

**Route 460 Corridor Improvement Project
Independent Review Panel
Meeting #1, March 21, 2007
Prince George County Board of Supervisor's Meeting Room**

CONCEPTUAL PROPOSAL PRESENTATIONS

Meeting Minutes

The meeting of the Route 460 Corridor Improvement Project Independent Review Panel (IRP) was held in the Board of Supervisors Room of the Prince George County on March 21, 2007. The Chairman, Mr. Alan Witt, presided and called the meeting to order at 5:00 pm.

Independent Review Panel Members in Attendance

Mr. Alan Witt, Chairperson
Mr. Dana Dickens, III,
Mr. Gerald P. McCarthy
Mr. Kenneth S. White
Mr. Raynor A. K. Taylor
Mr. Floyd M. Brown
Mr. Steven Mondul
Mr. Mal Kerley
Ms. Bernice Eddleton on behalf of Ms. Barbara Reese
Mr. Jeff Florin
Mr. Dennis Heuer
Mr. Dwight L. Farmer
Mr. Dennis K. Morris
Mr. Michael D. Fontaine

Welcome

Mr. Witt opened the meeting and introductions of the Independent Review Panel members were made. Mr. Witt provided some background on Route 460 project, listing some of the reasons the new road is needed. He also identified the basics of the PPTA process. Tonight is the first meeting of four to evaluate three conceptual proposals in response to the Solicitation for Proposal to design, build, finance, and operate a new highway on new location, the new Route 460. Mr. Witt stated the purpose of the Independent Review Panel outlining the general format and intent of this meeting, as well as the three other meetings. Furthermore, Mr. Witt reminded the IRP that the proposals are conceptual at this point in the procurement process.

Presentation by Cintra

The Cintra team made their presentation to the IRP. The speakers for the Cintra team were, in order of appearance:

- | | |
|-------------------|------------------------|
| 1. Meade Spotts | Spotts Fain Consulting |
| 2. Carlos Ugarte | Cintra |
| 3. Javier Tamargo | Cintra |
| 4. Ashley Yelds | Maunsell-Aecom |
| 5. Ian Bricknell | EarthTech |
| 6. Carlos Ugarte | Cintra. |

A copy of the presentation was made available at the meeting, and is included by reference.

Mr. Witt moderated a question and answer session as follows.

MR. MONDUL: What's your minimum design elevation for the project above the 100-year flood plain?

CINTRA: Cintra understands the problem and experienced Hurricane Isabel. The structures will have to "pass the 100-year flood".

MR. BROWN: Excuse me. I have two questions. You talked about making a toll road on 64 to lessen the impact of the cost of building of 460. What is the estimated length of time that the toll on 64 would reach a level to fund what you're talking about?

CINTRA: Tolling I-64 and Route 460 together makes sense, as they make a system. A toll would be placed north of Williamsburg so that local communities travel free, but long distance travel will pay a toll. Tolling of I-64 for 99 years will bring future revenue down by way of bringing it in price and value financing. The future revenues will be used to offset the difference in the necessary funds for Route 460. Cintra also brings close to a billion dollars of upfront payment that could be used by Virginia for other road improvements.

MR. BROWN: What about the construction process? What will you be doing toward that in the meantime?

CINTRA: Cintra forecasts that design and construction of the new Route 460 will take five-and-a-half years. It will take approximately 18 months to add the new lane to I-64. The concession period will be 99 years. During the first five years, Cintra will design and acquire the land, design and construct, and the rest of concession period, 94 years, Cintra will operate the road.

MR. BROWN: Okay. Let's go to my second question. I'm not quite clear. Now, there are nine interchanges that are estimated for the 460 build. You had in your executive

summary, and you mentioned in your presentation that you will only build five of those. Four you will leave until the traffic in that area warrants building those interchanges?

CINTRA: The idea is to try to minimize the overall cost of the project, to reduce the funding gap for the Commonwealth of Virginia. Cintra has identified four interchanges that have, at present, very low volumes of traffic. If construction of these interchanges is delayed, it helps to stagger costs and minimize input from the Commonwealth. As the project develops, and the economy of the region develops, the interchanges will be constructed, more, if needed. Cintra is presenting the idea that there are other alternatives that will reduce state funding.

