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3. Project Financing (Conceptual Financing Plan)

3.1. Project Cost Estimate

Provide a preliminary estimate and estimating methodology of the cost of the work by phase and/or segment (e.g. planning, design, construction, etc.).

3.1.1. Design and Construction Cost Estimate

The Design and Construction Cost Estimates corresponding to the three alternatives, BASE CASE, BASE OPTIMIZED CASE and ENHANCED CASE, have been prepared following the same methodology. The construction cost has been broken down into four categories:

- Roadway Works
- Bridges and Structures
- Utility Relocations
- Toll Facilities

Considering the available information, the figures included as part of Table 3-1 reflect a high level estimation of the construction cost, hence this estimation is not derived from a detailed bill of quantities and specific unit prices. The Proposer commits to, upon entering a more detailed stage of the procurement process, to produce schematics design at a higher level of development, produce preliminary quantities and propose a firm price proposal.

	BASE CASE	BASE OPTIMIZED CASE	ENHANCED CASE
Roadway Construction	$480,000,000	$474,000,000	$487,860,000
Bridges & Structures	$250,000,000	$250,000,000	$275,290,000
Utility Relocations	$55,000,000	$55,000,000	$56,000,000
Toll Facilities	$50,000,000	$36,500,000	$50,000,000
Road Widening	$0	$0	$253,625,000
Total Construction	**$835,000,000**	**$815,500,000**	**$1,122,775,000**
Design	$66,800,000	$65,240,000	$89,822,000
Escalation	$0	$0	$0
Miscellaneous & Contingencies	$98,200,000	$98,260,000	$99,900,000

	BASE CASE	BASE OPTIMIZED CASE	ENHANCED CASE
Grand Total D&C	$1,000,000,000	$979,000,000	$1,312,500,000

Table 3-1. Design and Construction Cost (amounts in 2006 real dollars)

The Roadway Works category includes preparation of ROW, earthworks, drainage, pavement, walls, barriers, fencing, traffic control, ITS civil work, lighting, signaling and marking. The design and construction team has calculated a per mile average cost based on similar projects. This average represents the cost of a four-lane divided highway with full access control, in a flat to lightly rolling terrain. The pavement is assumed to be hot mix asphalt. Based on our experience and on the available historical data we have estimated an average per mile price in 2006 dollars.

The Bridge and Structure category includes all overpasses, underpasses, waterway crossings, viaducts and direct connectors of the project. Other than direct connectors on I-295 and Route 58 interchanges all the structures are anticipated to be constructed with prestressed concrete beams. Piling is foreseen for the abutment and bent foundations. As discussed in TAB 2 Section 2.13, the ENHANCED CASE contains more structure work at these interchanges resulting in a higher structure. On the other hand, the suppression of certain diamond interchanges as part of the BASE OPTIMIZED CASE does not translate into structures cost savings due to the fact that overpasses and underpasses would still have to be constructed to provide a grade separated crossing. The structures were quantified, classified by type, width, length and skew to obtain the total square footage of deck area for each alternative. Finally, a square foot cost was assigned according to bridge type.

The Utility Relocation category takes into consideration all related activities necessary to clear the ROW footprint of third party utilities. As part of the estimates, it has been assumed that all relocations cost will be borne by the Design and Construction Team, excluding any betterment to the existing facilities. The power transmission lines affected by the Project have also been taken into consideration, especially in the vicinity of the two end interchanges.

Under the Toll Facilities category, we have included additional pavement requirements specific to the toll plazas, toll booth civil works, canopies, administration and maintenance buildings, electricity supply points, etc. This cost does not include equipment and wiring.

Additional line items added on top of the construction cost:

- Design: considering the early stage of the project, 8% over the construction cost has been added.
- Escalation: according to the Works schedule we anticipate, at this stage, an overall duration of the design and construction contract of 66 months, broken down into 30 months of ROW acquisition and environmental clearance and 36 months of construction. Since Notice to Proceed (NTP) is expected in June 2008, construction can begin January 2011. Substantial completion is foreseen in January 2014. As a result, these 2006 values need to be escalated (see Figure 3-2 as part of Section 3.1.4 for a preliminary Design and Construction Schedule).

- Miscellaneous and contingencies: since this is not a typical hard bid job, there are several elements that still need to be taken into account to reach the final cost estimation:

    a. Additional contingencies associated to a Lump Sum price

    b. Quality Control and quality assurance programs

    c. Bid process (2 years)

    d. All Permitting related activities

    e. Waterway mitigation activities and permit compliance works

    f. Design and build higher bonding rate and extended duration surcharges

    g. Hazardous materials, archeological, etc. risks

It is assumed this project is tax exempt, hence no sales tax cost has been considered.

3.1.2. ITS and TCS Cost Estimate

COST

The Proposer prepared a cost estimate based on ITS/TCS layouts provided as part of the Additional Materials.

Although ITS and tolling facilities and systems are interconnected and form a larger overall ITS, they have been separated for the purpose of the preliminary estimate. Table 3-2 summarizes the cost estimates for all alternatives.

	BASE CASE	BASE OPTIMIZED CASE	ENHANCED CASE
ITS	$9,864,000	$8,143,000	$21,343,000
TCS	$8,228,000	$4,886,000	$10,248,000
Grand Total	**$18,092,000**	**$13,029,000**	**$31,591,000**

Table 3-2. ITS and TCS Capital Costs (amounts in 2006 real dollars)

SCHEDULE

The Proposer estimates a period of one year for the complete implementation of these systems. The installation would take place during the last year of civil construction.

