NATIONAL FEDERATION OF MUNICIPAL ANALYSTS
Recommended Best Practices in Disclosure for Toll Road Financings

The National Federation of Municipal Analysts (NFMA) is an organization of nearly 1,000 members, primarily research analysts, who evaluate credit and other risks of municipal securities. These individuals represent, among others, mutual funds, insurance companies, broker/dealers, bond insurers, and rating agencies.

One of the main initiatives of the NFMA is to promote timely and complete disclosure of the financial and operating information needed to assess the credit quality and risk of a municipal debt issue. The NFMA's efforts have ranged from global disclosure-related issues to more detailed, sector-specific work such as these Recommended Best Practices in Disclosure. For further information on the NFMA's continuing work in the area of disclosure, please see the "Disclosure Guidelines" and "Position Statements" on the NFMA's web site at www.nfma.org.

In order to develop our Recommended Best Practices in Disclosure, diverse groups of NFMA analysts worked with non-analyst professionals in each sector to develop "best practices" guidelines for certain market sectors. These Recommended Best Practices are descriptions of the specific information needed to help analysts do their jobs. The NFMA believes that the best practice in disclosure will always be the one that provides a steady flow of timely information from borrowers to the entire market. Initial drafts of our Recommended Best Practices in Disclosure were widely circulated, and an industry comment period was used to seek input from interested parties. Subsequent to the comment period, the papers were revised. For certain papers, Comment and Response papers were drafted; these papers are available on the NFMA web site, providing additional information on the comments received.

Following is the most recent version of the Recommended Best Practices in Disclosure for this sector. This document is not intended to supplant the amendments to Rule 15c2-12, but to be used in conjunction with the guidance provided in these rules and amendments. It is important to note that the NFMA's disclosure efforts are a continuing process. These guidelines are not static documents, and will be revisited and changed as market conditions warrant. We encourage interested parties to submit comments at any time to lgood@nfma.org so that they can be considered in the development of future versions of these Recommended Best Practices in Disclosure.

The NFMA Recommended Best Practices in Disclosure are not intended to be a "one size fits all" recommendation, and all the information requested may not apply to every transaction in the sector. We encourage the providers of information to indicate when a specific item requested in the Recommended Best Practices is not applicable to a specific transaction.

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INTRODUCTION

The following Recommended Best Practices for Toll Road financings apply to toll roads funded by toll road user fees. Broadly, these financings come in one of two forms:

- Financing for a stand-alone start-up toll road
- Financing for an existing toll road or multi-modal system to fund an on going capital plan or to refund existing debt

Stand-alone start-up toll roads are riskier and require detailed disclosure. This paper will address disclosure requirements for stand-alone start-up toll roads before the sale of bonds, during construction, and on a continual basis once the project is complete.

Existing transportation systems do not require as much detailed disclosure before bond sale because the road is built and collecting toll revenues. However, the required disclosure on a continual basis once the road is built is the same for all roads supported by toll revenue.

While issuers generally provide significant disclosure for toll roads, the disclosure is not necessarily adequate. Higher quality disclosure must be provided to investors in both the primary and secondary markets.

Understanding of the following Recommended Best Practices for Toll Road Disclosure will achieve the following goals:

1. Improve the thoroughness and accuracy of the feasibility study

The feasibility study is the investor's primary consideration when assessing the economic viability of a toll road and its ability to produce adequate and timely toll revenues to meet financial obligations. To date, many of the feasibility study's projections for stand-alone start up toll roads have overly estimated traffic and revenue performance. As a result, investors currently demand information beyond what is typically provided. A better understanding of the accuracy and suitability of the feasibility study can be gained by addressing the following issues:

A. Explain the toll road's "Incubation Period" by providing more information on how the road was conceived and what parties were influential in establishing the necessity of the toll road
B. Explain the model and inputs utilized to forecast future traffic and tolls
C. Explain the validity of the model and how the model was tested
D. Develop a more realistic approach to identify traffic and revenue risk by providing a range of possible traffic and revenue projections. These scenarios should be evaluated against the base case scenario. The forecasts should consider each input variable with assigned probabilities on a case-by-case basis, but should also consider the possibility of a series of events occurring simultaneously.

2. Address disclosure considerations for toll road board composition and operational management

3. Outline specific disclosure requirements prior to and during construction

The information provided regarding construction must be ample to provide confidence that the road will be completed on time, on budget and according to specification

4. Establish standard secondary market disclosure requirements

Investors must have accessibility to periodic disclosure for the following:

A. Progress of construction
B. Traffic volumes, tolls, comprehensive revenues and operating expenses
C. Economic development compared to expectations
D. Financial disclosure to assess financial performance and position

The first three goals consider disclose requirements in the primary market while the fourth goal describes secondary market disclosure.

BEST PRACTICES FOR PRIMARY MARKET DISCLOSURE

1. IMPROVE THE THOROUGHNESS AND ACCURACY OF THE FEASIBILITY STUDY

A. Provide an Understanding of the Toll Road's Incubation Period

To understand why the toll road is being built, investors must understand the evolution of a toll road project from conception to financing. The investor benefits by knowing the political landscape of the project. Consequently, primary disclosure of this evolution or "incubation period" should be included in every financing's offering documents. *The importance of this disclosure grows in significance for bondholders as project financings become more leveraged or rely on non-recourse debt structures without credit supports from the "sponsoring" entities, such as State DOTs.*

To date, primary disclosure has been essentially limited to the traffic and revenue study (feasibility study). However, knowing and understanding not only the assumptions, but also the sources of the assumptions, heightens particularly for start-up toll facilities. Because assumptions in each study typically come from a compilation of several sources, primarily public, a more specific knowledge and history of associated Metropolitan Planning Organizations ("MPO") and Council of Governments ("COG") would be useful for context. These entities, along with the State DOT's are most intimately involved in project formation and influential in seeing these projects come to market.

Disclosure Requirements – Incubation Period

To help the investor understand the political landscape and risks associated with the formation of a project, the following information must be disclosed:

- Project's goals
    - Purpose of road

  - Use of road
- History of Project
  - Length of time it has been on regional plan
- Sponsors - Members of Metropolitan Planning Organization and Council of Governments
  - Public support of or dissent of the project
  - Change in sponsors
  - Relationship with the project
  - Tenure with organization
  - Involvement with project including sponsors/developers
- MPO/COGs planning integration with the Fed and State DOT
- Role of Fed and State DOT in project
- Public hearing process/major investment study
- RFP process for selection of final feasibility study/development team
  - Finalists in the RFP process
  - Financing Proposals and feasibility studies from each firm/feasibility study
  - Criteria for selection including COG/MPO input
  - Final selection including background and experience of firm producing feasibility study
  - Consultants and contractors used to assist lead team with forecast
  - Role of consultants and reason for outsourcing

B. Explain the Model and Inputs Utilized to Forecast Future Traffic and Tolls

Traffic and revenue forecasts provided as part of the feasibility study should allow the prospective investor to satisfactorily assess the following key questions:

- Can current traffic and development support the revenue demands of the project?
- How much traffic or revenue growth will be required to meet the proposed debt service schedule?
- Do the current projections appear reasonable and achievable?

