

TEAMFL







PPP Financial Aspects

January 3, 2006

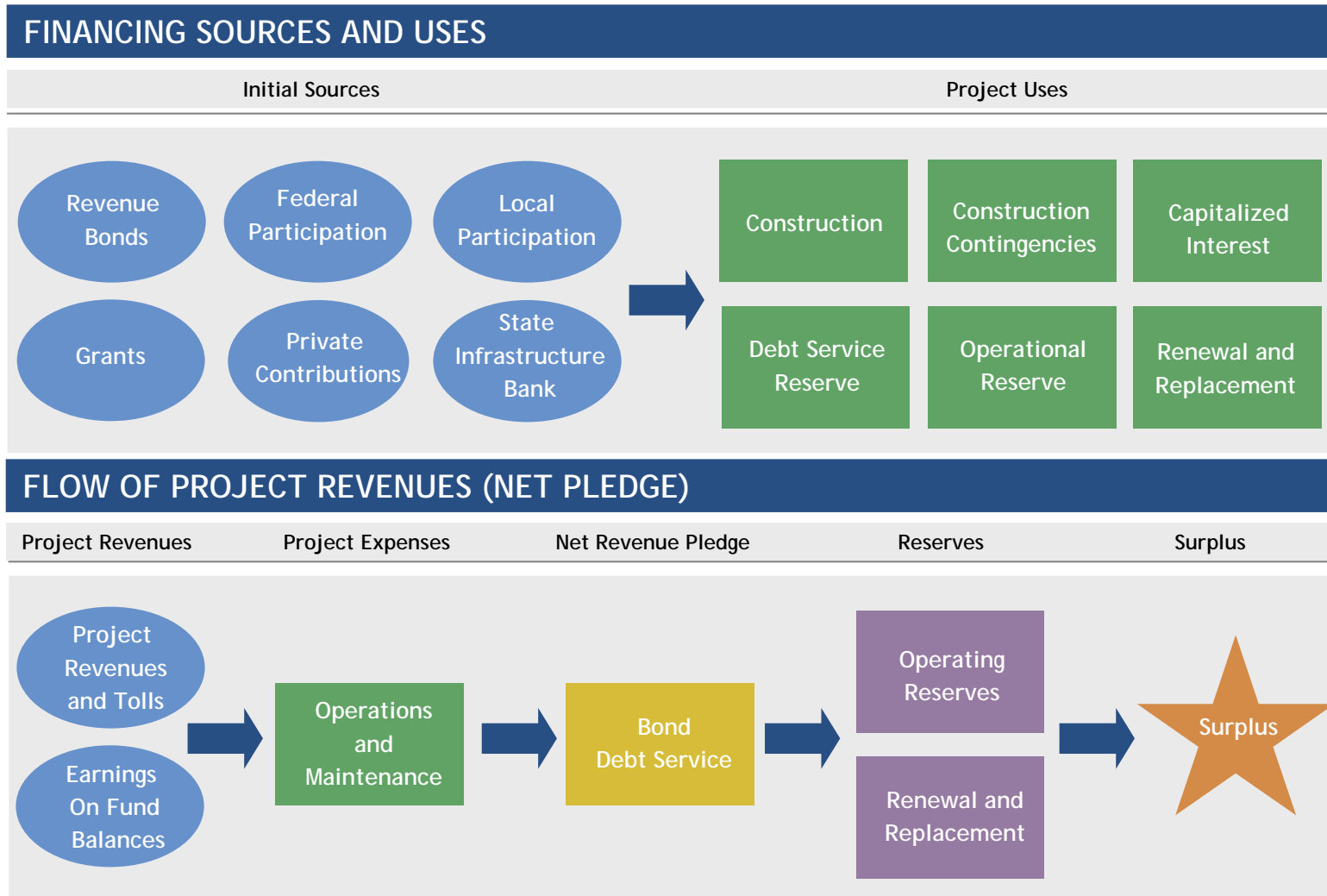
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corporate and
investment banking

Privatization is One of Many Financing Tools

Federal	State	Local	Private
 <ul style="list-style-type: none"> ■ Highway Trust Fund ■ GARVEE/GANs <ul style="list-style-type: none"> ■ Direct/Indirect ■ Section 129 Loans ■ State Infrastructure Bank (Federally Capitalized) <ul style="list-style-type: none"> ■ Loans, Guarantees, Interest Rate Buydowns ■ TIFIA <ul style="list-style-type: none"> ■ Direct Loan, Line of Credit, Loan Guarantee ■ Funds Management <ul style="list-style-type: none"> ■ Flexible Match, Match (Toll Credits), Advance Construction 	 <ul style="list-style-type: none"> ■ State Highway Fund (Leveraged and Pay-Go) <ul style="list-style-type: none"> ■ Motor Fuels / Sales Tax ■ Sales Tax on Motor Vehicles ■ Use Tax on Motor Vehicles ■ Licensing Fees ■ Other ■ Obtain Design/Build Contract ■ Toll Revenues ■ Grants/Capital Contributions ■ Provide Shadow Tolls ■ Back-up Appropriations for Toll Roads, Highways <ul style="list-style-type: none"> ■ O&M, CapEx, DSRF Guarantee 	 <ul style="list-style-type: none"> ■ Right of Way ■ Capital Investment ■ Special Tax Districts ■ Transportation Corporations ■ Regional Mobility Authorities (RMAs) 	 <ul style="list-style-type: none"> ■ Toll Concession <ul style="list-style-type: none"> ■ Debt ■ Equity ■ Leverage Shadow Tolls ■ Provide Design/Build Contract <ul style="list-style-type: none"> ■ Subordinate loan/up-front equity as consideration for contract

