Gaston East-West Connector

Preliminary Financial Analyses

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Typical Start-up Toll Facility Debt Structure

- Financing is costly and inefficient for start-up toll facilities with project toll revenues as the only leverage for bonds and loans.
- The most difficult period for toll facilities are the beginning “ramp-up” stages.

Debt Structure Often Incorporates:

- Capitalized Interest
- Capital Appreciation Bonds
- Senior and Subordinate Lien Debt Structure
- Ascending Debt Service
- Debt Service Reserve Fund
- Net Revenue Pledge
- R&R and O&M Reserve Funding After Debt Service
- Weak Credit Ratings
- High Cost of Capital

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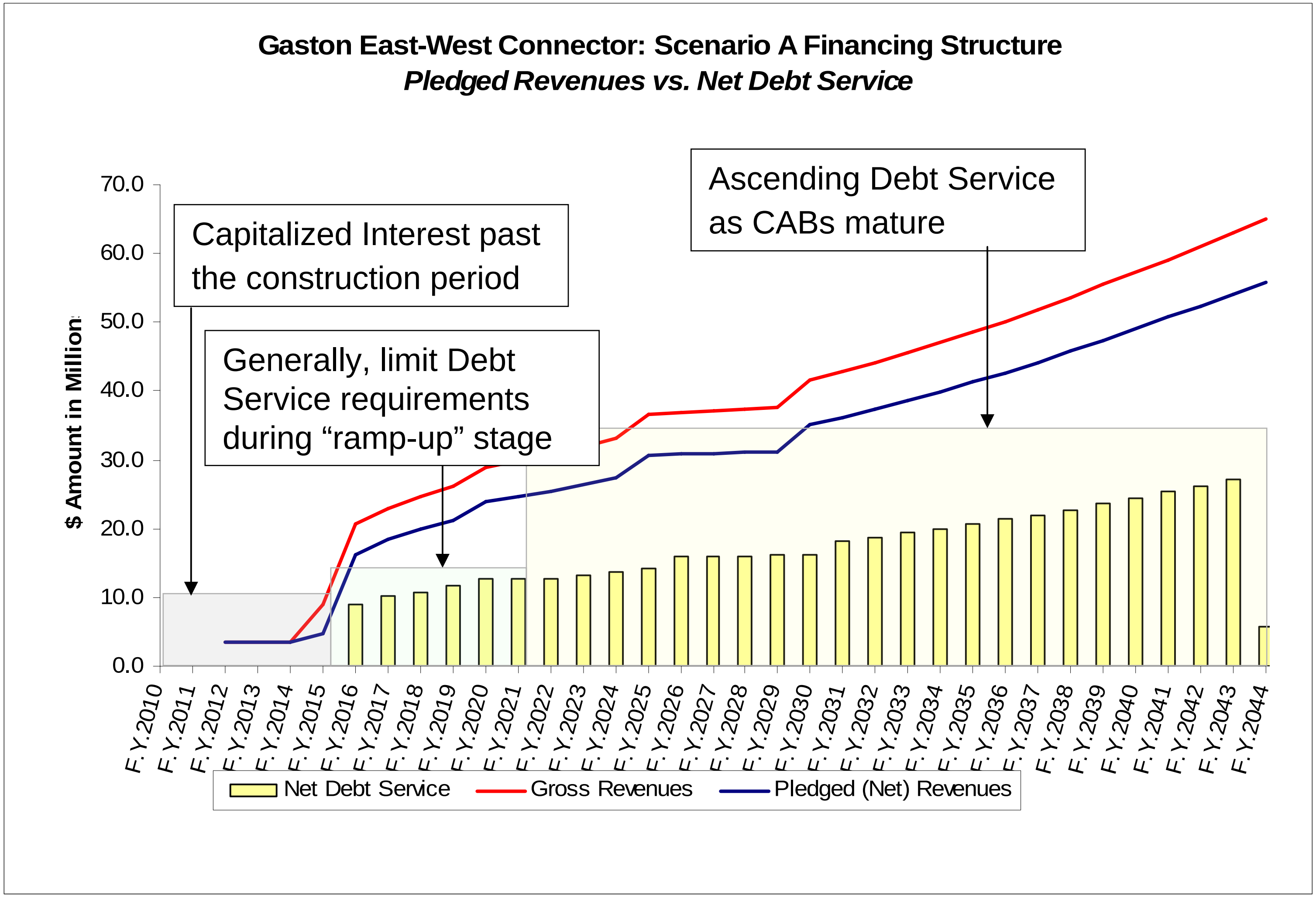
Aspects of Start-up Toll Facility Debt



