

Toll Road Update — October 2007

Recent developments in the toll road industry are summarized below. These developments are based on our October 2007 research. If you would like any additional information regarding this research or if we can be of any assistance to you, please let us know.

Regards,
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In the United States:

1. Pennsylvania Turnpike RFQ Receives Large Response: In early September, the Pennsylvania Department of Transportation (PennDOT) released an RFQ to solicit potential bidders for a concession to operate 531 miles of the Pennsylvania Turnpike I-76 (the "Turnpike"), including 57 toll plazas. Potential bidders were required to respond by October 1 by providing the requested information to PennDOT for review with its financial advisor, Morgan Stanley, who estimates the potential value of the project to be \$12 to \$18 billion. A statement from the office of Governor Edward Rendell says PennDOT was "inundated" by RFQ submissions from fourteen teams. The RFQ followed a recent state transportation budget plan, which was passed into law in July by Act 44. Among other things, Act 44 allows an increase in toll rates of up to 25% in 2009 with a 3% annual increase thereafter. The state will need to adopt new legislation before a concession could be granted. If the RFQ bids are sizable enough, Governor Rendell plans to ask state lawmakers to consider passing legislation necessary to authorize the administration to seek bids regarding the lease of the Turnpike.

2. Pennsylvania Seeking Federal Approval for I-80 Tolling: Pennsylvania's Act 44 includes authorization for a new partnership between PennDOT and the Pennsylvania Turnpike Commission (PTC) to generate up to \$116 billion for Pennsylvania highway and bridge funding over the next 50 years, according to PTC CEO Joe Brimmeier. Under this legislation, PTC and PennDOT are expected to enter into a long-term lease for the 311-mile portion of I-80 that runs through Pennsylvania, whereby PTC would maintain and collect tolls on I-80 and make lease payments to PennDOT for a 50 year term. These lease payments would be financed through future bond proceeds and surplus toll revenues. PTC and PennDOT jointly sought authorization

from the Federal Highway Administration (FHWA) to convert I-80 into a toll road with no more than ten toll plazas. The FHWA recently responded that the application should be resubmitted under the Interstate System Reconstruction and Rehabilitation Pilot Program, though it is unclear as to whether this tolling pilot program will allow the tolling as outlined in Act 44. There has been considerable criticism focused on the enactment of Act 44, including the introduction of proposed legislation that could prohibit tolling on I-80.

3. Florida I-595 RFQ Released: The Florida Department of Transportation (FDOT) released an RFQ on October 1, 2007 (and Addendum No. 1 to the RFQ on October 11, 2007) for the approximately \$1.5 billion I-595 Corridor Roadway Improvements Project, and is requesting submissions of statements of qualifications from proposers by November 5, 2007. The project will consist of the reconstruction, widening and resurfacing of the I-595 mainline (and all associated improvements to adjacent cross-roads, service roads and ramps) in central Broward County, Florida, from the I-75/Sawgrass Expressway interchange to the I-595/I-95 interchange, for a total project length of approximately 10.5 miles. The corridor has been divided and prioritized into 18 independent project segments. FDOT plans to move the project forward on a DBFOM basis, pursuant to Section 334.30 of the Florida Statutes, and is considering a 35 to 50 year concession. Improvements will include three 12-foot reversible express toll lanes that will serve as managed lanes using variable-priced tolling. FDOT currently intends to use availability payments and potential milestone payments as the payment mechanism, with possible minor compensation to the concessionaire for instances of high traffic on the managed lanes and the general purpose lanes, but the payment structure is still in the development stages. FDOT intends to shortlist three (with an option for four) proposers on December 3, 2007, each team including (i) equity participants for the concessionaire, (ii) a lead contractor, (iii) a lead engineer and (iv) a lead operation and maintenance firm. A stipend of \$1 million will be paid to short-listed proposers who submit unsuccessful detailed proposals. FDOT currently anticipates announcing a best value proposer on May 5, 2008. Further information, including a copy of the RFQ, can be found at http://www.dot.state.fl.us/cc-admin/Public_Private_Partnerships/ppp.htm.

Following the Port of Miami Tunnel transaction, the I-595 project will be the second PPP transaction in Florida. The *Orlando Sentinel* reported (on 9/22/07) that Governor Crist is currently considering long term toll concessions for the Beachline Expressway FL257 (formerly known as the Bee Line), a 40-mile east-west tolled, limited-access transportation corridor serving Central Florida and the Space Coast (\$140 to \$321 million); Alligator Alley I-75, a 78-mile point-to-point toll road connecting the Miami region with the Gulf Coast (\$504 million to \$1.3 billion); and the Sunshine Skyway Bridge, a 5.5-mile span opened in 1987 over Tampa Bay (\$477 million to \$1.3 billion) (estimates calculated by UBS) to cover the \$2.5 billion deficit without raising taxes. Key legislation was passed in June allowing the State of Florida to lease existing and develop new PPP toll facilities for up to 75 years.

