State of Vermont

Transportation Funding Discussion

December 13, 2007

Agenda

1. U.S. and Vermont Transportation Finance Environment
2. State Funding Sources - Highway Revenue Bonds
3. Federal Funding Sources – GARVEEs
4. Toll Road Finance Overview
5. Public-Private Partnerships
6. Public-Public Partnerships

Appendix

A. Citi Credentials
B. GARVEE Case Studies

1. U.S and Vermont Transportation Finance Overview

The U.S. Transportation Landscape is Rapidly Changing

Geopolitical and economic factors have increased uncertainty for state transportation capital programs.

- Skyrocketing inflation for construction costs
- Increasing traffic congestion
- Capital expenditures and routine maintenance are being deferred
- Limited Resources
  - 18.4 cent per gallon Federal motor fuel excise tax has not been raised since 1993
  - With high oil prices, states are reluctant to raise gas taxes
  - National/Federal transportation funding gaps; deficit facing Highway Trust Fund

States Are Implementing New Programs to Fund Construction

CONNECTING IDAHO

Inaugural $1 billion **GARVEE** Program to fund portion 6 high priority projects (2006-Present)

PENNA TURN-PIKE

Complete Transportation Plan - Public **Toll** Monetization, **Hwy Rev. Bonds** (2007)

NDDOT North Dakota Department of Transportation

Inaugural $51 million **GARVEE** Issuance in (2005)

$800 million inaugural **GARVEE** and **Motor Fuel Tax Bond** Program (2003-Present)

Texas Department of Transportation

Multi-Billion **Hwy. Rev. Bond** Program (2006)

Start-up Toll Road Concessions

CHICAGO SKYWAY

IN Toll Road **Concession** $3.8 b (2006)

Skyway **Concession** $1.83 b (2005)

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Current National Status of Transportation Finance

The evolving national, state and local governmental and regulatory environments are only adding to the pressure on States to craft broad funding solutions.

Federal

- Congress and Administration knowingly underfunded the current 6-year Federal Authorization Act
  - Result:
    - 5 rescissions since December 2005
    - Obligational Authority (OA) at 83% (committed at 92.5%)
    - Forecasted OA at 81% for FFY 2008
    - 42% forecasted reduction for FFY 2009 without a 3-cent increase in FFY 2008 for Federal Motor Fuels Taxes (18.4 cents)
- New and expanded flexibility to implement limited tolling on the Interstate System
- Expansion of TIFIA and Private Activity Bonds for privately run toll facilities and Intermodal Freight facilities

Federal Highway Trust Fund

Since the construction of the Interstate Highway System in the 1950's, America's road infrastructure has in large part been built through federal dollars.

- **The 18.4 cent federal gas tax is deposited into the Federal Highway Trust Fund**
  - Every six years, Congress is required to reauthorize the Federal Aid Highway Program and project future levels of aid assistance based upon the amount each state puts into the highway trust fund
    - Most recent bill – SAFETEA-LU (the Safe, Accountable, Flexible Efficient Transportation Equity Act – A Legacy for Users) enacted in August 2005
      - Bill expires September 30, 2009
      - SAFETEA-LU passed after 11 interim authorization acts kept program in operation in span between expiration of previous bill (TEA-21) in September 2003 through August 2005.
      - Revenue split roughly 80% for Highways/20% for Transit
- **The federal gas tax has not been raised since 1993 when it was raised 4.3 cents to its current 18.4 cents per gallon levels**
  - Tax is not indexed to inflation
- **Reduction in buying power of 18.4 cents per gallon due to heavy inflation in construction costs and lack of political will to raise the tax rate has left the future spending levels of the highway trust fund in doubt**
  - Need for additional funds has sparked states and municipalities to evaluate the use of tolls to fund important projects

Federal Rescission Impact

Actual federal apportionments have been significantly lower than original projections.

- Congress enacted SAFETEA-LU without a concurrent raise in the 18.4 cent federal gas tax
  - Apportionments projections based upon high highway trust fund growth levels
  - Actual levels have not occurred nor are they projected to occur in the future
  - Subsequently, federal highway trust fund gas tax receipts have been lower than expected
- Five separate actions since the enactment of SAFETEA-LU to reduce previously authorized spending levels ("rescissions")
  - Approximately $19 million reduction in Vermont's FY 2007 apportionments (10.9%)
    - Originally projected amount of $175.3 million reduced to $156.2 million
    - Approximately $17 million reduction in Vermont's FY 2006 apportionments (10.2%)
- Additional rescission of $3 billion nationally expected to occur in early CY 2008
- Rate of return reduced from an initial FY 2007 projection of the SAFETEA-LU-promised 207.18%

#	Date	Total Federal Rescission[1] ($ millions)	Approx. Loss to Vermont[1] ($ millions)	FFY
1	12/28/05	2,000	9	2006
2	3/21/06	1,143	5	2006
3	7/5/06	702	3	2006
4	3/19/07	3,472	15	2007
5	6/20/07	871	4	2007
	Total	$8,188	$36	

Source: Table 1 Attachments to FHWA Notices N 4510-578, 588, 606, 643 and 647 available at http://www.fhwa.dot.gov/legsregs/directives/notices.htm

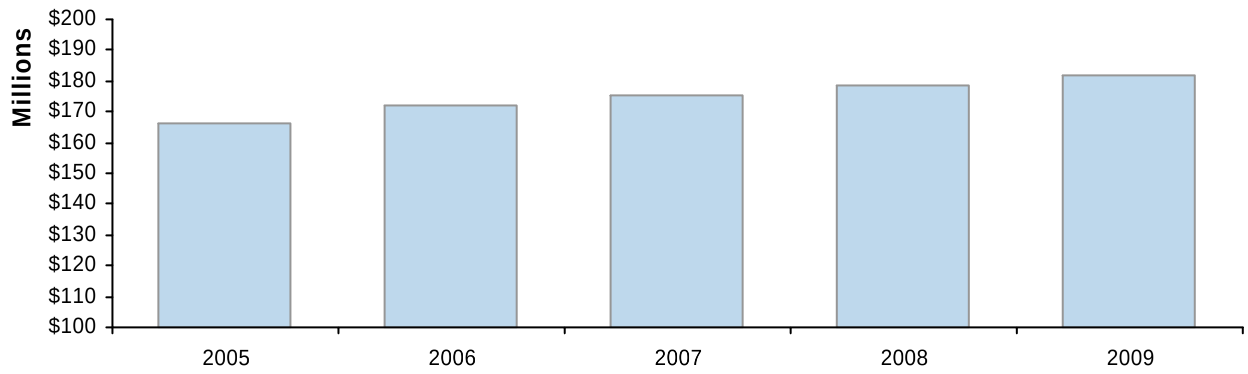
Vermont's Minimum Rate of Return

Congress tried to address donor state vs. donee state issue by increasing the minimum amount a State will receive from Federal Highway Trust Fund from 90.5% to 92.0% by 2008.

- Vermont is currently a donee state and was projected to receive a significant rate of return in SAFETEA-LU as shown in the table below
- Vermont's actual rate of return during the remaining years of SAFETEA-LU will depend upon future federal appropriations and rescissions

FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
203.03%	211.60%	207.18%	204.85%	206.43%

Vermont's SAFETEA-LU Authorizations



Transportation Financing and Funding Tools Available

In addition to PPPs, States are undertaking a comprehensive review of a wide variety of transportation funding sources, across both the public and private spectrum

Federal

- Highway Trust Fund
- GARVEE / GANs
  - Direct / Indirect
- Section 129 Loans
- TIFIA
  - Direct Loan, Line of Credit, Loan Guarantee Highway Trust Fund
- State Infrastructure Bank
  - Loans, Guarantees, Interest Rate Buydowns
- Private Activity Bonds
  - SAFETEA-LU Alternative Funding

State

- Dedicated Highway Trust Fund (Leveraged and Pay-Go)
  - Motor Fuel / Sales Tax
  - Sales Tax on Motor Vehicles
  - Use Tax on Motor Vehicles
  - Licensing Fees
- Tolls and Toll Credits
- Obtain Design/Build Contract
- Grants/Capital Contributions
- Provide Shadow Tolls
- Back-up Appropriations for Toll Roads, Highways
  - O&M, CapEx, DSRF Guarantee

Local

- Right of Way
- Tolls
- Capital Investment
- Special Tax Districts
- Transportation Corporations

