

Widen I-77
PO Box 792
Cornelius, NC

Duane Callendar
Director, TIFIA Joint Program Office
1200 New Jersey Avenue SE
Washington, DC 20590
cc: Dina Shaher, Jorianne Jernberg, Elijah Owur

March 25, 2015

Re: Revenue Payment Amounts

Dear Mr. Callendar,

It has come to our attention that the TIFIA Credit Council is considering financing approval of the I-77 Mobility Partners Project for managed lanes on I-77 in North Carolina.

We question if the Council is aware of the Revenue Payment Amount provision in the Executed Comprehensive Agreement between NCDOT and I-77 Mobility Partners. Exhibit 5 Part 1 states the Developer (I-77 Mobility Partners) "shall pay to NCDOT the amounts determined in accordance with this Part C of Exhibit 5 ("Revenue Payment Amount")...." Per the contract, the Developer is required to remit a percentage of toll revenues to the NCDOT according to the following schedule:

ATTACHMENT 1 TO EXHIBIT 5

Band	Revenue Payment Percentage
1	0%
2	12.5%
3	25.0%
4	50.0%
5	75.0%

The revenue bands are defined per the Comprehensive Agreement according to the following schedule:

Year	Band 1 Floor	Band 1 Ceiling	Band 2 Floor	Band 2 Ceiling	Band 3 Floor	Band 3 Ceiling	Band 4 Floor	Band 4 Ceiling	Band 5 Floor
2014									
2015									
2016									
2017									
2018		12,500	12,500	14,250	14,250	15,993	15,993	17,817	17,817
2019		42,897	42,897	48,702	48,702	54,624	54,624	60,855	60,855
2020		93,992	93,992	91,012	91,012	102,791	102,791	114,472	114,472
2021		124,648	124,648	141,518	141,518	158,724	158,724	176,829	176,829
2022		172,820	172,820	196,207	196,207	220,064	220,064	245,166	245,166
2023		226,290	226,290	256,912	256,912	286,152	286,152	321,020	321,020
2024		295,312	295,312	323,922	323,922	363,310	363,310	404,751	404,751
2025		349,998	349,998	397,362	397,362	445,679	445,679	496,516	496,516
2026		420,898	420,898	477,857	477,857	535,992	535,992	597,097	597,097
2027		498,618	498,618	566,094	566,094	634,928	634,928	707,352	707,352
2028		593,822	593,822	662,828	662,828	743,424	743,424	828,224	828,224
2029		677,237	677,237	768,885	768,885	862,377	862,377	960,745	960,745
2030		779,665	779,665	885,173	885,173	992,856	992,856	1,108,051	1,108,051
2031		891,882	891,882	1,012,690	1,012,690	1,136,898	1,136,898	1,265,388	1,265,388
2032		1,015,154	1,015,154	1,152,530	1,152,530	1,292,672	1,292,672	1,440,122	1,440,122
2033		1,150,237	1,150,237	1,305,893	1,305,893	1,464,683	1,464,683	1,631,754	1,631,754
2034		1,298,393	1,298,393	1,474,099	1,474,099	1,653,342	1,653,342	1,841,932	1,841,932
2035		1,459,897	1,459,897	1,658,594	1,658,594	1,860,271	1,860,271	2,072,464	2,072,464
2036		1,634,047	1,634,047	1,855,175	1,855,175	2,080,755	2,080,755	2,316,098	2,316,098
2037		1,818,542	1,818,542	2,084,637	2,084,637	2,315,687	2,315,687	2,579,828	2,579,828
2038		2,015,130	2,015,130	2,287,829	2,287,829	2,569,017	2,569,017	2,858,713	2,858,713
2039		2,224,607	2,224,607	2,525,693	2,525,693	2,832,790	2,832,790	3,155,881	3,155,881
2040		2,447,820	2,447,820	2,779,073	2,779,073	3,116,994	3,116,994	3,472,537	3,472,537
2041		2,684,543	2,684,543	3,047,830	3,047,830	3,418,431	3,418,431	3,808,357	3,808,357
2042		2,935,694	2,935,694	3,332,895	3,332,895	3,738,114	3,738,114	4,164,506	4,164,506