Basic Project Finance Structure



Public vs. Private Funding Sources for Highways/Bridges

	Muni Recourse Toll Roads & Other Revenues	Muni Non-Recourse Toll Roads	Private Concession
Pledged Revenues	<ul style="list-style-type: none"> Toll revenues, state highway revenues, other taxes and pledges 	<ul style="list-style-type: none"> Toll revenues 	<ul style="list-style-type: none"> Toll revenues
Toll Covenant	<ul style="list-style-type: none"> Varies 	<ul style="list-style-type: none"> Raise tolls to meet minimum coverage requirement pursuant to toll covenant 	<ul style="list-style-type: none"> Raise tolls pursuant to concession agreement; not necessarily to meet coverage
Ownership	<ul style="list-style-type: none"> Municipal (possible lease agreement with public enterprise or 63-20) 	<ul style="list-style-type: none"> Municipal (possible lease agreement with public enterprise or 63-20) 	<ul style="list-style-type: none"> Municipal ownership with long-term concession agreement to private entity (30-99 year term)
Surplus Revenues	<ul style="list-style-type: none"> Flows back to Agency and/or project CapEx 	<ul style="list-style-type: none"> Typically flows back to project CapEx 	<ul style="list-style-type: none"> Flows back to project CapEx and pays out annual equity dividends to concessionaire
Muni Operating Risk	<ul style="list-style-type: none"> Substantial risk given direct recourse pledge of state revenues and/or other tax revenues 	<ul style="list-style-type: none"> Risk limited to pre-arranged MOU's (e.g., repayment of public equity, loans, O&M pledge, etc.) 	<ul style="list-style-type: none"> Minimal (other than any pre-arranged MOU's)
Debt	<ul style="list-style-type: none"> Tax-exempt/TIFIA debt 	<ul style="list-style-type: none"> Tax-exempt /TIFIA debt 	<ul style="list-style-type: none"> Lease of existing facility: taxable New construction: tax-exempt/TIFIA debt¹

¹Tax-exempt debt may be possible under SAFETEA-LU.

Public vs. Private Funding Sources for Highways/Bridges (continued)

	Muni Recourse Tolls & Hwy Revenues	Muni Non-Recourse Tolls	Private Concession
Assumed Rating	■ AA: (toll and highway revenue pledge)	■ A - BBB ² (toll pledge)	■ BBB ² : (fully leveraged toll pledge)
Unins. Debt Cost (Est 20-yr Rate)	■ 4.60% tax-exempt	■ 4.70 - 5.50% tax-exempt	■ 5.50% tax-exempt ³ / 6.35% taxable
Equity	■ No private equity, possible public equity	■ No private equity, possible public equity	■ Private equity, minimum 15% capital structure
Estimated Equity Cost	■ 5.50%	■ 5.50%	■ 10 - 20% (pre-tax)
WACC ¹	■ 4.69% tax-exempt	■ 4.78 - 5.50% tax-exempt	■ 6.60% tax-exempt / 8.00% taxable
Depreciation	■ None	■ None	■ Depreciation for tax purposes
Corporate Income Tax	■ No required tax payment since tax-exempt entity	■ No required tax payment since tax-exempt entity	■ Required to pay taxes; offset by depreciation benefit
Sales Tax	■ Exempt from sales tax on materials, equipment, etc.	■ Exempt from sales tax on materials, equipment, etc.	■ Required to pay
Property Taxes	■ Exempt	■ Exempt	■ Not exempt, unless exemption granted by state

¹Weighted Average Cost of Capital: Muni: 90% debt / 10% public equity; Private: 80% debt / 20% private equity

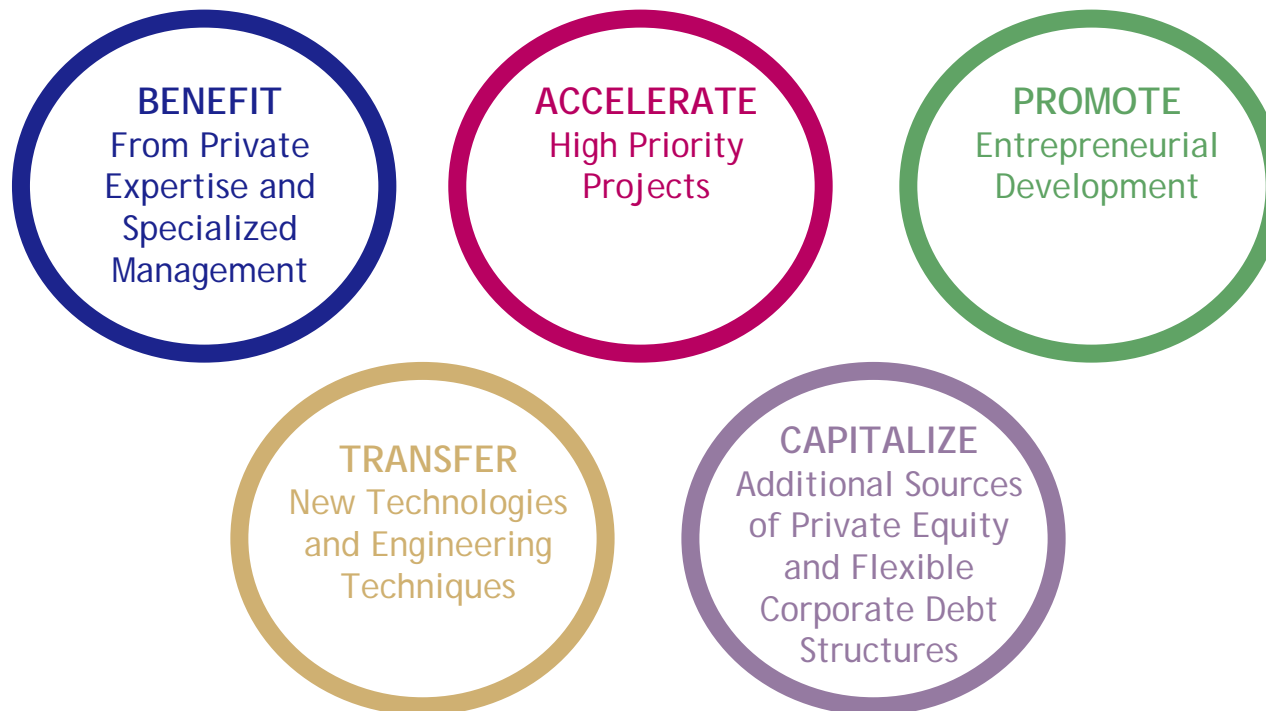
²Ratings for existing facility which is not fully leveraged will typically be higher

³Exclusion of bond interest from federal taxation (including the Alt. Min. Tax) is subject to the provisions of SAFTEA-LU legislation and interpretation by bond counsel.