Private

- Toll Concession
  - Debt
  - Equity
- Leverage Availability Payments, including Shadow Tolls
- Provide Design/Build Contract
  - Subordinate loan/up-front equity as consideration for contract

2. Highway Revenue Bonds Overview

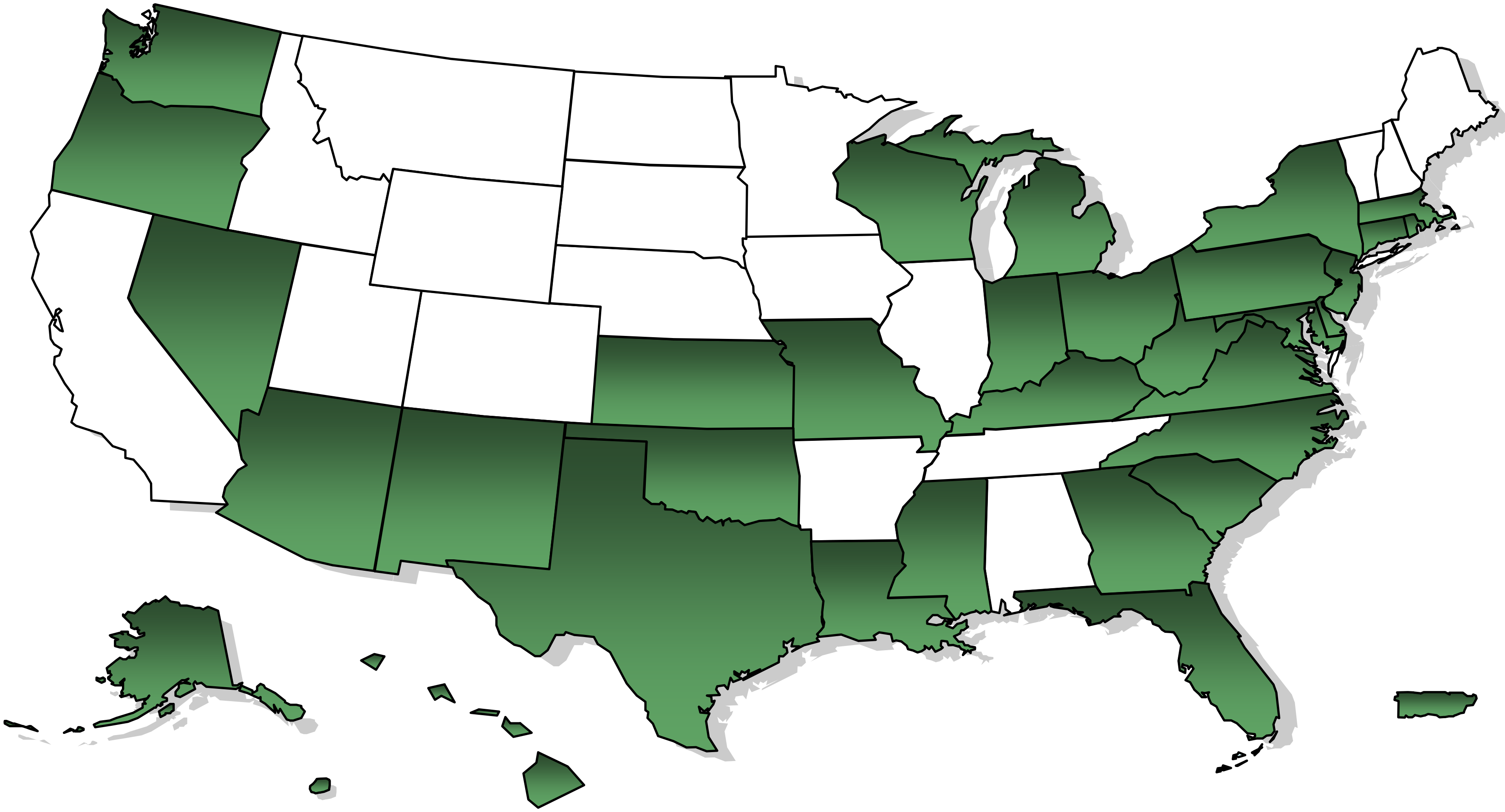
State Highway Revenue Bond Programs Overview

33 States have Highway Revenue Bond (HRB) Programs with three states (MI, PA and TX) having two separate programs.

- All 36 programs have issued fixed rate debt, while 10 states have also incorporated the use of variable rate debt
- 27 of the 36 programs leverage state motor fuel taxes
  - Louisiana and Rhode Island are the only two states that issue HRBs backed only by state motor fuel taxes
  - In addition to motor fuel taxes, many states states pledge a combination of:
    - Vehicle registration fees
    - Drivers License fees
    - Miscellaneous taxes and other fees
- 9 of 33 states have pledged its full faith and credit towards repayment of its HRBs

State Highway Revenue Bond Issuers

33 States have Highway Revenue Bond (HRB) Programs.



Note: Highway Revenue Bonds defined to exclude Toll Revenue Bonds and GARVEE/GANs

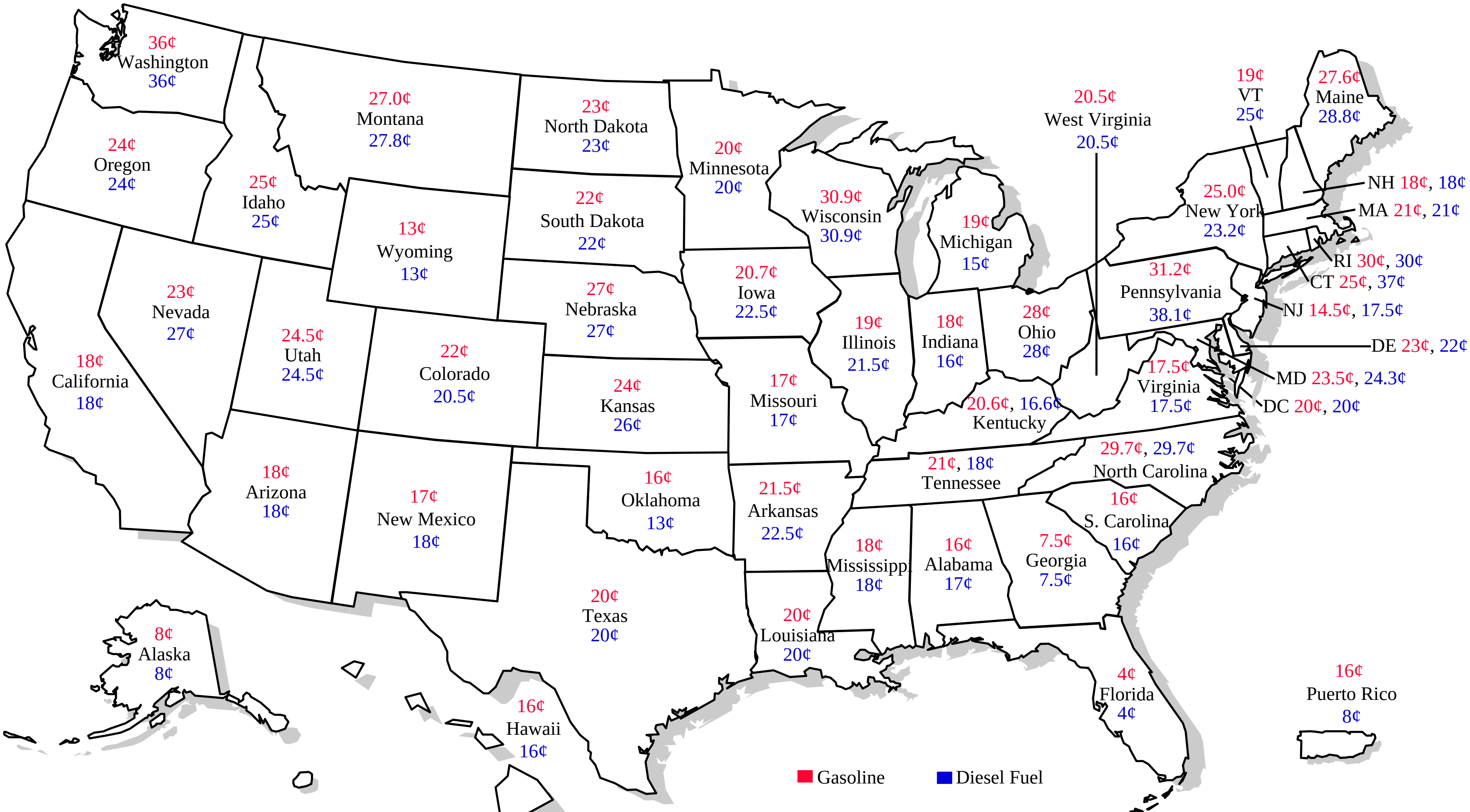
Revenues for Financing Transportation Improvements