4. FDOT's Lowell Clary Resigns: *P3Americas.com* recently reported that Lowell R. Clary, Assistant Secretary for Finance & Administration with FDOT, has resigned effective November 15, 2007. Clary was the architect of the PPP program at FDOT and was an instrumental figure on various PPP projects, including the Port of Miami Tunnel. FDOT has not yet announced his replacement.

5. Tampa Toll Road Project on Hold: The Tampa-Hillsborough Expressway Authority has put the US\$150 million North Tampa East West Road (NTEWR) PPP project on hold, due to environmental issues. The NTEWR is a proposed elevated toll road which would be a 3.1-mile link from I-275, over I-75, to New Tampa Boulevard, modeled on a DBFOM basis with an approximate 40-yr concession. A consortium had been awarded the contract in February, with Deutsche Bank lined-up to provide debt for the project. It is unclear as to how long the project will be delayed.

6. Georgia I-20 Notice of Intent to Solicit Proposals Released: The Georgia Department of Transportation (GDOT) announced a Notice of Intent to Solicit proposals for two managed lanes along the I-20 corridor from I-285 East to Turner Hill Road for approximately 9 miles. Prospective proposers were encouraged to make an appointment with GDOT by October 1 to attend one-on-one individual technical meetings on October 3rd and 4th between prospective concessionaires, contractors and/or teams to provide comment on GDOT's approach to development and financing of the project. Further information can be found at: www.I-20dekalbhov.com and www.dot.state.ga.us/ppi07/html/all/home.htm.

7. Massachusetts Considers Privatization: *The Boston Herald* reports that new state Governor Deval Patrick has asked his budget office to hire consultants to report on the potential of privatization. It mentions the Mass Turnpike, the Tobin Bridge and the untolled Big Dig tunnels as possible subjects for privatization, likely in the form of a long term lease/concession. A Patrick spokesman is quoted as saying "the governor will consider privatization as part of a 'top to bottom' effort to find savings and efficiencies in transportation agencies." UBS won a mandate to advise the state on funding strategies, including an evaluation of PPPs as a financing option.

8. Texas PPP Projects Continue, Despite Controversy: Notwithstanding the two-year moratorium on new toll road PPPs in Texas, various toll road PPPs that were planned to be executed over the next two years are proceeding. This summer, the Texas Department of Transportation (TxDOT) has been actively promoting the proposed Trans-Texas Corridor 35 project, for which it is now performing environmental review, and other toll roads through its advertising campaign, "Keep Texas Moving." In September, an anti-toll activist unsuccessfully sought a temporary restraining order on the campaign.

Despite the ongoing struggle on both sides, the grandfathered PPP projects are moving forward as planned, including the North Tarrant Express in Dallas/Ft. Worth, projected to fetch approximately \$2 billion for 36 miles of highway, for which four groups were shortlisted as potential concessionaires at the end of July. The four teams are: (i) B3 Connect Texas: Balfour Beatty, Brisa, CH2MHill, RBC and Cambridge Systematics; (ii) Itinere Infrastructure LLC, Sacyr, Parsons and Merrill Lynch; (iii) NTE Mobility Partners: Cintra, Meridiam and Ferrovial Agroman; and (iv) OHL Infrastructure Inc. and TransSystems.

In addition, TxDOT has issued requests for detailed proposals to shortlisted teams bidding for the LBJ Freeway (I-635) PPP that was delayed earlier this year. The project is a DBFOM for a 21-mile corridor of tolled managed lanes that include an elevated road section and direct connector ramps, as well as improvements to a continuous service road system. The short-listed teams bidding for the project are (i) Dragados-Zachary Partnership and DMJM Harris; (ii) Macquarie 635 Partnership — Macquarie, Kiewit, Granite, J.D.Abrams and Gilbert Texas Construction; (iii) Cintra — Ferrovial and Obayashi; and (iv) Dallas Mobility Link — Fluor, Skanska, Transurban, Parsons and Balfour Beatty.

Texas Transportation Commission (TTC) officials announced at a September 27 meeting that the department is predicting, due to lack of funds, that no new congestion-relief projects can begin this fiscal year (which started September 1). Since it will not build what it cannot maintain, it appears that the agency must start moving money allocated for new projects to maintenance project budgets. In an effort to encourage public involvement in future project development, TTC officials proposed rules at the same meeting to create corridor advisory committees to solicit public input, advice and recommendations regarding improvements in the corridor for which the committee is created, which would initially facilitate local input for the designation of a route for the Trans-Texas Corridor 35 project. Such rules can be found at the following link: http://www.txdot.gov/publications/general_counsel/p15002.doc.

