



**Financial Submission**  
Submittal Relating to the Development of the  
**TxDOT North Tarrant Express Project, Segments 3A and 3B**  
through a Facility Implementation Plan and Facility Agreement

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# **Financial Submission**

## **TxDOT North Tarrant Express Project, Segments 3A and 3B**

Prepared by NTE Mobility Partners Segments 2-4, LLC  
May 19, 2010



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## 1 Feasibility of Financing Plan

The Consortium's Financing Plan is conditioned and subject to the following key factors:

- All conditions under the Comprehensive Development Agreement for North Tarrant Express Segments 2 through 4 have been satisfied.
- All environmental approvals have been obtained, or contractual arrangements are in place that are sufficient to protect concessionaire from the lack thereof.
- Commitment of USDOT to provide TIFIA credit assistance in an amount sufficient to close finance and in the terms and conditions assumed in the Financial Plan included herein.
- Private Activity Bonds being available and approved by USDOT in the terms and conditions assumed in the Financial Plan included herein.
- Public funds being available in an amount sufficient to cover the payment profile included in our Financial Plan.
- Project being rated as investment grade.
- No change in law has occurred that materially affects the Project.
- No market change has occurred that would materially and adversely affect Developer's ability to comply with this submission.
- An agreement is reached in terms that are satisfactory to both parties based on the CDA for Segments 1 and 2W.



## 2 Introduction

### 2.1 The Proposer

The Proposer is NTE Mobility Partners Segments 2-4, LLC (“NTEMP2-4”) or an affiliate. NTE Mobility Partners Segments 2-4, LLC is formed by Cintra Infraestructuras S.A. (“Cintra”) and Meridiam Infrastructure Finance S.A.R.L. (Meridiam), which are together hereinafter referred to as the “Sponsors”, or “the Consortium”.

### 2.2 Details of Equity Source and Equity Participants

#### 2.2.1 Cintra Infraestructuras S.A.

Cintra is one of the largest private-sector developers of transportation infrastructure, with committed equity investments of more than \$3 billion. Formed in Spain, Cintra is a company headquartered in Madrid with subsidiaries in three continents, including a branch office for the development of U.S. operations in Austin, Texas.

Cintra currently manages 25 toll highways (more than 1,700 miles/2,735km) in Spain, Portugal, Ireland, Italy, Greece, Chile, Canada (407 ETR) and the U.S. (Chicago Skyway and Indiana Toll Road and, more importantly, three projects in Texas:

- SH 130 Segments 5 and 6, currently under construction with an expected completion date of 2012
- NTE Segments 1 and 2W, in its early stages of development after successfully reaching financial close in December 2009; and
- IH635 (LBJ) Managed Lanes.

Cintra has significant unparalleled experience in bidding concession projects worldwide.

Cintra has extensive experience and infrastructure leadership in Texas. In 2005, Cintra, together with a U.S. construction firm, signed a Comprehensive Development Agreement (CDA) in Texas to develop the High Priority Trans Texas Corridor (TTC-35). Cintra was subsequently



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awarded Segments 5 and 6 of State Highway 130 in Texas, the first 100% privately funded Greenfield project in the U.S. Cintra was able to achieve on-time financial close on the SH 130 concession under constrained market conditions and having as sources \$430M of TIFIA loan proceeds, \$685M of Senior Bank Debt and \$197M in Equity. *Project Finance* magazine recognized this accomplishment as North America Transport Deal of the Year.

NTE Mobility Partners, a consortium made up of Cintra, Meridiam and the Dallas Police and Fire Pension System, was awarded the concession for Segments 1 and 2 of the NTE Project in June 2009. The consortium achieved financial close for the project in December 2009. NTE Segments 1 and 2 was the only revenue-risk toll road financed in the U.S. during 2009. Cintra's experience, position, ingenuity and structure allowed the company to complete this transaction during one of the most challenging periods in the financial markets in recent memory. In addition to securing a \$650 million TIFIA facility, Cintra also tapped the capital markets and became the first private road operator to use Private Activity Bonds (PABs) (\$400M) in funding a project's construction. Further demonstrating Cintra's ability to access capital was that the PABs issued were unwrapped and oversubscribed by 2.4 times.

In September 2009, LBJ Development Group, a consortium made up of Cintra, Meridiam and the Dallas Police and Fire Pension System, entered into a CDA with TxDOT for the IH 635 Managed Lanes Project. This \$2.7 billion project is expected to achieve financial close in 2010.

Cintra has a strong track record in bidding processes and management experience in many of the selected markets and technical experience in the execution and integration of the different facets of the infrastructure concessions business, including construction, land expropriations, environmental impacts, financing, negotiating agreements, operations and maintenance, and traffic forecasting. It also has the financial capacity to obtain capital financing for projects, as well as the ability to develop innovative financial structures and to use different financial instruments.



### *Meridiam Infrastructure Finance*

Meridiam is a fully owned investment subsidiary of Meridiam Infrastructure S.C.A. SICAR (“Meridiam Fund”). Meridiam Fund is a €600 million (approx. \$750 million) infrastructure fund with a 25-year life set up in order to be able to buy and hold assets with a long-term vision. Meridiam Fund focuses exclusively on Public Private Partnership (“PPP”) projects in Organization for Economic Co-operation and Development (OECD) countries, investing an array of equity, subordinated debt, mezzanine debt and hybrid instruments in the transportation, public sector facilities and accommodation, and environmental sectors or related services fields in North America and the European Union.

Since inception in 2006, Meridiam Fund has invested in the following transportation PPP assets:

- NTE Segments 1 and 2
- IH 635 Managed Lanes
- Port of Miami Tunnel (\$900M, closed 10/09)
- Limerick Tunnel (Ireland) – awarded 2006 European PPP Deal of the Year by *Project Finance Magazine* and the 2006 *Project Finance Deal of the Year* by the *International Financial Law Review*
- Vienna A5 Ostregion (Austria) – awarded 2006 Bond Deal of the Year by *Infrastructure Journal*
- A2 Motorway (Poland)
- A5 A-Modell Motorway (Germany).
- A2 Segment II (Poland)
- R1 Highway (Slovakia)

The Meridiam team has the experience and ability to add value throughout the project lifecycle as active developers, investors and asset managers. The team is comprised of a number of leading figures in the global infrastructure and PPP markets. The Meridiam team is led by Thierry Déau and Julia Prescott, two professionals with considerable experience of all aspects of infrastructure financing and a strong network of relationships.