Type of Revenue	Adequacy	Stability	Point of Taxation	Potential for Evasion	Equity	Ease of Implementation
Diesel and Gasoline Taxes	Inflation erodes the value of fixed rate per gallon fuel taxes; increasing fuel efficiency reduces the revenue per mile of travel	Periodic revisions in response to inflation; changes in fuel efficiency will decrease stability	Gasoline taxes collected fairly high up the distribution chain, on refiners or major distributors; diesel fuel taxes are collected from distributors and users	Evasion rate of diesel fuel (10%) taxes exceeds that of gasoline taxes	Do not achieve equity by vehicle class and must be augmented by other fees	Easy to implement compared with major changes in the revenue structures of the state
Taxes on Alternative Fuels (Ethanol, Methanol, Blends, Liquefied Petroleum Gas, Compressed Natural Gas (CNG), and Electric Batteries)	Tax rates could be set to yield revenue equivalent to gasoline and diesel taxes	Periodic revisions in response to inflation; changes in fuel efficiency will decrease stability	Similar to that for gasoline or diesel fuels- as far up the distribution chain as feasible	Evasion is a serious problem for all alternative fuels, particularly electricity and CNG; rates similar to those of diesel fuel taxes	Can be indexed by vehicle class to achieve greater equity among vehicle classes than fuel taxes alone; vehicle sales taxes will be less equitable by vehicle class than fuel taxes	Taxes on fuels delivered through stations may be easy to implement; other, such as CNG or electricity, may be difficult
Vehicle Registration Fees	Could be set at any level, limited only by political feasibility; rates should be graduated for the various vehicle classes	Could provide a very stable revenue base, as well as one that grew with the vehicle fleet; responsive to inflation if based on value	Collected from all vehicle owners	Evasion relatively modest	Might not be equitable among vehicle classes depending on how it is implemented; not sensitive to amount of use of the vehicle	Present registration fees could easily be adjusted, but it may be difficult to tie closely to benefits or objectives of the program
Vehicle Miles of Travel (VMT) Fees	Could yield almost any desired level of revenue; should be based on the relative cost responsibility of vehicle classes	Not responsive to inflation, so they may need to be indexed or adjusted periodically in response to changes in revenue requirements	Collected from the individual vehicle or fleet owner and would be incident upon vehicle use	Evasion is a major concern because VMT fee is paid on an individual basis and more complex record-keeping is required	Highly equitable VMT fees could be set among vehicle classes; could be graduated on the basis of cost responsibility, vehicle size and weight, equivalent single-axis loads, value, emissions, or other characteristics	No VMT currently applying to all vehicles; states would need to expand existing registration procedures

Revenues for Financing Transportation Improvements

Type of Revenue	Adequacy	Stability	Point of Taxation	Potential for Evasion	Equity	Ease of Implementation
Payment damage fees and weight-distance taxes	Rates could be set at any level; could be based on registered weight and distance or axle weights	Likely to be highly stable; relatively easy to adjust because not many taxpayers are involved; unless indexed not responsive to inflation	Will be incident upon trucks, at the level of the vehicle or fleet owner or operator	Evasion is highly dependent on enforcement activities	Highly equitable source of revenue; in addition, pavement fees may contribute to more productive use of pavement resources	Neither are likely to be easy to implement politically
Taxes on new vehicles and parts sales tax	Tax at either the manufacturer's price or at the retail price could yield substantial revenue	Highly responsive to inflation; will fluctuate substantially in response to economic cycles	Levied at the retail level or manufacturers' level; would directly apply to buyers of new vehicles	Evasion at manufacturer's level should be a relative minor issue; however, at the retail level could present a major problem	Tax could be set at different levels for vehicle classes to reflect cost responsibility	Relatively easy to implement at the manufacturers' level; however at the retail level, it may entail some problems due to the large number of selling entities
Emission fees	Rates could be chosen along a broad continuum, and fees could yield very high revenues at the higher rates	Not responsive to inflation; emissions have been declining as a result of continued tightening of standards	Collected from all vehicle owners	Dependent on the geographic breadth pf application, and on level of the highest fees	Emission fees would be higher for those owning higher-emitting (older) vehicles, likely to include lower income groups disproportionately	Currently no state emission fees in place; would require centralized inspection and testing of emissions at least annually

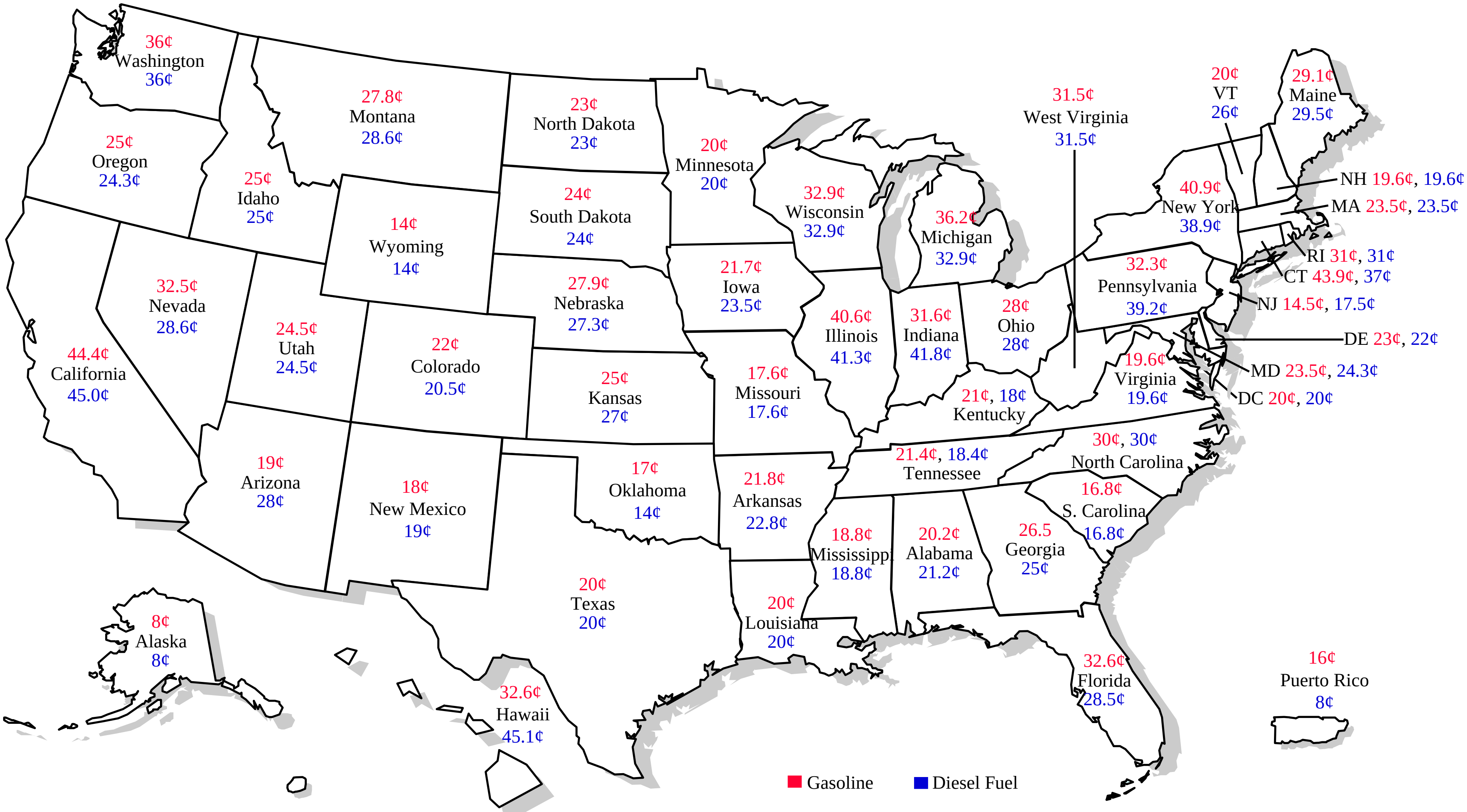
Gasoline and Diesel Fuel Excise Taxes by State