MR. McCARTHY: Speaking of the Virginia taxpayer -- and the future presenters might bear this question in mind and anticipate it, please -- you've addressed how much you're going to invest in the project, how much the state might invest in the project in different scenarios, but the typical driver commuting back and forth to work on the new 460, what would be the daily cost in tolls to that driver?

CINTRA: Results of the VDOT origin/destination survey indicate that very few commute trips run the entire length of the new alignment. Most local trips will not use the toll road until the overall network becomes more congested. Eventually there will be increasing time savings by using the toll route and they would pay that in a toll amount. In today's dollars it would be less than \$4 for the entire length for a one-way trip. Users will still have the option of using the old 460, a free road.

Mr. McCarthy expressed concern about the cost to the public as a factor that needs to be seriously considered.

MR. WITT: One of the slides referred to tolls escalating annually in line with a nominal gross state product. We're a big state, and different regions can grow at different amounts, and this terminology of escalated annually, is that a year by year limit? Is it an aggregate limit? And does your proposal have a cuff and a collar as to what a maximum would be?

CINTRA: The actual details will be negotiated between VDOT and the concession; however, Cintra's model used a toll that grew from a base VDOT toll and at the GSP per capita rate to keep it in line in perceived terms for today's talk. Cintra stated that their proposal identifies alternatives that VDOT can decide what best fits their needs politically, locally, financially, etc. When choosing, there are trade-offs to be balanced. The rate that is chosen will grow with the nominal GSP, and will maintain the value of time over time on the road.

MR. HEUER: Two questions. I recognize that this is a conceptual proposal. Have you considered the impacts to the alternate alignment in the vicinity of Windsor? And the second question is, what is your percentage of this grant for design and construction?

CINTRA: In our proposal is we have studied both information that was publicly available at the moment and the current changes in the alignment that was part of the

environmental study and we have taken that into account. And the allowance for -- in construction, we have performed a preliminary study, which will be the construction cost of this project, and we believe it's in that range. Obviously, we have to perform a detailed design and a complete bill of quantities to calculate that, but our colleagues of the construction company; they have come up with a figure that they feel comfortable to share with some of us. So we're not trying to mislead you with a number that we have not -- we do not know. We cannot pay.

MR. HEUER: What about your SWAM participation? What is your objective to achieve in both design and construction?

CINTRA: In Cintra's present toll operation in Texas, Cintra is allowing percentages about 10 percent; the same in Chicago Skyway, Indiana Toll Road, and Cintra is prepared to reach to those levels of participation. Cintra will work with VDOT on the percentage that best fits the needs of Virginia.

MR. WHITE: You've described three separate financial scenarios that are quite far ranging. One was, as you say, virtually no Commonwealth investment. On the other end of the spectrum, around a billion dollars coming back to the Commonwealth from your firm. In each case, you have projected what you consider to be a fair rate of return over the life of the concession, and my question is this -- and it's with the conceptual stage, and my question applies, I guess, to all three of the designers, so if others want to anticipate this in their remarks, it might save us some time -- the question is, conceptually, would you be willing to share with the Commonwealth what you consider to be a reasonable rate of return over the life of the concession? And conceptually, would you be willing to negotiate with the Commonwealth that anything over and above that reasonable rate of return would come back to the benefit of the Commonwealth on an annual basis?

CINTRA: Yes, and Cintra recently signed an agreement with Texas that allows Texas to share in the revenue. Texas shares out of the gross revenues, beginning at 4.5 percent. In other traffic scenarios, Texas can receive a greater percentage, up to 24 percent and 50 percent based upon the growth in traffic. The money is distributed before operation, before financing, before equity distribution. Cintra is open to creative solutions since they are looking for a normal return for the long run.

MR. FLORIN: I've got a question on the tolling structure. With regard to 64, would the toll rates be similar, 10¢ for a vehicle and 50¢ for a truck? And then I'm wondering if you would comment on how the proposed toll rates compare to the other roads that you've built around the world. Are they similar per mile? High? Low?