3.1.3. ROW Acquisition Cost Estimate

COST

The Proposer has used VDOT's Technical Report dated May 2005 as the source of the findings described in TAB 2 – Section 2.1.5. In addition, in order to calculate a cost estimate associated with the ROW acquisition and related services, the Proposer has made the same assumptions stated as part of VDOT's report. In addition, costs that could be a requirement by VDOT in order to meet their standards have been considered. Finally, the Consortium's experience regarding the preparation of these high-level estimates has played an important role in the definition of this cost.

The ROW Acquisition/Services costs estimated is (2006 real dollars): $33,056,000

Pursuit of reducing total acquisition and construction time, it is proposed that the VDOT considers certain "tools" to be initiated by Cintra.

We propose to provide incentives to the landowners on certain parcels to reward quick settlement and/or relocation where early access to these parcels is desirable such as in the construction of bridges and utility facility relocation.

We also would propose that the VDOT certify the right of way on a "parcel basis" allowing for early access as above.

SCHEDULE

The Proposer estimates the ROW acquisition process will take approximately two years from the time a CA is signed a ROW footprint maps are prepared. Figure 3-1 shows a preliminary ROW acquisition schedule.

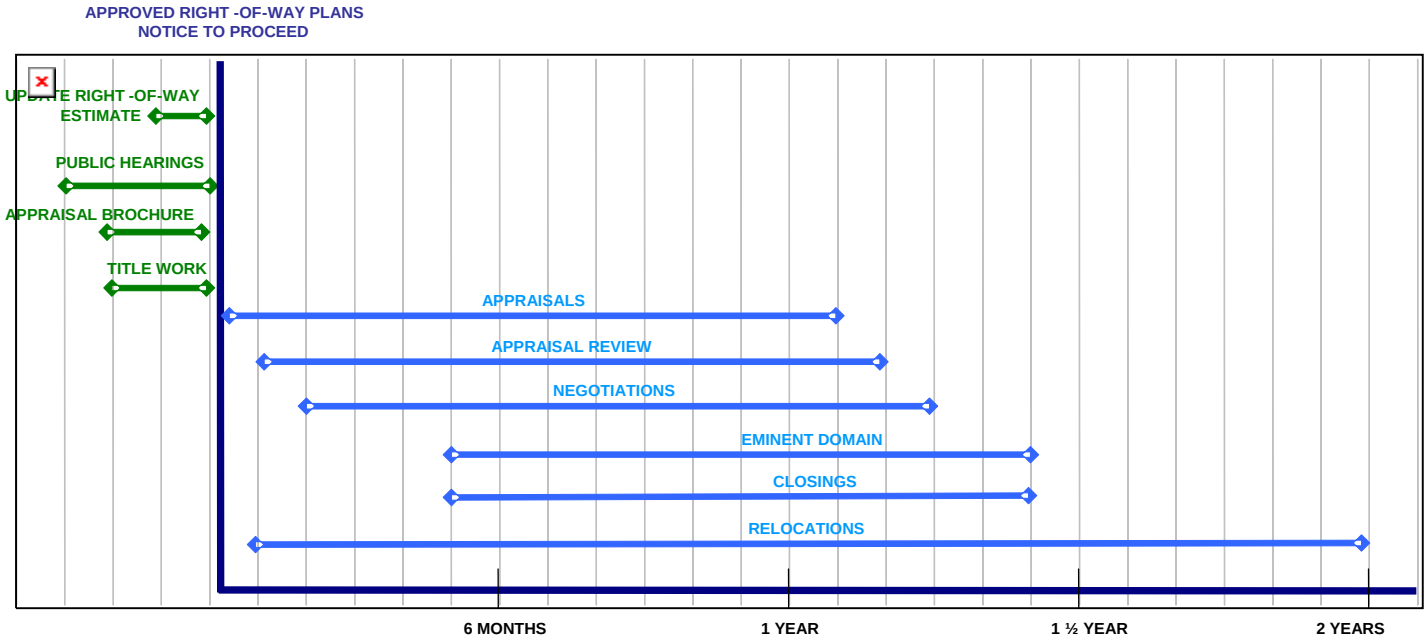
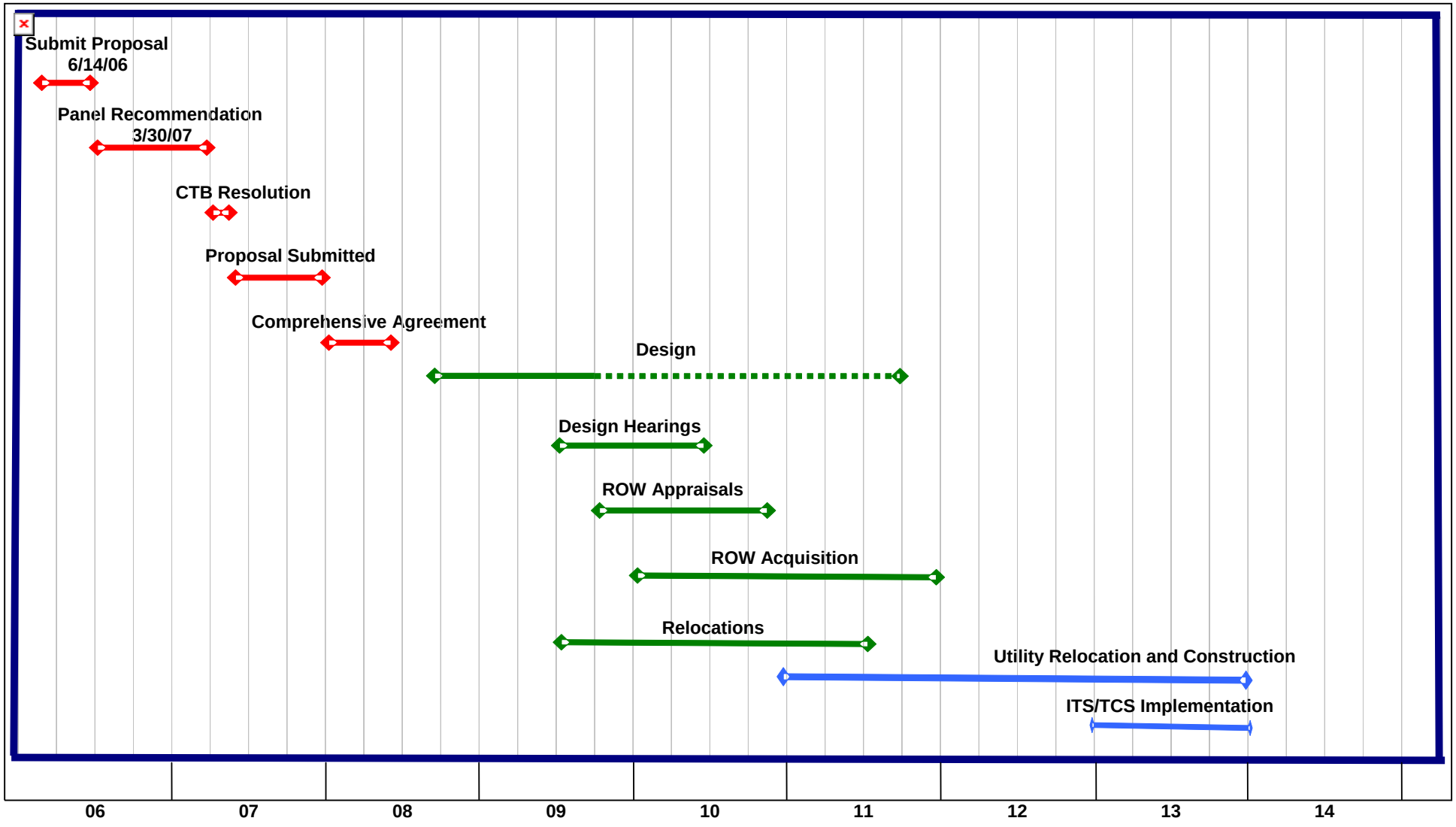