Source: American Petroleum Institute – 8/13/2007

1. Totals inclusive of excise taxes and various petroleum business taxes; totals do not include federal excise taxes or other state taxes such as sales taxes, Underground Storage Tank (UST) taxes, inspection fees, environmental assurance fees, et al.
2. Florida has statewide gas tax of 15.3 cpg for gasoline and diesel comprised of 4 cpg excise tax and 11.3 cpg sales tax; diesel is taxed an additional 13.2 cents in additional state and local option gas taxes to total 28.5 cpg
3. New Jersey gasoline excise tax of 10.5 cpg and 13.5 cpg for diesel. Totals also include 4 cpg Petroleum Products Gross Receipts Tax
4. New York includes 8 cent per gallon (cpg) excise tax, 16.6cpg/14.85 cpg (gas/diesel) Petroleum Business Tax, a spill tax of 0.3 cpg collected on gasoline and diesel and a petroleum testing fee of 0.05 cent per gallon levied on gasoline (only).
5. Pennsylvania includes 12 cpg excise tax on gas and diesel; 19.2 cpg oil company franchise tax on liquid fuels (primarily gasoline) and 26.1 cpg oil company franchise tax on fuels (primarily diesel)
6. Tennessee includes 20 cpg excise tax on gasoline, 18 cpg excise tax on diesel; gasoline also includes 1 cpg special petroleum tax

Gasoline and Diesel Fuel Total Taxes by State



Source: American Petroleum Institute – 8/13/2007

1. Totals inclusive of all excise taxes, various petroleum business taxes, sales taxes specifically on gasoline/diesel, Underground Storage Tank (UST) taxes, inspection fees, environmental assurance fees, et al.
2. Totals do not include federal 18.4 cpg excise tax on gasoline and 24.4 cpg excise tax on diesel
3. *Vermont gasoline tax includes 19 cpg excise tax and 1 cpg UST tax; Vermont diesel tax includes 25 cpg excise tax and 1 cpg UST tax;*
4. New York gasoline taxes include 8 cpg excise tax + 16.6 cpg Petroleum Business Tax + 0.3 cpg spill tax + 0.05 cpg petroleum testing fee + 8 cpg tax (upstate) or 8.75 cpg (downstate) replacement of state sales tax + "volume-weighted average local sales tax of 8.9 cpg
5. New York diesel taxes include 8 cpg excise tax + 14.85 cpg Petroleum Business Tax + 0.3 cpg spill tax + 8 cpg tax (upstate) or 8.75 cpg (downstate) replacement of state sales tax + "volume-weighted average local sales tax of 9.9 cpg

State Highway Revenue Bond Credit Comparison

REVENUES PLEDGED TO STATE HIGHWAY REVENUE BONDS

State	AK	AZ	CT	DE	FL	GA	HI	IN	KS	KY	LA	MD	MA	MI(1)	MI(2)	MS	MO	NC
Moody's	Aa2	Aa1	A1	Aa3	Aa1	Aaa	Aa3	Aa2	Aa2	Aa3	Aa3	Aa2	Aa1	Aa3	Aa3	Aa1	Aa1	Aa1
S&P	AA	AAA	AA	AA+	AAA	AAA	AA+	AA-	AAA	AA+	AA-	AAA	AA+	AA+	AA+	AAA	AAA	AAA
Fitch	AA	NR	AA-	NR	AA+	AAA	AA-	AA	AA	AA-	A+	AA-	AA	AA-	AA-	AAA	AA+	AAA
Motor Fuel/ Gasoline Tax		X	X	X	X	X	X	X	X	X	X	X	X	X	X		X	
Registration Fees		X	X	X			X	X	X	X		X		X			X	
Driver's License or Other Fees		X	X					X	X	X							X	
Sales Tax on Motor Vehicles			X												X		X	
Misc Tax or Revenues		X	X (3)				X			X (4)		X						
Tolls				X														
Corporate Income Tax												X						
General Sales Tax									X									
FHWA Payment									X							X		
GO	X				X	X										X		X

(1) State of Michigan State Trunk Line Fund Bonds

(2) State of Michigan Comprehensive Transportation Bonds

(3) Oil or Petroleum Company Tax

(4) Weight- Mile Tax

(5) Source: Information publicly available, may be not represent any changes to data if not available.

State Highway Revenue Bond Credit Comparison

REVENUES PLEDGED TO STATE HIGHWAY REVENUE BONDS

State	NV	NJ	NM	NY	OH	OK	OR	PA[1]	PA[2]	PR	RI	SC	TX[3]	TX[4]	VA	WA	WV	WI
Moody's	Aa2	A1	Aa2	NR	Aa1	Aa3	Aa2	A1	A1	Baa3	A2	Aaa	Aa1	Aa1	Aa2	Aa1	Aa3	Aa3
S&P	AA+	AA-	AA+	AA	AAA	AA-	AAA	A	AA	BBB+	A+	AA+	AA	AAA	AA	AA	AA-	AA+
Fitch	AA	A+	NR	A+	AA+	A+	AA	A+	NR	NR	A	AAA	AA+	NR	AA	AA	AA-	AA
Motor Fuel/ Gasoline Tax	X	X	X	X	X		X	X		X	X			X	X	X	X	X
Registration Fees		X	X	X	X		X		X	X				X	X		X	X
Driver's License or Other Fees			X	X	X		X						X	X				
Sales Tax on Motor Vehicles															X			
Misc Tax or Revenues			X (6)	X (5)		X (5)	X (6)	X		X (5)			X	X	X			
Tolls		X								X								
Corporate Income Tax																		
General Sales Tax															X			
FHWA Payment	X		X											X				
GO					X							X	X			X		

(1) Pennsylvania Turnpike Commission Registration Fee Revenue Bonds
(2) Pennsylvania Turnpike Commission Oil Franchise Tax Revenue Bonds
(3) State of Texas General Obligation - Mobility Fund Bonds
(4) State of Texas State Highway Fund Revenue Bonds
(5) Oil or Petroleum Company Tax
(6) Weight-Mile Tax
(7) Source: Information publicly available, may be not represent any changes to data if not available.

Indicative Capacity Analysis – Pro Forma

- Gas tax revenue projections are based upon projections being used for the preliminary 2009 budget
- Vermont's motor fuel tax overview:
  - 20 cpg on gasoline
    - Each penny produces approximately $3.6 million in revenue
  - 26 cpg on diesel
    - Each penny produces approximately $700,000 in revenue
- Capacity Analysis – Three Scenarios
  - **Scenario 1**: Leveraging *1¢* of both the gasoline and diesel tax
  - **Scenario 2**: Leveraging *5¢* of both the gasoline and diesel tax
  - **Scenario 3**: Leveraging *10¢* of both the gasoline and diesel tax
- All scenarios assume ABT of 2.0x and 'AA' category ratings

	Scenario 1 (1¢)	Scenario 2 (5¢)	Scenario 3 (10¢)
Sources			
Par Amount	20,560,000	102,880,000	205,780,000
Original Issue Premium	1,560,936	7,810,685	15,623,115
	22,120,936	**110,690,685**	**221,403,115**
Uses			
Deposit to Project Fund	22,018,136	110,176,285	220,374,215
Costs of Issuance	102,800	514,400	1,028,900
	22,120,936	**110,690,685**	**221,403,115**
Average Coverage	2.00x	2.00x	2.00x
Total Debt Service	28,486,350	142,544,350	285,116,450
All-in TIC	3.88%	3.88%	3.88%
Dated and Delivery Date	7/1/2008	7/1/2008	7/1/2008
First Principal Date	7/1/2009	7/1/2009	7/1/2009
Final Principal Date	7/1/2021	7/1/2021	7/1/2021