CINTRA: In answer to the first question, yes, the toll rate would be similar between I-64 and Route 460. In answer to the second question, the toll rate is comparable to other rates around the country and the world. In Texas, Cintra was awarded a contract on SH-121 and the toll rate is 15¢ per mile and we would consider this to be in the medium-low

range of tolls. The toll rate included in the proposal is from the VDOT Toll Study, the actual rate will be determined at a later date.

MR. FLORIN: Would you comment on the truck toll rate now? That seems higher. We talked about the cost to do business from one end to the other. If it's a port truck, they're going to be doing round turns between the port and using the road quite a bit. Their cost of business goes up significantly at 50¢ per mile.

CINTRA: Yes, but that should be compared with the time savings received by the truckers, and with savings in fuel. With the time savings, truckers may be able to make more trips in a day than previously.

MR. FARMER: To follow up on Mr. Florin's question, have members of your team actually tested these toll rates given the value of time for folks using this corridor to determine if, in fact, these toll rates produce sufficient revenues and demand given the rate of return you require?

CINTRA: Yes, the Cintra team conducted an independent study of the toll rates and the citizens' willingness to pay and comparing it to the values of time. However, further study would optimize the range of tolls that may be appropriate for different user types.

MR. TAYLOR: I think you said that the escalation of the toll rate over time would be based upon GSP factors. Why did you pick GSP as a factor for basing this change instead of the CPI?

CINTRA: Because the GSP is a much more approximate pricing of the growth of the worth of the population. It relates directly with the growth of the economy. That reflects trucks as much as the economy growth, the traffic volume for trucks increase steady at the same rate, and also, it's a better -- has a better relation with the growth of the worth of the valued product of the user.

MR. TAYLOR: And the downside for the CPI?

CINTRA: If an economy is growing faster than the CPI, then the asset is undervalued. In Virginia, the economy has grown an average of five, six percent in the last 15 years and the CPI has been around two-and-a-half percent. If Virginia's GSP keeps growing, you can bring more future flows back into price and value to finance the project, with CPI, we may have to wait another five or ten years for sufficient growth.

MR. MORRIS: I'd like to go back to the issue of deferring the four diamond interchanges. In your 39 years of experience, could you share with the panel your experiences with deferring interchanges and reaching back and constructing those interchanges at the appropriate time, the experience factor you've had with that issue?

CINTRA: Cintra has had plenty of experience with that. It's a very common practice, especially with a project like this that is difficult to finance. With a concession, we try to reduce the initial costs, but once in operation, it is easy to add access.

MR. MORRIS: I believe in your presentation you indicated that the financing for those interchanges would be from?

CINTRA: The concessionaire will finance those interchanges. The interchanges can be deferred until a certain threshold is reached and then the concessionaire would have to build the interchange, say in 12 months. It would be part of Cintra's obligations.

MR. KERLEY: I heard that we were going to hire local traffic firms, and then I heard we were going to make the best effort to hire local firms. Are we going to hire local firms or not?

CINTRA: We are, definitely.

MR. KERLEY: I don't know if there has been any environmental work on the I-64 corridor, so for your third option, you will take all risk concerning doing the environmental and delivering the project at cost; is that what you're saying?

CINTRA: Normally, environmental is something that is done by the state, but the price to conduct the environmental work is included.

MR. KERLEY: I also heard that we were going to do improvements to the community. I think, Ian, you talked about this on the existing 460. Is that in your price?

CINTRA: There is a component in the enhanced case to allow for some modest improvements, but at modest costs, you could make substantial improvements on existing 460.

MR. KERLEY: In your closing statement, I thought I heard you say something about no state funds required, find a way. Is that implying that in your base, in your optimum, there may be a way to finance those with no state funds?

CINTRA: In the base, it will be impossible or very, very difficult. In the optimized, we are asking for \$16 million in a billion dollar project.

MR. WITT: In your binder I went through originally talked about a Virginia limited liability company, some sort of special vehicle over a period of time. Is Cintra going to be the entity that has its full faith and credit behind this entire project?

CINTRA: Yes.