Figure 3-1. Preliminary ROW Acquisition Schedule

3.1.4. Overall Design and Construction Project Schedule

Figure 3-2 shows the preliminary D&C Project Schedule.

Figure 3-2. Preliminary Design and Construction Schedule



3.2. Submit plan for development, financing and operation of the project showing the anticipated schedule on which funds will be required; and proposed sources and uses for such funds. Include a list and discussion of assumptions underlying all major elements of the plan

Submit a plan for the development, financing and operation of the project, showing: the anticipated schedule on which funds will be required; and proposed sources and uses for such funds, including any grants or loans requested by the private entity for the development and/or operation of a qualifying transportation facility.

3.2.1. Financial Development Plan

FINANCING APPROACH

Cintra has developed its Financing Plan bearing in mind the following objectives:

- minimizing financing costs
- offering sufficient flexibility
- delivering the best value for money to VDOT.

In order to enhance project value Cintra's approach to the funding of a Design, Finance, Build and Operate (DFBO) Projects is to maximize leverage and to eliminate or reduce to the minimum the exchange rate risk exposure. This obviously leads us to try to maximize the amount of long term local currency financing.

There are circumstances, however, where certain inefficiencies of the debt market (i.e. impossibility to achieve a repayment profile that matches the debt repayment capacity of the project) lead the sponsors to assume certain extra equity amounts in order to be able to make a more competitive offer. In any case, given the long-term investor profile of Cintra the amount of equity to be put into a project is not considered as a major constraint. As long as the business opportunity is there, the sponsors will be in a position to provide equity in substantial amounts and participation. Our current portfolio of projects illustrates this assertion.

Many factors affect the final level of gearing achieved. The following are some of them:

- Payment structure that minimizes demand risk
- "Bankable" contractual structure (with appropriate risk allocation) – including termination compensation
- Risks at SPV (Special Purpose Vehicle) level (for instance if program management is retained in SPV)
- Cover ratios and downside sensitivity analysis
- Liquidity of SPV (change in law, maintenance, debt service reserves, etc)

Please be advised that when we talk about "equity" we mean resources disbursed by the shareholders, which are totally subordinated to third party senior debt. Accordingly, they do not need to take the form of equity, but can also be shareholders sub-debt, which tends to be more efficient from a tax point of view.