The team has a combined experience of investment in, and management of, PPP projects in excess of 60 years. Some of the team members held leading roles in the early PPP markets (UK and Australia) in the mid-1990s. Projects closed by team members include: A2 Motorway (Poland), Budapest Airport (Hungary), SCUT Interior Norte motorway (Portugal), Brussels wastewater treatment (Belgium), First tranche French prisons (France), Leslys Express Tramway Lyon (France), Brussels Airport (Belgium), Manila North Tollway (Philippines), Daejeon Riverside Expressway (Korea), South Australian ports (Australia), A28 and A41 Motorway (France), Leeds 7 schools (UK), Hexham Hospital (UK), Tubelines London Underground (UK), Eje Aeropuerto/Palma Manacor (Spain), Rathcormac/Fermoy road (Ireland). Since 2000, the team has participated in projects with an aggregate value of €4.6 billion (approximately \$6.9 billion) and held key roles in eight road/tunnel/bridge projects in the EU, the Americas and the Asia-Pacific region.

**2.2.2 Amount and Timing of Shareholders’ subscriptions**

The equity investors will contribute up to \$501.9 million in total prior to completion of construction of the Project, as set out in Table 1.

**Table 1: Equity Contribution by Equity Sponsor**

Equity Sponsor	Ownership Interest	USD million
<b>Cintra</b>	67.25%	337.5
<b>Meridiam</b>	32.75%	164.4
<b>Total</b>	100.00%	501.9

**2.2.3 Terms and conditions of the Shareholders Funds**

The timing of the equity investors’ capital contributions to the Developer will be determined via negotiations with lenders in the period prior to financial close. The Financial Model assumes that equity will be contributed pro rata with funds sourced from debt financiers.

In compliance with TIFIA requirements no cash is distributed to the shareholders until the interest capitalization period expires by the end of year 2021 (five years after construction completion). At this point in time all of the cash available after servicing senior and TIFIA debt and



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complying with senior and TIFIA covenants for distributions is then repaid to the shareholders, being such cash the first return obtained for the equity invested.

This proposal has been prepared on the basis that the Shareholders do not envision any changes to the total amount of equity during the life of the project nor any further planned equity contributions.

The Shareholders will share in all profits, losses and other items of the Company according to their respective Ownership Interest. All distributions shall be made according to the Shareholders' Ownership Interest.

The equity investors' nominal, after-tax internal rate of return ("Equity IRR") under the Financing Plan is **12.58%**. Dividend and FIRPTA taxes have been taken into account when calculating the Equity IRR.



## 3 Financing Plan

### 3.1 Overview of Financing Plan

In formulating the Financing Plan, the Sponsors have assessed the financial solutions that are available in the current market. The Consortium proposes a plan that includes a combination of funding sources that optimize the cost of capital of the Project and thereby maximize the value offered to TxDOT. As detailed hereinafter, the submission includes the use of available long-term instruments such as a TIFIA loan from the U.S. Department of Transportation and Private Activity Bonds that provide a long-term and balanced financing solution. The Financing Plan also includes a significant equity contribution aimed at limiting the usage of public funds.

The total investment of the project under this Financing Plan is 1.704 millions of USD.

The senior Bond Facility (PABs) comprises 100% of the proposed senior debt financing package, taking advantage of the tax-exempt bond markets. Spreading the funding requirement between this financing market will limit the demand on the market, which is expected to result in optimal pricing of the instrument.

The TIFIA Loan represents the most affordable source of capital available to the Project, both because of its low interest rate and the flexibility it provides to defer the payment of all interest during the first five years of operations. The Financing Plan therefore maximizes the amount of the TIFIA Loan (up to 33% Eligible Costs) as we have seen in similar projects previously, particularly the NTE Managed Lanes Segments 1 and 2 and IH 635 (LBJ) Managed Lanes.

This financial structure allows for significant resilience to unexpected events that may impact the cash flow of the Project, based on the following characteristics:

- Well-sized reserves providing liquidity to the structure if needed;
- The negotiated terms of the TIFIA Loan, including the ability to defer 75% to 100% of scheduled TIFIA Loan debt service for up to 25 years of operations, in the event of cash flow shortfalls.
- The significant equity commitment to be provided by the Sponsors.



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The Financing Plan recognizes current market conditions and takes advantage of the flexibility to defer financial close for up to 18 months after commercial close.

While PABs, a TIFIA Loan, equity, and public funds will comprise the Consortium’s primary Financing Plan, the Consortium will evaluate additional financing sources to the extent that they improve the overall economics of the project. These sources may include, but are not limited to, taxable bonds, mezzanine debt, bank loans, loan notes and shareholder loans.

This flexibility has allowed the Consortium to maximize the value it offers to TxDOT under this Submission.

### 3.2 Range of Financing Sources

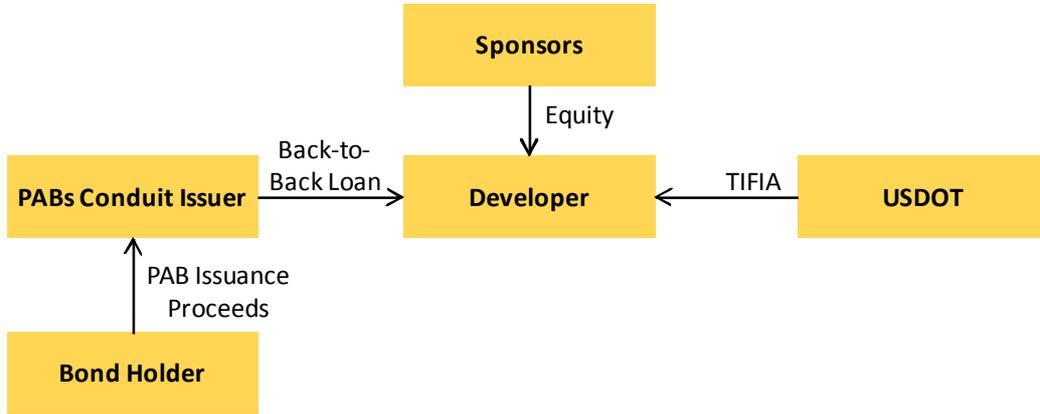
Table 2 provides a summary of the amounts of debt, equity and public funds required for the project.

