



Infrastructure
Management
Group, Inc.



What Private Parties Bring to Transportation Public-Private Partnerships (P3s)

April 29, 2008

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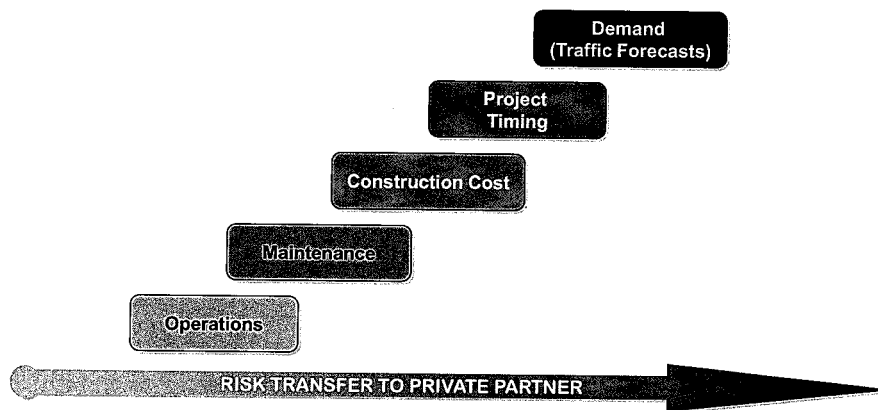
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P3s can shift several risks to the private sector



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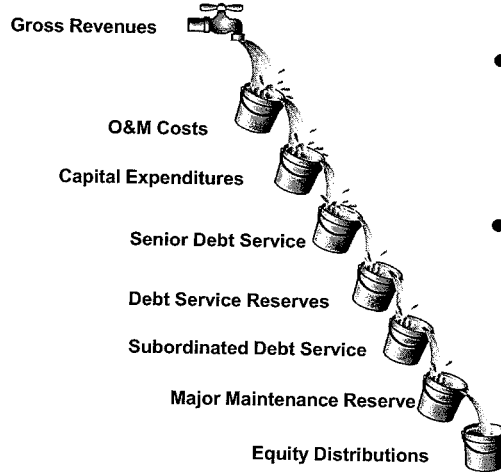
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In a P3 financing, equity is paid after debt, a high risk during start-up



Typical Cash Flow "Waterfall"



- Equity is paid at the bottom of the (annual) cash waterfall
- Non-payment of dividends does not cause project default



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A P3 financing assumes greater start-up risk, allowing for more financing capacity



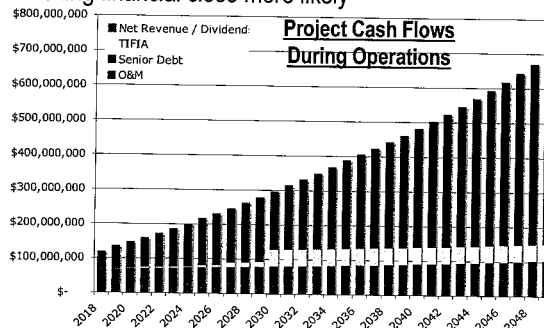
Assumptions

- Project cost of \$1.2B
- Required minimum DSCR* of 1.50
- TIFIA loan of \$330M
- Gross revenues and O&M grow 3% p.a.
- All-debt financing: Tax-exempt revenue bond of \$918M
- P3 financing: PABs of \$661B, Equity of \$221M