2043		3,201,845	3,201,845	3,635,137	3,635,137	4,077,152	4,077,152	4,542,216	4,542,216
2044		3,484,219	3,484,219	3,955,723	3,955,723	4,436,720	4,436,720	4,942,798	4,942,798
2045		3,783,895	3,783,895	4,295,729	4,295,729	4,818,065	4,818,065	5,367,642	5,367,642
2046		4,099,789	4,099,789	4,654,596	4,654,596	5,220,572	5,220,572	5,816,061	5,816,061
2047		4,433,427	4,433,427	5,033,384	5,033,384	5,645,418	5,645,418	6,289,368	6,289,368
2048		4,785,585	4,785,585	5,433,198	5,433,198	6,093,647	6,093,647	6,786,940	6,786,940
2049		5,157,293	5,157,293	5,855,207	5,855,207	6,567,171	6,567,171	7,316,261	7,316,261
2050		5,549,638	5,549,638	6,309,647	6,309,647	7,066,774	7,066,774	7,872,852	7,872,852
2051		5,963,770	5,963,770	6,770,821	6,770,821	7,594,119	7,594,119	8,460,349	8,460,349
2052		6,400,899	6,400,899	7,267,105	7,267,105	8,150,749	8,150,749	9,080,472	9,080,472
2053		6,862,307	6,862,307	7,790,954	7,790,954	8,738,295	8,738,295	9,735,036	9,735,036
2054		7,349,344	7,349,344	8,343,899	8,343,899	9,358,476	9,358,476	10,428,959	10,428,959
2055		7,863,437	7,863,437	8,927,362	8,927,362	10,013,195	10,013,195	11,155,264	11,155,264
2056		8,403,474	8,403,474	9,540,690	9,540,690	10,700,779	10,700,779	11,921,373	11,921,373
2057		8,970,766	8,970,766	10,184,741	10,184,741	11,423,155	11,423,155	12,726,147	12,726,147
2058		9,566,691	9,566,691	10,861,310	10,861,310	12,181,991	12,181,991	13,571,541	13,571,541
2059		10,192,899	10,192,899	11,572,030	11,572,030	12,979,131	12,979,131	14,459,697	14,459,697
2060		10,850,302	10,850,302	12,318,626	12,318,626	13,816,510	13,816,510	15,392,593	15,392,593
2061		11,541,106	11,541,106	13,102,913	13,102,913	14,696,162	14,696,162	16,372,494	16,372,494
2062		12,266,786	12,266,786	13,926,797	13,926,797	15,620,226	15,620,226	17,401,981	17,401,981
2063		13,029,105	13,029,105	14,792,278	14,792,278	16,590,945	16,590,945	18,483,408	18,483,408
2064		13,829,817	13,829,817	15,701,459	15,701,459	17,610,679	17,610,679	19,619,457	19,619,457
2065		14,671,198	14,671,198	16,656,551	16,656,551	18,681,934	18,681,934	20,812,873	20,812,873
2066		15,554,897	15,554,897	17,659,874	17,659,874	19,807,226	19,807,226	22,069,556	22,069,556
2067		16,483,258	16,483,258	18,713,895	18,713,895	20,989,379	20,989,379	23,383,552	23,383,552
2068		16,968,218	16,968,218	19,264,453	19,264,453	21,606,915	21,606,915	24,071,527	24,071,527

Taking the year 2023 as an example and assuming a total of \$20 million toll revenues, payment to the NCDOT would be as follows:

Band	Revenue Payment		Revenue Payment		
	Percentage	Floor	Ceiling	Amount	
1	0%	\$ -	\$ 226,290	\$ -	
2	12.5%	\$ 226,290	\$ 256,912	\$ 3,828	
3	25.0%	\$ 256,912	\$ 288,152	\$ 7,810	
4	50.0%	\$ 288,152	\$ 321,020	\$ 16,434	
5	75.0%	\$ 321,020	\$ 20,000,000	\$ 14,759,235	
Total Paid to NCDOT:				\$ 14,787,307	
Total Available for Debt Service:				\$ 5,212,693	

According to the Executed Comprehensive Agreement, I-77 Mobility Partners is required to begin repaying TIFIA bonds according to the following schedule:

TIFIA Repayment Profile

The TIFIA loan will be drawn and repaid according to the following schedule. This schedule may be subject to refinancings, should market conditions dictate such refinancings are beneficial to the project.