FINANCING ALTERNATIVES

Cintra has studied the whole range of potential financing sources. As a result of that there were four alternative methods of financing considered, two bank market and two capital market solutions:

A. Mini Perm

This facility is offered by Commercial Banks and usually has a maturity from 6 to 10 years. A Bullet repayment can be envisaged, where the borrower only pays interest during the life of the facility, and then refinances the entire principal amount at maturity. This financing structure is particularly useful in projects with solvency (cash flow and ratios) difficulties during the early years of operation (ramp-up period). Given the current project economics Cintra feels that the refinancing risks associated with a miniperm structure would negatively impact the rating required to obtain TIFIA funding.

The Transportation Infrastructure Financing and Innovation Act of 1998 (TIFIA) established a new federal credit program under which the US Department of Transportation (USDOT) may provide credit assistance to major transportation investment of critical or national significance, such as: inter-modal facilities, border crossing infrastructure, highway trade corridors, and transit and passenger rail facilities with regional and national benefit. The TIFIA program is designed to fill market gaps and leverage substantial private co-investment by providing supplemental and subordinate capital and credit rather than grants

B. Long term Bank facility

This structure usually has a maturity between 22 and 25 years, and often includes grace periods of principal, and sometimes, of interest. This type of structure allows the company to sculpt the debt profile, improving financial ratios, and also simplifies the documentation process. At the same time it reduces the risk of refinancing the project, therefore is suitable to be used in conjunction with TIFIA funding.

C. Bridge facility and Bond Issuance

A bridge facility of 6 to 24 months would permit the Concessionaire Company to seek and design a very efficient financing bond structure, allowing it to reduce the potential negative cost of carry during such period. During that period the Developer will be able to fulfill its commitments, and at the expiration of the bridge facility, it will be refinanced with a long term bond issue, potentially wrapped by a monocline insurance company (MBIA, FSA, XL, AMBAC, or others).

Alternatively a bond could be issued for refinancing the senior debt to take advantage of the strengths set out below:

Such a financing structure presents the following strengths:

- More competitive margins (prices) in the capital markets in comparison with the bank markets
- More competitive interest rates given the underlying source of funding
- Longer maturities (linked to the insurance cover provided by monolines)
- Taylor-made debt profile that will help the company to optimize the impact in the financial ratios.

Bonds could be structured using either a public offering or a private placement. Table 3-3 shows a comparison between both alternatives.

Features	Debt Capital Markets	
	Public Offering	Private Placement
Investor Base	Institutional and Retail	Institutional
Typical Offering Size	$ 100 million to $ 1 billion	$ 80 to $ 500 million
Drawdown	Single	Single or Staggered (scheduled)
Term	5 to 40 years	10 to 35 years
Interest Rate	Fixed	Fixed
Credit Ratings	2 to 3 recommended	1 to 2 recommended
Commitment	Normally when ready to go to market	Advance commitments 30 to 60 days prior to financial close
Summary Comments	Permanent long-term, Fixed rate financing	Permanent long-term, fixed rate financing
Pros	Maximum potential issues size; Most liquid secondary market; Locks in financing costs for the term of the project; Good secondary liquidity	Can be marketed like a public issue; No ongoing public reporting requirements; Sophisticated investor base.
Cons	Ongoing reporting requirements; May result in significant negative "carry" as a result of upfront draw; At risk for issue spread; Pricing may require credit enhancement.	No retail investor participation, Must hedge underlying government bond benchmark (government agency)

Table 3-3

D. Tax-exempt financing structure

A final alternative considered was that of "tax-exempt bonds" that are currently the single most important source of finance for infrastructure projects in USA. Tax-exempt bonds are efficient, well-understood, popular among investors, and have an established market infrastructure and several-hundred-year history beginning in colonial times.

Over 1.2 million issuers, state and local governments, government agencies, and certain corporate and nonprofit organizations have accessed the tax-exempt market with almost $2 trillion in debt currently outstanding.

Corporations, such as private developers, view tax-exempt debt as a valuable asset since it often provides them with their overall lowest cost of funds. Tax-exempt investors will accept lower yields. For example, a high tax bracket investor would calculate his lower tax-exempt equivalent yield by multiplying the taxable yield by 1-´the marginal tax rate; such that a 6% taxable rate is equivalent to 6%*(1-35%) or 3.90% in the tax exempt market.

Moreover, tax-exempt bonds are an important federal assistance to the states, because the federal government foregoes the tax revenue on interest earned by investors, while investors demand a quite lower rate of interest. States benefit through a lower cost of capital.

Several advantages and disadvantages should be considered when analyzing this approach:

Advantages:

- Lower cost of debt;
- More efficient gearing achieved;
- Longer debt tenors (over 30 years); and
- No equity contribution required from Developers: return is obtained for purchasing tax-exempt subordinated ("third lien") debt.

Disadvantages:

- Developers have operational limitations over the project company: their participation in the Board in minimum and the "Qualified Management Agreement" (QMA) that regulates their relationship with the project company has several limitations for them;
- Since no equity is injected, profit potential is limited to fees under the QMA, debt service on Third Lien debt and any early redemption premium relating to excess revenues; and
- Political factors to be addressed due to Conduit Issuer and Borrower involvement

Tax Exempt Private Activity Bonds:

The new transport legislation, SAFETEA-LU ("Safe, Accountable, Flexible, and Efficient Transportation Equity Act: A Legacy for Users") signed into law on August 10, 2005, provides that tax-exempt Private Activity Bonds (PAB's) may be issued to provide financing for "qualified highways" throughout the United States up to a cap of $15 million.