It remains critical for analysts to understand the degree of risk and uncertainty in the toll road forecasts. Disclosure requirements will improve the thoroughness of the investor's ability to analyze or judge the toll road forecasts; however, it does not necessarily improve the accuracy of the forecast. Therefore, it remains critical for analysts to understand the degree of risk and uncertainty in the toll road forecasts. To help recognize and quantify this risk the following information should be disclosed in the feasibility study:

Disclosure Requirements – Forecasting Model and Inputs

- Objective of Forecasting Study
  - Feasibility study or revised forecast
  - Description of Project
- Analysis/Forecast Period
- Location of Forecasting Study
  - Define Study area Provide map of defined Study area highlight counties included in study area

    - Define corridor
- Key Assumptions and source for critical demographic variables
    - Historical and projected population growth for study area and corridor
        - Historical population statistics
        - Projected population statistics
        - Key household developments in corridor
        - Proximity of development to road
        - Stage in development or expected completion
        - Number of households in each development today and in the future
    - Historical and projected employment growth for study area and corridor
        - Key commercial developments
        - Proximity of commercial development to road
        - Stage in development/expected completion
        - Number of jobs provided by development today and projected number of jobs in future
    - Study Area Employment by Type (office, retail, industrial, other)
    - Policy objectives implicit in the land-use and transportation projections
    - Distribution of current and future activities and travel behavior within the study area
    - Factors Affecting Sub-market and Corridor Employment Growth
- Toll Rate Structure
    - Location of toll barriers (is it a closed barrier system?)
    - Price of tolls for passenger cars and for trucks (cost per axle)
    - Cost of traveling total distance (for cars, for trucks)
    - Demand elasticity estimates
    - Year of toll increases and amount (inflation expectation)
    - Traffic count using Easy Pass

Outputs from the original forecasting model provide the investor with a base to compare future actual results. As a result, the feasibility study should describe and quantify the inputs used as much as possible.

The feasibility study for the Northwest Parkway provides a good example of key information that should be provided in the feasibility study. Like most feasibility studies, the study area and corridor is clearly defined, employment and household growth trends are provided but what is unique to this study is a significant level of detail for expected development. Key future commercial developments are described and are listed with expected employment projections. Key future residential developments are also provided. Additionally, this information is presented in a table, which should allow investors to clearly monitor the development of each project.

The information to monitor growth and development around the road will allow investors to decide if actual results are falling short of projections because of an incorrect (too optimistic) base case scenario or because development is not occurring as planned.

C. Explain the Validity of the Model and How the Model was Tested

The forecast results should highlight the sensitivity of the model to specific land use, transportation network changes or other changes over the selected forecast period. In evaluating the base and forecasts results, the forecasting team should also develop a schedule for re-examining or updating the traffic and revenue projections for the project based upon the sensitivity to key projects, observed results or growth periods.

Disclosure Requirements – Model Validation and Testing

- Proposed Modeling Process
    - Approach: 4-Step travel other Models
    - Previous applications of the model
    - Compatibility with planning agency models and data
    - Major algorithmic rules (i.e. all or nothing traffic assignment, mode shift criteria)
    - Base Year Model Validation and Traffic Forecast
  - Base Year Traffic Forecast
    - Traffic estimates and Level of Service by facility class at major points on the network
    - Study area VMT
    - Truck traffic estimates
    - Trip productions and attractions in the study area
    - Mode choice breakdowns
  - Description of the Base Year Validation Acceptance Criteria
  - Reasonableness Checks
    - Comparison of estimated traffic to base traffic counts
    - Comparison of trip productions and attractions to base figures
    - Comparisons of level of service and mode choices to base figures
    - Describe any unexpected results
  - Validation Results
    - Correlation or coefficient of determination statistics
    - Variances
    - Other metrics
    - Peer review comments
  - Justification of Toll Structure
    - Tolls compared to tolls on similar roads
    - Rate per mile compared to similar projects

- Forecast Acceptance Criteria
  - Agency Acceptance
    - Completion of the assignment
    - Outstanding issues
  - Forecast Acceptance
    - Forecast acceptance criteria
    - Identification and explanation of unexpected results

- Identification of changes in input parameters by forecast year
  - Data specification problems
  - Socio-economic, land use or transportation network changes
  - Model adjustments
- Results of any peer reviews

D. Provide Reasonable Traffic and Revenue Forecasts by Explaining a Range of Possible Outcomes Based on Different Scenarios

The validated forecast model should provide a reasonable platform for projecting the feasibility of a start-up project or the expected results from an established facility. Applying the appropriate socio-economic, land use, transportation network and toll forecasts, the model can produce a base or most likely traffic and revenue forecast. However, the limitations of a forecast with a single expected outcome is clear, while it may provide the have become apparent. While a single best statistical estimate may be desired by some, it offers no information about the range of other possible outcomes and their associated probabilities.

Given the number of input values influencing the forecast, the results remain sensitive to changes in the input forecasts over the model time horizon. In order to discern the impact of these sensitivities upon future results, the analyst should be provided with an array of possible forecasts. Simply changing one variable at a time and providing the results as a scenario is not sufficient. In reality, input variables change simultaneously by simultaneously. By assigning probability distributions to each input, input variables can be changed simultaneously and investors can gain a perspective on the likelihood of each scenario. The range of possible outcomes will assist the analyst in determining the revenue impact of key inputs, the forecast conforming to their outlook for the project area and information to monitor after the project enters revenue service**.**

Disclosure Requirements –Range of Possible Outcomes

- Traffic and Revenue Forecasts Results for Project and Study Area
  - No build Traffic Forecast
    - Traffic forecast (including truck estimates and congestion analysis) for the study area with no toll road project
  - Baseline traffic and revenue forecast
  - Sensitivity analyses with toll road inputs
    - Population growth
    - Employment growth
    - Personal income growth
    - Toll elasticity by consumers
    - Acceleration of planned transportation network
  - Debt Service Analyses with Toll Road Project Sensitivity Analyses
    - Projected funds available for debt service

  - Debt service coverage for combined senior lien debt and for all debt obligations

- Operating expenses volatility to changes in traffic patterns (fixed vs. variable)
- Project Functionality – Discuss Source of Traffic
  - Commuter orientation
  - Access to key activities
  - Future development

In addition to providing the forecasts investors would benefit from a summary of the project's key success factors. Obviously, like the toll road project these factors are complex but disclosure is encouraged to include an indication of the major factors influencing the toll road's ability to meet traffic and revenue projections. (Ideally, this disclosure will indicate the ultimate scenario when a re-forecast would be required).