Purpose of Public Private Partnerships (“PPPs”)

PUBLIC PRIVATE PARTNERSHIPS

...have many forms and seek to provide the public sector with a variety of benefits



Factors Driving Privatization

- Transportation privatization has a significant history in Europe and has spread to the U.S. for a number of reasons:
- \$1.6 trillion transportation infrastructure needs in the next 5 years* has necessitated the evaluation of every possible funding source
 - Private sector may also contribute operating efficiencies and acceleration of projects
- Successive federal highway legislation (SEP-14, ISTEA, NHSDA, TEA-21, SEP-15, SAFETEA-LU) has increasingly encouraged private sector involvement in design-build, financing and operations
- Currently strong equity investor demand at historically low returns (10-15%)
 - Significant supply of equity capital chasing limited U.S. transportation assets
 - Historically low overall interest rate environment and low returns on comparable equity investments
 - Concessions typically provide long-term inflation-protected returns
 - Toll roads typically have favorable pricing power compared to other private sectors
- However, despite the potential benefits, Citigroup believes privatization must be evaluated on a project-by-project basis
 - We believe this approach will ultimately best serve our clients and their stakeholders

*Source: American Society of Civil Engineers

PPP Opportunities Created by SAFETEA-LU

A number of the provisions in SAFETEA-LU have made PPP's more attractive

- Private activity bonds - excluded from state volume caps - may finance privately operated and managed new highway or surface freight transfer projects thus extending the benefit of tax-exempt debt to the private sector
 - Private entities may even deduct depreciation for tax purposes if the private entity owns the asset or is able to use the asset for its economic life
 - Such bonds may also be exempt for the "private/public use" test and I.R.S. safe harbors regarding Qualified Management Agreements
- States have greater flexibility to toll interstate highways allowing for more toll concession opportunities
- Streamlined and expedited environmental approval process increases the attractiveness of PPPs to the private sector
- More advantageous TIFIA provisions, including allowing TIFIA programs for debt restructurings that include completion, enhancement or expansion of a project
- Allows pilot toll programs on interstate highways which meet certain criteria:
 - Interstate Reconstruction and Rehabilitation Toll Pilot Program
 - Value Pricing Pilot Program
 - Express Lanes Demonstration Program
 - Interstate System Construction Toll Pilot Program

Transportation Public Private Partnerships Can Take A Variety of Forms

- PPPs have a variety of risk/reward profiles for public and private entities
- While the “Chicago Style” concession sale has garnered significant publicity, other types of PPPs (such as design/build) also have had substantial success

■ For any given structure, the risk and rewards must be fairly distributed between the public and private entities



Structure	Description	Example
Design/Bid/Build	Public entity controls entire procurement process and takes all risks (subject to risks offset to subcontractors)	- Typical for State Departments of Transportation - Louisiana Transportation Authority (LA1 Project)
Private Contract Fee Services	Private entity responsible for capital planning in addition to O&M/management	- Louisiana Transportation Infrastructure Model for Economic Development
Design/Build	Public entity enters into contract for both architectural/engineering services and construction	- Transportation Corridor Agencies (California) - E-470 Tollway (Colorado) - State Highway 130 (Texas) - I-15 Corridor Reconstruction Project (Utah) - Northwest Parkway Public Highway (Colorado) - New Mexico SR 44 Highway
Build Operate Transfer	Combines design build with O&M responsibilities; public sector retains revenue risk and surplus revenues	- Route 3 North Highway (Massachusetts) - Las Vegas Monorail (Nevada) - Hudson-Bergen Light Rail (New Jersey)
Design Build Finance Operate	Combines design build, O&M. Private sector responsible for financing and revenue risk (equity position); Public retains title ownership and provides long-term lease/concession	- Chicago Skyway Toll Road (Illinois) -- Concession Sale - SR 125 Toll Road San Miguel Mountain Parkway (California) - Dulles Greenway Tollroad (Virginia) - Variety of Shadow Toll Programs (United Kingdom) - Toronto Toll Road Highway 407
Build Own Operate	Similar to above, only no public ownership	- Foley Beach Express Toll Bridge (Alabama)

Current PPP Enabling Legislation

23 States Currently Have PPP Legislation

State	Authorizations
Alabama	Alabama DOT and County Commissions authorized to license toll roads, toll bridges, ferries or causeways
Arizona	Authorizes ADOT to request proposals from private entities
Arkansas	Grants franchises for bridges, turnpikes or causeways through or along any watercourse
Colorado	Solicited and unsolicited PPP proposals are now allowed for specific CDOT projects
Delaware	PPPs proposals, solicited and unsolicited, are now allowed
Florida	Florida DOT authorized to receive or solicit proposals for PPPs; requires legislative approval for each facility
Georgia	Georgia DOT authorized to accept solicited proposals for PPPs
Illinois	PPPs for high speed rail and magnetic levitation transportation sanctioned
Indiana	Allows Indiana Port Commission to enter into PPPs
Louisiana	Allows parishes, municipalities and the Louisiana Transportation Authority to enter into PPPs; creates the LTA
Maryland	Provides the Maryland Transportation Authority with the authority to construct toll roads using PPPs
Massachusetts	Authorizes the Route 3 North Project to proceed as a PPP
Minnesota	Authorizes PPPs for toll facilities including HOT Lanes
Missouri	Creates the Transportation Corporation as a vehicle for PPPs
Nevada	Authorizes public entities to accept unsolicited proposals to develop transportation facilities, excluding toll bridge and toll roads
North Carolina	Allows North Carolina Turnpike Authority to construct toll facilities
Oregon	Certifies Oregon DOT to award PPPs for tollway projects
South Carolina	Approves South Carolina DOT right to enter into PPPs
Texas	Texas Turnpike Authority and Regional Mobility Authorities authorized to accept solicited and unsolicited proposals for PPPs
Utah	Proves general authority for Utah DOT to establish toll roads
Virginia	Authorizes PPPs and allows solicited and unsolicited proposals
Washington	Authorizes up to six PPP demonstration projects
Wisconsin	Authorizes build-operate-lease or transfer agreements for transportation projects

PPP Legislation Must Provide Sufficient DOT Autonomy








Key Legislative Powers for Designated Agency
Legislation must provide balanced framework for the state/DOT to enter into partnerships and approve certain arrangements

- Enter into binding agreements and lease agreements on behalf of state
- Regulate tolls and rates of return
- Accept unsolicited proposals
- Establish non-compete and other protections
- Integrate state and federal transportation monies
- Procure projects through competitive and/or negotiated basis
- Acquire and transfer right of ways
- Acquire and confer environmental permits
- Provide exclusive franchises and concession agreements

Texas and Virginia legislation led to the greatest number of PPP projects
Georgia, Colorado, North Carolina and Oregon have recently created new legislation

Citigroup's Municipal Toll Road Advisory Experience


- Citigroup has experience working with municipal agencies, financial advisors and traffic consultants to develop and present valuation studies