Period Ending	Beginning Balance	Draws	Interest Accrued	Interest Paid	Principal Paid	Ending Balance
6/30/2014	-	16,642	42	-	-	16,684
30-Jun-15	16,684	78,042	1,927	-	-	96,653
30-Jun-16	96,652	105,044	4,509	-	-	206,205
30-Jun-17	206,204	15,273	6,660	-	-	228,137
30-Jun-18	228,137	-	6,872	-	-	235,009
30-Jun-19	235,010	-	7,079	-	-	242,089
30-Jun-20	242,089	-	7,293	-	-	249,382
30-Jun-21	249,382	-	7,512	-	-	256,894
30-Jun-22	256,894	-	7,739	-	-	264,633
30-Jun-23	264,632	-	-	7,663	17,649	246,983
30-Jun-24	246,983	-	-	7,363	2,925	244,058
30-Jun-25	244,058	-	-	7,270	3,629	240,429
30-Jun-26	240,429	-	-	7,155	4,492	235,937
30-Jun-27	235,937	-	-	7,013	5,537	230,400
30-Jun-28	230,401	-	-	6,838	6,786	223,615
30-Jun-29	223,615	-	-	6,624	8,270	215,345
30-Jun-30	215,345	-	-	6,364	10,017	205,328
30-Jun-31	205,328	-	-	6,049	12,061	193,267
30-Jun-32	193,267	-	-	5,671	14,440	178,827
30-Jun-33	178,828	-	-	5,105	32,311	146,517
30-Jun-34	146,517	-	-	4,113	35,868	110,649
30-Jun-35	110,649	-	-	3,010	39,909	70,740
30-Jun-36	70,740	-	-	1,801	42,000	28,740
30-Jun-37	28,740	-	-	528	28,740	-
30-Jun-38	-	-	-	-	-	-
30-Jun-39	-	-	-	-	-	-
30-Jun-40	-	-	-	-	-	-
30-Jun-41	-	-	-	-	-	-
30-Jun-42	-	-	-	-	-	-
30-Jun-43	-	-	-	-	-	-
30-Jun-44	-	-	-	-	-	-
30-Jun-45	-	-	-	-	-	-
30-Jun-46	-	-	-	-	-	-
30-Jun-47	-	-	-	-	-	-
30-Jun-48	-	-	-	-	-	-
30-Jun-49	-	-	-	-	-	-
30-Jun-50	-	-	-	-	-	-
30-Jun-51	-	-	-	-	-	-
30-Jun-52	-	-	-	-	-	-
30-Jun-53	-	-	-	-	-	-

Repayment is scheduled to begin in 2023, with \$7.7M interest and \$17.5 M principal. Because of the Revenue Payment Amount requirement, *this would require gross toll revenues in excess of \$100 million*. Netting out the anticipated \$12 million DRAM contribution would still require revenues of approximately \$20 million in 2023. The DRAM would continue to cover anticipated coverage shortfalls until this mechanism is exhausted in 2029 (at the latest).

In 2030, with no DRAM in place, gross toll revenues would again have to exceed \$100 million.

To date no toll lane in history has ever grossed half this amount. Therefore, based upon current contractual obligations it is extremely unlikely sufficient revenues will be generated to cover debt service. The project therefore bears a substantial- if not certain- risk of default. We realize the contractual terms have changed slightly, but this does not materially alter the above conclusion.

In light of this, we regard a decision to fund this project as a failure to perform your fiduciary responsibility and thus negligence on the part of the Council.

If we have misunderstood any provision, please call this to our attention.

Sincerely,
Kurt Naas for

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