Summary of Project Success Factors

- Summary of factors affecting the traffic and revenue forecast
- Changes in data or assumptions impacting the forecast results
  - Critical land use changes (i.e. employers, environmental constraints on development….)
  - Additions or impairments to the transportation network (i.e. capacity additions, connectivity changes, easing of travel restrictions, impact of multi-year construction projects…)
  - Major socio-economic changes (i.e. home ownership, median income…)
  - Appropriate criteria or schedule for initiating a re-forecast for the study area

2. ADDRESS DISCLOSURE CONSIDERATIONS FOR TOLL ROAD BOARD COMPOSITION AND OPERATIONS MANAGEMENT

The Board's formation of the management team before, during, and after construction must be well planned. The changing stages in the life of a start-up facility require significant management expertise and flexibility. For example, toll collection systems selection, contracting, and implementation are technologically advanced and highly specialized requiring expertise. As a result, a toll road's governance and operational management plan must be disclosed before and subsequent to financing.

Disclosure Requirements – Toll Road Governance

- History and process of original and future board
  - Formation and selection process
  - Biographies of all members
  - Certification of board member independence and no conflicts of interest (land ownership within corridor, relationship with contractors/vendors etc).
- Board process for decision-making
  - Division of authority between the governing body and its managers

- Quarterly board meeting agenda and minutes
    - As allowable per state open records laws
- Management's annual budget process and projections
    - Operations, maintenance, and capital improvements
    - Discussion of assumptions and basis
- Management flow chart of all aspects of the business
    - Toll system providers and maintainers
    - Highway maintenance contractors
    - Violation monitors
    - Toll customer service operator

3. OUTLINE SPECIFIC DISCLOSURE REQUIREMENTS PRIOR TO AND DURING THE CONSTRUCTION PROCESS.

For a to-be-built toll road, a prospective investor needs satisfactory disclosure to answer the following key questions:

A. Will the road be completed on time? (If delayed, toll revenue forecasts may be compromised).
B. Will there be enough money to complete the project? (Is there sufficient money on hand? Can additional debt and/or equity be raised?)
C. Is there enough capitalized interest to make debt-service payments until toll revenues begin to flow?
D. Will the toll road be built according to specifications?

Disclosure Requirements – Construction Process

- Detailed Description of Project
    - Segments, when a road is subdivided into sections for design and construction purposes describe each segment.
    - Design complexity - provide an understanding of difficulty to build the road, interdependent on geography/geology/topography, environment issues etc.
    - Structure Complexity (relates to design complexity, bridges, tunnels, and toll collections)
    - Maps must be provided illustrating the project, as well as complementary and competitive roadways within the project corridor.
    - List of Bids received with cost and schedule

- Summary of Contract and Contractors
    - Fixed Contract Price and how this price can be changed (price by segment)
    - Guaranteed Completion Dates (completion time by segment)
    - Parties to Contract (experience, financials)
    - Engineer's estimate of cost and schedule contingencies in total project costs
    - Guarantees (who is guaranteeing completion)
    - Contractor payments (withholding provisions, subordination provisions, retention)
    - Adequacy of Reserves (capitalized interest, contingency funds)

  - Liquidated damages and other Payments for delay. Investors should have a clear explanation for developer's responsibilities for completing the road on time and the penalties they are responsible to pay if not completed. A description of how the liquidated damages amount was determined should be provided. The daily liquidated damages to be paid, a description of how liquidated damages will be paid (retain funds over project life for potential liquidated damages, deny payment of invoices) and how the trustee can access payments must also be clearly identified. Any liquidated damages that have been negotiated or have the possibility of being negotiated must be disclosed.
  - Incentives for Early Completion. Incentive fees for early completion paid to the developer must describe the definition for early completion, the daily amounts to be paid, the planned payment schedule, the source of payment and an explanation for how this amount was derived.
  - Change Orders; Amendments
  - Quality Control and Inspection
  - Performance and payment bonds
  - Right of Way Acquisition (including Public owner's role)
  - Governmental Approvals
  - Road Opening, Substantial Completion and Final Acceptance
  - Conditions precedent for closing on the bonds (as it pertains to obtaining permits, approvals and executing contracts, etc.).
  - Insurance and indemnification
- Risk Factors and Litigation Risk
  - Acquisition of Right of Way
  - Environmental and other regulatory requirements (including Public owner's responsibility)
  - Force Majuere events
  - Availability of labor and material
  - Technology issues
  - Utility relocation
- The Independent Engineer (IE)

  The NFMA strongly recommends that the Issuer/Obligor provide for a qualified independent engineer who will ensure that the information provided by the contractor and other responsible parties during the design-build phase is reliable and accurate.

  The role of Independent Engineer should include the following:
  - Receives regular reports from contractor throughout the design-build stage regarding:
    - Technical specifications
    - Right of way acquisition
    - Construction timeline
    - Construction Costs
    - Change Orders
- Reviews contractor reports for substantial accuracy and obtains explanation of significant variances, which could lead to cost overruns, construction delays or a sizable draw on project contingency funds.
- Makes regular inspections of project (monthly)

- Compiles information, provides an assessment and potential recommendations or commentary into report to be submitted to the Issuer and to the Trustee.

BEST PRACTICES FOR SECONDARY MARKET DISCLOSURE

4. ESTABLISH STANDARD SECONDARY MARKET DISCLOSURE REQUIREMENTS

Secondary disclosure is critical for stand-alone start up toll roads. Greater transparency of demand and factors affecting future demand should impact the liquidity for toll road bonds. Growth projections for most toll roads are based on the first year of operation. Consequently, it is critical that projections are met in this '"base" year. Investors must have information to monitor progress in the initial and subsequent years. The following information should be disclosed on a regular basis so that investors can assess a toll roads ability to meet projections and pay debt service.

- Progress of Construction
- Traffic volumes, tolls, comprehensive revenues and operating expenses
- Economic development to date in comparison to expectations.
- Financial Disclosure that allows the investor to assess future debt service requirements, reserve funds, and rate covenant requirements

Issuers are strongly encouraged to provide a web site that is updated regularly with this information in addition to providing it to the NRMSIRS.

A. Progress of Construction

Given the potential for construction completion risk associated with stand-alone toll road projects; construction reports must effectively communicate if financial objectives will be achieved by answering the questions originally proposed:

1. Will the road be completed on time?
2. Will there be enough money to complete the project?
3. Is there enough capitalized interest to make debt-service payments until toll revenues begin to flow?
4. Will the toll road be built according to specifications

Disclosure Requirements - Before Final Completion

An evaluation of the financial objectives related to a toll road project's construction phase means that the following elements should be included within a construction progress report. The publication of this report on a monthly (but no less than quarterly) basis is critical.