Louisiana Transportation Authority	Peace Bridge Authority	Colorado Tolling Enterprise	Puerto Rico Hwys. & Transp. Auth.	Arkansas Hwy. & Transportation Authority
 <ul style="list-style-type: none"> ■ Jan 03 - Jun 05 ■ Analyzed feasibility and developed financing strategy; including use of TIFIA for LA1 ■ Identified multiple revenue sources to enable feasibility ■ Citigroup senior managed the inaugural debt issuance in Jun-05 	 <ul style="list-style-type: none"> ■ Jul 03 - Mar 05 ■ Analyzed feasibility and developed financing strategy, including TIFIA, for bridge and plaza expansion alternatives ■ Citigroup has been selected as the senior manager for the 2006/2007 bridge financing 	 <ul style="list-style-type: none"> ■ Dec 02 - Aug 04 ■ Analyzed feasibility and funding analysis for 64 projects; 9 projects identified for Phase 1 ■ Explored the potential for a Denver Regional System and recommended a development plan 	 <ul style="list-style-type: none"> ■ Jun 02 - Sep 03 ■ Represented PRHTA in renegotiation of the concession and restructuring the debt of the Moscoso Bridge ■ Restructuring gained \$24 million in released reserves ■ Toll bridge is owned by PRHTA, but built, operated and leased by Dragados 	 <ul style="list-style-type: none"> ■ Nov 00 - Jul 02 ■ Analyzed tolling feasibility on 13 corridors and 17 segments ■ Citigroup developed base financings to assess feasibility for each project on a stand-alone basis as well as a system credit

Citigroup's Privatization Experience


- Citigroup has contributed to 4 out of the 5 toll road privatizations that have occurred in North America

Skyway, Chicago




- Chicago, Illinois
- 8 mile brownfield toll road and bridge
- 2005
- Advisor to the Cintra-Macquarie consortium on their bid for the 99-year Skyway concession; joint bookrunner and counterparty on \$1.4 billion of bonds and swaps

SR 125, San Diego




- San Diego, California
- 10 mile greenfield toll road
- 2003
- Advisor to Macquarie on the financing of the \$600 million project; arranged and negotiated a \$140 million US DOT loan under the TIFIA program

407, Toronto



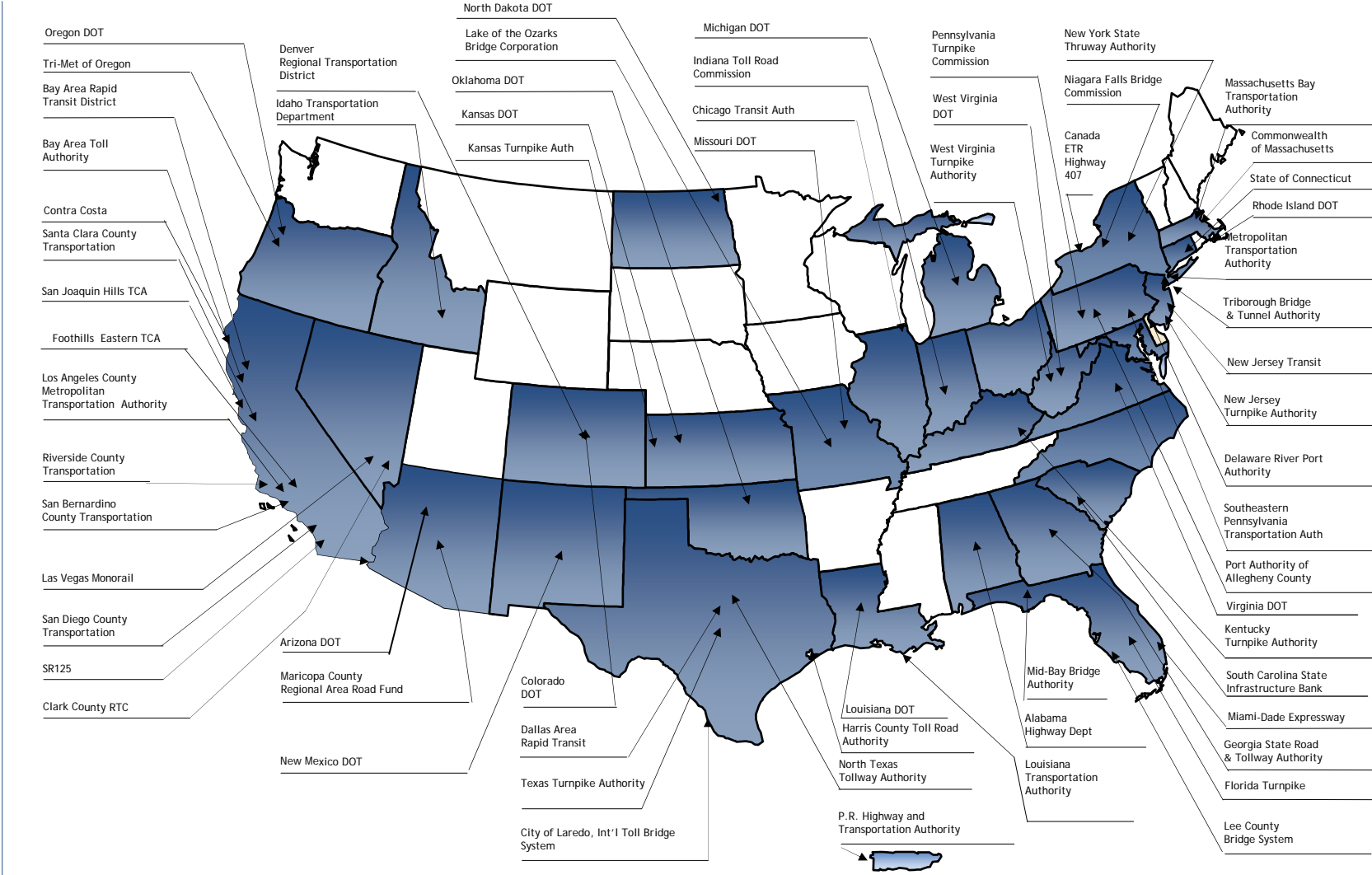
- Toronto, Canada
- 107 km green and brownfield toll road
- 1999
- Co-advisor to the Consortium for acquisition of the C\$4 billion project; joint lead arranger, underwriter and syndication agent of the senior bridge facilities; joint lead arranger of hedge facilities; arranger of Sponsor LC backstop for equity support