At this time it is still unclear what methodology will be used in allocating the tax-exempt bonds authority cap among competing projects. USDOT staff is currently considering the rules under which PAB's will be allocated and drafting approval procedures.

Key benefits from PAB's can be summarized as follows:

- Significant interest rate advantage relative to taxable rates: 100-140 bps below taxable bond funding may be achieved
- PAB proceeds may be loaned to a private entity to finance Qualified Transportation Facilities (QTFs) directly owned by such private entity.
- Private entities can deduct both, depreciation on the QTFs (if it is treated for tax purposes as the owner), and interest payments
- Qualified Transportation Facilities can be owned by a governmental entity and leased to, or managed by, another private entity

However some disadvantages may occur:

- The purpose of Private-Activity Bonds must be defined specifically and must be used according to the limitations of the state and federal statutes. Certain project aspects may be ineligible for PAB allocation
- The numerous and strict limitations on PABs make them inflexible. Refunding is possible but subject to certain strict conditions (for example, the average maturity and amount of the refunding bond should not be higher than the average maturity and amount of bonds refunded)
- Although neither expiration date nor annual limitations will be applied a volume cap of $15 million limits the availability of PABs
- Expedient financing is difficult due to the annual application and approval process

As referred in Tab 2 we have considered two alternative scenarios that increase the value of the project for VDOT and the Commonwealth of Virginia:

Alternative 1, BASE OPTIMIZED CASE:

In this case we have tried to minimize the initial cost of construction delaying the construction of interchanges on some of the very low volume crossroads (e.g., State 625, 602, 620, and 616) until justified by traffic growth.

In this case we have also considered a 99 years concession term. We believe that an increase in the concession term will enhance the robustness of the project to overcome downturns in the economy, thus allowing the proposers to be more aggressive with their offers.

Based in the above mentioned changes from the Base Case we have been able to reduce the initial subsidy needed for the Project from $174.5 M down to $16.5 M.

Alternative 2, ENHANCED CASE:

The Base and Base Optimize solutions analysis have proven that the US Route 460 Toll Road is a project that at this moment cannot be sustained entirely by its users without any public money. We understand that there is no public funding available for this project at the moment, therefore the development of this Toll Road could be delayed until public funds are transferred from other projects. This scenario shows clear drawbacks.

Cintra understand the strategic need of this project and has developed an alternative that would lead to an early development of this project, an increased capacity along the roads that link Norfolk and the Hamptons with Richmond and a way for VDOT to capitalize its existing assets obtaining funds that can be invested in other projects.

In this Enhanced solution Cintra intends to build the proposed US Route 460 Toll Road including two improved interchanges with direct connectors at its origin and end, and proposes VDOT to include the

I-64 between the I-295 and the I-664, into the same concession contract. The rationale behind this option is that both roads are alternative routes that link the port of Norfolk with Richmond and the rest of the country, hence if we charge toll only in one of the two the traffic will shift to the untolled facility increasing the congestion. Moreover if both roads are in the same contract it will be possible to transfer traffic from one road to the other setting tariffs in a determinate way, thus relieving congestion. With this alternative VDOT and the citizens of Virginia would obtain extra funds from those long distance trips originated in the port of Norfolk.

This alternative also considers the construction of a third lane along the I-64 between the I-295 and the I-664.

As explained before we have assumed a single toll plaza at the North of Williamsburg that will charge the long distance trips, therefore the local movements between Williamsburg and Norfolk will remain free.

Under these circumstances apart from the full construction of the proposed new US Route 460 with improvements in its interchanges and the completion of a third lane along the I-64 VDOT could obtain an upfront payment of approximately $1 billion from the Concessionaire.

3.3. Discussion of assumptions underlying all major elements of the plan. Indicate the team member(s) responsible for securing financing for the project and any experience said member(s) have with similar financing mechanisms to those proposed and with similar transportation projects

Include a list and discussion of assumptions (user fees or toll rates, and usage of the facility) underlying all major elements of the plan. Indicate the team member(s) responsible for securing financing for the project and any experience said member(s) have with similar financing mechanisms to those proposed and with similar transportation projects.

A. Subordinated TIFIA Funding

While there has not been a decision on the precise nature of TIFIA assistance, it is expected that a direct loan or a direct loan in combination with a line of credit ultimately will be requested.

Utilizing TIFIA credit assistance will enhance the feasibility of the US Route 460 Corridor Improvements Project and support a financing structure that takes advantage of private investment and eliminates the need for public funding. TIFIA junior-lien financing will enable the senior debt to achieve an investment grade rating, thereby broadening the options from bank debt to include capital markets financing. The flexible terms of the TIFIA loan (deferred payment structure, prepayment ability, etc.) should help reassure other investors that the debt structure can be met from projected toll revenues. Finally, the favorable U.S. Treasury rates for this type of flexible, junior-lien financing contributes to financial feasibility.

