT/LEGAL ISSUE:	HIGHWAY 407	INDIANA TOLL ROAD
25.	What other rights does the public entity have to terminate the agreement (e.g., failure to meet milestones, termination for convenience)? If the agreement is terminated for convenience, what compensation is paid to the private entity?	See above. Remedies for the private entity include: (i) the Concessionaire may terminate the agreement by giving 60 days prior notice to the Grantor; (ii) the Concessionaire may seek such equitable remedies as are available to it; (iii) the concessionaire may seek to recover its Losses and any amounts due and payable under the Agreement; (iv) the Concessionaire may exercise any of its other rights and remedies hereunder.	See above. Upon a default by the IFA; (i) the Concessionaire is entitled to terminate the Agreement by giving a 60 days prior notice to the IFA, provided however that the IFA shall be entitled to cure an IFA default; (ii) the Concessionaire is also entitled to seek to recover its Losses and any amounts due and payable under the Agreement; (iii) the Concessionaire is entitled to exercise any of its other rights and remedies provided under the Agreement.
26.	What events constitute public entity defaults, and what are the remedies available to the developer/operator?	These include: (i) the Grantor Default in the payment of any amount due to the Concessionaire; (ii) inaccuracy of reps and warranties; (iii) if the Grantor fails to perform or observe any of its material obligations; (iv) or if it fails to comply with the requirements or directives of a final award in a matter arbitrated in accordance with the Agreement. Remedies include: (i) termination of the Agreement by Concessionaire; (ii)equity remedies; (iii) the Concessionaire can seek to recover its Losses an any amounts due from the Agreement.	Defaults include: (i) failure to comply with the material conditions of the agreement (other than Adverse Action); (ii) failure to comply any material obligation; (iii) levy under execution or attachment resulting from encumbrance created by the IFA; (iv) or a voluntary act of bankruptcy. Remedies include: (i) termination of the agreement; (ii) exercise of rights or remedies available at law; (iii) or equity and the ability to seek to recover Losses.
27.	What are the lender's rights and remedies with respect to private entity defaults? Does the agreement provide for lender's rights and remedies?	The agreement provides rights and remedies. See above.	The agreement provides rights and remedies. See above.

NO.	KEY ELEMENT/LEGAL ISSUE:	HIGHWAY 407	INDIANA TOLL ROAD
28.	How is the performance of the private entity secured (e.g., surety bonds, letters of credit or third party guarantees)?	NA.	Letter of Credit is due no later than the first day of the Lease Year that is 5 years prior to the final Lease Year of the Term equal to the amount of all costs of capital improvements for the remainder of the Term. Such Letters of credit shall be replaced on any anniversary of Lease year until the date that is 3 years after the expiration of the Term.

NO.	KEY ELEMENT/LEGAL ISSUE:	HIGHWAY 407	INDIANA TOLL ROAD
29.	What indemnification obligations do each of the parties have?	Concessionaire indemnifies the IFA against losses due to: (i) any failure by it to perform any of its obligations under the agreement or, any breach by the Concessionaire of its representations or warranties; (ii) any Assumed Liabilities; (iii) any tax or mortgage recording charge attributable to any Transfer of the Concessionaire Interest or any part thereof; (iv) any claim for brokerage commissions, by any Person who acted on behalf of the Concessionaire in connection with this agreement, any Transfer of the Concessionaire Interest or any part thereof or any other matter affecting the Toll Road. The IFA indemnifies the Concessionaire for losses due to: (i) any failure by it to perform any of its obligations under the agreement or, any breach by the IFA of its representations or warranties; (ii) any Excluded Liabilities; (iii) any claim for brokerage commissions, by any Person who acted on behalf of the Concessionaire in connection with the Agreement or any other matter affecting the Toll road. “Excluded Liabilities” include debts, liabilities and obligations; (i) with respect to the City’s obligations under the agreement; (ii) arising out of Skyway Operations prior to the Time of Closing; (iii) under any Environmental Law arising out of or relating to the ownership, operation or condition of the Skyway at any time prior to the Time of Closing or any Hazardous Substance or other contaminant that was present on the Skyway Land or otherwise existed at any time prior to the Time of Closing and (iv) incurred by the City under or in connection with certain ongoing contracts construction and engineering contracts.	The Concessionaire indemnifies the Grantor: (i) against and from all claims, suits and proceedings by whomsoever made or prosecuted and (ii) pay to the Grantor on demand, the amount of any loses incurred by the Grantor. In either case, in any mater based upon, arising out of: (A) any material inaccuracy in any representation or warranty made by the Concessionaire in any project Agreement; (B) any failure by the Concessionaire to observe or perform any of its material obligations under the Agreement; (C) the existence of any defect or dangerous condition in the Work; (D) any intentional wrongdoing or negligent act in relation to the Project during the Term; (E) any damage to property, either real or personal whether owned by the Grantor or others; (F) An act which the Grantor takes or causes to be taken at the request of the Concessionaire, provided that claims are made in writing within a period of 6 years from the expiry of the Term or earlier termination of the Agreement. Notwithstanding the preceding sentence, the Concessionaire’s obligation under the statements above shall not apply to any matter if it is attributable to: (i) any intentional wrongdoing or negligent act or omission by the Grantor and its servants or any breach by the Grantor of this Agreement; or (ii) any act which the Concessionaire is directed to perform by the Grantor, if this Agreement requires the Concessionaire to comply with such direction.

NO.	KEY ELEMENT/LEGAL ISSUE:	HIGHWAY 407	INDIANA TOLL ROAD
			The Grantor shall allow the Concessionaire to be joined in any proceedings brought by any Person against the Grantor that may lead to the indemnify obligation of the Concessionaire. The Grantor shall also consult with the Concessionaire as to any material action which the Grantor proposes to take in respect of such proceedings and give the Concessionaire reasonable assistance in the defense. The obligation of the Concessionaire to indemnify and save harmless and pay the Grantor survive the expiration of the Term and the termination of this Agreement. Indemnification by the Grantor is similar.

NO.	KEY ELEMENT/LEGAL ISSUE:	HIGHWAY 407	INDIANA TOLL ROAD
30.	What are the obligations of the developer/operator to maintain records, to allow inspection and audit and to provide regular reports to the public owner?	The Concessionaire must provide quarterly traffic characteristics reports and volume forecasts and actual traffic counts. The Concessionaire shall also report on quarterly basis details of emergencies and accidents occurring on or at the Project. The Concessionaire shall report, on a per occurrence basis, the discharge of any Hazardous Substances and the location where that occurred. At the request of the Grantor, the Concessionaire shall, at its own cost and at all reasonable times, furnish information to the Grantor relating to the Work and the agreement and permit the Grantor to discuss the obligations of the concessionaire under this Agreement. In addition, the Grantor may cause a Provincial Advisor designated by it to carry out an Audit of the Information required to be maintained by the Concessionaire under the Agreement. The Concessionaire is also obligated to assist Provincial Advisors with inspecting the Project and the Work. The Grantor is entitled, at its own expense, to perform investigations in connection with the Project. The Grantor should use reasonable efforts in its investigation, and shall not cause undue interferences.	Concessionaire has reporting requirements under the Agreement. It is required to furnish, as requested by the IFA: (i) quarterly traffic characteristics reports, which provide volume forecast, levels of service for each mile of the Toll Road, and actual traffic counts; (ii) incidents management notifications and reports which notify the IFA of all emergencies; (iii) environmental incident reports; (iv) Financial reports The Concessionaire is obligated, at the Grantor's request, to furnish all information relating to the Toll Road Operations. In addition, the IFA can cause a Representative to carry out an Audit of the information required to be maintained or delivered by the Concessionaire, and carry out an Inspection of the Toll Road Operations, all at the Concessionaire's expense. Similarly, the IFA or its Representatives can carry out tests on the Toll Road Operations. There are no waivers of any of the rights of the IFA. The IFA shall also use reasonable efforts to minimize the effects of its inspections.
	What obligation does the public entity have to maintain the confidentiality of specified information?	NA.	The IFA has the obligation to keep confidential all information obtained from the Concessionaire and its Representatives.