9. Colorado Northwest Parkway Concession Agreement Signed: The Northwest Parkway Public Highway Authority and a company formed by Brisa Auto-Estradas de Portugal, S.A. and Companhia de Concessões Rodoviárias recently signed a \$603 million concession and lease agreement. The agreement provides for a 99-year lease of the Northwest Parkway toll road that opened in 2003 and connects the Parkway with E-470 at I-25 in the north. The agreement also provides committed funding for a potential 2.3-mile extension of the toll road to State Highway 128 in Broomfield and the retirement of all of the Authority's outstanding bonds. The Parkway will revert back to the Authority at the end of the 99-year lease. The parties are working towards financial closing.

10. Virginia Secures Agreement for HOT Lanes on the Beltway: The Virginia Department of Transportation (VDOT) announced on September 10 that it had reached an agreement with its private partners, Transurban DRIVE and Fluor Enterprises, for a DBFOM concession for the new Capital Beltway High Occupancy Toll (HOT) lanes. The agreement, under which the Commonwealth will provide \$409 million (24%) of the total project cost of \$1.7 billion, is expected to be finalized in the coming months with final signatures and financing to be completed by the end of 2007. Construction is expected to begin in Spring 2008. Two lanes will be added to either side of the existing four lanes that comprise I-495 between Georgetown Pike and Springfield, and the four middle lanes will be converted to HOT lanes, which will be free for carpools of three or more people and allow for bus service on the Beltway. Further information can be found at: www.virginiadot.org/projects/HOT_495.asp.

11. New Jersey Roads will not be Sold or Leased: After talk of potential privatization plans for the New Jersey Turnpike and the Garden State Parkway, which analysts believe could fetch more than \$20 billion, Governor Jon Corzine announced this summer that he would not be going forward with any concessions, stating, "New Jersey's roadways will not be sold; and they will not be leased to a for-profit or foreign operator." Corzine is instead looking at "asset monetization" or creating a nonprofit road-management entity, which would borrow (sources suggest approximately \$30 billion) against future toll revenues and use the immediate proceeds to pay off state debt. A recent poll indicated that the public is just as opposed to the monetization plan as it is to privatization. A solid plan remains to be proposed.

Outside the United States:

12. Canada: Montreal's Highway A25 Concession Agreement: The Ministry of Transport Québec (MTQ) and the Infras-Québec consortium (including Macquarie, Kiewit, Parsons, Genivar, Ciment St. Laurent, Miller Paving and TransCore) reached an agreement in September for a \$225 million, 35-year concession to complete Highway A25 in Northeastern Montreal. This project will complete a 4.5-mile, four-lane extension from Henri-Bourassa Boulevard in Montreal to Highway 440 in Laval, including a 3/4-mile bridge across the Rivière des Pairies. Construction is expected to start in winter 2008 and be completed in 2011. Julie Boulet, minister of transport, stated, "The proposal... was the best offer presented to the government. The cost of the proposal also includes the sharing of risks and responsibilities between the government and private partners. The risks of exceeding the budget and/or failure to meet expected deadlines also fall under the responsibility of the private partner." The next expected concession in the area is completion of Highway 30 on the south shore of the St. Lawrence River.

13. Mexico: Aldesa Wins Arriaga-Ocozocuahtla Concession: A consortium led by Spanish company Aldesa won the \$370 million, 30-year concession to build and operate the Arriaga-Ocozocuahtla highway, located in the Chiapas region of Mexico. *Business News Americas* reported that the Mexican Secretariat for Communications and Transport (SCT) selected Aldesa due to it submitting the lowest offer for the concession, and that construction is expected to start in November and take roughly two years to complete.

14. Brazilian Federal Government auctioned 7 Highways for Concession: Brazil's federal government has auctioned seven highway stretches, totaling roughly 2,600 kilometers in length for a period of 25 years, to private concessionaires. The auction took place on October 9 at the São Paulo stock exchange. Spanish group OHL was the main winner with five winning bids (Régis Bittencourt, Fernão Dias, Curitiba-Florianópolis stretch, BR 101 and BR 116). The other two stretches were won by BR Vias (BR-153) and Acciona Brasil (BR 393).

15. Argentina to Invest in Infrastructure — Considering PPPs: *P3Americas.com* reports that, in a recent local conference, the Governor Elect of Buenos Aires, Mauricio Macri, stated his intention to invest between \$11 billion and \$14 billion in the city's infrastructure, with around 50% of the funding expected to come from PPPs. Such funding includes, among various other projects, a plan to upgrade and modernize the north-south axis of motorways. On September 19, Fitch Ratings released a special report entitled, "Infrastructure in Argentina: The Path Forward," that analyzes the current infrastructure development climate in Argentina, and the potential challenges that lie ahead. *P3Americas.com* noted that, "On the political front, as the Argentine presidential election nears, no major headway is expected to be made in the creation of a solid and predictable framework for infrastructure concessions and project selection. Fitch expects additional investment requirements to be financed by the public sector. Some reform could take place post-election in 2008, but the public sector must better understand the benefits in terms of quality and efficiency that occurred from most PPP projects."

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