**Table 2: Summary of Funding Sources for the Project**

Funding Source	Amount (USD million)	Description
Equity Contribution	501.9	Subscription for share capital by the Sponsors
PABs	300.0	An issuance of tax exempt bonds to fund qualified highway expenditures
TIFIA Loan	538.7	Direct loan from the USDOT under the TIFIA Act to fund eligible project costs
Public Funds	287.5	Public funds amount to be paid to Developer by TxDOT

Figure 1 shows a simplified diagram describing the financial structure.

**Figure 1: Simplified Financing Plan Structure Diagram**



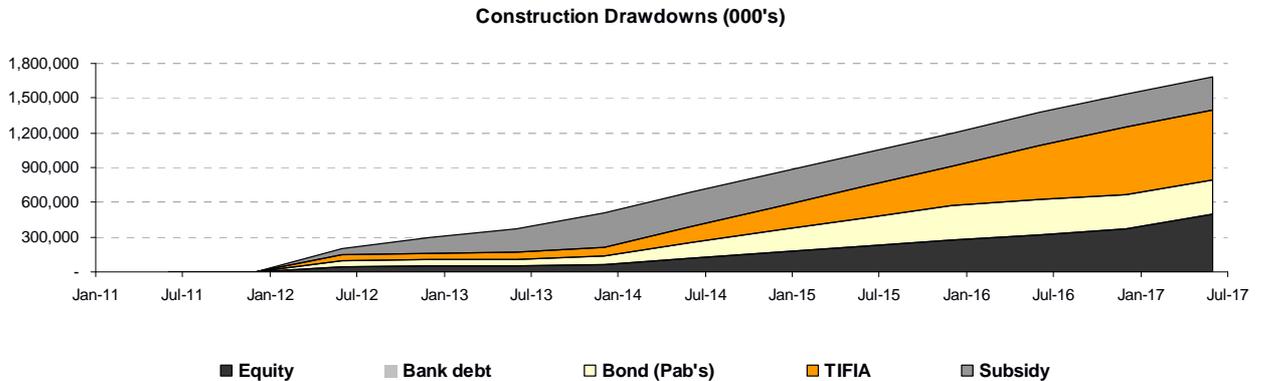
### 3.3 Sources of Financing

#### 3.3.1 Drawdown Schedule and Repayment Schedule

##### *Drawdown Schedule*

Figure 2 illustrates the outstanding balance of the Debt Facilities under the Financing Plan. These facilities are drawn on a pro rata basis during the construction period. However, there is a possibility to draw the PABs first in order to avoid the negative cost of carry if the financial income for this sources is too low.

**Figure 2: Construction Drawdowns**





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### 3.3.2 Private Activity Bonds

The Financing Plan includes a \$300 million issuance of PABs. There are a not secured provisional allocation on the aggregate amount of PABs available for qualified highway expenditures in accordance to Section 11143 of Title XI Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU).

This allocation is subject to the following conditions:

- the Consortium must be selected as the concessionaire by TxDOT and the CDA must be executed;
- a final bond counsel tax and validity opinion must be issued at the time of the closing of the bond issuance

The Consortium's Financing Plan assumes that financial close will occur after December 2011. This assumption maximizes the value provided to TxDOT by allowing the greatest period for recovery of the financial markets.

The parameters of the PABs issuance are based on previous experience on similar projects.



*Key Details of Facility*

The key details of the PABs included in the Financing Plan are described in Table 3.

**Table 3: Key Details on PABs**

Key Details		
Type		Senior secured long-term, fixed-rate, tax-exempt PABs exempt from the Alternative Minimum Tax (“AMT”)
PABs Issuer	Conduit	The Texas Private Activity Bond Surface Transportation Corporation or other corporation or similar entity authorized under Texas Law to issue the PABs (the “PABs Issuer”)
Structure		The proceeds of the issuance will be loaned to the Developer under a back-to-back loan agreement (the “PABs Loan Agreement”). The Developer will issue a promissory note or a similar instrument evidencing its repayment obligation (“Promissory Note”)
Underwriter		To be determined
Purpose		To fund qualified highway expenditures
Final maturity date		30 years from issuance date
Currency		USD
Issuance amount		\$300 million
Balance outstanding at end of construction		\$300 million
Security		A pledge of the PABs Issuer of its interest under the PABs Loan Agreement and related Promissory Note; a pledge of certain indenture accounts; and a first priority lien over the Project collateral.
Ratings required		An investment grade rating from a nationally recognized credit rating agency
Monoline insurer		N/A

*Interest Rates and Fees*

Details of the interest rate and fees assumed to be payable in relation to the PABs included in the Financing Plan are described in Table 4.