SR 91 Toll Lanes

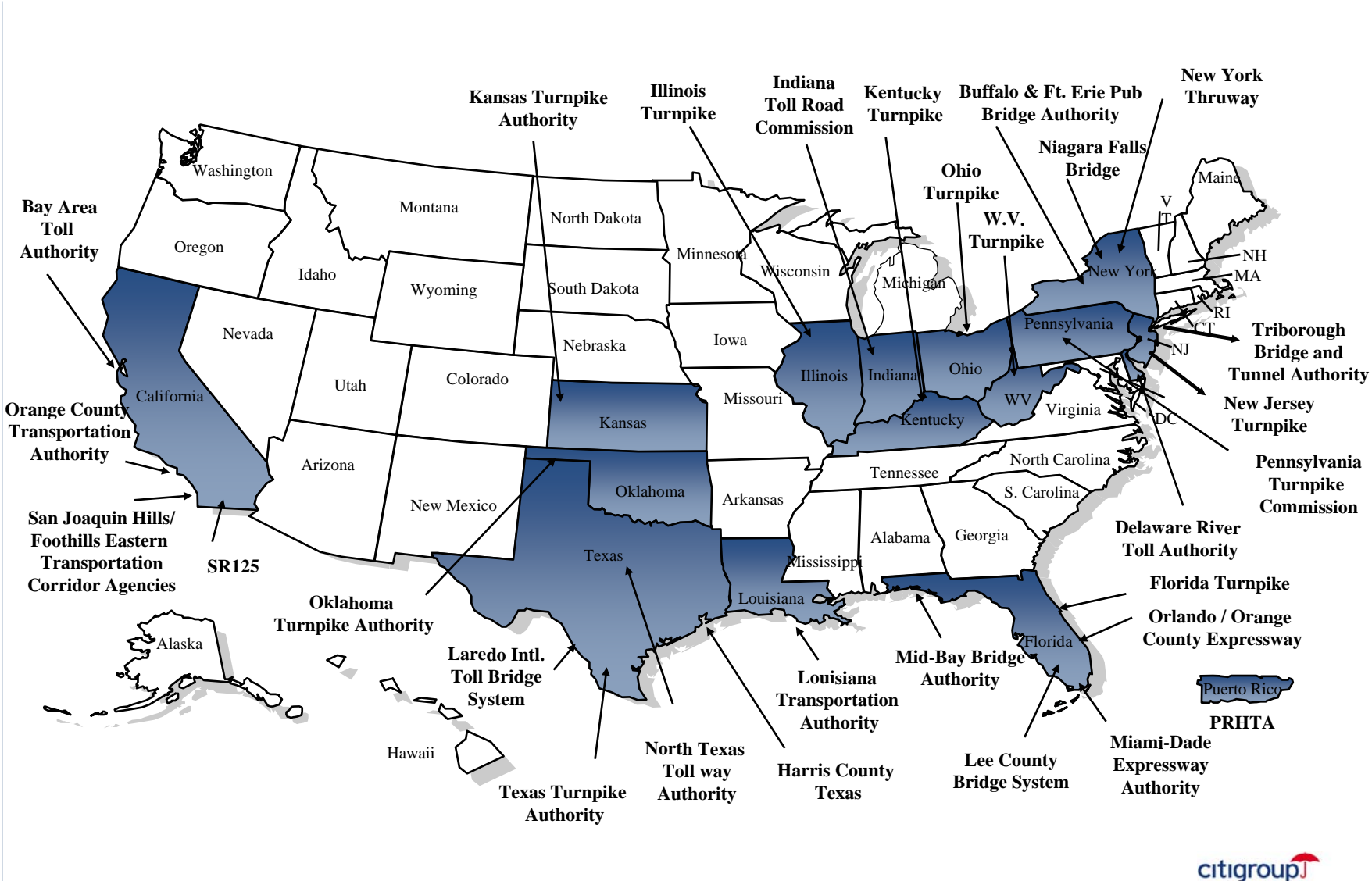


- Riverside County, California
- 10-mile greenfield toll road in the median of the Riverside Freeway
- 1994 and 2001
- Lead arranger on project loan to construct project and bookrunner on the \$135 million refinancing bonds, with the first use of an XL Capital Assurance monoline wrap for a US project financing