- Project Description
    - The project should be described in segments or phases and include original budgets and schedules accordingly. This allows the investor to more accurately track the completion of the road and the ability of the contractor to reach major milestones during construction.
- Project Budget and Scheduling

  - The budget should include amounts for project phases, including design and engineering, right-of-way acquisition, utility relocation, environmental remediation, actual construction as well as reserves and contingencies.
  - Project scheduling should be pegged to a series of dates, including early completion date, guaranteed substantial completion date, and end of capitalized interest period.
  - Investors should understand the completion date approaching and the monetary issues associated with this deadline.
  - For a toll road anticipating an early completion, how much incentive fees are expected to be paid and an indication of where this payment will come from must be provided. (for example, will early toll revenues pay the incentive or are other funds available?)
  - For a toll road anticipating a delay, have funds been retained to pay liquidated damages? Should investors expect to be paid in full for liquidated damages or will there be negotiations? If a road is going to be delayed an explanation for why construction will be delayed and a detailed discussion of expectations for paying liquidated damages must be disclosed.

Status of capitalized interest account, a reminder of how long capitalized interest will cover debt service is always useful information in a construction report.

- Status of Project Phases
  - The construction of major project elements (bridges, trenches, tunnels, overpasses, pavement, interchanges, etc.) In comparison to the original project budget and schedule.
  - Key status variables include the percent of construction budget now under contract, the percent of construction budget already spent and the percent of project phase now complete.
  - Scheduling changes to substantial completion date, as to expected date for commencement of operations
  - With each draw from the construction fund, the contractor must certify as to the amount of funds required to complete the work, and compare this amount with amounts available in Construction funds.
  - Disclosure of partial project completion, which results in a portion of the project becoming operational
- Cost Estimates
  - Explanation for Cost over runs or short falls
  - Relation of scheduling changes to substantial completion date, as well as to expected date for commencement of operations
  - Status and application of any liquidated damage payments, or insurance proceeds under the construction contract
- Environmental and Utility Relocation
  - Permits obtained and permits still needed
  - Potential issues acquiring permits
- Right-Of-Way Acquisition
  - Parcels acquired to date from total

  - Progress to date (on track)
  - Potential issues with right-of-way acquisition
  - Cost to date compared to budget
- Risk Factors and Litigation Risk
  - Ongoing litigation or regulatory reforms, which could change project design, cost or scheduling
  - Major design changes or modifications, and budgetary implications of ongoing litigation or regulatory reforms, which could change project design, cost or scheduling
  - Major contractor difficulties, such as labor issues, contractor or subcontractor replacement for faulty performance or contractor bankruptcy, including implications of such changes to project cost and scheduling.
  - Disclosure of natural events, such as storms, floods or earthquakes, which could affect either project costs or scheduling.

Disclosure Requirements - After Final Completion

Once final completion is obtained, the investor is concerned with maintenance of the road. Consequently, the toll road authority should submit periodic reports with the Issuer and Trustee describing**:**

- Condition of Facilities
- Repair and Replacement Needs of Facilities
- Capital Required and Available to Fund Required Maintenance

The role for the independent engineer does not end with final completion of the project. The Independent Engineer should provide recommendations for ongoing operating and maintenance costs and renewal and replacement projects and related costs. In addition, periodic reports should be filed with the Issuer and Trustee, concerning the condition of facilities, the repair and replacement needs of these facilities, as well and the capital and operating implications of changes in government regulation.

B. Traffic Volumes, Tolls, Comprehensive Revenues and Operating Expenses

The Internet has increasingly become an efficient, acceptable tool for issuers and obligors to disclose information to the investing public. Upon opening of the toll facility, traffic and revenue data ought to be posted **weekly** to the project's website. The weekly update should include and maintain the current weeks *gross revenue collected* from tolls along with the ***daily*** *traffic counts*. Weekly revenue and daily count data are useful for the market to assess facility utilization (i.e., growth patterns, seasonality, commuter base, truck base) especially during the early years of a project's life or upon changes to the transportation grid (i.e., competing roads). Additionally, on a **weekly or monthly** basis, the obligor ought to disclose the following data:

Disclosure Requirements - Weekly

- Daily traffic
- Gross revenue collected

Disclosure Requirements - Monthly

- Number of electronic pass accounts outstanding including change from the prior month
- Number of traffic counts paid for using the E-pass including change from prior month
- Number of toll violations acknowledged and processed including change from the prior month
- Breakdown of 2, 3, 4, and 5 axle traffic counts including change from the prior month
- Actual revenue versus budgeted revenue (per obligor's traffic consultant or financial advisor)
- Actual expenses versus budgeted expense
- All Trustee and project level account balances as established under the Indenture or other financing documents.
- Actual collections against violations recorded
- Fee process for violations and toll actually recovered

While there is no industry standard for the presentation format of the data, considering the suggestions above and reviewing several toll facility websites will provide a good disclosure foundation for new and existing facilities. Graphical presentation of the data is always welcomed to provide context and historical perspective.

Disclosure Requirements - Examples

- Transportation Corridor Agencies, CA (www.thetollroads.com)
- E-470, CO (www.e470.com)
- Pocahontas Parkway, VA (www.pocahontasparkway.com)
- Southern Connector, SC (www.southernconnector.com)

C. Economic Development to Date in Comparison to Expectations.

From the date of financing, economic development within the study area is critical. Because projected demand is projected from a "base year" or the road's first full year of operations, it is critical that investors are able to assess the likelihood that demand will be met. Demand for the base and subsequent years is the direct result of economic development in the area and as a result, an investor must have the ability to monitor this data.

Toll road authorities must be willing to provide substantial disclosure on the economic development occurring within the study area. This information should be thoroughly discussed in the annual report but should also be discussed more informally on a regular basis. A quarterly discussion of development within the area would be beneficial. Again, issuers are encouraged to utilize a website to report this information.
The original feasibility study provides quantitative forecasts of future growth in the area. Continuing disclosure must provide this same information on a current basis.