NO.	KEY ELEMENT/LEGAL ISSUE:	HIGHWAY 407	INDIANA TOLL ROAD
31.	What are the conditions under which the private entity may assign its rights under the PPP agreement and/or its rights to the transportation facility? Can it assign its rights to a non-profit or other entity for purposes of financing? Can it make an assignment for security? Can it transfer its rights and obligations to an affiliate or unrelated third party? What are the conditions, if any, to obtain the consent of the government entity?	The transfer of interest by the concessionaire is restricted pursuant to the Agreement, unless: (i) it is a Leasehold Mortgage permitted under article 22 and (ii) the Concessionaire agrees with the Grantor, in form and substance satisfactory to the Grantor, to be jointly and severally liable with the Transferee in respect of the performance of all obligations under the Agreement. No transfer is allowed during a Concessionaire Default. Consolidation, merger or amalgamation of the Concessionaire with other entities is considered a transfer.	The Concessionaire is barred from transferring its interest in the Concession, unless the IFA has Approved such proposed Transferee and the proposed Transferee enters in an agreement with the IFA. The IFA Approval of a proposed Transferee may be withheld by the IFA in certain circumstances. No transfer of interest can be made during a Concessionaire Default. A change in control of the Concessionaire is deemed to be a transfer of interest.
32.	Describe lender protection provisions (if any).	See above.	See above.
33.	What dispute resolution mechanisms are provided for?	The Agreement provides for mediation and arbitration.	The Agreement provides for informal dispute resolution, mediation and arbitration. Technical issues can be resolved using informal dispute resolution by an Engineering Firm or Engineering Arbitration.
34.	Describe any provisions regarding high-occupancy toll lanes or variable pricing.	None.	None.
35.	Describe any provisions or HOV policy (if applicable).	None.	None.

NO.	KEY ELEMENT/LEGAL ISSUE:	HIGHWAY 407	INDIANA TOLL ROAD
36.	Describe any provisions limiting liability or waiving consequential damages.	NA. The liabilities and obligations of the Concessionaire shall not be restricted to any sums mentioned in any of the insurance and clauses and contained herein, and such insurance amounts provided for herein shall not be construed so as to relieve or to limit the liability of the Concessionaire in excess of such coverage, and shall not preclude the Grantor from taking such other actions as are available to it under any provision of this Agreement or otherwise at law or in equity.	In no event shall any Party be liable to the other Party under this Agreement for exemplary, consequential, indirect or punitive damages (except for claims for fraud or for intentional misrepresentation or intentional breach, and provided that this limitation on consequential damages shall not be applicable to the Concessionaire's rights of recovery for lost Toll Road Revenues as part of Concession Compensation and the Toll Road Concession Value), nor shall a Party be obligated to indemnify any other Party or any other Person with respect to any Losses or damages caused by the fraud of such other Party or Person.
37.	Describe any public subsidy of revenues (e.g. shadow tolls, assumption of operation and maintenance costs).	None.	The IFA will cooperate with the Concessionaire in the implementation and enforcement of an electronic tolling system when implemented by the Concessionaire. This cooperation shall include assisting the Concessionaire in the negotiation of any reasonably necessary agreements with all relevant Governmental Authorities. In addition, the IFA shall use its best efforts to cause any agency of the State that is in charge of issuing permits to users of the Toll Road to inform such users of their need to obtain permits.

Appendix B: Capital Structure Case Studies

The Chicago Skyway

Source: Macquarie Infrastructure Group. Chicago Skyway Features.

The Chicago Skyway, also known as Chicago Skyway Toll Bridge System, is a 7.8 mile (12.5 km) median-divided elevated roadway with a bridge over the Calumet River, connecting the Indiana East-West toll road and the Dan Ryan Expressway. It provides a key arterial link to the Chicago's CBD and runs three lanes wide in each direction. Tolls are collected on the highway from one main toll plaza that operates a cash-only system.

The system was privatized through a concession in 2005. The winning bid was submitted by a consortium of Macquarie Infrastructure Group (45%) and Cintra (55%).[23]

Bidders' description

Macquarie Infrastructure Group

Macquarie Infrastructure Group's ("MIG") principal activity is investments in various infrastructure projects. The entities comprised in the MIG are Macquarie Infrastructure Trust (I), Macquarie Infrastructure Trust (II) and Macquarie Infrastructure Bermuda Limited (MIBL). Its toll road business includes constructing and operating toll roads, tunnels and bridges and investing in entities in the same industry sector. Within Europe, it has assets located in and derives revenues from the United Kingdom, Germany and Portugal, and, until the IPO of Cintra, Spain. It also derives revenues from the North American area which pertains to Canada and the United States of America. The company has a market capitalization of AU $8.34 billion (approx. $6.25 billion).[24]

MIG is one of the largest developers and owners of toll roads in the world with a geographically diversified portfolio of 12 toll roads across 6 countries and a motorway network in France. MIG's focus is on intra-urban roads with user-pays tolls or roads with similar characteristics in OECD countries.

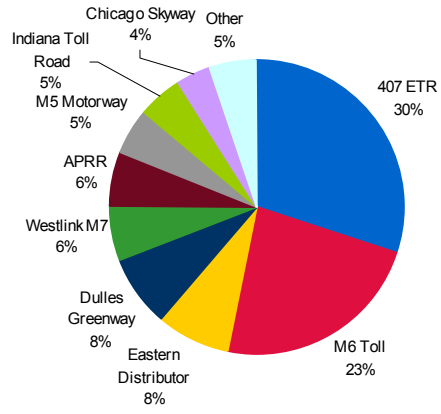
MIG has acquired a global portfolio of high quality toll road assets which are shown below (bracketed figures indicate MIG's economic interest): [25]

- **US:** South Bay Expressway (100%), Skyway (45%), Dulles Greenway (100%)

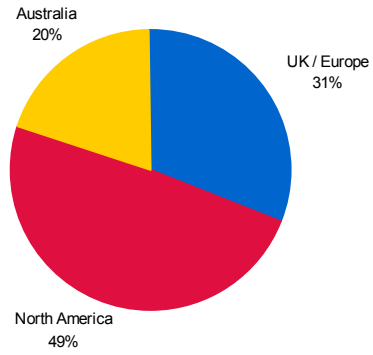
[23] Macquarie Infrastructure Group. Investor Presentation (Jan 2005)
[24] Factset. (Jul 2006)
[25] Macquarie Infrastructure Group. Factsheet (Mar 2006)

- **Canada:** 407ETR (30%)
- **Australia:** Eastern Distributor (71.4%), M5 (50%), M4 (50.6%), Westlink M7 (45%)
- **United Kingdom:** M6 Toll (100%)
- **France:** APRR (28%)
- **Portugal:** Vasco da Gama Bridge and 25th April Bridge (30.6%)
- **Germany:** Warnow Tunnel (70%)

Asset Portfolio



Geographic Split



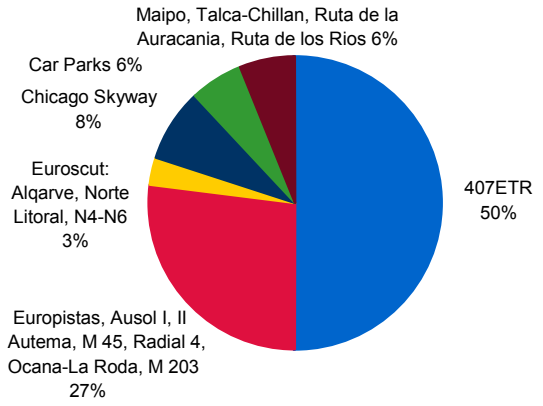
Source: Macquarie Infrastructure Group. Fact Sheet (Mar 2006).