MR. WITT: And with Ferrovial, if you see that they can't perform, then you step up to the plate and cancel them?

CINTRA: Yes. We assume all obligations. We have our agreement between construction and concessionaire. We do that because we believe that they perform, and they have done that in other projects in the past.

Presentation by Itinere

The Itinere team made their presentation to the IRP. The speakers for the Itinere team were, in order of appearance:

1. Fernando Ferreyra Itinere
2. Ben Dendy Vectre Corporation
3. Mike Kirk The Louis Berger Group, Inc.
4. Chris Wuestefeld Wilbur Smith Associates
5. Rich Herlich VMS, Inc.
6. Tom Boast Citigroup
7. Bill Thomas Reed Smith

A copy of the presentation was made available at the meeting, and is included by reference.

Mr. Witt moderated a question and answer session as follows.

MR. WHITE: Bill, I did not hear any comment on my reasonable rate of return question. I will be glad to repeat it, if you would like for me to, and the second part of it is, the stakeholder contribution, as I understand it, it's \$51 million a year shortfall. Is there a number, front-end number that you have computed as to what the lump sum stakeholder contribution would need to be? That's two questions.

ITINERE: Itinere has completed a thorough study of our conceptual plan and we are very comfortable with our estimate of 1.5 billion to construct this project. The projected rate of return is similar to what the previous team mention (12%). There is a funding gap that is estimated at \$51 million per year. At the detailed proposal stage, a more detailed analysis will be conducted and the funding gap further refined and Itinere will identify a plan on how to cover the funding gap, possibly with different stakeholders.

MR. KERLEY: Looking at your proposal, there were, basically, a little rough, it's a \$2 billion proposal with \$1 billion of public money, and you've mention that you went up and down the corridor looking at various things. Did you look at things that would decrease the cost, but give us the facility that we need? And you mentioned \$50 million. This would be, I guess, the money from the Commonwealth, from a debt viewpoint, would be good faith of the Commonwealth might require General Assembly approval of that type of debt. Could you comment on that?

ITINERE: Itinere believes that legislative support for the project is strong and that at some point, additional funding may become available for the project. It is possible to reduce the initial project costs, like eliminating interchanges, but this may also cut public

support. Itinere worked closely with the local communities along the corridor and maintaining that support is important to the project.

MR. FARMER: Fernando, you were the one that gave us the toll rates and cents per mile for the three categories. I have a possible two questions here. Anyone can answer to the first. Assuming, based on work I've seen, that there is a point of diminishing returns on rising toll rates, do these toll rates that you've quoted represent maximum revenue from toll strategies in the corridor?

ITINERE: There is a trade-off on setting toll rates, if too high, the willingness to pay is decreased and they will use the free alternative, and it is difficult to establish the rate that will attract more traffic. Attracting more traffic to the toll road is important to improve safety on the existing 460. The proposed rate is 14¢ per mile which is believed to be reasonable give the benefits that the project will supply in terms of savings in time and safety. The proposal includes differential rates for trucks based upon the number of axles, with 7¢ per additional axle. So we go from 14¢ per mile for light cars, just two axles, to 21¢ for a three-axle vehicle, 28¢ for four axles, all the way up to 42¢ per mile for a six-axle vehicle.

MR. FLORIN: Just a quick question. You realigned the Prince George interchange to avoid the New Bohemia area. Could you describe the process you went through to vet that with, say, the residents and how it may affect any private property in that section?

ITINERE: Itinere met with the Prince George County Board of Supervisors, and they worked with us on developing this alternative, and then unanimously voted to support it. The Board of Supervisors was aware of the citizen concerns, particularly in New Bohemia. Itinere looked at the engineering aspects of things as we placed the location of the new 460 interchange with I-295. What is the spacing between I-95 and the existing Route 460? And this is the plan you see in front of you here. It's approximately a mile each way. This was a collaborative effort where we considered conflicts and impacts in the area and incorporated their economic plans, ensuring that Itinere could develop a workable design. (A copy of plans for proposed modifications to the I-295/460 interchange has been requested).

MR. BROWN: My concern is -- my concerns are in conjunction with the questions previously asked. First of all, I want to ask, though, do you anticipate any delayed development of interchanges along the way?