Citigroup's Senior Managed Surface Transportation Clients

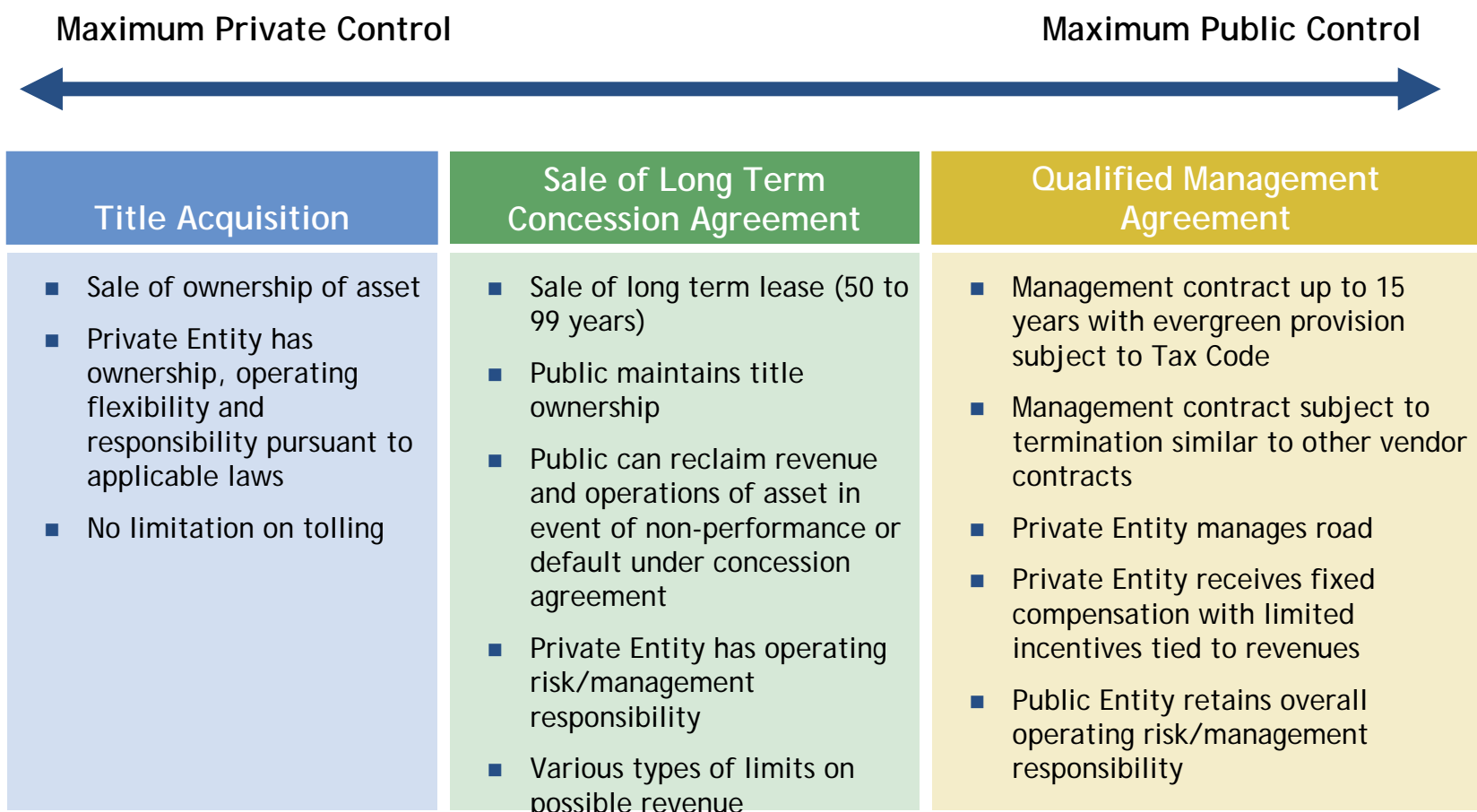


Citigroup's Toll Authority Clients



Privatization of Existing Toll Facilities

- While a variety of privatization options are available, we generally believe that the long-term concession sale provides the most beneficial structure for the public sector owner



Public vs. Private Toll Road Structures

	Public	Private
Goals	<ul style="list-style-type: none"> ■ Improve transportation ■ Respond to political environment 	<ul style="list-style-type: none"> ■ Maximize present value cash flow ■ Provide customers a quality product
Tolling/Revenue Restrictions	<ul style="list-style-type: none"> ■ Toll increase typically limited to operate and maintain facility and repay debt ■ Political pressure ■ Toll rate covenant 	<ul style="list-style-type: none"> ■ Set tolls at lesser of (1) market level and (2) concession agreement limitation ■ Typically no toll rate covenant
Financing	<ul style="list-style-type: none"> ■ Tax-Exempt Debt ■ TIFIA 	<ul style="list-style-type: none"> ■ Taxable Debt ■ Possible Tax-Exempt Debt (under SAFETEA-LU) ■ TIFIA ■ Equity (15 - 30% of financing)
Purpose of Debt	<ul style="list-style-type: none"> ■ Finance initial development and subsequent improvements 	<ul style="list-style-type: none"> ■ Finance initial development and subsequent improvements ■ Maximize leverage to minimize cost of capital/maximize bid price
Traffic/Revenue Modeling	<ul style="list-style-type: none"> ■ Focus on cost recovery/downside 	<ul style="list-style-type: none"> ■ Focus on business approach and upside for equity
Surplus Revenues	<ul style="list-style-type: none"> ■ Fund capital improvements for facility and other eligible projects 	<ul style="list-style-type: none"> ■ Fund capital improvements for facility ■ Recurring equity dividend payments

Overview of Public and Private Goals of a Concession Sale

Successful sale of a toll concession requires meeting public and private goals

Public Goals (Seller)

- Receive a competitive winning bid price from a qualified firm
- Ensure a fair and transparent bidding process
- Structure Concession Agreement to ensure future performance

Private Goals (Bidder):

- Anticipate a return on capital competitive with comparable investments
- Maximize credit quality of future revenue stream
- Structure Concession Agreement to ensure protection of investment

Concession Sale Considerations

- The concession sale allows the Public Entity to transfer certain risks/rewards to a Private Entity while maintaining public ownership
- The Public Entity seeks a capitalized or annual upfront payment and reduction in operating/ownership risk
- The Private Entity seeks future equity returns comparable with alternative uses of capital

Public Ownership

- Public Benefits
 - Surplus revenues flow to project and related projects
 - Public retains flexibility regarding road maintenance and toll pricing
- Public Considerations
 - Public has operating risk/management responsibilities
 - No tax depreciation and interest deduction benefits
 - Significant amount of debt
 - Public must fund current and future capital improvements

Private Ownership

- Public Benefits
 - Receives large upfront payment or annualized payments
 - Private benefits “passed through” to public include:
 - Potential operating efficiencies, including tolling technologies
 - Potential accelerated completion of any additional segments
- Public Considerations
 - Private entity's equity return
 - Future maintenance/tolling governed by long-term agreement
 - Performance risk and measurement of Private Entity
 - Tax treatment of real property

Toll Regime Issues

- Valuation driven by tolling regime, which must take into account a number of factors

Targeted Valuation

- Tolling partially depends on need for net sale proceeds
- Develop several toll structures and analyze impact on valuation

Elasticity

- Must analyze impact of price elasticity on revenues
- Market will always limit tolling, so excessive regime will see diminishing increase on valuation return

Tolling Regime

- Evaluate fixed, inflation indexed and demand based options
- Determine length of concession (40-99 years)

Political Feasibility

- Develop feasible toll structures for the public
- Properly contextualize future costs relative to benefits