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Results of Financial Analysis—Scenario A

- Traffic & Revenue Estimates from WSA
- Construction & Operating Cost estimates from HNTB
- Capital Cost Financed: $409.8 million

Scenario A		($ Millions)	% of Project
Total Project Costs		**$409.8**	100.0%
Financing Sources			
	Current Interest Bonds	$208.1	
	Capital Appreciation Bonds	$33.7	
	TIFIA Loan	$142.6	
Financing Uses			
	Construction Deposit	$358.8	
	Capitalized Interest Fund	$-	
	Debt Service Reserve Fund	$22.5	
Financing Stats			
	TIFIA Fully Paid In:	2043	
	Debt Service Coverage	1.79 - 2.01	
	Effective TIC	5.25%	
	Additional Annual Revenues	$12.5	
	Upfront Gap without Annual Revenues	$187.8	45.8%

Scenario A is 54% Self-Supporting, Including TIFIA

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Results of Financial Analysis—Scenario B

- Traffic & Revenue Estimates from WSA
- Construction & Operating Cost estimates from HNTB
- Capital Cost Financed: $765.4 million

Scenario B		($ Millions)	% of Project
Total Project Costs		**$765.4**	100.0%
Financing Sources			
	Current Interest Bonds	$400.1	
	Capital Appreciation Bonds	$50.6	
	TIFIA Loan	$266.0	
Financing Uses			
	Construction Deposit	$671.1	
	Capitalized Interest Fund	$-	
	Debt Service Reserve Fund	$40.7	
Financing Stats			
	TIFIA Fully Paid In:	2044	
	Debt Service Coverage	1.75 - 1.94	
	Effective TIC	5.20%	
	Additional Annual Revenues	$26.0	
	Upfront Gap without Annual Revenues	$418.1	54.6%

Scenario B is 45% Self-Supporting, Including TIFIA

Results of Financial Analysis—Scenario C

- Traffic & Revenue Estimates from WSA
- Construction & Operating Cost estimates from HNTB
- Capital Cost Financed: $1,255.2 million

Scenario C		($ Millions)	% of Project
Total Project Costs		**$1,255.2**	100.0%
Financing Sources			
	Current Interest Bonds	$683.1	
	Capital Appreciation Bonds	$52.7	
	TIFIA Loan	$435.3	
Financing Uses			
	Construction Deposit	$1,100.0	
	Capitalized Interest Fund	$-	
	Debt Service Reserve Fund	$63.8	
Financing Stats			
	TIFIA Fully Paid In:	2042	
	Debt Service Coverage	1.75 - 1.91	
	Effective TIC	5.13%	
	Additional Annual Revenues	$54.0	
	Upfront Gap without Annual Revenues	$834.5	66.5%

Scenario C is 33% Self-Supporting, Including TIFIA

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Supplementing Toll Revenues

Annual Revenue from Government Source Can:

- Increase bonding and loan capacity
- Improves credit-worthiness of revenue bonds
- Reduce debt service coverage requirements
- Reduces overall interest rate and cost of borrowing

Financing Risks

The preliminary financing plan assumes "BBB" credit ratings which will require:

- Verified traffic & revenue via an investment grade report
- Verified capital costs via an engineer's report and/or construction contract
- Documented subordinate loans at federal and state level, as applicable
- Executed agreement with respect to any gap funding, as applicable
- Development of market-standard bond financing documents

The preliminary financing plan assumes current market interest rates which are subject to change.

Adverse changes in the credit rating factors and/or market interest rates will increase the funding gap

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Conclusion

- The scenarios appear to be the financially feasible with the aid of some local or state government sources
- TIFIA is a reasonable financing enhancement to consider
- Supplemental revenues to close the funding gap are as follows:
  - Scenario A - $12.5 million/year for a $410 million project
  - Scenario B - $26.0 million/year for a $765 million project
  - Scenario C - $54.0 million/year for a $1.255 billion project
- The finance plans are typical of start up toll projects
- The preliminary feasibility analyses are subject to change with the market and other underlying assumptions.