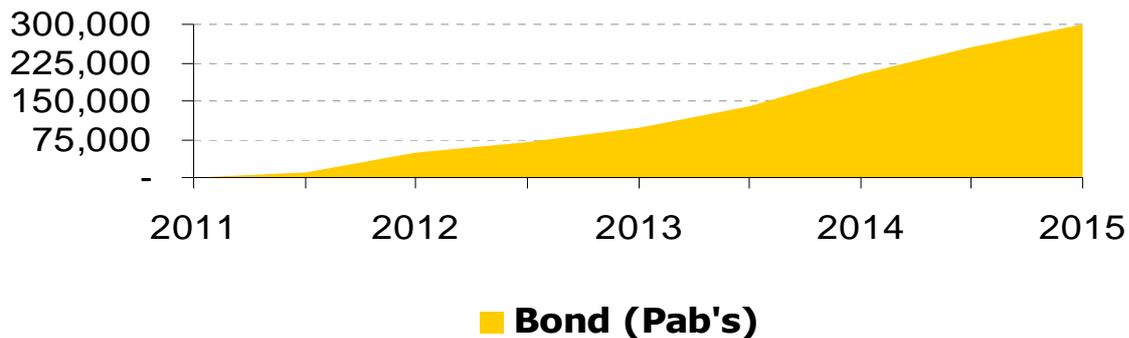
**Table 4: Interest Rates and Fees on PABs**

Interest Rates and Fees	
<b>Underwriting Fee</b>	65 bps
<b>Bond Coupon / Yield</b>	7.00% per annum ( assuming exempt of the Alternative Minimum Tax (“AMT”))
<b>Reference interest rate for benchmarking</b>	30 year AAA MMD Index
<b>Proposed hedging arrangements</b>	N/A – the PABs are a fixed rate obligation

*Drawdown, Debt Service and Repayment*

Details of the drawdown, debt service and repayment terms of the PABs included in the Financing Plan are shown in Figure 3 and Table 5.

**Figure 3: PABs Drawdown Profile**





**Table 5: Drawdown, Debt Service and Repayment of PABs**

Drawdown, Debt Service and Repayment Terms	
<b>Availability period</b>	The PABs will be issued at financial close and the proceeds deposited into an account (the “PABs Account”) held for the benefit of the PABs Indenture Trustee on behalf of the PABs Bondholders and used to fund qualified highway expenditure
<b>Interest Construction</b>	<b>During</b> Paid from committed funds available to the Developer
<b>Payment periodicity</b>	Semiannually in arrears on a Act/360 basis
<b>Capital moratorium</b>	<b>repayment</b> On any business day after 10 years from the date of issue, the PABs may be redeemed, at the option of the PAB Issuer upon written direction of the Borrower, in whole or from time to time in part, at a redemption price equal to 100% of the principal amount of such PABs, plus the accrued interest. Any redemption prior to this time may be permitted upon payment of a make whole amount (except in certain extraordinary circumstances – see Extraordinary Redemption below), subject to market conditions and requirements.
<b>Repayment period</b>	The PABs will be fully amortized in accordance with an amortization profile consistent with market and rating agency requirements

***Extraordinary Redemption***

It is expected that the PABs will be subject to mandatory redemption at a redemption price of 100% of the principal to be redeemed, plus any accrued interest in limited circumstances, which are expected to include:

- there is a determination that interest paid on the PABs is not tax-exempt;
- the Project is substantially or completely damaged or destroyed and not repaired in accordance with the CDA or is taken for any public use;
- the CDA is terminated; or

- there are any excess bond proceeds after construction completion (mandatory redemption occurs on the amount equivalent to the excess amount).

### *Conditions Precedent, Covenants and Default Provisions*

It is expected that the bondholders (as represented by the PABs underwriter in negotiations prior to financial close) will require the Developer to be subject to certain conditions precedent, covenants and default provisions customary for non-recourse project finance bonds and similar to those required under the senior bank facilities.

Also, certain conditions precedent to financial close specific to a PABs issuance are expected, including the following:

- The issuance of a final bond counsel opinion regarding the legality and validity of the PABs and the tax-exempt status of the interest on the PABs;
- Delivery of an investment grade rating of the PABs by a nationally recognized credit rating agency; and
- Satisfaction or waiver of all conditions precedent to the Bond Purchase Agreement.

### **3.3.3 TIFIA Loan**

At this time, NTEMP2-4 has not secured a commitment from the USDOT to provide credit assistance for the Project pursuant to the TIFIA Act of 1998, Transportation Equity Act for the 21<sup>st</sup> Century (TEA 21, Public Law 105-178), as amended by sections 1601-02 of the SAFETEA-LU, Public Law 109-59, codified as 23 U.S.C. §§601-09.

The future commitment will be to provide a TIFIA Loan in an original principal amount of \$538.75 million and there will be a budget allocation sufficient to avoid any TIFIA Subsidy Cost. The amount of the TIFIA Loan has to be investment grade rating since the amount of the TIFIA Loan is higher than the amount of considered in the financial structure for PABs, and due to the condition that the TIFIA Loan cannot exceed 33% of reasonably anticipated eligible project costs. Capitalized terms used in this section are based on previous transactions.



*Key Details of Facility*

The key details of the TIFIA Loan are as follows in Table 6.

**Table 6: Key Details of the TIFIA Loan**

Key Details	
<b>Type</b>	TIFIA Direct Loan
<b>Lender</b>	United States Department of Transportation (USDOT)
<b>Purpose</b>	To reimburse eligible project costs incurred in connection with the Project
<b>Final maturity date</b>	December 31, 2051 or no later than 35 years from the date on which Substantial Completion (as defined in the CDA) has been achieved for all segments of the Project
<b>Currency</b>	USD
<b>Available balance</b>	The Financing Plan includes a TIFIA Loan in the amount of \$538.75 million.
<b>Balance outstanding at end of construction</b>	\$599 million including capitalized interest
<b>Security</b>	A second priority security interest in Pledged Revenues and liens and security interests in other project assets subordinate only to the lien of the senior obligations.  A first priority security interest in Pledged Revenues (but no other project assets) on parity with the lien of the Senior Debt Obligations (including certain hedge obligations) upon the occurrence of a Bankruptcy Related Event. Please refer to the TIFIA Term Sheet for a definition of bankruptcy-related event.
<b>Ratings required</b>	Investment grade rating by a nationally recognized rating agency.
<b>Monoline insurer</b>	N/A



*Interest Rates and Fees*

Details of the interest rate and fees payable in relation to the TIFIA Loan are described in Table 7.