Cintra

Cintra Concesiones de Infraestructuras de Transporte SA ("Cintra") is a Spain-based company engaged in the design, construction, management, administration and maintenance of public and private infrastructures and works. Cintra also offers a range of services related to city and intercity transport infrastructure, including parking lots, and land-, sea- and air-based transport networks. As of December 31, 2005, Cintra managed 21 toll highways, amounting to more than 2,000 km of highways in Spain, Portugal, Ireland, Italy, Chile, Canada and the United States. In addition, Cintra manages more than 230,000 parking spaces. Other business lines in this area include the promotion and operation of short-stay parking lots, parking regulation and management services and promotion and sale of residents' parking.[26]

[26] Factset (Jul 2006)

Asset Portfolio



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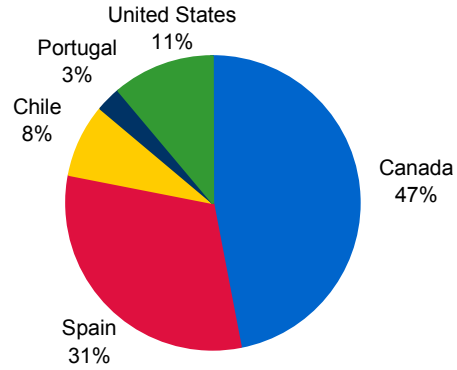


Source: Cintra. Investor Presentation (Jun 2006)

Capital structure

Sources & Uses – Interim

($ in millions, unless otherwise noted)

Sources		
MIG Equity	$397.0	21.1%
Cintra Equity	485.0	25.8%
Debt	1,000.0	53.1%
Total Sources	**$1,882.0**	**100.0%**

Uses		
Purchase Price	$1,830.0	97.2%
Transaction & Debt costs	52.0	2.8%
Total Uses	**$1,882.0**	**100.0%**

Source: Macquarie Infrastructure Group. Investor Presentation (Jan 2005).

- Terms of interim financing

SIZE ($MM)	TRANCHE	PRICING	TENOR	EXPECTED MATURITY
1,000.0	Term Loan	LIBOR + (125 - 175)bp.	9.0 years	2015
110.0	Term Loan	LIBOR + (125 - 175)bp.	9.0 years	2015
80.0	Credit Facility	LIBOR + (125 - 175)bp.	9.0 years	2015

Source: Dealogic.

- Increasing cash sweep, 30% of all available cash used to prepay senior debt in years 1 to 5, 50% in years 6 and 7, and 75% in years 8 and 9[27]

[27] Dealogic

Sources & Uses – Refinancing

($ in millions, unless otherwise noted)

Sources		
Current Interest Bonds	$439.0	28.1%
Capital Accretion Bonds	961.0	61.6%
Subordinated Debt	150.0	9.6%
Received from swaps	10.0	0.6%
Total Sources	**$1,560.0**	**100.0%**

Uses		
Repay Existing Bank Debt	$1,016.0	65.1%
Funding for reserves	36.0	2.3%
Capex reserve	80.0	5.1%
Monoline credit fee & other	55.0	3.5%
Distributed to equity	373.0	23.9%
Total Uses	**$1,560.0**	**100.0%**

Source: Dealogic.

- Terms of refinancing

SIZE ($MM)	TRANCHE	PRICING	TENOR	EXPECTED MATURITY
439.0	Bond	Adjustable	12.0 years	2017
961.0	Bond	Adjustable	21.0 years	2026
150.0	Term Loan	LIBOR + (250-275)bp	6.0 years	2011

Source: Dealogic

- Skyway Concession Company LLC ("SCC") issued $1.4 billion of bonds to refinance the existing bank loan, fund capital expenditures and reserves, pay issuance costs, make payments in relation to swap transactions as required, and repay a portion of the subordinated member loan
  - FSA provided an unconditional and irrevocable guarantee of regularly scheduled payments of principal and interest
- At refinancing, SCC entered into interest rate swaps with Citibank and Goldman Sachs
  - The interest rate on all the bonds was swapped to a fixed rate
  - The Series B swap required the swap counterparty to pay current floating-rate interest, while the majority of the issuer's fixed rate payments accrete and are deferred until years 2017 through 2019
- Proceeds were used to:
  - Fund required capital improvements
  - Repay portion of subordinated member loan
  - Pay financing / closing expenses
  - Make payments in connection with swap transaction at close

Rating Agencies Response

- On January 31, 2005, Standard & Poor's Rating Services revised the rating outlook on the city of Chicago's general obligation bonds to positive from stable. At the same time, the rating agency affirmed its 'A+' standard long-term rating and underlying rating ("SPUR") on the city's general obligations
- On July 27, 2005, Standard & Poor's Ratings Services raised one more time Chicago's general obligation bonds outstanding to 'AA-' from 'A+'

Additional Factors to Consider

Limited capex risk

In 2002, an extensive $300 million capital works program began on the Chicago Skyway that involved the reconstruction of decking and viaducts, modifications to the toll plaza canopies and reconstruction of the southern end of the roadway. In addition, there are some minimum capex requirements that extend into 2008.[28]

Capacity and competing routes

The Chicago Skyway has significant capacity compared to other competing routes in Chicago. According to traffic studies, a commuter can save 22 minutes by taking the Skyway. The competing Borman / Kingery and Bishop Ford Freeway are heavily congested and are already running above theoretical capacity.[29]

The Pocahontas Parkway

Source: www.virginiadot.org/infoservice. VDOT

The Pocahontas Parkway is a 9 mile, 4-lane, toll road located near the city of Richmond, Virginia, that opened to traffic on Sep 20, 2002. It crosses the James River to link the I-95 with the I-295 and may provide direct access to Richmond International Airport in the future. The toll road's traffic is well below expectations (ADT 29,600), but improved to 15,600 in 2005. Revenue increased by 22% in 2005 to $11 million.[30]

Pocahontas was the state's first public-private venture, in partnership with the Fluor Daniel / Morrison Knudsen industry group, which built the road. Fluor Daniel / Morrison Knudsen formed a nonprofit corporation, the Pocahontas Parkway Association, to borrow the money for the road's construction and to oversee the project. In a deal that closed June 2006 and worth $611 million, Virginia leased the financially ailing toll road to Transurban Group for 99 years. [31]

Bidder's Description

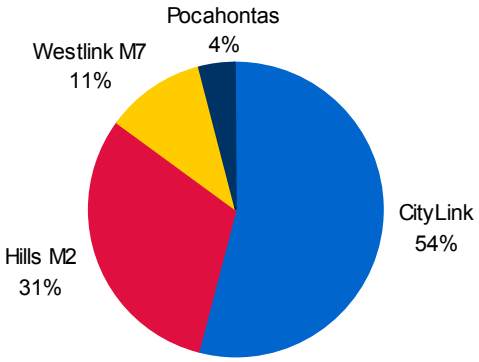
Transurban Group ("Transurban"), headquartered in Australia, develops and operates electronic toll roads and intelligent transport solutions. The company consists of Transurban Holdings Limited, Transurban Holding Trust and Transurban Infrastructure Development Limited. The key operating asset of Transurban is the 22 km toll road CityLink, in Melbourne. The company is also developing Westlink M7, a 40%-owned toll road in Sydney. In December 2003, the company signed an agreement to set up a tolling joint venture with the Macquarie Infrastructure Group. In addition, Transurban joined several consortiums to bid for projects in both Australia and overseas, including the Mitcham-Frankston project in Melbourne and another project in Stockholm, Sweden. In

[28] Credit Suisse Equity Research
[29] Credit Suisse Equity Research
[30] Credit Suisse Equity Research
[31] Peter Bacque. Parkway leased to Australian firm / Pocahontas toll road deal could speed plans for airport connection. Jun 2006. The Richmond Times

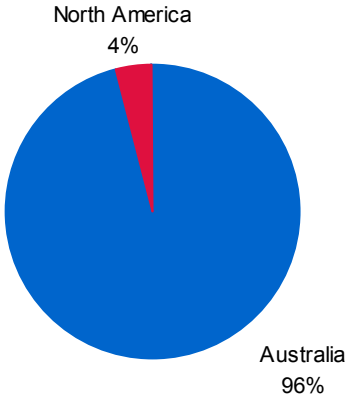
April 2004, Transurban acquired an 8.1% interest in Hills Motorway, the owner and operator of the M2 Motorway in Sydney.