Disclosure Requirements – Economic Development

- Growth for households

  - Quantify number of current household compared to projections
  - Discuss key household developments
  - Provide an opinion on current and future growth prospects compared to projections
- Growth for employment
  - Quantify number of current commercial developments compared to projections
  - Discuss progress for key commercial developments
  - Provide an opinion on current and future growth prospects
- Distribution of current and future activities and travel behavior within the study area
- Factors affecting Submarket and corridor employment and household growth

D. Financial Disclosure to Assess Future Debt Service Requirements, Reserve Funds, and Rate Covenant Requirements

While investors are concerned with the demand for the road, they are equally concerned with the actual financial condition of the road. Specifically, an investor wants to verify that the toll road's actual cash flow and cash position is adequate and sustainable to cover debt service. Consequently, the financing agreements (trust indenture, bond resolution, loan agreement, etc.) generally include financial covenants that must be met throughout the life of the bonds. Financial disclosure must be provided for investors to asses the toll road's financial performance and position so that investors

Disclosure Requirements - Financial Disclosure

Minimum Required Disclosure
- Audited Annual Financial Report
- Annual Budget
- Interim Financial Reports

Disclosure Requirements - Annual Audited Financial Statements
Using the audited financial reports as a foundation for review, the key measures to determine a toll road authority's financial performance should include:
- Gross Revenues
  - Sources
- Operating Expenses
  - Break down of operating expenses in detail to facilitate cross-agency comparisons. (highway maintenance, toll collection operations, and other SG&A)
- Net Revenues
  - Available after operating and maintenance expenses for debt service, reinvestment and reserves.
- Debt Service Coverage
  - net revenues over senior debt service and total debt service
- Financial Margin
  - residual cash flow after operations and maintenance and debt service, for reinvestment in capital plant or for build-up of reserves

The key measures used to determine a toll road authority's financial position include:

- Net Working Capital
    - unrestricted cash and investments net of current liabilities
- Net Fixed Assets
    - the construction or purchase value of roadway infrastructure, buildings, toll equipment and other physical assets net of accumulated depreciation
- Debt Ratio
    - long-term and short-term indebtedness whose debt service is paid from toll revenues over net fixed assets plus net working capital plus debt service and debt service reserve fund balances

Ideally, toll road authorities will provide an indenture-based schedule, reporting operations according to the indenture definitions and prescribed flow of funds (net revenue or gross revenue basis). Some authorities, such as the Ohio Turnpike Commission (OTC) and the Orlando Orange County Expressway Authority provide such a schedule within the notes section of their audit. OTC, in an outstanding example of disclosure, requires the auditor to produce a separate compliance certificate for this schedule. These schedules provide an essential tool for investors to ascertain the financial performance of a toll road entity, in addition to the GASB formatted finances

Disclosure Requirements - Annual Budget

The annual budget is an important financial planning and management tool allowing management to plan how it will deal with fluctuations in operating expense, variable interest rate costs and capital expenditures. The annual budget will be useful to bondholders by identifying the following:

- Projected Coverage Ratio for current interest bonds
- Projected Coverage Ratio for current plus accrued interest for zero coupon bonds.
- Principal and Interest Payments (clearly identify)
- Capital Planning Requirements and Sources for funding (funded by operations or reserves)
- Explanation of Assumptions
    - Expected revenue growth (Will traffic increase? Will tolls increase?)
    - expenses (variable vs. fixed)

Disclosure Requirements - Interim Financial Reports

There is specific information that investors require on a quarterly but no less than annual basis. At a minimum, this information should be included with the annual audit but quarterly is preferred. As discussed, a toll road's actual cash position is relevant to investors. Often, investors are uncertain of actual cash flow and cash balances. Interim reports should focus on identifying the toll road's current cash position. The following accounts and balances should be provided:

- Capitalized Interest Account
- Revenue Fund

- Interest on Reserves accounts
- Debt Service Accounts
- Debt service reserve accounts
- Operating Expenses
- Extraordinary Maintenance and Repair Expenses
- Renewal and Replacement Fund
- Surplus Fund
- Any other Significant Account

Additionally, the authority should identify current revenue sources for toll roads financed by toll fees, these two revenue sources will include:

- Toll road revenue
- Interest on Reserves

E. Provide Update on Toll Road Board Composition and Operations (refer to Disclosure – Toll Road Governance)

- Changes in leadership or board composition
- Quarterly board meeting agenda and minutes
- Updates and changes to Management's annual budget process or projections
- Updates and changes to Management flow chart of business

Appendix A

Background on Traffic and Revenue Forecasting Models

Traffic and revenue forecasting models comprise an integral part of project feasibility studies. The modeling process blends socio-economic and transportation statistics with forecasts to develop reasonable portrayals of future travel behavior in the study area. The goal of these studies centers upon isolating toll road demand from the regional transportation network to produce likely revenue generation estimates. Investors use these study results to evaluate the inherent demand and ultimate financial risk of the project. Consequently, the inputs to the forecasting model must be disclosed so that investors can clearly understand the expectations for utilization and growth on the stand-alone start-up toll road.

Demand modeling for transportation networks focuses on portraying the level of household activities being facilitated by transportation modes or networks. The forecasts incorporate current and forecasted land-use, socio-economic data, traffic and transportation network improvements within a defined study area to construct a base model and an imbedded travel behavior model. Individual travel choices become further refined by integrating the results of household census and study specific travel surveys into the baseline patterns of travel behavior and travel activities during specific times of day. Typically, the modeling process aggregates household information into logical analysis zones for the defined study area and into large zones to characterize travel between the primary catchmen areas for the project and destinations outside the study area boundary. Utilizing the input data, a general flow of trips amongst areas or zones along a schematic of the regional transportation network including the choice of mode and choice of route provides a baseline for validating the model's replication of actual traffic data and travel choices. The traffic and revenue forecasts central to evaluating toll road capital investments flow from the application of land-use, socio-economic and transportation improvement forecasts for the study area to the base model and the imbedded travel behavior model.

Background on Traffic Model Validation

The Traffic Model Validation results depict how well the model resembles existing travel behavior across the study area network. By comparing the model results to survey results and actual traffic counts at key points, the forecasting team can assess the ability of the model to replicate existing conditions. The survey data provides the forecasting team with a basis for determining the reasonableness of the trip-purpose stratification produced or attracted by specific analysis zones. It further provides a means to assess the impact of major destinations such as retail or industrial concentrations and major trip starting points such as residential concentrations on the traffic volumes produced by the model. Actual traffic counts furnish a baseline for comparing model results to the current traffic on major roadways in the study area. The validation of the base year model should identify the correlation and variances between the estimates produced by the model and the observed data on trips made in the study area, destinations selected by households in particular areas, the choice of travel mode and the use of specific roadways. The approach employed by the

forecast team/contractor to validate the base case should depict the key tenets of the forecast model including major algorithm decision rules (i.e. trip assignment rules, modal split criteria….); key model parameter ranges (travel speed limitations, trip length, amount of inter-analysis zone traffic, highway congestion/Level of Service parameters….) and other acceptance criteria or adjustment rules employed in developing a reasonable base case. In addition, the conclusions reached by any independent modeling process review or peer group review (i.e. US DOT, state DOT, MPO, in-house staff…*)* should also be included as part of the model assessment. As part of the validation, the forecast team/contractor should identify the events or conditions posing major risks to achieving the forecast and an assessment as to the likelihood of these conditions impacting the results. The review of forecast risks could represent a task assigned to the peer group or contractors that specialize in conducting risk assessments. Conclusions from the validation process should delineate the forecast acceptance criteria and implication of model algorithms or parameters on the results for each scenario. Validation of the forecast results should specify the forecast acceptance criteria and implication of model algorithms or parameters on the results for each scenario.