**Table 7: Interest Rates and Fees on TIFIA Loan**

Interest Rates and Fees	
<b>Base interest rate</b>	The rate of securities of a similar maturity as published on the execution date of the TIFIA Credit Agreement(s) in the United States Treasury Bureau of Public Debt’s daily rate table for State and Local Government Series (“SLGS”) securities
<b>Margin</b>	1 basis point
<b>Reference interest rate for benchmarking</b>	The rate for securities with a 30 to 40 year maturity as published in the United States Treasury Bureau of Public Debt’s daily rate table for SLGS securities
<b>Proposed hedging arrangements</b>	N/A – the TIFIA Loan is a fixed rate obligation



*Drawdown, Debt Service and Repayment*

Details of the drawdown, debt service and repayment terms of the TIFIA Loan are described in Table 8.

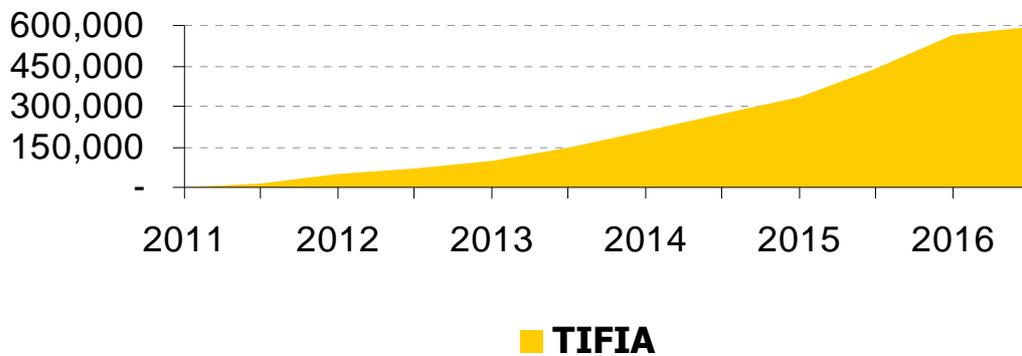
**Table 8: Drawdown, Debt Service and Repayment Terms on TIFIA Loan**

Drawdown, Debt Service and Repayment Terms	
<b>Availability period</b>	Available to finance eligible project costs; or to refinance interim construction financing of eligible project costs no later than one year following substantial completion (according to the TIFIA Program Guide)
<b>First interest payment</b>	End of Year 5 following the date on which substantial completion (as defined in the CDA) has been achieved for all segments of the Project. See further detail below
<b>Payment periodicity</b>	Semi-annual payments on an actual/365 basis
<b>Capital repayment moratorium</b>	None
<b>Repayment period</b>	Year 20 through year 35 following the date on which substantial completion (as defined in the CDA) has been achieved for all segments of the Project. See further detail below.
<b>Average life</b>	35 years

***Drawdown***

Figure 4 illustrates the profile of the TIFIA Loan during the construction period. The TIFIA Loan will be drawn pro rata with the PABs expenditures and the equity provided by the Sponsors. After the PABs Account has been exhausted, the TIFIA Loan will be drawn pro rata with the equity.

**Figure 4: TIFIA Drawdown Profile during Construction Period**



***Debt Service and Repayment***

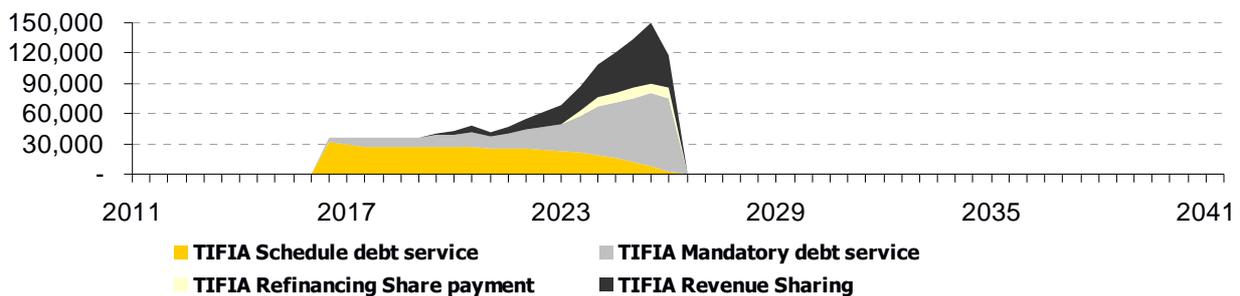
TIFIA debt service is structured to include both mandatory payments and scheduled payments in years 6 through 25 following the date on which substantial completion (as defined in the CDA) has been achieved for all Segments of the Project. Mandatory payments are unconditionally required to be paid as set forth in the TIFIA Credit Agreement. Scheduled payments are to be paid only to the extent that net project revenues, after operations and maintenance expenditures and senior debt service, are available.

There is no scheduled or mandatory debt service payable during the first five years following the substantial completion. Following this period, the scheduled and mandatory payments are expected to be as described in Table 9 and Figure 5.

**Table 9: Debt Service and Repayment for TIFIA Loan**

Scheduled Payments
<ul style="list-style-type: none"> <li>▪ 100% of current interest (assuming all scheduled debt service in previous periods is paid) at the end of year 5 through year 25 following substantial completion; and</li> <li>▪ From 25 years after substantial completion, all TIFIA debt service is mandatory.</li> </ul>
Mandatory Payments
<ul style="list-style-type: none"> <li>▪ Mandatory interest equal to 10% of scheduled interest at the end of year 5 following the substantial completion date;</li> <li>▪ Mandatory Interest equal to 17.5% of scheduled interest in year 7 following the substantial completion date; and</li> <li>▪ Mandatory Interest equal to 25% of scheduled interest in year 8 through year 25 following the substantial completion date; and</li> <li>▪ Level payments of mandatory principal and interest in year 26 through year 35 following the substantial completion date (“Level Payment Period”). Any unpaid portion of scheduled debt service shall be capitalized and added to the outstanding TIFIA Loan balance at the beginning of the Level Payment Period, and the level payments of mandatory principal and interest during the Level Payment Period shall be calculated as of the first day of the Level Payment Period in such manner that the outstanding TIFIA Loan balance as of such date shall be reduced to \$0 on the final maturity date of the TIFIA Loan.</li> </ul>