The company was established in 1996 and has a market capitalization of AU $6 billion (approx $4.5 billion), including Transurban CARS.[32]

Asset Portfolio



Geographic Split



Source: Transurban Group. Investor Presentation (May 2006).

Capital Structure

Sources & Uses

($ in millions, unless otherwise noted)

Sources		
Senior bank debt	$420.0	68.7%
Initial equity	136.0	22.3%
Deferred equity	55.0	9.0%
Total Sources	**$611.0**	**100.0%**

Uses		
Bond payout	$487.0	79.7%
Operational enhancements	8.0	1.3%
Development fees and costs	13.0	2.1%
Finance and arranging fees	11.0	1.8%
Major maintenance reserve	2.0	0.3%
Debt reserve	35.0	5.7%
Equity reserve	55.0	9.0%
Total Uses	**$611.0**	**100.0%**

Source: Transurban Group. Investor Presentation (May 2006).

- Total acquisition cost of $611 million–$191million in equity and $420 million in standalone bank debt (without recourse to Transurban Finance Company Pty Limited's Australian toll road assets)
- Equity commitment of up to $191 million, Transurban sourced its equity contribution from its Distribution Reinvestment Plan ("DRP"). DRP raised AU $90 million ($67.5 million) from the distribution for the six months ended December 31, 2005, while the remainder was sourced from the two distributions over 12 months:
  - $136 million at financial close

[32] Factset (July 2006).

- Up to $55 million over next 6 years - the deferred equity will only be required if cash flows are not sufficient to meet interest payments in the first six years
- 70% / 30% split between debt and equity
- Transurban owns 100% of equity
- Equity IRR of 12.6%[33]

- Transurban Finance Company Pty Limited's ("TFC") borrowings will increase by about AU $165 million (approx. $123 million) in the short term to bridge-finance this period. The terms of TFC's senior secured debt include extensive protections for lenders, including a 2x senior debt service coverage incurrence test, senior secured ranking and various structural enhancements[34]

Rating Agencies Response

- On May 2, 2006, Standard & Poor's announced that it will closely monitor the situation with a focus on agreements to defease the Pocahontas Parkway Association's senior-lien debt
- The next day, Fitch Ratings affirmed the 'A-' Long-term rating of TFC's unenhanced senior secured debt issues
- On May 17, 2006, Moody's placed its A3 underlined senior secured rating for the bonds of TFC on review for possible downgrade

Additional Factors to Consider

Refinancing restrictions

Refinancings are subject to VDOT approval if new debt is undertaken, project debt falls below an investment grade rating, or additional debt is not used to fund capex.

Capex reserve requirement

Transurban must regularly fund a security reserve to fund 110% of major capex requirements.

Protection from changes in laws

Transurban is entitled to compensation from VDOT for changes in legislation that result in higher property or license taxes, or expand the classes of toll-exempt vehicles using the parkway.

Emergency services

Policing and emergency services are to be provided by VDOT at no cost to Transurban.

Non-compete clause

VDOT must compensate Transurban for any net revenue loss that results from the construction of any new crossing of the James River within three miles of the Pocahontas Parkway.[35]

[33] Transurban Group. Investor Presentation (May 2006)
[34] Credit Suisse Equity Research
[35] Credit Suisse Equity Research

The Indiana Toll Road

The Indiana Toll Road ("ITR") is a 4-lane highway running for 253 km (157 miles) across the northern border of Indiana. It forms part of the I-90, a critical interstate road crossing America from east to west, and providing access to Illinois, Michigan and other north-eastern states. At its eastern end, it connects with the Ohio Turnpike, a 241 mile road that also forms part of I-90. In the west, it connects with the Chicago Skyway, providing the main access route into the city of Chicago.

As a route for long distance transport across Indiana, the ITR does not have a competing route. This helps contribute to the relative importance of commercial trucking to revenues. For commuters traveling to Chicago, and other cities in Indiana, the road essentially competes with alternative roads that are not of highway standard and with significantly longer travel times.

A Macquarie Infrastructure Group-Cintra consortium (50% / 50%) paid $3.85 billion for the 75-year concession. The transaction closed in June 2006.

Source: Macquarie Infrastructure Group. Investor Presentation (Jul 2006)

Capital Structure

MIG and Cintra have announced the signing of a 75-year lease on the Indiana Toll Road. The acquisition price of $3.85 billion has been reduced by $50 million to reflect interest rate movements between the preferred bidder stage and sign-off.[36]

Sources & Uses

($ in millions, unless otherwise noted)

Sources		
Term Loan	$3,248.0	67.2%
Term Loan	150.0	3.1%
Term Loan	665.0	13.8%
Cintra equity	385.0	7.9%

Uses		
Purchase price	$3,850	79.6%
Reserves	100.0	2.1%
Other Expenses	883.0	18.3%

[36] Credit Suisse Equity Research

MIG equity	385.0	7.9%		
Total Sources	**$4,833.0**	**100.0%**	**Total Uses**	**$4,833.0** **100.0%**

Source: Dealogic

- Terms of financing

SIZE ($MM)	TRANCHE	PRICING	TENOR	EXPECTED MATURITY
3,248.3	Term Loan	LIBOR + (95 -100)bp.	9.0 years	2017
150.0	Term Loan	LIBOR + (95 -100)bp.	9.0 years	2017
665.0	Term Loan	LIBOR + (95 -100)bp.	9.0 years	2017

Source: Dealogic

- Type of finance: Non-recourse bank debt
- Tranches:
  - Tranche A – Acquisition, reserves and other expenses: $3.25 billion
  - Tranche B - Liquidity line: $150 million
  - Tranche C - Capex line: $665 million
- Interest rate hedge: 100% hedged with a step-up swap until 2026
- Reserve and step-up swap accounts enable dividends to be distributed from the outset
- Participants: BBVA, Banco de Santander, BNP, CajaMadrid, Depfa, Dexia and RBS[37]

Additional Factors to Consider

Non-compete clause

All required capital and operational expenditure is the responsibility of the lessee, and it is required that electronic tolling be installed along the length of the road. Although there is limited risk of alternative routes being constructed nearby the Indiana Toll Road, the concession included a clause requiring payment of compensation to the concessionaire if new highway standard roads of more than 20 miles in length are constructed within 10 miles.

Toll freeze

The Indiana Finance Authority ("IFA") has committed to finance a toll freeze on the ITR over the first 10 years of the concession. The toll freeze is to be financed by way of a cash back scheme similar to schemes implemented on the M4 and M5 in Australia. The scheme will be available to all light vehicles with an electronic tag registered in Indiana. The impact of the toll freeze to the concession holders is that it completely removes volume elasticity to toll increases over the first 10 years. The offset comes in 2017, when the scheme may be removed and users no longer receive the IFA sponsored reimbursement.

[37] Cintra. Investor Presentation (June 2006)

Overall, this pushes the negative impact of elasticity further into the future and effectively brings cash forward. On an NPV basis, this development is worth a few cents per share to MIG shareholders. More importantly, the scheme will drive electronic tag take-up, which has been seen to reduce elasticity to toll increases over the longer term. This is more valuable than the incremental cash uplift and could have an equally valuable flow-on effect for the connecting Chicago Skyway. Additionally, it would be politically difficult for the government to attempt to remove the IFA subsidy in 2017.[38]

Lessons Learned

The most important take-away from the ITR transaction is the significance, from a public-policy perspective, of using proceeds from a privatization to generate long-term benefits for that area. Proceeds from ITR will be reinvested in Indiana's transportation infrastructure and will benefit taxpayers by creating an enhanced transportation system. In contract, the proceeds from the Skyway transaction were used to fund short term projects and not reinvest in the tollway system.

Highway 407

Highway 407 ("407") is a 118 km (74 miles) fully-electronic tollroad located to the north of Toronto, Canada's largest city, with a 99-year concession until 2098 and has 193 entry and exit points. The road is currently 4 to 6 lanes, however, there is scope to widen to 10 lanes. It was designed as a bypass of Canada's most congested highway-Highway 401, which is 18 lanes wide in parts and carries more than 400,000 vehicles per work day. The 407 has an average work day traffic of 285,000 vehicles and an average trip length 19.1 km.[39]

Source: Macquarie Infrastructure Group. Investor Presentation (Mar 2002).