Note: Revenues assumed to grow at 0.25% per annum; Rates as of 12/7/07

3. GARVEE Overview

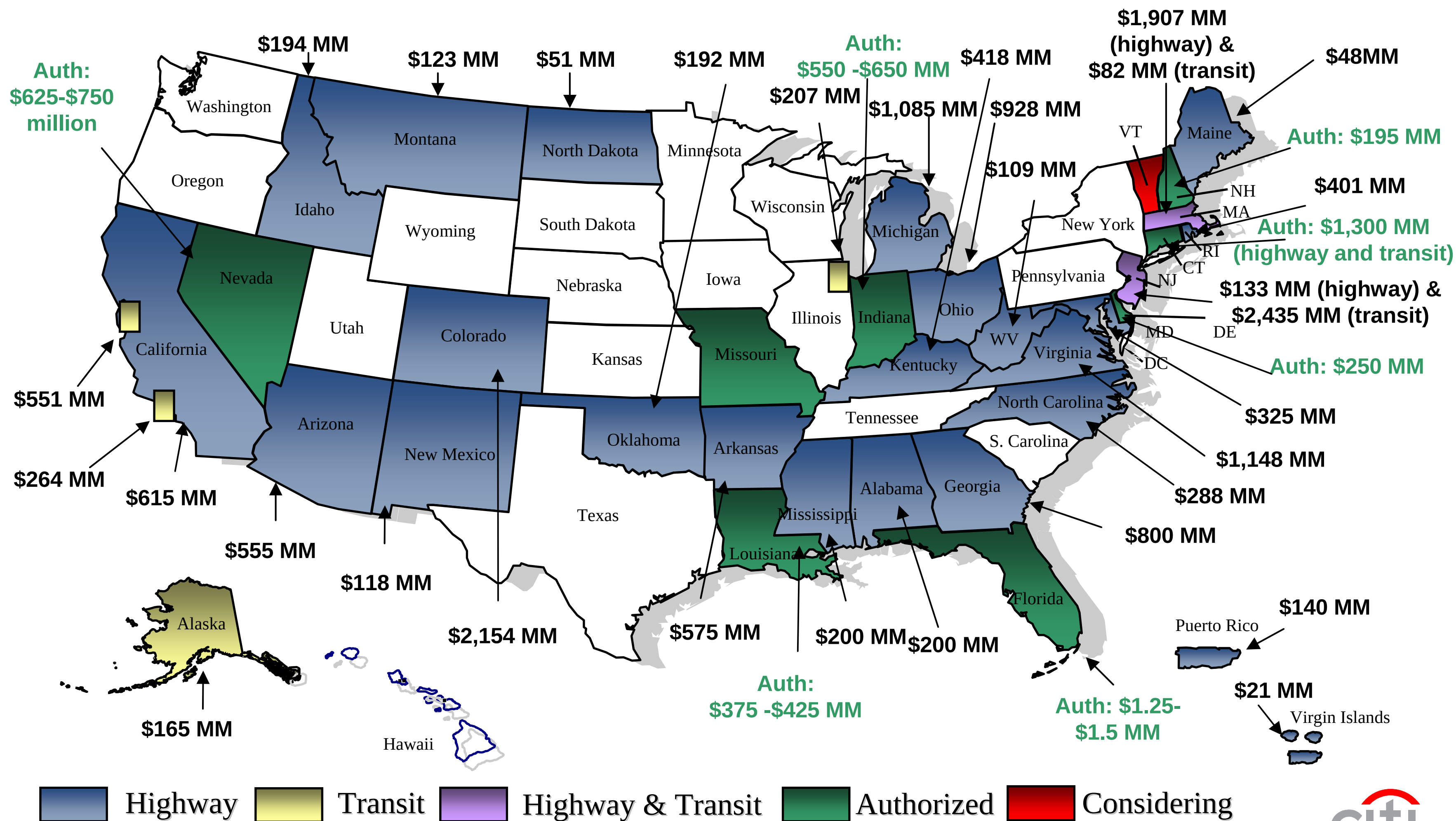
GARVEE Overview

GARVEEs can provide the State of Vermont with a significant opportunity to accelerate its capital construction program through leveraging its future federal highway reimbursements.

- Generate project cost savings since borrowing costs are ordinarily less than annual inflationary increases in construction
- Ability to avoid establishing additional liens on other scarce revenue
- GARVEE financing option for roads created under Section 308 of National Highway System Designation Act of 1995 (NHSDA)
- Logical evolution of traditional FHWA "Advanced Construction" Program

Grant Anticipation Revenue Vehicles (GARVEE/GAN)

- Since 1998, 26 States and three cities have leveraged their federal highway and transit money using GARVEE/GAN bonds
- The 75 GARVEE/GAN transactions account for more than $16.4 billion in par

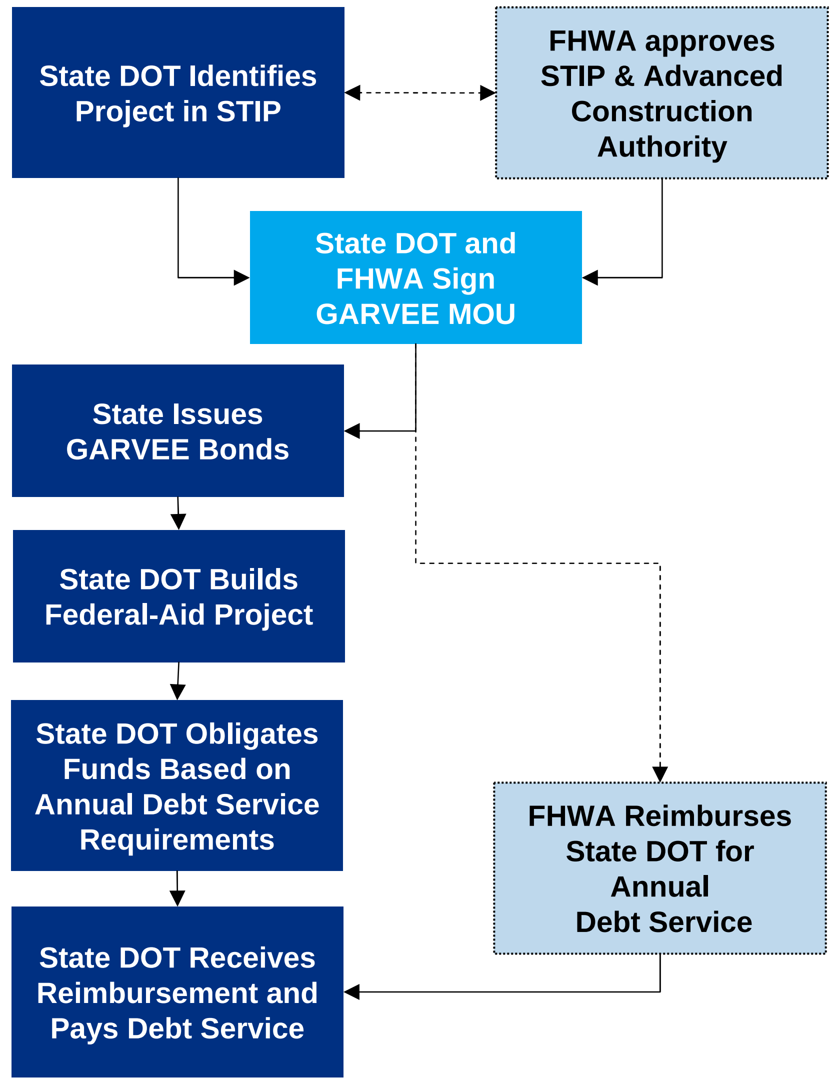


Note: Totals include new money and refunding bond issuances.

Direct GARVEEs

Direct GARVEEs are backed by future federal transportation funds.

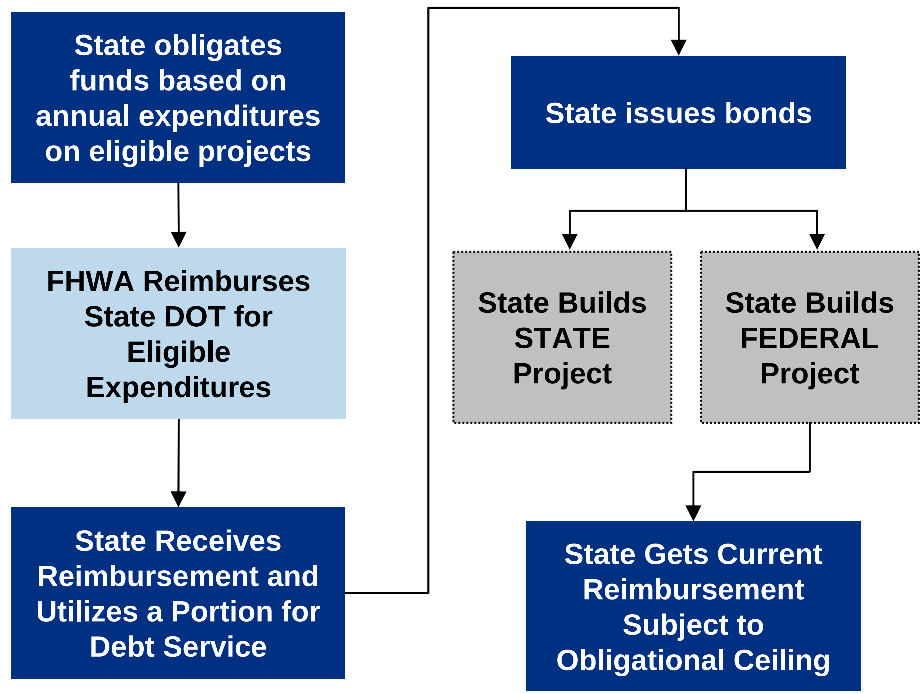
- Bond Proceeds must be spent on specified federal-aid projects
- Secured by MOU with FHWA which commits future federal funds to pay debt service
- State submits bill for principal/interest payment and FHWA sends debt service to the State DOT for payment
  - Under some MOUs, the FHWA sends the debt service payments directly to the trustee
  - FHWA normally provides the debt service payment 3-6 days in advance of the payment date



Indirect GARVEEs

Indirect GARVEEs are backed by future federal reimbursements of federally eligible expenditures.