**Figure 5: Repayment Profile**





### *Revenue Sharing*

Following the first five years from the substantial completion date and subject to any requirements of senior lenders, 50% of toll revenues in any period which exceed the toll revenues considered in the base case for that period, in accordance with the traffic and revenue study conducted by AECOM Enterprises (the “TIFIA Revenue Sharing Amount”) shall be used to prepay the TIFIA loan to the extent the TIFIA Revenue Sharing Amount is available at the level immediately above Restricted Payments in the flow of funds .As a result of its position in the flow of funds, TIFIA Revenue Sharing will only occur to the extent that funds are available after any revenue sharing payments to TxDOT and many other cash flow priorities.

### *Eligible Project Costs*

Eligible project costs are defined in Title 23 of the U.S.C. §601 as those expenses associated with the following:

- Development phase activities, including planning, feasibility analysis, revenue forecasting, environmental review, permitting, preliminary engineering and design work, and other pre-construction activities;
- Construction, reconstruction, rehabilitation, replacement, and acquisition of real property (including land related to the project and improvements to land), environmental mitigation, construction contingencies, and acquisition of equipment; and
- Capitalized interest necessary to meet market requirements, reasonable required reserve funds, capital issuance expenses, and other carrying costs during construction.

The amount of the TIFIA Loan included in the Financing Plan (\$538.75million) does not exceed 33% of the Consortium’s reasonably anticipated eligible project costs .



### *Terms and Conditions*

#### *Conditions Precedent to Financial Close*

From the experience acquired in similar projects, the execution of the TIFIA Credit Agreement shall be subject to the requirements and conditions which apply to the Senior Debt Facilities plus some additional conditions including, but not limited to those stated in Table 10.

**Table 10: Conditions Precedent to Financial Close for TIFIA Loan**

#### **Conditions Precedent to Financial Close**

- Execution and delivery of the senior obligation agreements and the subordination and intercreditor agreement (as applicable);
- The Lenders' Base Case projection at financial close demonstrates that Net Revenues (defined to include the amounts available in liquidity support arrangements for the first 10 years following the Substantial Completion Date only) in any year will produce (i) a senior debt service coverage ratio at least equal to 1.25 in such year and (ii) a combined debt service coverage ratio (taking into account both mandatory and scheduled TIFIA debt service) at least equal to 1.10 in such year;
- The Lenders' Base Case Financial Model at financial close shall not show any amortization of senior debt until all currently accruing TIFIA interest is being paid;
- Delivery of a standby letter of credit or equivalent support acceptable to USDOT for equity commitments to be made subsequent to Financial Close;
- Demonstration to the USDOT's satisfaction that the Project's Financing Plan is sufficient to complete the Project;
- Delivery of an investment grade rating by a nationally recognized rating agency for the TIFIA Loan;
- Delivery of an independent peer review of the Borrower's traffic and revenue study by a traffic consultant approved by the USDOT;
- Cooperation of the Borrower in the independent risk assessment of the financial viability of the Project to be conducted by the Lender;
- Evidence of compliance with the National Environmental Policy Act of 1969 (NEPA);
- Evidence of the inclusion of the Project in relevant metropolitan and state transportation plans as required by section 610(a)(1) of the TIFIA Statute;
- Delivery of material Project agreements, all in form and substance satisfactory to USDOT;



### Conditions Precedent to Financial Close

- Provision to USDOT of records of the eligible project costs prior to the date of TxDOT’s application in sufficient time to permit USDOT to conduct an audit of such costs prior to Financial Close;
- Demonstration to USDOT’s satisfaction of all necessary funding, permits and governmental approvals necessary to commence construction;
- Evidence satisfactory to USDOT of compliance with the TIFIA statute and conditions precedent set forth in the operative documents.

#### *Conditions Precedent to Drawdowns*

As we have seen in similar projects, the TIFIA Term Sheet states that disbursements shall be made monthly to the Borrower pursuant to disbursement conditions to be set forth in the TIFIA Credit Agreement. The disbursements will be subject to the conditions that apply to the Senior Debt Facilities, plus additional conditions, which are expected to include those found in Table 11.

**Table 11: Conditions Precedent to Drawdowns for TIFIA Loan**

### Conditions Precedent to Drawdowns

- A failure to achieve substantial completion by the Long Stop Date (as defined in the CDA) shall not have occurred.
- TIFIA disbursements shall be on a pro rata basis with disbursements of the proceeds of senior loans, unless otherwise agreed to by the USDOT.



*Affirmative Covenants*

As we have seen in similar projects, the TIFIA Term Sheet places obligations on the Borrower as found in Table 12.