The tollroad was constructed in a number of stages, with the first section opened in June 1997. The final section was opened on August 30, 2001. [40]

Privatization History

- In mid 1999, the Ontario government privatized the 407, the largest project of such kind in the world at the time. The winning consortium was made up of Grupo Ferrovial / Cintra (61.3%), SNC Lavalin (22.6%) and CDP Capital (16.1%)[41]
- In 2001, following its purchase of 40% of Cintra, MIG owned an indirect interest of 24.5%

[38] Credit Suisse Equity Research
[39] Credit Suisse Equity Research (2001)
[40] Macquarie Infrastructure Group. Asset Portfolio Description
[41] Macquarie Infrastructure Group. Asset Portfolio Description

- In April 2002, MIG acquired an additional direct and indirect fully diluted 18.45% interest in 407, for a cost of AU $690 million (approx. $368 million)[42], including transaction fees, taking MIG's fully diluted direct and indirect interests to 42.97%.[43] The acquisition price was very similar to the price paid for MIG's initial investment in Highway 407 in September 2001

- In October 2004, MIG sold its 40% of Cintra through IPO but negotiated a further direct stake of 407 taking MIG's total direct interest to 30%[44]

Capital Structure

Sources – Interim

($ in millions, unless otherwise noted)[45]

Sources		
Bridge Facilty	$1,373.9	50.6%
Bridge Facilty	206.1	7.6%
Bridge Facilty	103.0	3.8%
Equity	1,030.4	38.0%
Total Sources	**$2,713.5**	**100.0%**

Source: Dealogic.

- Terms of interim financing

SIZE ($MM)	TRANCHE	PRICING	TENOR	EXPECTED MATURITY
1,373.9	Bridge Facility	LIBOR + 175bp.	2.0 years	2001
206.1	Bridge Facility	LIBOR + 250bp.	3.0 years	2002
103.0	Bridge Facility	LIBOR + 175bp.	2.0 years	2001

Source: Dealogic

[42] USD / AUD currency rate applied 0.534
[43] Macquarie Infrastructure Group. Asset Portfolio Description
[44] Macquarie Infrastructure Group. Asset Portfolio Description
[45] AUD / USD currency rate applied 0.687

Sources – Refinancing

($ in millions, unless otherwise noted)[46]

Sources		
Equity	$1,030.4	40.7%
Bond	274.8	10.9%
Bond	274.8	10.9%
Bond	206.1	8.1%
Bond	274.8	10.9%
Bond	446.5	17.6%
Swap Facility	24.0	0.9%
Total Sources	**$2,531.4**	**100.0%**

Source: Dealogic

SIZE ($MM)	TRANCHE	PRICING	TENOR	EXPECTED MATURITY
274.8	Bond	6.05%	10.0 years	2009
274.8	Bond	6.47%	30.0 years	2029
206.1	Bond	0.00%	40.0 years	2039
274.8	Bond	6.55%	7.0 years	2006
446.5	Bond	5.33%	NA	NA
24.0	Swap Facility	NA	2.0 years	2001

Source: Dealogic

Ratings Agencies Response

As of May 2006, the 407 had stable credit ratings by S&P and DRBS since 1999:[47]

- Senior: A / A
- Junior: A- / A (low)
- Subordinated: BBB / BBB

All previous refinancings were completed ahead of scheduled maturity date and all issues were well received.[48]

Additional Factors to Consider

Low toll elasticity

The 407 should have low toll elasticity given the congestion on competing roads and the time value of money combined with full electronic tolling, which means price increases are less visible and a pricing structure that is less onerous – a rise in increments from 11.5 ¢/km to 20 ¢/km is psychologically less than a rise from $2.2 to $4.0.[49]

Lessons Learned

The concession agreement for Highway 407 has been very controversial from a public perspective since it does not provide for governmental approval for toll rate increases. The concessionaire continuously utilized its right

[46] AUD / USD currency rate applied 0.687
[47] Macquarie Infrastructure Group. Investor Presentation (June 2006)
[48] Macquarie Infrastructure Group. Investor Presentation (June 2006)
[49] Macquarie Infrastructure Group. Investor Presentation (June 2006)

to increase toll rates. Pressed by the public, the Canadian Province challenged the concession agreement in connection with the toll rate setting mechanism, and also the lack of required government approval of toll increases etc. There were numerous legal attempts to require the concessionaire to seek governmental approval before raising tolls, with no result. [50]

On March 31, 2006, the Province of Ontario and the concessionaire reached an agreement to provide for resolution to some of the concerns raised: [51]

- Introduction of a $40 million customer benefit program
- Savings for heavy usage and heavy-vehicle drivers
- Addition of over 100 km of new highway capacity by late 2007
- Settlement of all outstanding disputes between the concessionaire and the Province
- Appointment of an ombudsman to advocate on behalf of 407 users
- Putting a stop to efforts by collection agents and the reporting of unpaid debts to consumer reporting agencies while the dispute resolution process is underway

According to the concession agreement, the Province can renegotiate the key terms once every five years. However, the company has no obligation to accept any changes. As of 2006, there are 92 years left from the 99-year life of the concession agreement.

Dulles Greenway – Original Greenfield Financing

The Dulles Greenway is a 23 km (14 miles) extension of the Dulles Toll Road, which carries traffic between Washington's Capital Beltway region and Dulles International Airport. The highway extends past the airport to Leesburg County, a region undergoing rapid economic development. Privately owned, the toll road opened in 1995 and operates under a long-dated concession that expires in 2056. It runs 2-3 lanes in each direction and had an average annual daily traffic (AADT) of approximately 65,000 vehicles in 2005. Although there are seven interchanges along the highway, a vast majority of tolls are collected at the mainline plaza where the Dulles Greenway turns into the Dulles Toll Road. In 2004, the highway generated over $40 million in revenues and $27 million in EBITDA. [52]

Source: Macquarie Infrastructure Group. Investor Presentation (May 2006)

[50] Ontario Government Fighting For Consumer Rights. December 30, 2005. Ministry of Transportation
[51] Province And 407 ETR Agree To Better Deal For Drivers. March 31, 2005. Ministry of Transportation
[52] Credit Suisse Equity Research

Toll Road Investors Partnership II, L.P. (TRIP II) / Greenway History

TRIP II is a Virginia limited partnership of Shenandoah Group (43.3%), AIE LLC (43.3%) and Kellogg, Brown & Root (13.3%), formed in 1993 for the purpose of developing, constructing, and operating the Greenway. The toll road has been in operation since Sep 1995. TRIP II held a certificate of authority from the SCC to operate the Greenway. In conjunction with the 2005 financing, the certificate was designated to expire on the earlier of 10 years following the final maturity date of the series 2005 senior bonds (Apr 2, 2056) or upon the full payment of principal and / or interest on the series 2005 senior bonds. TRIP II had the right to petition the SCC to extend the certificate of authority if the projected return on investment is not achieved. The certificate of authority also could have been revoked by the SCC for a continuing default under the comprehensive agreement, which is between TRIP II and the VDOT.[53]

Traffic and Tolls

The Greenway opened to traffic in 1995, with tolls set at $1.75. However, tolls were lowered to $1.00 in May 1996 in response to a weak traffic and revenue ramp-up. Since then, the toll road has experienced a more normal traffic and revenue ramp-up, with traffic growing at a double-digit pace for all years but 2002 and 2003, when growth exceeded 7%.