TIFIA funding is clearly an attractive source given the low costs involved and as it has been designed to fill market gaps and leverage private co-investment. The proposal assumes that the full amount of TIFIA credit assistance for which the project is eligible is utilized (33.33% of eligible project costs)

Table 3-6 summarizes the main financing assumptions considered for TIFIA funding for the Project:

TIFIA Credit Assistance	Terms
Purpose	Provide funds to cover up to 33.33% of Eligible Project Costs under TIFIA rules
Amount of the Facility(*)	Up to $ 450.00 million, based on the Plan of Finance
Capitalized Interest Period	Will be determined in the approved financial plan
Availability Period	Will be determined in the approved financial plan
Maturity	Up to a maximum of 35 years post-construction completion
Base Rate	Rate of securities of a similar maturity as published on the execution date of the TIFIA debt in the United States Treasury Bureau of Public Debt's daily rate table for the State and Local Government Series (SLGS) securities.
Margin	0.05% per annum
Repayment Profile	Will be determined in the approved financial plan
Restricted Payments	Will be determined in the approved financial plan

Table 3-6. TIFIA Funding Main Assumptions

- *Other Assumptions*

The contract will be signed on June 30th, 2008.

Right of Way Acquisition will be carried out between January 2009 and December 2010

Legal framework that allows the Concession Company to enforce payment against customers that fail to pay within the timeframe defined in the concession contract in order to collect toll rates.

3.3.1. Responsible for securing financing and experience

Cintra as equity investor and leader of the proposed team will the responsible party for obtaining all the funds necessary to finance this project. Cintra has its own Project Financing Department formed by experienced professionals with an extensive experience in structuring and closing financings for this kind of road projects.

Some examples of Cintra's experience related to the financing alternatives studied for this project, and similar transportation projects are described below:

A. Mini Perm

Cintra have used these structures to finance the construction of the Ocaña-La Roda Spain, Madrid, (with an 8-years-bullet structure and an amount of $700 million), or Chicago Skyway Toll Road (US), a 8-years-bullet structure amounting US$ 1.190 billion, or the recently closed Indiana Toll Road (US), a 9-years-bullet structure amounting close to US$ 4.0 billion.

B. Bridge facility and Bond Issuance

Cintra have had several previous experiences with this type of long term bond financing structures.

The most recent experience has been the Chicago Skyway refinancing in August 2005. In October 2004 the Consortium in which Cintra owns 55%, won the bid for the acquisition of the Chicago Skyway Toll Bridge. The paid amount was US$ 1.8 billion and it was funded with a 9 year Mini perm with a Banks syndicate in an amount of US$ 1.2 billion and US$ 0.882 billion equity from the sponsors.

In August 2005 the Concessionaire, as a result of having successfully implemented its management structure and risk mitigation policies, has successfully refinanced the current bank facility with a US$ 1.4 billion wrapped Bond issuance split in two tranches; US$ 439 million of Current Interest Bonds and US$ 961 million of Capital Acretion Bonds. FSA will guarantee the payment of principal and interest on the bonds and the Joint Bookrunners has been Citigroup and Goldman Sachs.

The major bond transaction leaded by Cintra was the 407 ETR in Toronto (Ontario-Canada). The original investment was Cad$ 4 billion, including a Cad$ 3.1 billion payment to the Province of Ontario and Cad$ 900 million for the working capital and construction of the two highway extensions. The Consortium in which Cintra currently owns 53,23%, used credit bridge facilities offered by a syndicate of commercial banks in an amount of Cad$ 2.45 billion, while the Sponsors completed the acquisition injecting Cad$ 1.55 billion combining direct equity and shareholders subordinate debt. Both the commercial banks senior debt and the subordinated debt have been successfully refinanced through several bond issues that took place during July and August 1999.

C. Banks long term facility

Cintra have had several experiences with this type of structures as well, N4/N6 Kinnegad-Kilcock, in Ireland is one example. The concession is for 30 years and was totally financed with 22% equity and 78% long-term financing through the banking market. The participation of Cintra currently amounts to 66% of the Consortium. $261.6m of 25-yr non-recourse project financing debt was raised to fund construction costs combining 50% of bank loans and 50% of guarantees for the European Investment Bank. Financial close was achieved on March 2003.

3.4. Identify the proposed risk factors and methods for dealing with these factors

Identify the proposed risk factors for all participating entities and methods for dealing with these factors.

The risk of an unsuccessful financial close leading to a shortage in the funds requested to complete the project is clearly minimized by Cintra's ability to raise financing and investing in concession projects.

This ability has allowed receiving many project finance deal awards in the last years. Over the past five years, Cintra has closed financing deals for 9 toll road projects in Chile, Spain, Portugal, and the US (Chicago Skyway and Indiana Toll Road), for an aggregate value of over US$ 8.5 billion. As an example in 2003, Cintra got two awards for its N4/N6 deal in Ireland (EMEA Infrastructure Deal of the Year by Project Finance International and European Deal of the Year by Public Works International). In 2004, Cintra was awarded with the "North American Transport Deal of the Year" (by Project Finance magazine) for its Chicago Skyway project in US and got two awards for its "Autopista del Maipo" deal in Chile ("Latin American Refinancing Deal" by Project Finance and "Best Project Finance Deal" by Latin Finance magazine).

All of these transactions are normally structured as long-term non-recourse debt, with three main characteristics:

- Availability of sufficient resources: The price and the deadline are more than sufficient to guarantee permanent availability of sufficient funds to allow the project to go ahead.
- Adjusted drawdown and repayment profiles: The drawdown and repayment schedules are specifically adapted to the financing needs of each project and the creation of cash flows, with a certain room for maneuver, to guarantee the financial stability of the project at all times.
- Solid coverage of financial risks: Exchange risk and interest rates are actively managed in accordance with plans established by the financiers. The volume of funds denominated in local currency is normally maximized.