Leveraging Preferences

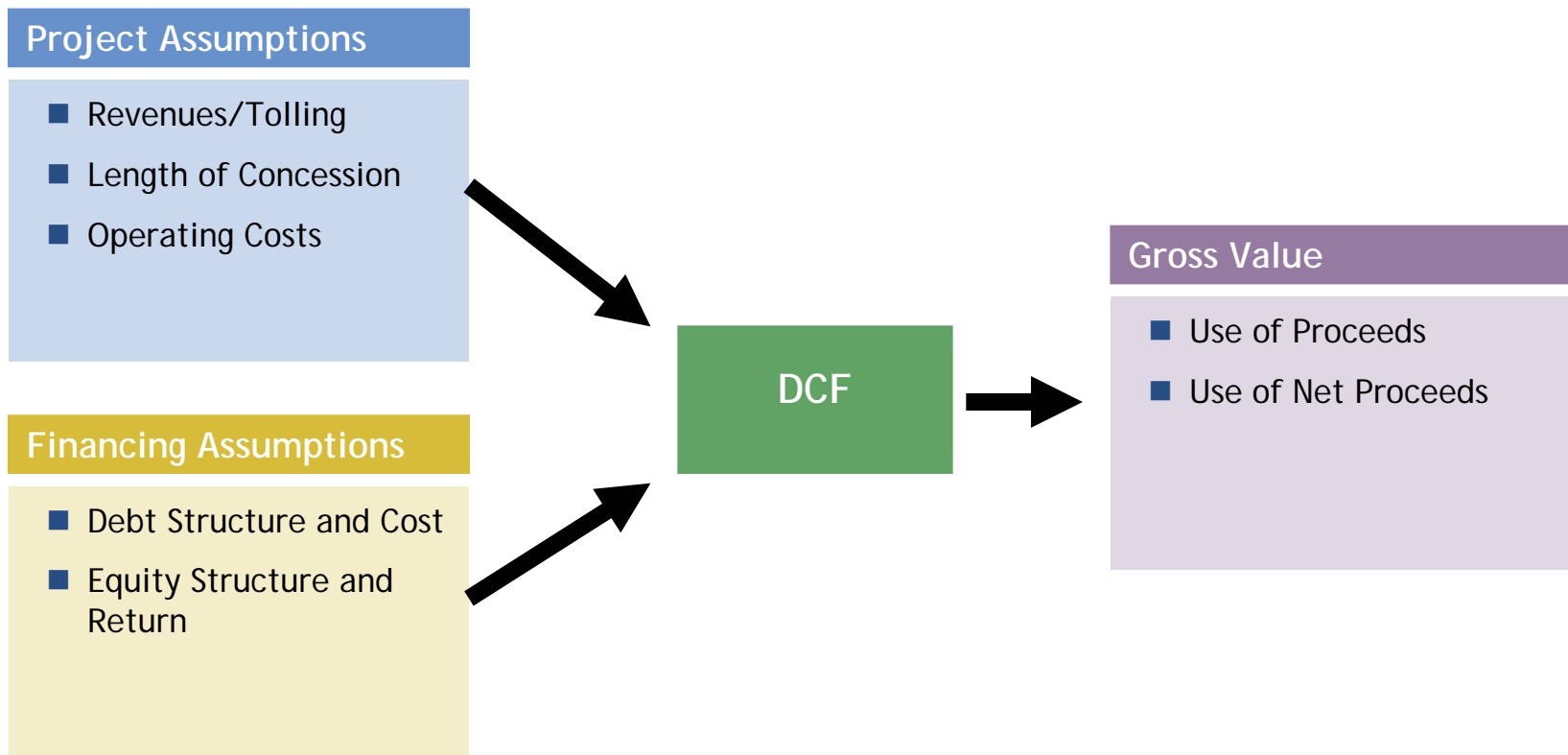
- Private entities can prefer more aggressive debt structures than public entities
- Investment community more tolerant because private entity will run project as a revenue maximizing business and the private entity contributes significant equity (“skin in the game”)
- Preferences include:
 - Substantial accretion debt
 - Shorter duration/refinancing risk
 - Active swap management
 - Avoidance of traditional fixed rate bonds (because “make whole” call)
 - Variable rate exposure
- Private entity will also look at impact of debt/swap on taxable income and accounting treatment
- Private entity may also seek pari passu bank facility to finance CapEx payments

Importance of Expert Reports

- Citigroup suggests the preparation of detail expert reports
 - Traffic/Revenue study including multiple tolling structures
 - Engineering study with O&M and CapEx estimates for the life of the concession
- The U.S. traffic and revenue consultants have typically viewed toll roads on a “cost-recovery” basis rather than attempting to capture the potential upside
- The private bidders assume the facility is run to maximize revenues and traffic revenue reports analyze upside potential for the equity
- The difference between the methodology used by the public vs. private entities has led the private entities to develop substantially higher valuations

Discounted Cash Flow Modeling

- The DCF is only the calculation method, the quality and reasonability of the assumptions will provide the true basis for the valuation



Procurement Process

- The following comprise the basic procurement methods
- Each one, however, must be customized for each project

Competitive "Highest Bid"

- Straightforward evaluation of bids but requires a disciplined and highly defined process from the public agency
- Typically has prequalification stage, followed by a "shootout" based primarily on price
- Must still feature iterative process to respond bidder preferences
- *Benefits: Highest bid for proposed structure*
- *Considerations: Possibly too constrictive for more complicated programs; may stifle innovation*

Final Negotiated "Greatest Value"

- May have efficiencies similar to a competitive sale, but increases the level of creativity by allowing the most qualified 1-2 firms to negotiate final terms
- Thus, final 1-2 firms still selected through a competitive process
- *Benefits: Greater innovation as firms' goals are to provide "greatest value"; relatively less structured process required*
- *Considerations: Greater public effort to ensure it receives best value*

Unsolicited "Greatest Value and Initiative"

- Public agency may approve unsolicited proposals for innovative ideas / acceleration of projects
- Process must balance rewarding innovation (to encourage submissions) with the need to integrate some element of competition
- *Benefits: Encourages development of innovative ideas*
- *Considerations: Must integrate element of competition and minimize time burdened for reviewing unattractive proposals*

Concession Agreement Must Meet Public and Private Goals

- The Public Entity (the “Owner”) typically maintains title to the asset and enters into a long-term Concession and Lease Agreement with the Concessionaire (the “Operator”)
 - The Concession Agreement must fully anticipate any issue that could possibly arise during the term of the lease

Public Goals for Agreement

- Transfer operating risk to Private Entity
- Ongoing protection of public interest from the concession granted to the winning bidder
- Ensure long-term viability of toll road asset (operating and maintenance standards)
- Certain employment restrictions (non-discrimination/affirmative action, fair wages, conflicts of interest)
- Ensure that Private Entity expands system in a manner consistent with economic development and demographic needs

Private Goals for Agreement

- Maintain flexibility regarding method of performing repairs and replacements
- Maximize flexibility regarding employment
- Maintain public responsibility for law enforcement and some environmental issues
- Maximize ability to benefit cost efficiencies including modern tolling strategies and technologies
- Minimize risk of future competing toll roads and freeways
- Ability to assign Concession Agreement and/or grant leasehold mortgage

Limiting Tolls / Revenues

- While a concession agreement would typically limit toll *rates*, it may or may not also place a limitation on toll *revenues*
- Chicago Skyway only limited tolls, however, limits on revenues/returns are often associated with negotiated PPPs
- The “limit” could allow for sharing of revenues with the Authority after reaching certain thresholds and/or increasing the amount reinvested in the tollway and related projects
- An experienced investment banking company could facilitate the negotiation of an appropriate rate of return during the bidding process
 - Greenfield toll projects would typically warrant a higher rate of return to compensate bidders for the increased risk
 - Appropriate levels will vary over time based on current market (interest rates, available capital, supply of projects, etc.)