- No restrictions on the usage of bond proceeds - treated as any other State funds - can spend on either Federal or State projects
- Issued without FHWA approval
- State continues its federal aid program, seeking annual reimbursements for eligible expenses
- Reimbursements used to amortize the GARVEE bonds



Matching Requirements

When structuring a direct GARVEE transaction, the state must decide how to match the Federal reimbursement of debt service.

- Up-Front match
  - The State can reduce its borrowing requirements through a direct pay-as-you-go contribution toward project costs
  - The State match can be provided as an in-kind match (under the flexible match provisions) or with toll credits
- Payment-by-Payment match
  - The State provides its matching contribution on a nominal, current-year basis, with each debt service payment matched at the proper pro-rata share
  - States cannot use a tapered match on GARVEE-financed projects

Road Map to an Inaugural Direct GARVEE Issue

The Memorandum of Understanding ("MOU") evidences the security to rating agencies and bondholders.

- Memorandum of Understanding ("MOU")
  - Between FHWA and Vermont DOT
    - Evidences the security for the rating agency and bondholders
  - Sets federal payment terms
  - Defines State-match requirements
  - Specifies project or program funded with GARVEE bonds
  - Programmatic versus specific project
- MOU Terms
  - Segregated debt service account needed
  - Set-aside, but not payment or draw, of federal funds during first week of federal fiscal year or at the time of the "first action" of federal fiscal year
  - During times where delay in reauthorization, set-asides limited to amount available
  - Request federal funds six-days prior to debt service payments
  - Covenant to reprogram non-allocated federal funds
- Additional credit features in the bond documents but not the MOU
  - GARVEEs will have first lien on all eligible Federal Obligation Authority
  - Additional Bonds Test

GARVEE Program Considerations and Capacity Analysis

Typical Statutory Parameters

- Final maturity
- Additional Bonds Test (“ABT”)
- Par amount cap
- Project specification

Rating Agency Issues

- Debt maturity and reauthorization periods
- ABT
- Project essentiality
- Management of transportation program and project delivery
- State’s general fiscal management, especially transportation debt

Comparable Transactions

- Six Direct GARVEE programs have achieved “AA” ratings using only federal moneys to secure bond payments

State	Reauth. Periods	Ratings (M/S&P/F)	Additional Bonds Test
California	2	Aa3/AA-/AA-	4.0x
Georgia	2	Aa3/AA-/AA-	3.0x
Idaho	3	Aa3/NR/A+	5.0x/3.33x
Kentucky	2	Aa3/AA-/AA-	4.0x
Montana	3	Aa3/NR/A+	3.0x
Rhode Island	2	Aa3/A+/AA-	1.5x/3.0x

- Maryland, Mississippi and North Dakota are the only GARVEE programs to achieve a AAA or a Aa1 rating:
  - Maryland – Aa2/AAA/AA
    - State Transportation Trust Fund back-up
  - Mississippi – Aa1/AAA (G.O. back-up)
    - Program limited to $200 million
  - North Dakota – Aa1/AA (5.0x ABT)
    - State Highway Fund back-up

Indicative GARVEE Capacity Analysis – Credit Considerations

- Vermont's proposed GARVEE program can be structured to achieve high ratings
  - As discussed on the previous page, Aa3/AA-/AA- are the highest ratings ever achieved for a naked, direct GARVEE program
  - Vermont may be able to achieve ratings as high as AAA by pledging additional state support
- Final Maturity
  - No direct-pay naked GARVEE has ever had a final maturity longer than 18-years
  - To achieve 'AA' category ratings, rating agencies will require Vermont's proposed GARVEE issuance to have a final maturity no later than 2021
    - Rating agencies prefer that GARVEE amortizations correlate with federal highway program six-year reauthorization cycles
    - Rating agencies have shown a willingness to provide 'AA' category ratings if the GARVEEs do not cross more than two additional reauthorization cycles
      - A 2021 final maturity will only cross the 2009-2015 and 2015-2021 reauthorization cycles
- Assuming no back-up pledge of state funds, issuance of GARVEE debt should NOT impact Vermont's General Obligation credit
  - S&P excludes GARVEE debt from their calculation of tax-supported state debt
  - Moody's includes GARVEE debt in their "gross" state debt calculation but it should NOT be a rating concern
  - Fitch reviews each State on a case-by-case basis
- Vermont will need to conservatively forecast its future revenues
  - Five congressional rescissions;
  - Potential future rescissions - sixth rescission expected in early 2008
  - Uncertainty surrounding the solvency of the highway trust fund and the pending 2009-2015 reauthorization

Indicative GARVEE Capacity Analysis – Additional Bonds Test

A GARVEE program will achieve strong ratings based on a conservative but flexible Additional Bonds Test.

- An ABT is the minimum ratio of annual pledged revenues to aggregate annual debt service
  - Rating agencies will require the State to establish an ABT in its indenture to provide additional security to investors by limiting annual debt service to be no more than a certain percentage of annual federal highway aid revenues
- Prior to July 2006, S&P required a 4.0x ABT to achieve a AA- rating, while Fitch and Moody's required a 3.0x ABT
  - Last summer, Citi structured and senior managed Georgia's inaugural direct and indirect GARVEE programs and convinced S&P to rate both of Georgia's program at AA- with a 3.0x ABT
    - Georgia achieved the AA- rating in part because it, like Vermont, has a AAA State G.O. credit and a long history of conservative and prudent fiscal management