ITINERE: No. Our proposal is that all the interchanges will be built along with the mainline of the project. So in other words, there'd be no delay in the interchange construction.

MR. BROWN: Okay. Second question, I notice that you did change the interchange from 156. You said it's in conjunction with the discussion that you had.

ITINERE: Right.

MR. BROWN: You also changed the interchange in Sussex County. I understand that you are in the conceptual stage of development, but do you know the routes that these interchanges will be connecting with, and how many displacements of private property owners you have in that area?

ITINERE: Itinere has studied the impacts at a conceptual level of detail and feel that the impacts to property owners would be less than the EIS alternative. Additional evaluation is needed.

MR. BROWN: But do you have the routes?

ITINERE: Itinere met with met with the Sussex County administrator and chairman of the Board of Supervisors and other supervisors, and also held a meeting in Wakefield with over 25 citizens and elected officials. Itinere believes it has the public support to remove the interchange at Route 620 and add an interchange at Route 628, which is the more traveled road that goes to Courtland.

MR. BROWN: Okay. What about Prince George?

ITINERE: Prince George County has requested that the Disputanta interchange be removed since the secondary road cannot handle an interchange. Itinere's proposal reflects the county's position. This is included in a letter from Prince George County to VDOT.

MR. FONTAINE: My question is actually in line with the previous two. We've heard a lot of discussion about the outreach that you had to come up with these two interchange locations, and, I guess, as an engineer, I'm curious whether any traffic engineering or operational analysis have been done of these new configurations. Again, I understand this is a conceptual proposal. And the reason why I bring this up is I know AASHTO Green Book says, "One mile minimum spacing between interchanges in urban areas," and we're looking at one mile on either side of this potential new interchange on 295. So I'm just curious, have you gone to that level of detail looking at the operational impacts?

ITINERE: The Itinere design engineers have studied this and we believe that this new configuration or alignment is not only positive in terms of the community needs as they requested, but also is, at a very minimum, neutral in some sort, the impact on traffic or grades. Itinere believes it could actually be better, given the impact on the industrial development that is occurring.

MR. TAYLOR: Talking about tolls, over time, the toll rates might increase and how would you manage that?

ITINERE: This has been studied, and the goal is to get as many cars and vehicles as possible in the corridor to use the new road. This in turn will increase the operation and maintenance costs. An initial toll policy will be to maintain the toll at a competitive

level, but also potentially share in the revenue with VDOT. It may take some years to realize the expected return on investment. Itinere is open to possibilities and options for sharing the revenue, but will have to work with VDOT to establish the policies since this will become VDOT's asset when the lease is over. On another note, Itinere used the CPI, in their toll projections.

MR. HEUER: Looking in your proposal, I was interested in how you're acquiring the right of way. If I recall, there was a note that caught my attention that you're limiting property value increase to a maximum of 20 percent. With looking at what's going on in the Hampton Roads area and the value of real estate increasing, does that mean you're shifting that risk, anything over 20 percent, back to the owner, VDOT?

ITINERE: Itinere used 20 percent as an assumption for the purposes of calculating a number.

MR. HEUER: So you're assuming all risk of purchasing the right of way?

ITINERE: That is correct.

MR. FARMER: On Slide 30 of your presentation it says, "There may be a potential for what do we do if the project is not paying for itself." That's the caption for the whole thing, and on the second bullet, it caught my attention that it appears your team may structure -- is it implicit in your comment here that your team may structure the comprehensive agreement such that if you are performing per the comprehensive agreement, and we're not making the revenue necessary, that the owner will have to kick in payments?

ITINERE: No, that is not the intent.

MR. FARMER: Who would the payments come from to the concessionaire?

ITINERE: There are different ways to set up payments. Availability payments are established at a set amount, and then in that structure, there are the VDOT's requirement if, for some reason, performance standards aren't being met on the asset over the operating period, then payment would not be made. But in some instances there may be some additional cost if there's traffic in excess of certain levels, and then there's actually some additional compensation in what's called "excess traffic events". But it is not the intent that availability payments are being made to make up any shortfalls from toll revenue.