County population grew nearly 30% from 2000 to 2003, making Loudoun one of the fastest growing areas in the country. Meanwhile, the northern Virginia metropolitan statistical area experienced greater than 38% growth in employment during the same period. These demographics resulted in nearly 30% growth in traffic volume on the Greenway from 2000 to 2003, with toll revenue growing by more than 68% during the same period. In 2004, gross toll revenue was $40.7 million, or approximately 23% greater than the year before level. Since the initial lowering of tolls in 1996, five toll increases have been implemented, beginning in 1998, with little or no loss in the traffic base. Despite the toll increase in the fourth quarter of 2004, traffic was up 11% over the same quarter in 2003. Overall, 2004 traffic was up 16% year over year. Tolls are currently capped by an SCC order at $2.70 for 2006, and $3.00 for 2007.[54]

Capital Structure

Sources – Initial Financing

($ in millions, unless otherwise noted)

Sources		
Insitutional Debt	$202.0	63.5%
Bank construction loan	57.0	17.9%
Equity	59.0	18.6%
Total Sources	**$318.0**	**100.0%**

Source: Credit Suisse Equity Research

- In 1996, TRIP II experienced financial difficulties and defaulted[55]
- In 1999, TRIP II refinanced

Sources – 1999 Refinancing

($ in millions, unless otherwise noted)

[53] Fitch Ratings
[54] Fitch Ratings
[55] www.innovativefinance.org. American Association of State Highway & Transportation Officials

Sources			
Bonds	(35-years-10-months)	$35.0	10.5%
Bonds	(35-years-10-months)	$297.8	89.5%
Total Sources		**$332.8**	**100.0%**

Source: Dealogic.

Rating Agencies Response

- On April 23, 2001, Fitch Rating Services affirmed its stable 'BBB-' underlying rating due to increased the Dulles Greenway (Greenway), a rise in average toll rates in fiscal 2000, and the resulting increase in gross toll revenues when compared to the 1998 traffic and revenue base case forecast prepared by Vollmer Associates LLP

- On June 23, 2006, Standard & Poor's Ratings Services affirmed its 'BBB-' underlying rating (SPUR) on Dulles Greenway, Virginia's $882 million outstanding project revenue bonds with stable outlook

Additional Factors to Consider

Traffic

Similar to Highway 407 in Toronto, the Dulles Greenway is a commuter route that experiences early morning and late afternoon traffic peaks. As such, penetration of electronic tolling is high, with electronic tags representing over 85% of peak-hour transactions. Weekend traffic is about half of weekday traffic and, in 2005, AADT averaged around 65,000 vehicles per day.

Traffic disappointed considerably in the early years of operation. The first year saw average daily traffic of 10,500 versus an original forecast of 30,000. However, underlying traffic growth has been strong ever since and has grown at an annually compounded rate of 17% from 1996 to 2004. Once nicknamed the "road to nowhere", the Dulles Greenway now connects the Capital Beltway to one of Virginia's highest growth corridors.

Most of the commuter traffic on the Greenway travels east to west in the morning and in the opposite direction in the afternoon. The primary road users are residents of Loudoun County who travel to work in either Dulles or Fairfax. The corridor appears to be somewhat self-contained, as Loudoun County surveys reveal that only 10% of Greenway travelers continue all the way into Washington.

Competing Routes

The Dulles Greenway is a key commuter link between Leesburg, Virginia and the Washington Dulles International Airport. The major competing road is Route 7, which begins in Leesburg and runs North of the Greenway to Route 28, which connects to the Dulles Toll Road. Neither one of these alternate roads are tolled.

Strong population growth in Loudoun County has contributed to considerable congestion on Routes 7 and 28 during peak hours. However, anecdotal evidence suggests that these roads move relatively smoothly during off-peak periods. This is consistent with weekday traffic patterns observed on the Greenway, as off-peak periods carry significantly fewer vehicles.

Dulles Greenway MIG's Concession

Capital Structure

- On August 31, 2005, MIG made a $534 million bid to purchase 86.7% of the Dulles Greenway. They raised the necessary funds via an institutional placement

($ in millions, unless otherwise noted)

Uses		
Loans	$500.0	93.6%
General partner	1.0	0.2%
Call option premium	9.0	1.7%
Transitional expenses	3.8	0.7%
Fees	20.5	3.8%
Total Uses	**$534.3**	**100.0%**

Source: Credit Suisse Equity Research
Note: USD / AUD currency rate applied 0.755

Additional Factors to Consider

Toll Rates

Toll schedules on the Greenway are set to July 2007. Current allowances are for an increase to $3.00 on July 31, 2007. There is some risk in relation to permitted toll increases beyond this timeframe. The SCC is the determining body on toll increases, and although it has been reasonable on toll schedules in the past, this is no guarantee of its decision in the future. Under the regulation governing the Greenway, it appears unlikely that the SCC will be unreasonable in deciding on future increases.[56]

Despite the cap on toll rate increases, the Greenway has a very unique capital structure that incorporates flexible amortization, allowing for underperformance of traffic without triggering a default. In such case, the equity returns would be locked up as a protection against accreting debt. Future debt-service obligations grow at a significantly high rate. [57]

[56] Credit Suisse Equity Research
[57] Credit Suisse Equity Research

A28 Motorway

The A28 Motorway ("A28," "Motorway") extends over 78 miles (125 km) and completes the motorway link between the city of Alencon in Basse-Normandie and the Rouen area in Haute-Normandie. A28 is part of the motorway link between Calais (which is connected to the Northern Europe motorway system and to the Eurotunnel) and Bayonne (which is connected to the Iberian Penninsula network), by-passing the Paris region on the western side. The Motorway is the final section of the major Rouen-Alencon-Les Mans-Tours motorway link in respect of which a concession had not yet been granted.

The Motorway is a control granted, 2-lane dual carriageway with the exception of the sections where it crosses the Le Bec and La Risle valleys where, in each case, the initial provision was for a single lane dual carriageway on a single viaduct. According to the terms of the concession agreement, when the volume of traffic increases to a predetermined level or, in the event of exceptional traffic accidents are recorded, the viaducts will be widened to provide 2 – lane dual carriage lanes over the valleys. In such case, a second viaduct parallel to each original single one should be constructed.

Source: www.alis-sa.com

A consortium called the Autoroute de Liaison Seine-Sarthe (the "Alis Consortium") was declared the preferred bidder in August 2000 to build, operate and maintain the Motorway. Following the selection of the Alis Consortium, a special purpose limited liability company ("Alis") became the concessionaire company pursuant to the concession agreement entered into in November 2001. The agreement became effective in December 2001 and has a term of 62 years. [58]

Bidders' description

Alis Consortium

The Autoroute de Liaison Seine-Sarthe was formed by Bouygues Travaux Publics, CDC Finance, DTP Terrassement, Egis S.A. and Quille for the purpose of submitting a bid subsequent to an invitation to tender, related to the concession of the Rouen-Alencon section of the A28 / E402 motorway in Normandy, made on Mar 19, 1999 by the French Ministry of Public Works, Transport and Housing.

[58] A28 Offer Circular

The current shareholders of Alis are: [59]

- Bouygues Travaux Publics (14.9%)
- CDC Finance- CDC IXIS (26%)
- DTP Terrassement (9.9%)
- Egis S.A. (8%), Quille (8.3%), Sanef (11.7%)
- Societe des Aoutoroutes Paris-Normandie ("SAPN") (8%)
- Uberior Infrastructure Investments Limited (13.1%)

Capital Structure

Sources & Uses

($ in millions, unless otherwise noted)

Sources			Uses		
A1 Bonds	$78.3	8.8%	Construction	$650.3	73.0%
A2 Bonds	175.1	19.7%	Land Acquisition	49.8	5.6%
A3 Bonds	194.5	21.8%	Concessionaire Costs	83.1	9.3%
B Bonds	36.5	4.1%	Financing Costs	62.5	7.0%
Junior Funiding	72.6	8.1%	Debt Service	30.3	3.4%
Subsidies	333.7	37.5%	B Bond Debt Service	7.4	0.8%
			Cash	7.4	0.8%
Total Sources	**$890.8**	**100.0%**	**Total Uses**	**$890.8**	**100.0%**

Source: M5 Offer Circular
Note: USD / EURO currency rate applied 0.973

- $447 million Euro-denominated French inflation index linked bonds were issued by CDC – IXIS guaranteed by the Financial Security Assurance (U.K.) Limited, a wholly owned European subsidiary of Aaa / AAA / AAA Financial Security Assurance Inc. (FSA)[60]
- Terms of financing

SIZE ($MM)	TRANCHE	PRICING	TENOR	EXPECTED MATURITY
78.3	Class A1 notes	4.00%	15.0 years	2017
175.1	Class A2 notes	4.25%	25.0 years	2027
195.5	Class A3 notes	4.30%	30.0 years	2032

Source: A28 Offering circular.
Note: USD / EURO currency rate applied 0.973.