Indicative GARVEE Capacity Analysis – Pro Forma

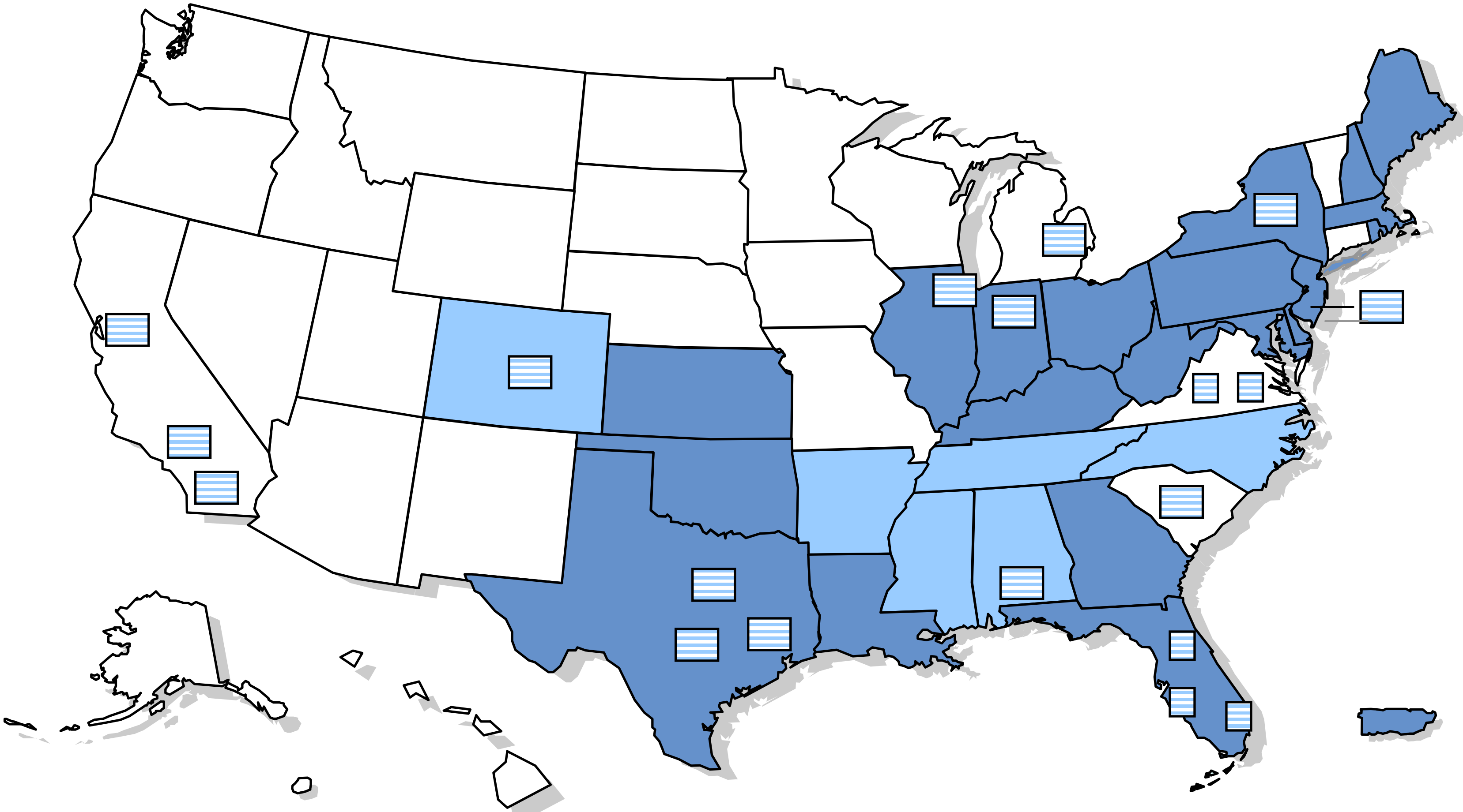
- By setting a conservative, yet flexible ABT of 3.0x, Vermont will have positioned itself to achieve ratings in the AA category
- Capacity Analysis:
  - Scenario 1: Finance $200 million in construction costs in 2008
  - Scenario 2: Maximum capacity
- Coverage calculated against eligible Obligation Authority (OA)
  - OA conservatively assumed to equal 83% of Vermont's projected annual apportionments through 2009 in the six funding categories that are eligible to pay GARVEE debt service
    - Interstate Maintenance (IM)
    - Surface Transportation Program (STP)
    - National Highway System (NHS)
    - Bridge Replacement and Rehabilitation
    - Congestion Mitigation and Air Quality (CMAQ)
    - Equity Bonus (formerly known as Minimum Guarantee)
  - Eligible OA does not include multiple categories that are not eligible to make GARVEE debt service payments including Recreational Trails, Metropolitan Planning, Safe Routes to School, et al.

	Scenario 1	Scenario 2
Sources		
Par Amount	186,795,000	327,390,000
Original Issue Premium	14,139,579	24,782,244
	200,934,579	**352,172,244**
Uses		
Deposit to Project Fund	200,000,000	350,535,294
Costs of Issuance	934,579	1,636,950
	200,934,579	**352,172,244**
Average Coverage	5.26x	3.00x
Total Debt Service	258,370,600	452,838,750
All-in TIC	3.88%	3.88%
Dated and Delivery Date	7/1/2008	7/1/2008
First Principal Date	7/1/2009	7/1/2009
Final Principal Date	7/1/2021	7/1/2021

Note: Both scenarios assume no revenue growth after 2009 and level debt service; rates as of 12/7/07

4. Toll Road Finance Overview

Toll Facilities



Regional Tolls   Recent Authorization for Statewide tolls   Statewide Tolls

Major Considerations in Toll Financings

A multitude of factors must be addressed in any toll revenue bond financing.

Project Feasibility

- Pre-development costs / right-of-way costs
- Construction costs
- Studies by independent engineers
  - Traffic and toll revenue
  - Construction costs and schedule
- Financial evaluation of forecasted revenue and operating costs
- Environmental oversight and permitting

Quality of Management & Govt. Support

- Experience with planning, managing and operating complex projects
- Tolling experience
- Coordination of planning between DOT, transportation authorities and private sector
- Quality maintenance
- Budgeting process
- Authority / procedures to increase tolls

Strength of Legal Provisions

- Additional bonds test
  - Common ratio used in a toll road covenant of approximately 1.25x
  - Historical test strengthens credit
- TIFIA requirements (if applicable)
- Reserve requirements
- Enhance security with additional revenue pledge, O&M support, long-term repair obligations

Construction Process and Costs

- Design/bid/build vs. design/build
- Reasonability of estimates
- Responsibility for cost overruns and delays in opening (liquidated damages)
- Performance and Pay bonds
- Experience of developer/contractor

Reasonableness of Traffic and Revenue Study

For a start-up facility, achieving investment grade ratings will depend upon the reasonableness of the traffic and revenue study.

Traffic demand and trends

- Level of congestion/necessity of road
- Types of trips traveled (business/recreation/commuter)
- Composition of traffic
- Vulnerability of traffic to business cycles, motor fuel shortages and price escalations
- Variation in traffic demand due to economic changes

Revenue

- Flexibility of future toll setting/political risk
- Sensitivity to variability of traffic and revenue growth
- Demonstrated revenue inelasticity
- Cost per mile toll rates
- Ramp up factor
- Toll evasion/enforcement measures

Economic Strength and Diversity

- General demographics
- Leading employers
- Employment and labor force trends
- Wealth and income indicators
- Retail sales activity
- Business activity

Competition

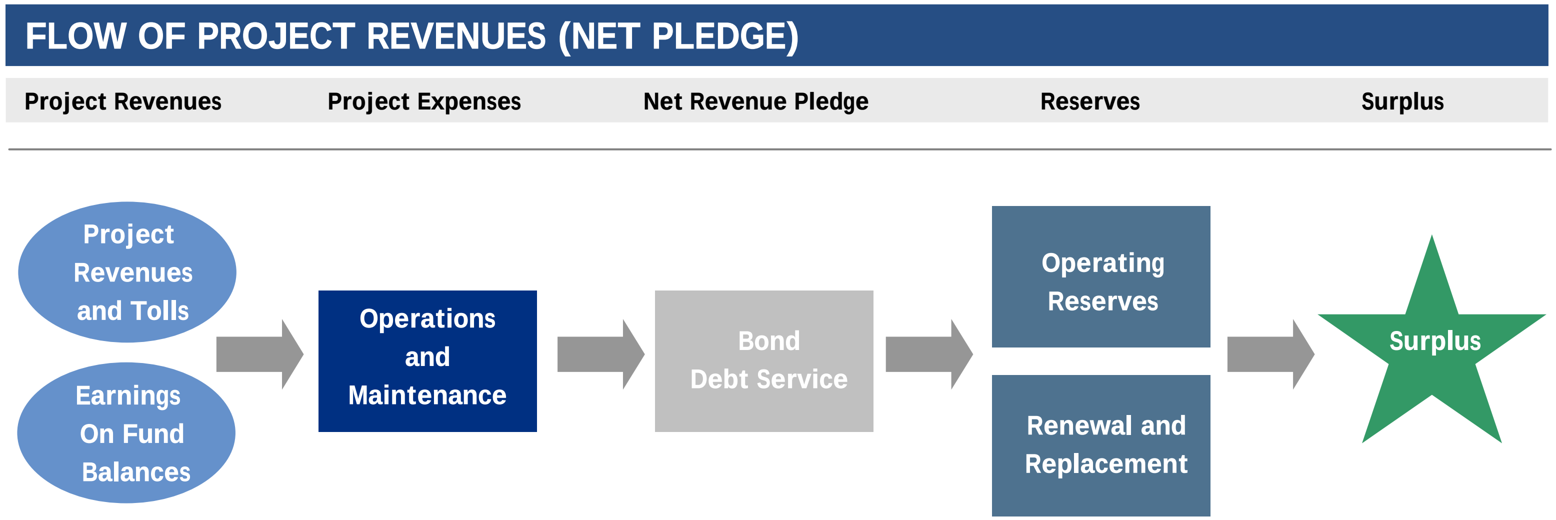
- Competition from alternative routes including freeways and other toll facilities
- Time and money saved compared to alternative routes
- Risk of future expansion of competing facilities/development of new competing facilities
- Tolling and capacity of connecting/complementary facilities