**Table 12: Affirmative Covenants for TIFIA Loan**

**Affirmative Covenants**

- The Borrower shall maintain hedges (with a provider rated in the double A category or higher) during any period in which the senior obligations bear interest at a variable interest rate. Each “Qualified Hedge” shall provide for a fixed interest rate or interest rate cap resulting in fixed interest payment amounts at a rate less than or equal to the long-term fixed swap rate. Acceptable hedges will also include a hedging reserve fund or “rolling hedges” with a stated termination date of at least one year.
  - On or prior to financial close, the Borrower shall put in place Initial Qualified Hedge(s) with an aggregate stated notional amount of not less than 98% of the aggregate principal amount of the variable interest rate senior obligations incurred at financial close and with a stated maturity or termination date not earlier than the final maturity date of the initial senior obligations.
  - Subsequent Qualified Hedge(s) shall be selected with TIFIA’s consent and subject to a fair price certificate.
- The Borrower shall fix, charge and collect rates and charges such that Net Revenues in any year shall be projected to produce (i) a senior debt service coverage ratio at least equal to 1.25 in such year and (ii) a combined debt service coverage ratio (taking into account TIFIA mandatory debt service only) at least equal to 1.1 in such year. If the Borrower determines that Net Revenues may be inadequate to comply with the rate coverage test for any year, or that the test was not satisfied for any year, the Borrower shall (a) engage the Traffic Auditor to review and analyze the operations of the Project and recommend actions regarding revising the rates, changing the methods of operations or other actions to increase the Net Revenues as to satisfy the rate covenant and (b) either implement the Traffic Auditor’s recommendation or undertake an alternative plan that the Traffic Auditor agrees is likely to generate equivalent or greater Net Revenues than the Traffic Auditor’s recommended actions; provided, that the Borrower is not required to take any action that may result in a breach by the Borrower of its obligations under the CDA.
- The Borrower shall maintain reasonable debt service reserves or other liquidity support during the term of the TIFIA Loan. This Liquidity Requirement shall be satisfied by a liquidity facility, standby letter of credit, cash collateral or other liquidity support acceptable to USDOT (“Replacement Liquidity Facility”) with an available balance equal to



## Affirmative Covenants

the sum of the senior and TIFIA (scheduled and mandatory) debt service due and payable during a twelve month period commencing from each payment date.

- During the first ten years after financial close, the Borrower shall establish a Debt Service Reserve Account (“DSRA”) into which funds will be paid in accordance with the Flow of Funds up to a required balance defined by reference to the senior and TIFIA (scheduled and mandatory) debt service payable in years 6 to 10 of operations. The balance of the DSRA may be released to equity if the Borrower secures a commitment to provide a Replacement Liquidity Facility which is available for a minimum of 5 years from the end of year 5 of operations.
- The DSRA shall be re-established and have a required balance at any time where there is no Replacement Liquidity Facility currently in place or the time remaining until the expiry of the Replacement Liquidity Facility currently in place is less than 2 years and the Borrower has not secured a commitment for a replacement. Failure to fund the DSRA shall not constitute an event of default under the TIFIA Loan.
- The Borrower shall provide executed copies of agreements regarding operation, management, maintenance, safety and financial services for the Project.
- Obligations related to accounting procedures, fiscal controls, audits, record keeping and file retention.
- Obligations related to provision of annual reports, financial statements, Financing Plans, progress reports and other information.



*Negative Covenants*

From the experience acquired in similar projects , the TIFIA Term Sheet places restrictions on the Borrower as found in Table 13.

**Table 13: Negative Covenants for TIFIA Loan**

**Negative Covenants**

- There shall be no release to equity of any kind unless:
  - TIFIA debt service (mandatory and scheduled) is current (during the period of deferred principal and interest, currently accruing interest must be paid);
  - The combined debt service ratio (taking into account both mandatory and scheduled TIFIA debt service, and not taking into account amounts then available in any liquidity support arrangements) is equal to at least 1.20x for the 12 months preceding the distribution date; and
  - All requirements with respect to the Debt Service Reserve Account have been satisfied.



*Default Provisions*

Events of Default under the experience dealing with previous TIFIA Term Sheets include (but are not limited to) those found in Table 14.

**Table 14: Default Provisions for TIFIA Loan**

Default Provisions
<ul style="list-style-type: none"><li>▪ An acceleration occurs with respect to any Project debt senior to or on a parity with the TIFIA credit instrument.</li><li>▪ There is a failure to make a mandatory debt service payment when due.</li><li>▪ Any of the Borrower’s representations, warranties or certifications under the financing agreements is materially false or misleading or the Borrower fails to comply with any covenants or agreements under such documents, subject to a cure period.</li><li>▪ A Bankruptcy Related Event occurs.</li><li>▪ A material default by the Borrower under any other documents executed in connection with the Project occurs and has a material adverse effect on the Borrower’s ability to comply with its obligations under the TIFIA Credit Agreement, subject to a cure period.</li><li>▪ The Borrower fails to achieve substantial completion by the Long Stop Date, as defined in the CDA (“Development Default”), subject to a cure period if the Development Default is solely the result Uncontrollable Force.</li><li>▪ The Borrower abandons or ceases to operate the Project for an extended period (other than for force majeure or other reasons covered by insurance).</li></ul>

### 3.3.4 Refinance

This Submission has been prepared on the assumption that all of the Concession Company senior borrowings will be refinanced after year 10 following Financial Close. By this year, the Proposer expects the concession to be fully performing, and the most appropriate time to refinance all of the senior facilities raised at Financial Close. In addition to that, subordinate TIFIA repayments are assumed to be refinanced with senior debt when due. Estimated CAPEX from year 2019 until 2046 is also funded with CAPEX Facilities.

**Table 15: Refinancing Assumptions**

<b>Refinancing Amounts</b>	<p>\$ 300.0 million, assumed to be raised at the end of the first semester of year 2022 to refinance senior debt borrowings</p> <p>\$ 276.2 million to fund CAPEX within years 2022 and 2051</p> <p>\$ 741.9 million to refinance TIFIA repayments</p>
<b>Base Rates</b>	The assumed base rate of the refinancing facility of 4.50%.
<b>Margin</b>	1.60%
<b>Interest Only Period</b>	No principal payments until year 2048
<b>Term</b>	Refinancing debt is fully amortized by the end of year 2057

1. Refinancing terms (including credit refinancing margins) are among such sponsor assumptions that cannot be assumed in the Lender Case. The sponsors deemed such credit refinancing margins appropriate to account for both the maturity of the asset at this point in time and also a

reversion to historically witnessed credit spreads based on careful refinancing assumptions.

2. Initial Senior Bank Debt is expected to last ten years. As reflected in the model this initial debt is fully refinanced at the end of year ten with a Refinancing Facility that assumes certain terms agreed among the sponsors

### **3.3.5 Reserve Accounts**

The Financing Plan includes two reserve accounts: a major maintenance reserve account and a debt service reserve account.