One other thing about the milestone payment kind of structures, it assumes that the governmental debt would be issued. And the question came up, what's the dollar amount of annual revenues that would support that? With the assumption that governmental debt is needed, then we further assumed 1.25 times coverage or 125 percent coverage. Annual debt service is \$1 -- \$1.25 of revenue. So of that \$50 million in the conceptual proposal, actually only 40 million of it would actually be used for debt service. The other \$10

million would actually be available to the public, not to the concessionaire, but to the public to make improvements, or if the public chose, to provide rebates to the payers of those revenues if that was the public policy decision.

And the term of that is not the same as the term of the concession as we envisioned it. We just estimated the typical muni finance 40-year term, which is shorter than the concession period terms that we've been discussing. So, the duration of that annual governmental resource is actually shorter than the concession period.

MR. KERLEY: I just have one question. You didn't mention it tonight, but your proposal talks about, during the conference and negotiations, combining 460 with other upcoming projects, and you mentioned a few in there. If you did that, would that impact the amount of money from the public sector or is that from an operation viewpoint or what is that?

ITINERE: If the Route 460 project were combined with other projects it could increase traffic, the toll revenue study would be different and the project would benefit significantly. Itinere did not include a discussion of combining the new Route 460 with other project in the presentation, since the secretary's letter appointing the panel indicated that it should be considered.

Presentation by Virginia Corridor Partners

The VCP team made their presentation to the IRP. The speakers for the VCP team were, in order of appearance:

1. Karl Reichelt Skanska Infrastructure Development, Inc. (Executive VP, North America)
2. Bill Allen Skanska Civil USA (Director, Project Development)
3. Bill DuVall Skanska Infrastructure Development, Inc. (Program Director)
4. Chris Voyce Macquarie Securities (USA), Inc. (Director)

A copy of the presentation was made available at the meeting, and is included by reference.

Mr. Witt moderated a question and answer session as follows.

MR. McCARTHY: I have two questions. One is, I think, a simple one, and that is, is this 2010 start date, is that your idea or is that the solicitation's idea?

VCP: It is a date derived from the solicitation and is our best estimate.

MR. McCARTHY: But your idea is you would like to move that forward to save everybody some money?

VCP: Yes, there is a cost to waiting.

MR. McCARTHY: Okay. Now, the more interesting question in a way to me is what you had to say, Mr. Voyce, about -- let me see if I can quote you accurately -- "A reduced

scope might be possible in the absence of these alternative sources of revenue; the best value scope." Are you prepared, at this point, to kind of conceptualize what that might look like?

VCP: VCP considered options for the conceptual proposal, including removing or deferring interchanges, using structures or embankments through wetlands, etc, but concluded to stay with the requirements of the draft EIS. But there are value decisions to be made when faced with debt and a search for alternate revenue sources to fully fund the project, and VCP is open to discuss options with VDOT to produce the best value.

MR. BROWN: Yes. I think you answered part of my question, but between the conceptual and the next stage, what is the time period? And you mentioned – I think you mentioned a little while ago that you did have the inflationary part built in that time period, but what is the approximate? Do you have any approximate?

VCP: VCP has reviewed the schedule and believes there may be places where time can be reduced.

MR. HEUER: Two questions. In your original proposal, you talked about permitting, looking for VDOT to do that permitting. Is that your proposal?

VCP: The VCP proposal includes the price for VCP to do the permitting; however, in allocating risk and sharing responsibilities, VCP views VDOT as the one that has the best ability to complete this task.

MR. HEUER: And do you still – second question -- are you still proposing in your cost here that VDOT assume the owner's control insurance program?

VCP: No.

MR. HEUER: Or are you assuming that risk?

VCP: We would assume that risk. It was a suggestion as a possibility.

MR. KERLEY: It's not in your presentation, but in your proposal on Slide 35, you talk about Private Activity Bonds, and there's an asterisk that says, "Assumes dedicated alternate revenue sources," and that's, basically, it's about \$318 million is what I am reading from your proposal; is that right, in the ballpark giving you the round off that the first group had? The question is, if we do not allow tolling of other facilities, how much public funds do you need from VDOT?