Background on Toll Road Governance

Governance and management composition is vitally important for overall organizational success. The honored business truism that everything rises and falls on leadership has become more pronounced in view of recent corporate failures. Governance issues for municipal entities are no less relevant than they are in the corporate context and may potentially play an even larger role in pubic/private partnership toll roads. Ownership is one of the key components of corporate governance. However, in the municipal market true "ownership with responsibility" is difficult to determine because the owners and stakeholders by definition are typically taxpayers, employers, and other special interests. Ownership is arguable too diverse and can leave the bond investor in a "black hole" when credit problems materialize. Hence, the degree of dominance and influence that the owners have in a municipal public/private partnership should be an important factor in the investor's analysis. Typically public/private toll road projects are public in that the collateral ownership of the road is held with the state, and private, in that, construction, financing, and operations are often born by a private entity under licensing agreements with the state. While the financing arrangements of these toll road partnerships are non-recourse to the state, the state owns the collateral and ought to be the most significant, influential stakeholder in the formation of any public/private partnership. Partnership Board's will most likely exhibit ownership if their composition includes state department of transportation officials, elected county or city officials from the jurisdictions intersected by the project, and private sector business experts. To support the interests of the most "at risk" stakeholder, (i.e., bondholders) and balance the dominance of the other stakeholders, consideration should be given to allow an investor representative to have a seat on the Board, lender liability concerns aside.

Background on Assessing Construction Risk

The contract is normally design build with a guaranteed completion date and price. Using a Design-Build contract transfers risks borne by the investor to the contractor.

Consequently, the investor looks to a single contract to ensure project completion and to ensure that the investor will be protected if the project is not complete.

To develop an initial understanding of construction risk, the investor must analyze the following information in the Preliminary Offering Statement (POS):

- Detailed Description of the Project
- Summary of the Design Build Contract
- Risk Factors and Litigation Risk
- Responsibility of the Independent Engineer

It is strongly recommended that investors have access to the executed documents summarized in the preliminary offering statement (POS) before purchasing the bonds. Investment bankers should consider delegating this responsibility to bond counsel. Currently, it is too difficult for investors to obtain detailed information about important agreements beyond what is summarized in the POS (i.e. a potential investor should have access to the design/build contract). Ideally, potential investors will have access to a soft copy for a requested document (i.e. via a web site) during the due diligence process.

Background on Interpreting Covenants Using Financial Statements

The indenture's key covenant measures usually include a minimum debt service coverage ratio as part of the rate covenant as well as certain reserve fund levels (usually debt service reserve and major maintenance reserve) and an additional bonds test.

While the financing document creates a contractual standard for financial disclosure, it is important to note that it does not specify the contents or quality of financial information to be disclosed. Unfortunately, the input variables for these definitions can vary significantly with those used by the financial audit. Consequently, in order to interpret these covenants, it is important to understand how the indenture defines:

- operating revenues
- operating expenditures
- net revenues
- major maintenance expenditures
- debt service
- debt service coverage
- the minimum reserve requirements
  and / or annual reserve contributions from cash flow.

Background on Interpreting the Audited Annual Financial Report

Within the U.S., financial audits for publicly owned toll road entities are produced according to Governmental Accounting Standards Board (GASB) standards. Defined terms under these standards can have markedly different meanings from the same terms as defined in the trust indenture. Financial audits are reported on a consolidated, accrual basis, which means that they report revenues and expenditures when the service is provided (as opposed to when the receipts are actually collected), and they report all accounts and

activities of a toll road. As a result, the investor will only find this information valid if they are able to reconcile accounting standards with financial covenants. To do this, the investor must use this disclosure in conjunction with the toll road authority's interpretation of the finances from an indenture point of view (modified cash flow approach), in order to Determine if financial covenants were met, and to what degree the authority has financial flexibility.

Quite a bit of massaging is required of both a toll road authority's balance sheet and operating statement in order to ascertain the adequacy with which a toll road authority met its covenant requirements, or has financial flexibility for future operating or capital uncertainties.

As a result, annual disclosure by the authority should define the toll roads financial covenants and message the financial statements for the investor so that the toll road's financial performance and position can be assessed. The toll road authority can accomplish this by identifying the key measures in the context of the toll road's financials.

Background on the Financial Detail Investors Would Like to See

Not only should the authority provide balances but should also discuss the current status for these balances. For example, the authority should identify the amount in the Senior Debt service account but should compare this to what is needed when payment is made (both interest and principal requirements). Or if capitalized interest remains, identify expected depletion.

The report should also provide a summary of quarterly withdrawals from each of these funds. Semi annually, Southern Connector produces notices that identify the total amount withdrawn over the time period and the current balance in the reserve account. While this is required under the indenture, investors would benefit from an interim report that summarizes this transaction as well as other cash payments made. Payments or receipts unexpectedly (incentive bonuses to developer or liquidated damages paid by developer) should also be discussed. If an incentive bonus is to be paid or was paid this needs to be clearly identified and the source or balance of this payment must be identified.

Interim reports should provide a comparison to budget in terms of revenue collected, expenses paid and what was expected. Variances should be explained.

Finally, the interim reports again should attempt to provide current debt service coverage ratios as defined in the indenture.

Appendix B

Exploring the Incubation Period

The Role of MPOs and COGs

Introduction

The evolution of a toll road project from conception to financing is an enlightening study and a significant credit characteristic that investors must consider in their analysis. Primary disclosure of this evolution or "incubation period" ought to be included in every financings offering documents. *Arguably, the importance of this disclosure grows in significance for bondholders as the project financing becomes more leveraged or relies on non-recourse debt structures without credit supports from the "sponsoring" entities, such as State DOTs.* To date, such primary disclosure has been very limited. Today the traffic and revenue study (feasibility study) arguably is considered the most critical piece of primary disclosure for a toll road financing. However, knowing and understanding not only the assumptions, but also the sources of the assumptions in the study, heightens particularly for start-up toll facilities. Because assumptions in each study typically come from a compilation of several sources, typically public, a more specific knowledge and history of associated Metropolitan Planning Organizations ("MPO") and Council of Governments ("COG") would be useful for context. These entities, along with the State DOT's are most intimately involved in project formation and influential in the seeing these projects come to the bond market.

Historical Background

The greatest obstacles to achieving a successful national transportation system typically occur in metropolitan areas. Such obstacles include congestion, delays in projects, and integration of transportation projects with other national and local priorities such as air quality, connecting unemployed workers to jobs, rehabilitating brownfields, and coordination of land use plans. Over the last century, the settlement of land in ever-widening rings around the nation's major cities has created regional economies that span local government boundaries and often cross state lines. The federal government recognizes, in effect, that the economic and social market has shaped the man-made landscape with little regard to the formal divisions decreed by government (i.e., states, counties, municipalities, school districts, election wards, etc.). The integrity and vitality of these metropolitan areas are dependent on the safe and efficient flow of goods and people over region-wide transportation networks. Yet fragmented political authority in most areas make it difficult to address regional transportation impacts and needs.