Benefits

- Protects against excessive returns
- Arguably greater importance for negotiated transactions, particularly if public entity’s revenue study does not otherwise capture upside potential

Considerations

- If set too low, makes equity more like “fixed income” requiring higher *anticipated* return since less upside benefit
- Revenue limitations could decrease valuation today and only provide benefit if traffic exceeds expectations

Key Concession Agreement Items

Issue	Items
Grant of Lease and Concession	Closing; Deposit; Conditions Precedent; Deliverables
Terms of Lease and Concession	Operations' Covenants; Owner's Right to Perform Work; Utilities; Notices of Defaults and Claims; Assignment of Operating
Capital Improvements	Owner's Duties; Operator's Duties
Modifications	Owner's Directives; Operator's Requests; Performance of Modifications; Acquisition or Condemnation by Owner of Additional Lands
Operating Standards	Compliance with Operating Standards; Proposed/Modified Operating Standards
Tolling and Revenues	Tolling Regulation; Electronic Tolling; Revenues
Reporting, Audits and Inspections	Reports; Information; Inspection; Audit and Review Rights of Owner
Representations and Warranties	Representations and Warranties of the Owner and Operator
Compliance with Local Laws and Standards	Non-Discrimination (inc. MBE/WBE); Wages; Ethical and Conflicts of Interest
Indemnifications	Indemnifications by Owner and Operator
Insurance	Required Insurance Coverages
Delay and Force Majeure Events	Delay and Force Majeure Events
Defaults	Defaults by the Owner and Operator; Consequences
Restrictions on Transfers	Transfers by the Operator; Assignment by the Owner
Rights and Remedies; Resolutions	Leasehold Mortgage; Termination; Arbitration
Taxes	Property Tax Treatment, Sales Tax, etc.

Overview of the Chicago Skyway

The Chicago Skyway

- 7.8 mile, six-lane limited access highway with a bridge over the Calumet River
- Owned and operated by the City of Chicago since 1959
- Initially underperformed, however, has experienced explosive growth over the past decade
- City completed major renovations prior to the sale
- City began bid solicitations in November 2004 to unlock value of this non-core asset through use of a 99 year concession agreement

The Bid

- Citigroup worked to arrange team with Cintra and Macquarie
- Collaborated with the Sponsors in solicitation, negotiation and selection of bond insurer and presenting the credit to the rating agencies
- Developed linear optimization computer model to evaluate myriad of financing structures
- Resulted in landmark \$1.83 billion bid submission
- The Sponsors initially financed purchase with a \$1.1 billion bank loan and equity

The Bond Deal

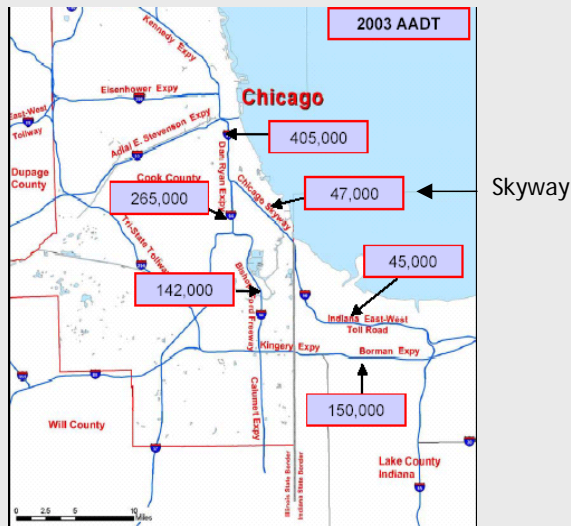
- Lead underwriter for \$1.4B of floating rate notes to help the Sponsors refinance existing bank debt
- Developed innovative financing plan
- Assisted with bond insurer negotiations and selection
- Assisted rating agency process
- Developed and executed comprehensive international marketing plan
- Structured current pay and accretion fixed rate swaps and acted as swap counterparty for half

- The Skyway transaction marked one of the largest public asset sales in the U.S. and also the first privatization of an existing U.S. Toll Road

Historical and Projected Traffic and Revenue Growth of Chicago Skyway

Traffic

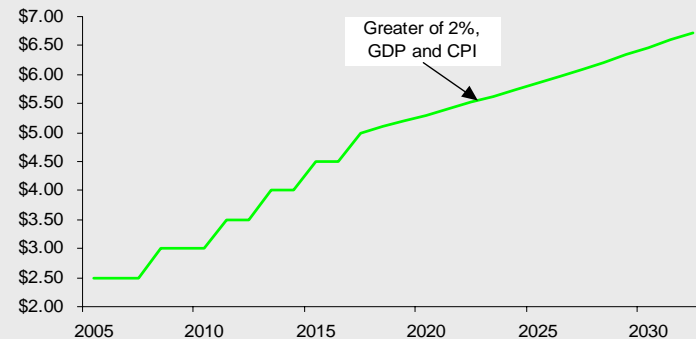
- Forecasted growth of 4.8% (2004-2020)
 - Historical annual growth of 9.1% from 1991 to 2001
 - While only serving about 10% of corridor traffic, Skyway has captured 46% of corridor growth because competing route operating beyond capacity
 - Competing route has minimal expansion capability



Tolls

- Fixed concession with toll caps; tolls capped at \$2.50 in 2005 and grow to \$5.00 by 2017
- Variable toll setting thereafter at greater of change in GDP, CPI or 2%
- No City consent to adjust tolls up to caps
- Demonstrated inelasticity to prior toll hikes

MAXIMUM CAR TOLL RATES



Final Optimized Structure of Chicago Skyway

- 45-year bond insurance policy by FSA, which also covers refinancings
- Issued Senior Secured Floating Rate Notes (“FRNs”)
- FRNs swapped to fixed via current pay and innovative accretion swaps
 - FRNs swapped to fixed through traditional floating-to-fixed swaps
 - FRNs swapped to fixed and majority of interest deferred through embedded loan
 - Citigroup developed the accretion swap structure to bridge the gap between the cash flow requirements and the debt product with the broadest market appeal
 - Provides synthetic zero coupon structure
 - Accretion swap was lower cost and had more flexible terms than traditional zero coupon bonds
- The majority of FRNs and repayments of accreted interest will be refinanced in the future with new debt under the FSA insurance commitment

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We are required to obtain, verify and record certain information that identifies each entity that enters into a formal business relationship with us. We will ask for your complete name, street address, and taxpayer ID number. We may also request corporate formation documents, or other forms of identification, to verify information provided.

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- We will not require you to provide property or services to Citibank or any affiliate of Citibank as a condition to the extension of a commercial loan to you by Citibank or any Citibank subsidiary, unless such a requirement is reasonably required to protect the safety and soundness of the loan.
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