VCP: VCP assumes that \$40 to \$50 million per annum of alternate revenue sources will be available to VCP. That is based on toll revenue produced at 7¢ per axle and the projected revenue short fall.

MR. FARMER: I'm not sure if it was Chris Voyce who said this that there was a need to capture the value added from the project. It was a very quick comment. I'm not sure who said it. Is that the same as – I know Mal Kerley was asking about you mentioned, just now, the 40 million that needed to come from some other source. Is that the same?

VCP: VCP has identified the need for alternate revenue sources, but we are leaving it open to Virginia and the community to determine where best that is to come from. The beneficiaries of the project are not just the users of the project on a day-to-day basis, but they are also those who own property in the area and, perhaps, are able to develop that property for higher uses than they otherwise would from the outset of the project. VCP is suggesting that as a potential funding mechanism for this rather than a shortfall.

MR. FARMER: I guess what I was wanting to know, though, was in order to make the project financially feasible, is it your team's view that we must find that 40 million in additional dollars from other sources to make this work?

VCP: If you want to build the entire scope as set out in the draft EIS, then, yes.

MR. TAYLOR: Could you go further because it's the first we've heard about this capturing land, capturing the value added. Where else around the country has that sort of notion occurred and how did it occur?

VCP: It was used by the original developers of the Dulles Greenway. This was also utilized for the Route 28 project in Northern Virginia. It may be similar to a development tax where a disused industrial area is turned into a higher use value asset. As that land is developed, there may be a development profit contribution to the infrastructure that surrounds the land. This is just an idea, or another tool in the toolbox for consideration.

MR. HEUER: Maybe this is one for Karl.

Looking at your wire diagram, Mr. DuVall seems to be a busy little beaver between program director and four other boxes where he has the team lead/team member. Have you cloned him or how is that going to work?

VCP: Bill's got the overall lead in the bid and then the delivery of the bid. He's got a support team behind him; which includes our commercial director, finance director, includes the resources that Macquarie brings, and, of course, what Tidewater and Lane, our design partners, all deliver to the project. As this project matures, you will see more and more responsibility shared because, of course, the task will become much larger and more complex and more advanced. So from a conceptual proposal, our approach is we're going to respond the best we can at this point to give you as much information as we can, knowing that many of that might change down the road as this whole procurement develops.

On another note, VCP sees the Route 460 project as an investment where many will benefit. VCP views this as a low risk investment for the state. Although there is a revenue gap, the potential in economic development to the state and localities is high and that should be considered.

MR. DICKENS: A comment, I noticed, when you listed the number of people you had talked with, you left the City of Suffolk out of it. I would suggest that it might be an important piece.

VCP: Yes, sir.

MR. DICKENS: And the second question is, when you were talking with those people, did you discuss with them, counties and the cities involved, did you discuss with them this alternative financing you're talking about?

VCP: VCP has not discussed this with the localities and jurisdictions along the corridor since it is still at the conceptual stage.

MR. WITT: Let me close with one similar to a question I asked earlier trying to understand who is behind this. It looks like you're setting up a special purpose company and you're funding it with \$400 million in equity rather than there being some other company there that's standing full faith and credit behind it, but maybe the difference is that there are no other projects or operations where that equity is at risk. It's all for this project. Is that a correct understanding?

VCP: Typically around the world, concession projects are usually funded through a special purpose vehicle, and the return on the investment that the principals and the lenders to the project put into that vehicle are totally contingent on the performance of the special purpose vehicle in operating, maintaining, and constructing the road. It is true there's significant capital that is at risk, but we would anticipate that capital, just as in 99 percent of all concessions around the world, that once the capital goes in and the road's built, you know, the recovery on the return of that investment solely comes from the performance of the asset.

Adjournment

Mr. Witt made closing remarks and requested that the IRP members forward any questions they may have to himself and Mr. Jeff Hetzer. Questions may be directed to the proposers or to whatever concern the IRP member may have.

The meeting was adjourned at 9:45 pm.

Note: A verbatim transcript of this meeting is available on request.