*Debt service coverage ratio

Results

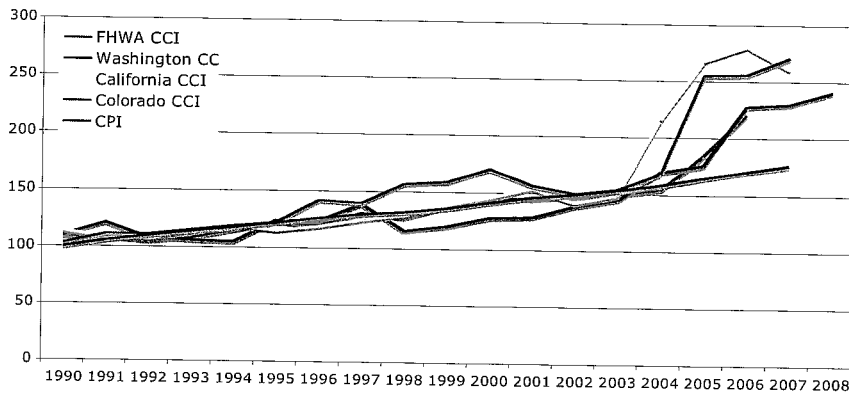
- NPV of P3 financing beyond 12% to 15% return results in \$423M to \$205M payment to government, up to 34% more than all-debt, non-recourse financing
- Higher actual DSCR (minimum 1.96) for P3 financing makes reaching financial close more likely



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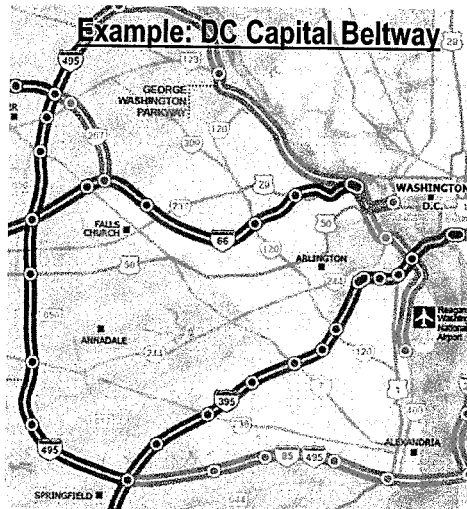
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A P3 approach accelerates projects, reducing timing & capital cost risk



Consumer Price Index (CPI): 1990 = 100, Construction Cost Indexes (CCI): 1990 = 100
 Source: Washington Department of Transportation, Trends in Highway Material Cost

Through design/build, many P3s take on construction overrun risk--high for large projects



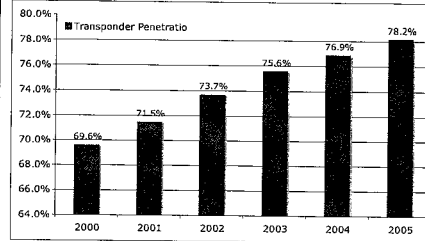
- 14 mile high-occupancy toll lanes added to I-495 beltway in suburban DC
- Funded with PABs, TIFIA, private equity and VDOT grants
- Fluor agrees to guaranteed, max. price construction contract, building over 50 bridges and adding 14 new lane miles in 5 years, without shutting down road for more than 30 minutes/day
- Transurban/Fluor guarantees free-flow of 45 miles and takes dividend repayment risk

Performance standards in concession contracts and profits push P3s to optimize operations



- For example, fully under private control, Toronto's 407 ETR performance levels have improved:

407 ETR Operational Characteristics		
	Public Operation	Private Operation
Workstations	21	174
Telephone Lines	21	640
Average Wait Time	Long	< 30 seconds
Call Center (sq. ft.)	1,400	13,800
Online Services	None	Available



Source: 407 ETR Reports and presentations



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\$80 to \$130 B of equity funds are willing to take infrastructure risk



Fund Name	Parent	Target	YR/Status	Target
GS Infrastructure Partners I	Goldman Sachs	\$6.5 B	2006	Global
JPMorgan Chase Infrastructure Fund	JP Morgan Chase	\$2.0 B*	2006	Global
Macquarie Infrastructure Partners	Macquarie Bank	\$4.0 B	2007	North America
Alinda Capital Partners I	Alinda Capital Partners	\$3.0B	2007	North America
AIG Highstar III	AIG Highstar	\$3.0B	In Market	Global
Citigroup Infrastructure Investors	Citigroup Alternative Investments	\$3.0B	In Market	Developed Markets
Morgan Stanley Infrastructure	Morgan Stanley	\$3.0B	2007	Global
Lehman Brothers Infrastructure	Lehman Brothers	\$2.0B	In Market	Global
Babcock & Brown Infrastructure Fund	Babcock & Brown	\$2.0B	In Market	North America

* Open-end fund

Source: Company press releases and IMG interviews



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