Rating Agencies Response

- On June 19, 2002, Moody's assigned (P) 'Aaa' rating to the EUR guaranteed index linked notes

[59] www.alis-sa.com
[60] A28 Offer Circular

- On May 10, 2004, Standard & Poor's had 'AAA' ratings on the $175 million and $195 million bonds, and a "BB-" on the $36 million bonds

Additional Factors to Consider

Tolls

The tolls for different categories of vehicles is fixed yearly by Allis, according to the concession agreement. The toll, if in accordance with the agreement, becomes applicable six weeks after being notified to the Minister in charge of national roads and the Minister of Economy and Finance in France. Alis is required to provide the Ministers all elements of calculation and information in respect of the toll and to provide further information if required. In addition, the concession agreement sets out the details of the applicable formula used to adjust the toll tolls.[61]

M5 Tolled Motorway

The 157 km (98 miles) M5, situated in Hungary, forms part of the Pan-European Transport Corridor IV (Berlin-Prague-Bratislava-Budapest-Bucharest-Thessaloniki-Istanbul). It is the main link from Budapest to Hungary's Southern region and an important extension of the western and central European motorway network towards Belgrade and Bucharest. The AADT is around 15,500 vehicles per day at the mainline plaza, of which approximately 15% are heavy vehicles. The motorway consists of two mainline plazas, one at each end, and several tolled ramp interchanges. Traffic is projected to grow to AADT 17,000 very rapidly.[62]

Pre-qualification documents were released to private sector bidders in April 1992. Following the selection of three pre-qualified bidders in September 1992, a tender was launched in 1993, leading to the selection of two preferred bidders in February 1994. The successful bidder, a special purpose company formed by a French-Austrian-Hungarian consortium, Alflold Koncesszios Autopalya Rt. ("AKA"), signed a 35-year concession contract.[63]

Bidders' description

Alflold Koncesszios Autopalya Rt.

The main shareholders of AKA are the general contractors, Bouygues S.A. ("Bouygues") and Strabag AG.

- Bouygues is a diversified industrial group. Its business activities focus on two sectors: Construction with Bouygues Construction (building, civil works and electrical contracting), Bouygues Immobilier (property development) and Colas (roads), and Telecoms/Media with TF1 and Bouygues Telecom.[64]

- Strabag is one of the leading providers of construction services in Central and Eastern Europe[65]

[61] A28 Offer Circular
[62] www.intertoll.co.za
[63] Resource book on PPP case studies (Jan 2004). European Commission
[64] www.bouygues.fr
[65] www.strabag.at

Capital Structure

Sources & Uses – Interim

($ in millions, unless otherwise noted)

Sources			Uses		
Equity	$88.6	18.0%	Construction	$336.1	68.3%
EBRD[(1)] "A"	69.2	14.1%	AKA costs	62.4	12.7%
EBRD "B"	263.3	53.5%	Interest (during	93.5	19.0%
HUF Loan	71.0	14.4%	construction)		
Total Sources	**$492.0**	**100.0%**	**Total Uses**	**$492.0**	**100.0%**

(1) European Bank for Reconstruction and Development
Source: M5 Offer Circular
Note: USD / EURO currency rate applied 0.752

Refinancing

- In 2004, the concession structure was renegotiated for $732.4 million[66]
- Debt / Equity: 82% / 18%
- $598 million syndicated bank loan: [67]
  - 20 year maturity
  - Priced at LIBOR + (120-160)bps[68]

Additional Factors to Consider

Strong Public Resistance

As a result of the imposition of tolls on an existing road alignment, extensively used by domestic and international heavy goods vehicles, a significant amount of traffic in the corridor (50% or greater in the first year of commercial operation), diverted to Route No. 50, an untolled road running parallel to the M5. Traffic volumes on Route No. 50 had increased by 30% in relation to the levels prevailing before the opening of the M5. The vehicles diverting to Route 50 comprised principally local residents and cross border truck traffic, especially from Ukraine and Turkey.

The increased noise pollution and safety hazard led to protests by local residents. Subsequently, following negotiations involving the Ministry of Transport, AKA, AKA's lenders and the relevant municipalities, it was agreed to implement traffic calming measures on Route No. 50 and to build by-passes. AKA was able to resist pressures to reduce the agreed toll rates on the M5 (in contrast to a similar situation prevailing on the M1 Motorway) but did agree to a program of more substantial discounts for frequent and local users. Some users brought legal cases against AKA concerning toll rates in force but the Courts rejected these complaints.[69]

[66] USD / EURO currency rate applied 0.797
[67] USD / EURO currency rate applied 0.797
[68] Henry Kerali. Public-Private Partnerships: Lessons from the Roads Sector
[69] Resource book on PPP case studies (Jan 2004). European Commission

Lessons Learned

- The M5 experience highlights the importance of an appropriate allocation of risks between the public and private sectors and the critical requirement for avoiding the transfer of unmitigated traffic risk to private sector investors and their lenders. This is especially important in transport corridors without previous experience of tolling

- The early troublesome operating experience of the M5 illustrates the difficulties, which even the most experienced traffic forecasters have, in arriving at dependable forecasts of toll acceptance by drivers in a traffic corridor with no prior experience of tolling

- Given the inherent uncertainty of traffic forecasts in such situations, the Government support arrangements, especially the revenue deficiency facility, were critical in ensuring the financial existence and viability of the project and in avoiding the risk premia, which lenders and investors would otherwise have required

- Experienced technical, traffic, financial and legal advisers were important to both the Government and private sectors in order to achieve a satisfactory allocation of risk and an appropriate revenue support mechanism

- The financial viability of a capital-intensive road project is dependent on achieving loan maturities of acceptable length. The loan maturity available to borrowers in Hungary in 2003 has substantially increased in relation to the circumstances prevailing when the M5 financing was first initiated as a result of Hungary's improved economic position and EU accession status. The EBRD played a critically important role, at that time, in enabling the necessary loan maturities to be achieved

- Even without the improvement in Hungary's overall economic position, the rate of return to investors would have been significantly improved by refinancing the initial borrowings, once construction risks had disappeared and the financial results for a number of the early operating years can be made available to lenders

Appendix C: Financial Glossary

Comparable Acquisitions Analysis (Compaq)

Comparable Acquisitions Analysis entails valuing a company based on a relative comparison with comparable acquisitions in the past. It is a comparison of acquisitions generally in the same industry to evaluate valuation metrics.

Discounted Cash Flow Analysis (DCF)

Discounted Cash Flow Analysis uses future free cash flow projections and discounts them to arrive at a present value, which is used to evaluate the potential for investment. Discount rates are typically determined by the weighted average cost of capital (WACC).

Initial Public Offering (IPO)

An Initial Public Offering is the first sale of stock by a private company to the public.

Internal Rate of Return (IRR)

The Internal Rate of Return is the discount rate at which the present value of the future cash flows of an investment equals the cost of the investment.

Leveraged Recapitalization

Leveraged Recapitalization is a corporate strategy to fend off potential acquirers by taking on a large amount of debt and making a large cash distribution to shareholders.

Public Private Partnership (PPP)

A Public Private Partnership is a partnership between the public and private sector for the purpose of delivering a project or service which was traditionally provided by the public sector. The PPP process recognizes that both the public sector and the private sector have certain advantages relative to the other in the performance of specific tasks, and can enable public services and infrastructure to be provided in the most economically efficient manner by allowing each sector to do what it does best.

Return on Invested Capital

A measure of how effectively a company uses the money (borrowed or owned) invested in its operations.