The capacity of Cintra to raise funds is based on the following key success factors:

- Its proven competence in preparing traffic flow models and projects and in establishing realistic forecasts regarding operation and maintenance cost levels. Cintra has a internal technical team fully devoted to analyze such cash-flows together with the advisors during the whole bidding process until financial closed is achieved. This internal support is key.
- Its strong relationship with the biggest players worldwide in the project financing market (commercial banks, rating agencies, monoline insurers, bond houses, etc)
- Its deep knowledge of different concession schemes applied in different countries in which Cintra has invested. “Bankable” contractual structures are essential to achieve high gearings, low margins and long debt tenors without the necessity of equity guarantees throughout the life of the debt.
- Its Client knowledge and relationships worldwide
- Sufficient building risk coverage, even in the bidding phase, by means of a fixed construction price provided by the Ferrovial Group’s construction company.
- The financial solidity of the Ferrovial Group and its proven compromise to long-term investment in DFBO infrastructure projects.

The combination of these key factors gives the financial markets the necessary confidence to provide long-term funds in projects developed by Cintra.

This confidence means:

- Reduced financial costs and high levels of leverage, that allow Cintra to optimize the competitiveness of its DFBO projects, and
- Cintra obtains firm compromises from financial entities, thus guaranteeing the viability of each bid.

Other risks as Traffic or Operation risks will be fully managed by the Concessionaire with the support of the specialized personnel of Cintra. Cintra accumulates more than 35 year’s experience operating toll roads, thus has already experience all the problems that a concession can have and has developed internal procedures to deal with those situations.

3.5. Proposed Total Life-Cycle Cost-Specifying Methodology and Assumptions

Provide the proposed total life-cycle cost-specifying methodology and assumptions of the facility or facilities and the proposed project start date. Include anticipated commitment of all parties; equity, debt, and other financing mechanisms; and a schedule of project revenues and project costs. Include in the life-cycle cost analysis a detailed analysis of the projected return and/or rate of return.

Cintra as part of this Proposal presents a technical concepts that intend to obtain the best value for the capital to be invested at the beginning of the Concession Term while at the same time satisfying standard technical requirements and best design, construction and maintenance practices.

The initial investment, as described in Section 3.1, is defined in conjunction with a maintenance strategy that will take place during the Concession Term. In addition, the Proposer has also sought value in reducing the construction schedule by taking into consideration design and construction methods described in Section 3.5.2.

The following list describes the assumptions made to determine life-cycle costs:

- Based on the requirements expressed in the SFP, the Proposer has assumed a Concession Term of 50 years from the moment a Comprehensive Agreement is signed.

- The developer initially proposes to use asphalt pavement construction for the roadway, concrete bridges for the diamond interchanges and roadway crossings, and steel bridges for the more complex interchange connections at each end of the Project.

- The initial pavement design life is 30 years. During that span, the roadway surface will need to be milled and resurfaced prior to major reconstruction.

The result of this analysis is shown as part of Section 3.5.5 summarizing the Operational Expenditures estimated to take place during the Concession Term.

3.5.1. Preliminary Cost of the Project

Section 3.1 breaks down the initial investment into ROW acquisition, Design and Construction and Systems Cost.

3.5.2. Description of the Proposed and Construction Methods

The developer will accomplish the design and construction of the corridor using the current applicable standards to ensure a safe and structurally sound roadway. The designed roadway will accommodate the increasing truck and military traffic along the US Route 460 Corridor and serve as an alternate hurricane evacuation route. The roadway will be designed using the rural arterial standards (GS-1), while the bridges will be designed to the HS 20-44 loading (Alternate military loading). By using these design standards, the road can accommodate heavy truck traffic and military vehicles in a safely and efficiently manner. The proposed route will also be designed to ensure no changes to the flood plain and overtopping is eliminated during critical storms.

Construction will be managed in order to minimize impacts to the existing US Route 460 Corridor by using construction roads to access the work sites. There will be instances when the construction will impact the

existing roadways – during those occasions, every effort will be made to minimize the impact on peak hour traffic volumes, ensuring a safety driving in the existing roadway.

3.5.3. Overview of the Design Concepts

The proposed US Route 460 Toll Road is designed to allow safe and efficient movement of motorist throughout the corridor. It is especially important to design a new roadway with sufficient capacity to handle the increasing amount of traffic between the Richmond and Hampton Roads region. Special attention is being given to the interchange weaving movements at both ends of the corridor (I-295 and US 58). Both interchanges will handle a significant amount of traffic and need to be designed to accommodate weaving movements at the merge areas. Another design feature for the corridor, considered as part of the BASE OPTIMIZED CASE is the phased development of the diamond interchanges. The developer proposes to collaborate with each locality in developing specific thresholds that would initiate the interchange construction. The thresholds are likely to incorporate the schedule for the secondary road improvements so that exiting US Route 460 toll road traffic can have a safe access to the local road network.

3.5.4. Preliminary Schedule of the proposed timing of construction and maintenance activities

DESIGN AND CONSTRUCTION

At this stage we envision the project developing according to the schematic schedule shown in Figure 3-2. If the notice to proceed (NTP) is granted by June 2008, the design and construction team (D&CT) would immediately begin preparing the necessary plans to define the right of way footprint. This task would take four to six months to complete. Once the information is ready, it would be passed to the developer to initiate the right of way acquisition process. Approximately twelve months before starting construction the detailed design would start as well as the permitting activities. The duration of this activity depends on how quickly the property can be obtained. Construction would begin in January 2011 and substantial completion should be reached 36 months later, January 2014.