Since the early 1970s, in an effort to more directly address this "fragmenting", the federal government required states to formally establish and standardize MPOs, comprised of local elected political officials and state agency representatives, to review and approve transportation investments in metropolitan areas. While politically controversial from the start, the need for MPOs has been strongly upheld by Congress in ISTEA, TEA-21, and the forthcoming SAFETEA. Today, 340 MPOs (40 new MPOs created as result of 2000

Census) serve as a forum and decision making body to address the obstacles to a successful system.

The explosive growth of the suburbs after World War II expanded the federal government's requirements for regional planning which also included the formation of Council of Governments ("COG") particularly in major urban areas. Initially, because the COGs lacked significant federal implementing authority, the new regional bodies were unsuccessful facilitating consensus among local governments on regional planning. Even today, COGs powers are not codified on a federal basis, but rather state-by-state. Most COGs serve the purpose of coordinating services of government such as 911 services, healthcare and aging services, land use planning and data collection. The coordination of the pooling of the multiple jurisdictions resources was considered helpful and necessary in forming successful regional planning. Today, the COGs and MPOs have evolved into fully combined, joined but separate, or separate organizations and vary state by state. For purposes of this discussion, primary disclosure of COG and MPO land use planning and data collection activities would be useful since their sources tend to drive the assumptions of the models in the traffic and revenue studies.

Responsibilities and Authority

The responsibilities and authority granted to MPOs as a result of ISTEA and TEA-21 legislation are far reaching and should be considered by the investor. A thorough discussion, however, of these responsibilities and authority will be limited due to their complexity and the primary focus of this appendix. MPO responsibility for the transportation planning process with public involvement includes consideration of concerns such as land-use planning, energy conservation, environmental management, congestion management and intermodalism. In cooperation with the States and key transportation providers, MPOs are responsible for developing financially reasonable 20-year long range plans ("LRP") and fiscally constrained, annually updated 5-year short-term transportation improvement programs ("TIP") within their region. The TIP must be financially constrained by year and include only those projects for which funding has been identified over 5 years using current or reasonably available revenue sources. The purpose of this requirement is to prevent TIP's from becoming "wish-lists" of projects with no realistic chance of implementation. Without constraints, the need to make choices and set priorities is often ignored.

The financial plan requires cooperation with the State and transit operators providing the MPO with information early in the TIP development process concerning the likely amount of Federal and State funding available. Note that the question of where the funding comes from and what jurisdictions pay their fair share is typically where the political debate becomes most intense. While the MPO-adopted TIP must be financially constrained, at the option of local officials, a "vision plan" may be prepared that provides value by illustrating additional facilities and services that the region may wish to implement. Within the industry, "vision plans" are considered a useful way to explore new or innovative funding sources for transportation investment. From the public's perspective, projects within these "vision plans" tend to become political footballs and have historically been candidates for

funding via value capture, congestion pricing, or tolls including non-recourse debt structures.

Although public comment is involved in the planning process, the ability of the public to significantly influence the final outcome of the projects under consideration by the MPO arguably is very limited. Federal law does require the consideration of "the overall social, economic, energy, and environmental effects of transportation decisions", however, it does not specify steps that need to be taken to provide for public participation; the process is left to the discretion of the individual states. Once the MPO and Governor approve a TIP, it then becomes without modification part of the Statewide Transportation Improvement Program ("STIP"). To receive specific federal transportation funds, a project must be in accordance with national standards by being part of the MPO's TIP and hence the STIP. This requirement has set the current pattern for future intergovernmental relations; that is, the federal government uses aid as a lever for promoting achievement of national goals and for persuading state and local governments to look beyond their narrow self-interests in making infrastructure and social investments.

Despite the fact that MPOs or COGs yield significant influence in transportation planning and project selection, their direct access to funds is limited. The majority of funds for transportation projects flow back to the State DOTs through a formulaic distribution from federal funds collected through the federal gas tax. The State DOTs then control the sub allocation of funds to the local level projects, which must also be approved by the MPO if subject to direct federal funds. The State DOT's control of the distribution of federal and state transportation funds to the local level and the MPOs federally mandated regional planning authority creates a natural friction which in many situations results in political power struggles. Current federal legislation and regulation of MPOs and their "partners" require "cooperation" with other planning jurisdictions, primarily DOTs, not "coordination". Within the industry, the difference in terminology is more than just semantics, because all projects that are built in the end do receive "partner" cooperation but not necessarily coordination. Coordination involves comparing how projects and modes of transportation benefit each other with a willingness of each of the partners to put aside their own "wish list" of projects and modes. It is determining what is best for the region as a whole and then aligning those initiatives. With congestion and environmental issues becoming a greater public concern, effective regional transportation planning and implementation toward intermodalism will be impossible without coordination amongst parties.

Environmental Policy

MPOs are responsible for determining compliance of transportation plans and programs with the Clean Air Act. Local officials are to choose projects that both meet national transportation goals and reflect local goals and priorities; and elected officials, who are responsible for land use decisions, are members of the governing boards of MPOs.

MPOs and the U.S. DOT have an "affirmative responsibility" to ensure that the metropolitan transportation plan and program conform to the SIP (State Implementation Plan). Conformity determination to national air quality standards is required no less than

every 3 years or as changes are made to plans, TIPs, and projects. Failure to comply with established environmental standards results in halting of specific highway and transit projects and in the potential loss of federal funds for projects.

When the planning process identifies a problem in a corridor or sub area that suggests the possible need for a major investment using Federal funds, then a MIS ("Major Investment Study") may be required. While the MIS process is not specifically required by TEA-21, it is necessary to reconcile the various requirements of TEA-21, the CAAA, and the National Environmental Policy Act (NEPA). Therefore the MIS integrates the planning and environmental processes and encourages public involvement and comment. The MIS must be sufficiently detailed with alternative options and impacts to satisfy FHWA, FTA requirements and public comment. The MIS should evaluate the overall effectiveness and cost-effectiveness of alternative investment strategies. The alternative selected for study should include reasonable solutions to the problem, including different combinations of modes of transportation. From an environmental perspective, projects within non-attainment transportation management areas (TMA) can only be approved if they are a part of the congestion management system (CMS) in an effort to attain National Ambient Air Quality Standards (NAAQS).

Transportation Models and Economic Development Forecasting

Transportation planners use travel forecasting models to better understand the traffic patterns of urbanized areas. These mathematical models utilize geographic, social, and economic information to simulate travel characteristics of a region. Once a set of models is calibrated, or able to "accurately reflect existing conditions", then it is used to predict travel demand as far 25 years into the future. However, within the industry there is debate as to the validity and accuracy of the models currently being used given some disappointing historical results. While mathematical models may be flawed, consideration of the inputs, such as projected socio-economic data and land use planning, and their source may be the more important part of investor scrutiny.