Appendix D: Historical Financials

Illinois Tollway Financials

Source: CAFR 2004, 2002 and 2001, unless indicated otherwise

($MM)	2000	2001	2002	2003	2004
INCOME STATEMENT					
Operating revenues					
Toll revenue	343.9	354.8	363.2	377.5	391.6
Toll evasion recovery	–	–	1.0	48.8	21.0
Concessions	8.4	4.6	4.1	3.7	2.7
Miscellaneous	2.1	6.1	3.7	3.6	3.4
Total Operating Revenues	**354.5**	**365.5**	**372.0**	**433.5**	**418.7**
Operating Exenses					
Engineering and Maintenance of Roadway and Structures	30.6	31.0	30.5	35.3	32.6
Services and Toll Collection	60.5	64.3	66.3	83.4	83.9
Traffic Control, Safety Patrol, and Radio Communications	14.1	15.6	15.3	16.1	15.3
Procurement, IT, Finance and Administration	9.7	10.8	14.6	19.5	20.9
Insurance and Employee Benefits	36.4	39.0	38.8	41.3	47.8
Total Operating Expenses	**151.4**	**160.7**	**165.5**	**195.7**	**200.5**
EBITDA	**203.1**	**204.8**	**206.6**	**237.8**	**218.2**
Depreciation and Amortization	132.6	140.2	146.3	162.8	165.6
EBIT	**70.6**	**64.6**	**60.3**	**75.0**	**52.6**
Interest Income	25.2	23.8	10.7	8.3	8.4
Net increase (decrease) in Fair Value of Investments	(0.2)	2.0	3.2	(0.3)	(0.1)
Net gain (loss) on Disposal of Property	0.5	0.4	(1.1)	0.2	1.8
Interest Expense and Amortization of Financing Costs	(46.8)	(45.1)	(44.3)	(43.2)	(39.8)
Total Nonoperating Revenues (Expenses)	**(21.2)**	**(18.9)**	**(31.4)**	**(35.0)**	**(29.7)**
Net Income Before Extraordinaries	49.3	45.8	28.8	40.0	22.9
Non-recuring Loss (Gain) (1)	–	–	–	–	(7.4)
Increase in Net Assets	**49.3**	**45.8**	**28.8**	**40.0**	**15.5**
Net Assets at Beginning of Year		**1,392.5**	**1,438.2**	**1,467.1**	**1,507.1**
Net Assets at End of Year	**1,392.5**	**1,438.2**	**1,467.1**	**1,507.1**	**1,522.6**
Total Debt Service	79.7	79.7	79.7	109.6	48.4
Margins					
EBITDA	57.3%	56.0%	55.5%	54.9%	52.1%
EBIT	19.9%	17.7%	16.2%	17.3%	12.6%
EBITDA / Total debt service	2.5x	2.6x	2.6x	2.2x	4.5x
Total Debt/EBITDA	4.1x	3.9x	3.8x	3.0x	3.1x

(1) Change in capital assets is reflective of adoption in July 2004 of different accounting procedure whereby equipment expenditures of $5,000 or more are capitalized. Prior to July 2004 the threshold was $200

Illinois Tollway Financials
Source: CAFR 2004, 2002 and 2001, unless indicated otherwise

($MM)	2000	2001	2002	2003	2004
BALANCE SHEET					
ASSETS					
Current Unrestricted					
Excess Cash	302.7	322.7	355.3	350.5	366.7
Accounts Receivable	10.5	7.8	7.4	27.0	31.7
Accrued Interest Receivable	0.6	0.4	0.3	0.3	0.3
Intergovernmental Receivables	2.9	0.2	0.1	0.0	0.0
Current Portion of Lease Receivable	–	–	1.6	1.3	1.5
Total Receivables	14.0	8.3	9.4	28.6	33.6
Risk Management Committed Cash	6.2	6.2	4.8	4.0	6.3
Prepaid Expenses	4.1	3.8	4.1	3.4	3.0
Total Current Unrestricted Assets	**327.0**	**341.1**	**373.6**	**386.5**	**409.5**
Current Restricted					
Cash and Cash Equivalents for Debt Service	22.4	29.0	66.7	60.1	59.2
Deposits and Prepaids in Escrow	32.9	26.1	31.3	41.2	71.1
Investments Restricted for Debt Service, at Fair Value	102.0	90.8	58.4	58.9	29.6
Accrued Interest Receivable - restricted	4.5	5.2	5.8	7.1	8.3
Net Assets Available for Pension Plan Benefits	0.6	0.6	0.6	0.5	0.5
Total Current Restricted Assets	**162.4**	**151.7**	**162.8**	**167.8**	**168.6**
Noncurrent Assets					
Lease Receivable, Less Current Portion	–	–	33.2	32.0	30.5
Deferred Bond Issuance Costs, net of accumulated amortization	4.6	3.8	3.1	2.5	1.8
Total Noncurrent Assets	**4.6**	**3.8**	**36.3**	**34.5**	**32.3**
Capital Assets					
Land and Improvements	188.5	188.3	192.4	192.1	194.8
Buildings	35.9	35.9	35.9	35.9	35.9
Infrastructure	2,800.5	2,878.1	3,285.6	3,423.2	3,567.9
Machinery and Equipment	119.0	141.0	191.1	186.5	172.3
Construction in Progress	503.2	533.2	193.5	183.4	182.4
Total Capital Assets	**3,647.0**	**3,776.5**	**3,898.5**	**4,021.2**	**4,153.3**
Less Accumulated Depreciation	1,761.1	1,894.4	2,034.2	2,191.1	2,347.6
Total Net Capital Assets	**1,886.0**	**1,882.1**	**1,864.3**	**1,830.1**	**1,805.7**
TOTAL ASSETS	**2,379.9**	**2,378.8**	**2,437.1**	**2,418.9**	**2,416.1**
Net Assets					
Invested in Capital Assets, net of Related Debt (1)	1,050.3	1,081.1	1,076.1	1,116.0	1,138.0
Restricted Net Assets	108.1	107.7	111.8	108.5	82.9
Unrestricted Net Assets	237.9	253.3	283.0	282.5	301.7
TOTAL NET ASSETS	**1,396.3**	**1,442.0**	**1,470.9**	**1,507.1**	**1,522.6**
TOTAL LIABILITIES					
Current Liabilities					
Payable from Current Unrestricted Assets					
Accounts Payable	10.9	8.6	16.0	12.3	11.3
Accrued Liabilities	42.3	42.0	40.9	58.5	62.4
Current Portion of Capital Lease Obligations	–	–	6.2	6.5	4.4
Risk Management Claims Payable	5.3	5.3	4.5	3.2	3.9
Deposits and Retainage	10.4	11.3	7.5	9.9	10.6
Total Current Liabilities Payable from Unrestricted Assets	**68.9**	**67.2**	**75.1**	**90.4**	**92.6**
Payable from Current Restricted Assets					
Pension Obligation	0.1	0.1	0.1	0.1	0.1
Current Portion of Revenue Bonds Payable	35.9	37.6	39.4	41.2	13.5
Accrued Interest Payable	21.9	18.4	20.2	18.0	14.5
Deposits and Prepaids in Escrow	32.9	26.1	31.3	41.2	71.1
Total Current Liabilities Payable from Restricted Assets	**90.8**	**82.2**	**91.0**	**100.5**	**99.2**
Noncurrent Liabilities					
Revenue Bonds Payable, less current portion	799.8	763.5	725.4	655.6	643.5
Capital Lease Obligations, less current portion	–	–	17.2	10.7	6.3
Deferred Revenue, less accumulated amortization	24.2	23.9	57.4	54.5	52.0
Total Noncurrent Liabilities	**824.0**	**787.4**	**800.1**	**720.9**	**701.8**
TOTAL LIABILITIES	**983.7**	**936.8**	**966.2**	**911.9**	**893.6**
TOTAL NET ASSETS	**1,396.3**	**1,442.0**	**1,470.9**	**1,507.1**	**1,522.6**
TOTAL LIABILITIES AND NET ASSETS	**2,379.9**	**2,378.8**	**2,437.1**	**2,418.9**	**2,416.1**

(1) Change in capital assets is reflective of adoption in July 2004 of different accounting procedure whereby equipment expenditures of $5,000 or more are capitalized. Prior to July 2004 the threshold was $200

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