The entire alignment would be open to traffic at the same time and no phased openings are foreseen at this time. This schematic schedule would obviously be modified according to the final contract procurement.

MAINTENANCE

Cintra, as part of this Proposal, proposes to use a 30-year life cycle for the pavement and bridge structures. With regard to the pavement structure for a 50-year concession period, Cintra proposes to replace the surface asphalt and surface treat the shoulders in year 12 of the cycle. Then, the surface asphalt, part of the intermediate course, and shoulders would be replaced in year 22 of the cycle. All surface and intermediate layers would be replaced in year 32 with a base, intermediate, and surface layer of asphalt (for roadway and shoulders). Year 44 of the cycle would involve replacing the surface asphalt and surface-treat the shoulders.

With regard to the bridge structures for a 50-year concession period, Cintra proposes to perform bridge joint maintenance every 5 years, bearing pad replacement every 15 years, deck rehabilitation every 20 years, and a major rehabilitation every 25 years.

3.6. Identify any local, state or federal resources

Identify any local, state or federal resources that the Offeror contemplates requesting for the project and investments the Offeror anticipates making towards the project. Describe the total commitment (financial, services, grant, loans, property, etc.), if any, expected from governmental sources, private investors and the timing of any anticipated commitment. Include a plan for development, financing, and operation of the facility, including a funding schedule which indicates the proposed sources and uses of any funds. Provide a list of all assumptions supporting all major plan elements. Identify any risk factors and the strategy for dealing with them. Describe any local/state/federal resources that may be requested for the project, along with the total anticipated commitment, if any, from all public sector sources and when these resources may be needed.

As mentioned above, one of Cintra's main objective is to deliverer the best value for money to VDOT and therefore to minimize any request for state funding. In order to meet a reasonable return for invertors and after maximizing the financing structure Cintra will require state funding to an amount of $174.5 million for the Base Case solution. The detailed disbursement schedule will be described in the approved financial plan but it will be made in accordance with VDOT's 6 year plan.

For the Base Optimized Case the State's funding is reduced to $16.7 million.

For the Enhanced Case there is no need for any local, state or federal funding.

The financial model has assumed the state funding will take the form of a grant.

It is important to note that Cintra is assuming as part of the Financing Plan the use of the federal credit program TIFIA which is provided by the US Department of Transportation (USDOT).

3.7. Provide: financial statement of the firm/consortia and each major partner

Provide a financial statement of the firm/consortia and each major partner. Submit the most recent Securities and Exchange Commission 10-K and 10-Q reports, if such reports have been filed.

Refer to the Financial Statements section.

3.8. Toll System

If tolls are proposed, describe the anticipated method of collection, including electronic and manual capabilities. Provide an analysis of the start-up period for toll operations. (ADDENDUM #1) Any new facility on which a toll would be implemented would require the installation of toll equipment compatible with VDOT's existing electronic toll collection system. Provide an overview of anticipated toll revenues and the calculations used, including any traffic forecasts and assumptions. Indicate any significant variances between the revenues, assumptions and forecasts used in the proposal and those provided in the Hampton Roads Planning District Commission draft Regional Toll Feasibility Study and the Toll Feasibility Summary prepared as part of the Route 460 Location Study (Section 9.6 provides

links to these documents.) Describe any variable pricing plans or congestion mitigation measures proposed as part of the toll operation.

3.9. If revenues from development opportunities ancillary to the USR460 Project are to be proposed, describe the nature of the development, its relation to the transportation facility, the coordination anticipated with the local communities and the estimated revenue used to support the project.

If revenues from development opportunities ancillary to the USR460 Project are to be proposed, describe the nature of the development, its relation to the transportation facility, the coordination anticipated with the local communities and the estimated revenue used to support the project.

In the preparation of this SFP no additional source of revenues apart from user's tolls and the State's grant has been taken into consideration.

3.10. Describe the nature of any proposed private, quasi-private or public-private entity which may be proposed to issue debt, if applicable, to support the project

Describe the nature of any proposed private, quasi-private or public-private entity which may be proposed to issue debt, if applicable, to support the project.

Cintra is not planning or assuming any kind of vehicle to issue debt to support the project.

3.11. Describe any cost savings to be realized by the Commonwealth during the lifecycle of the project and the methodology by which said savings were calculated

Describe any cost savings to be realized by the Commonwealth during the life-cycle of the project and the methodology by which said savings were calculated.

The Commonwealth of Virginia would experience cost savings in the construction, maintenance, and operation budgets by Cintra constructing, maintaining, and operating the Route 460 Toll Road. Since Cintra would be responsible for financing the construction of the new facility, VDOT would be able to allocate the primary construction funding to the next priorities in the Six Year Plan. The new roadway is expected to generate new business developments along the corridor. The opportunity exists for the localities along the corridor to encourage developers to financially assist with making improvements to the adjoining roadways (road proffers) therefore reducing the need for secondary road improvements. Additionally, since Cintra is funding the maintenance and operations for the facility, VDOT would not be required to allocate additional resources to the new facility. As part of the ENHANCED CASE, the Commonwealth would save additional resources since Cintra would assume at its cost the ordinary and extraordinary maintenance of the I-64 facility from MP 200 to MP 264.