The Reserve Accounts work as an additional security for lenders, as it is generally a deposit equal to a given amount. This is a standard requirement from the lenders on other comparable project finance transactions. The purpose of these accounts is to provide a cash buffer during periods where cash available for the project is less than the scheduled payments for certain obligations. The existence of this buffer allows some breathing room for several issues to be resolved and/or in more extreme situations the debt to be restructured before the borrower defaults on the debt.

To illustrate this, we have provided below a description of the main characteristics of these types of reserves:

- **Major Maintenance Reserve Account:** During the operational phase of a project, capital investments are required to ensure that the project is operated in compliance with the technical requirements of the concession agreement. Examples include the resurfacing of lanes, a planned lane widening or the major overhaul of a generation set. Just like saving up for a rainy day, this MMRA is designed to accumulate funds to ensure that the necessary amounts are available when they are needed, or even some time before for greater certainty.

From the lenders' perspective, this is important because if there are no funds available to carry out a certain major maintenance campaign when scheduled, it may mean that the ability of the project to repay the outstanding loan on time is impaired



In this Financing Plan, NTEMP2-4 has designed the MMRA so that it is funded in the last period of the construction term with an amount of \$30 million. The funding during operations shall be made with the Proceeds Account Waterfall and the Major Maintenance Reserve Account balance could be as follows:

- [100]% of lifecycle rehabilitation costs estimated to be disbursed during the current year
  - [80]% of lifecycle rehabilitation costs estimated to be disbursed during the current year
  - [60]% of lifecycle rehabilitation costs estimated to be disbursed during the current year
  - [40]% of lifecycle rehabilitation costs estimated to be disbursed during the current year
  - [20]% of lifecycle rehabilitation costs estimated to be disbursed during the current year
- **Debt Service Reserve Account:** The Debt Service Reserve Account (DSRA) is generally a deposit equivalent to the value of projected debt service obligations in a given number of months.

The DSRA is usually funded up to a dynamic target balance. The target balance for the DSRA/c includes both the interest and principal repayment amounts. This is set as the greater of :

- 12 months : Senior Debt Service + TIFIA Mandatory Debt Service
- 10% Senior Debt Balance

For the establishment of the DSRA (“Initial Funding of DSRA”), the account is funded in full on the last day of Construction Available.

In terms of positioning in the cash-flow waterfall, the Cash to fund DSRA is ranked after Debt Service but takes precedence over any Payments to Equity, thus providing an additional security for the lenders.

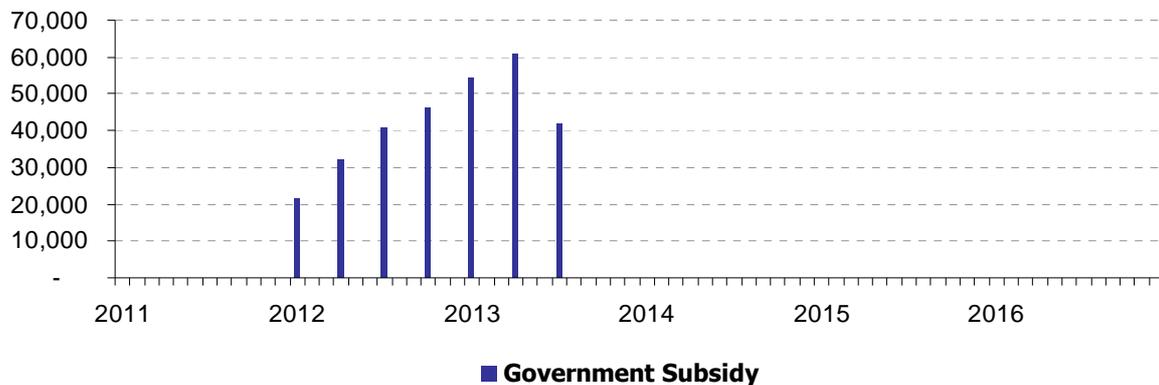
As a conclusion, the DSRA shall contain a minimum balance at least equal to the aggregate amount mentioned above to ensure that sufficient funds are available for those years with significant debt service requirements and to provide a significant additional liquidity buffer, which enhances the robustness and flexibility of the financing structure in any revenue stabilization period.

This Submission has been prepared on the assumption that all of the Reserves Accounts will be replaced by a Capex and Liquidity Debt Facility after year 10 following Financial Close. By this year the Proposer expects the concession to be fully performing, and the most appropriate time to replace all of the Reserves Accounts funded at the end of the construction period.

### 3.3.6 Public Funds

The Financing Plan assumes the following Public Funds profile, as shown in Figure 6, assuming the same restrictions as those applied during the negotiations for Segments 1 and 2W.

**Figure 6: Public Funds Request**





**Financial Submission**  
 Submittal Relating to the Development of the  
**TxDOT North Tarrant Express Project, Segments 3A and 3B**  
 through a Facility Implementation Plan and Facility Agreement

Proposed Subsidy Applied  
*Figures in (\$'000s)*

Date	Amount
1-Jan-11	0
1-Feb-11	-
1-Mar-11	-
1-Apr-11	-
1-May-11	-
1-Jun-11	-
1-Jul-11	-
1-Aug-11	-
1-Sep-11	-
1-Oct-11	-
1-Nov-11	-
1-Dec-11	-
1-Jan-12	20,708
1-Feb-12	-
1-Mar-12	-
1-Apr-12	30,856
1-May-12	-
1-Jun-12	-
1-Jul-12	39,380
1-Aug-12	-
1-Sep-12	-
1-Oct-12	44,711
1-Nov-12	-
1-Dec-12	-
1-Jan-13	52,546
1-Feb-13	-
1-Mar-13	-
1-Apr-13	58,990
1-May-13	-
1-Jun-13	-
1-Jul-13	40,339
1-Aug-13	-
1-Sep-13	-
1-Oct-13	-
1-Nov-13	-
1-Dec-13	-
<b>Total</b>	<b>287,530</b>



The cumulative Public Funds drawdowns included in the Financing Plan are illustrated in Figure 7.

**Figure 7: Public Funds Cumulative Request**