Over the last 10 years, MPO's have performed an increasing role in the development and maintenance of transportation models and economic development forecasting. While input from State DOT engineers is still evident, the influence on the modeling and forecasting process in many states has shifted to the MPO or COG. Research indicates that typically there is no singular source for the MPO's or COG's socio-economic data inputs, thus leaving greater subjectivity and potential instability to the model. In some situations, the inputs come from the regions planning commission that is staffed or led directly by local elected political officials. Does this not present a significant conflict of interest? The need for third party independence in socio-economic data inputs for traffic studies for toll facilities appears obvious. For example, the investor community should encourage recent use of third-party versus MPO socioeconomic data input in the SR125 toll road project study in California.

Political Composition and Accountability

While acting as a forum, historical research reveals the argument that MPOs are a point of political deal making heavily influenced by special interest and lobbyists. Typically drawing little public recognition, MPOs are at the center of debate and decision making with regard to transportation policy and project selection issues such as mass transit bus and rail versus highways, trucking versus railroads, and aviation versus high-speed rail. The large scale and cost of typical projects highlight the fact several associations representing each of these transportation modes have significant power and interest in propelling and maintaining their interest through political influence. While proponents of MPOs would argue that elected officials' involvement in MPO work strengthen accountability, opponents suggest accountability is limited because most public officials are no longer in office once the potential negative or positive ramifications of transportation projects become known. Political races are rarely won or lost on the platform of transportation planning. Additionally, the general public is not informed as to the existence and power of MPOs and the relationship to local political figures.

As part of TEA-21 Reauthorization, the Association of Metropolitan Planning Organizations (AMPO) has listed increasing capacity and accountability as one of their legislative priorities. With regards to accountability, precise statutory language is necessary to ensure that MPOs, states and transit agencies together provide the cooperative revenue forecast specified in TEA-21. Cooperative revenue forecasts are critical for producing credible, financially reasonable long-range transportation plans and fiscally constrained TIPs. Reference is made to require transportation plans and TIPs to improve and use the same traffic modeling assumptions. *Such Association priorities suggest that the industry acknowledges it has significant work to do in building forecasting credibility and in exercising fiscal constraint with regard to projects.*

Conclusion

Since politicians have significant controlling influence in the planning and priority selection of transportation projects, they also have historically had political control of funding these projects through the state and federal transportation purse. As such, transportation projects were funded under a "pay as you go" methodology. However, in the last decade as these political bodies have moved to "innovative finance" and leverage their purse and influence through public/private partnership toll road debt, they have not yielded their political influence in the control of the inputs of the projects' feasibility analysis. Additionally, the political bodies that established these public/private partnerships, have ownership interest, and control the purse, have been hesitant to potentially avail or facilitate lines of credit support to the financially struggling projects (e.g., Garcon Point Bridge, Pocahontas Parkway, San Joaquin, Southern Connector) that they approved. Until the direct political influence on the planning and selection process is altered and struggling projects are stabilized, it appears the structures for start-up non-recourse public/private partnership toll road financing without federal or state line of credit support may become a failed financing structure of the past. Unfortunately, transportation officials will have lost a

significant funding source in the capital markets and will be forced to further delay projects and return more significantly to the "pay as you go" methodology.

Appendix C

NFMA Recommended Guidelines on Operating Data

Toll Road Debt

The Appendix contains *NFMA Recommended Guidelines on Operating Data for Toll Roads* and is provided as an addendum to the *NFMA Recommended Best Practices in Disclosure for Toll Road Debt ("RBP").* These guidelines serve to summarize and conveniently tabulate certain key utilization statistics, operating data, and supplemental financial information set forth in the RBP for use in both primary and secondary market disclosure. This Appendix is not intended to be a "one size fits all" solution for providing this data consistent with the RBP. Issuers or obligors are encouraged to modify and supplement this Appendix in accordance with their own disclosure requirements and information profile. **To obtain more complete disclosure guidelines, issuers and obligors are urged to consult the *NFMA Recommended Best Practices in Disclosure for Toll Roads***.

NFMA Recommended Guidelines on Operating Data

Toll Road Debt

Part 1: Operating Data

Issuer Name					
Financial Officer Contact					
Telephone No.	( )				
Fiscal Year End					
Website URL *(if available)*	http://www.				
Traffic Information					
Weekly					
Daily Transactions					
Weekly Transactions					
Daily Gross Toll Revenue					
Weekly Gross Toll Revenue					
Monthly					
Number of Electronic Pass Accounts					
Number of Transactions using EZ-Pass					
Number of Toll Violations					
Toll Violations Collection Rate					
Actual Toll Revenue vs. Budget					
Actual O&M vs. Budget					
Actual Transactions vs. Budget					
Breakdown of 2,3,4 and 5 axle transactions versus budget					
Economic Development Information					
Annual					
Net Growth in Households					
Net Growth in Employment					
Distribution of Current and Future Actiiviities					
Description of Significant Factors Affecting Household and Employment Growth					
Financial Information					
Quarterly					
Toll Revenue					
Interest on Reserves					
Total Revenue					
Operating Expenses					
Income Available for Debt Service					
Accreted Debt Service for Zero Coupon Bonds					
Debt Service on Current Interest					
Tot Debt Service on Current & Accreted Bonds					
Coverage Ratio on Current Interest Bonds					
Coverage Ratio on Current + Accreted Interest					
Financial Margin					

NFMA Recommended Guidelines on Operating Data

Toll Road Debt

Part 2: Supplemental Financial Information

Supplemental Financial Information					
Financial Position					
Annual					
Net Working Capital					
Net Fixed Assets					
Debt Ratio					
Total Debt Outstanding, (incl.					
(Current interest and zeros.)					
Current Cash Position					
Quarterly					
Capitalized Interest Fund					
Revenue Fund					
Interest on Reserves Fund					
Debt Service Fund					
Debt Service Reserve Fund					
Extraordinary Maintenance and					
and Repair					
Renewal and Replacement Fund					
Surplus Fund					
Any Other Significant Account					
Construction Report					
Quarterly - Before Final Completion					
Gannt Charts					
Project Budget and Scheduling					
Status of Project Phases					
% Completion vs. Cost Estimates					
Cost overruns					
Environmental and Utility Relocation					
Right-Of-Way Acquisition					
Status of Risk Factors & Litigation					
Litigation Risk.					
Quarterly - After Final Completion					
Condition of Facilities					
Repair and Replacement Needs					
Capital Required & Available for					
Required Maintenance.					
Management and Oversight					
Quarterly					
Changesto Board Composition					
Recent Board Meeting Agenda					
and Minutes					