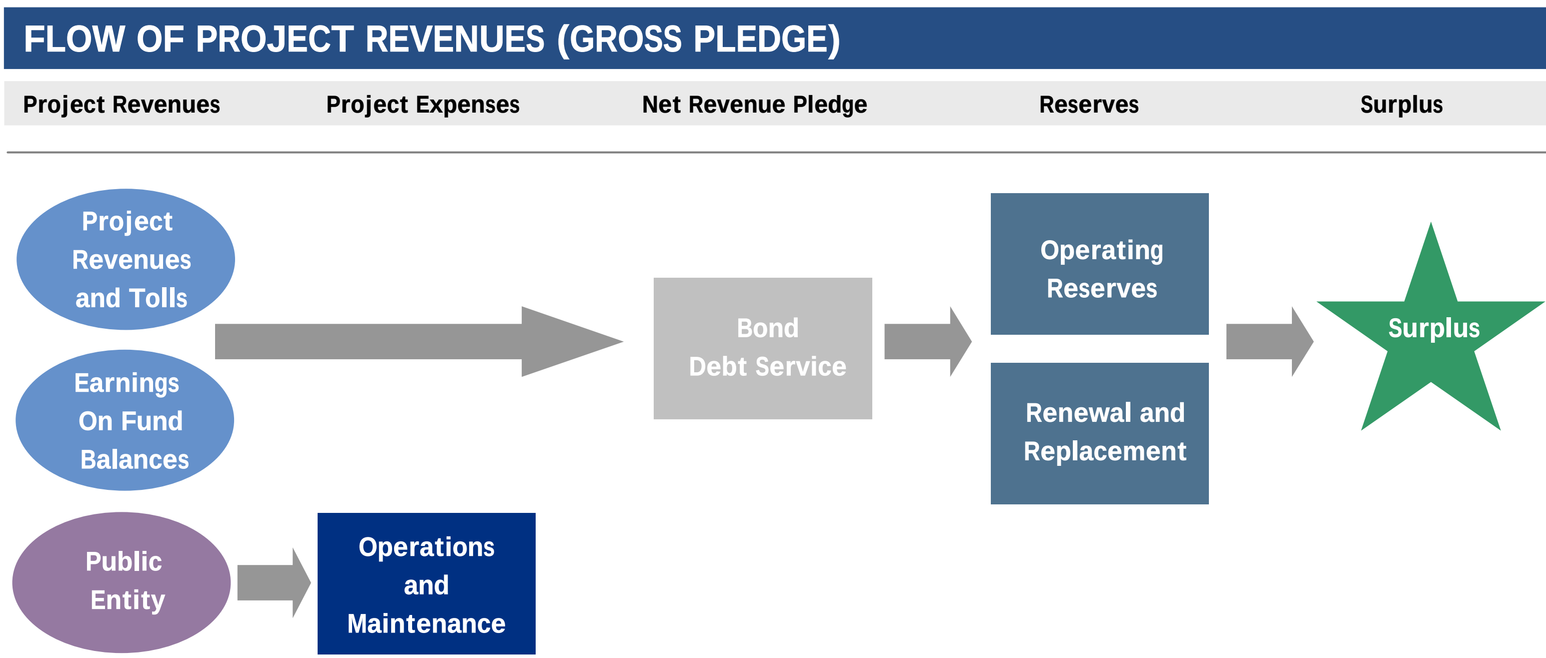
Risks and Mitigants

Understanding valuation metrics first requires understanding goals.

Risks	Possible Mitigants
• Revenues	• Toll Covenant • Electronic Tolling • Demand Based/Time Variable Tolling • Gross Pledge (state pays O&M) • DSRF fully funded at closing
• Construction Risk – On-time completion – Technical difficulties – Cost overruns	• Guaranteed Maximum Price / Design/Build Contract • Liquidated Damages (1-yr. debt service) • Performance and Pay bonds
• Operating Risk – Business interruption – Catastrophic event	• Business interruption insurance (1-yr debt service) • General insurance, including catastrophe coverage
• O&M Costs	• Gross pledge (state payment of O&M with reimb.) • Renewal and Replacement reserves • Closed Lien – surplus revenues stay in system
• Traffic Ramp-up	• Capitalize interest for 1-year past construction • Use of CABs to defer debt service • Conservative growth assumptions

Basic Project Finance Structure



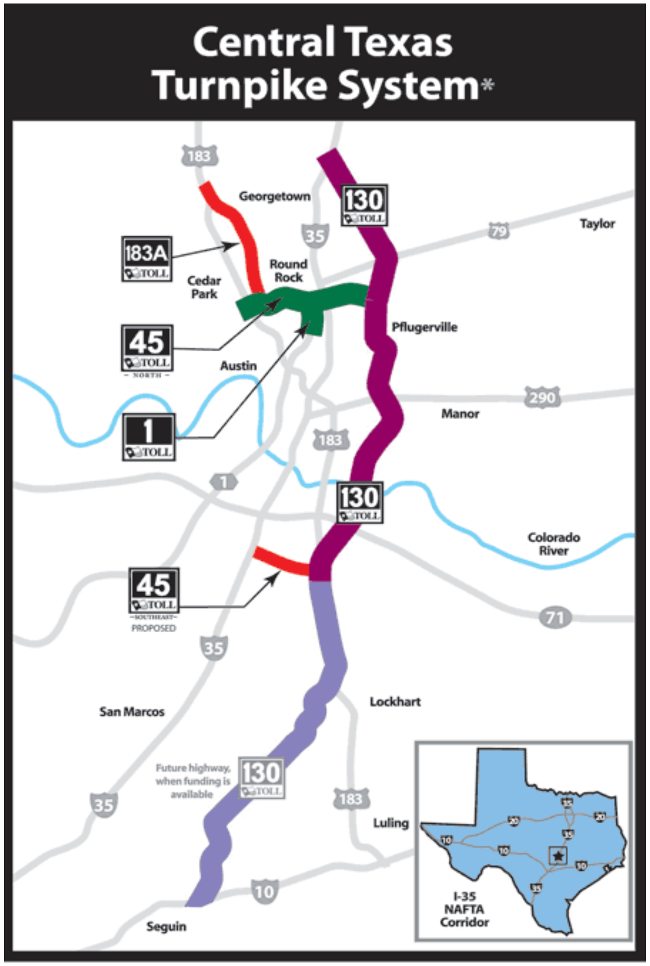


Case Study: TxDOT – Texas Turnpike Authority

Texas Department of Transportation

Central Texas Turnpike Project (Austin) – Senior Managing Underwriter – August 2002

- Authority utilized 3 types of funding
  - $1.3 billion issuance of tax-exempt Senior Lien Obligations
  - $917 million TIFIA loan (Accepted by USDOT in November 2000)
  - $700 million loan from Authority's parent, TxDOT
- Bonds will be primarily tax-exempt bonds combining:
  - Fixed Rate Current Interest Bonds
  - Fixed Rate Capital Appreciation Bonds (Callable and Non-Callable)
  - Variable Rate bonds
  - Intermediate term BANs
- Financing structure utilized a gross revenue pledge whereby TxDOT will support O&M costs in earlier years
  - System revenues are pledged first to debt service to allow the Authority maximum funding for construction
  - O&M expenses are subordinate to debt service
  - The financial obligation for O&M is supported by an arrangement with TxDOT
- BANS finance TIFIA loans during the construction period at a tax-exempt rate (3.44% versus 5.51% TIFIA) and are taken out in 2007 and 2008
- Construction undertaken via one design/build contract



*SH 45SE and 183A are not part of the Central Texas Turnpike System.

5. Public Private Partnerships Overview

Development of Transportation PPP Market

With flat motor fuel tax collections and future increases unlikely, PPPs have garnered interest to meet the transportation funding gap.

States Are Exploring PPPs as and Additional Tool to Raise Funds and Monetize Value

- $1.6 trillion of infrastructure needs over the next 5 years
- Insufficient federal and state funding and political reluctance to raise taxes
- Desire to accelerate projects, meet funding gaps and pass risks to the private sector
- Federal highway legislation has strongly encouraged PPPs
- Significant transportation and other capital needs have prompted governments to explore asset monetization
- Public backlash, particularly in Indiana and Texas, has states reconsidering traditional PPPs

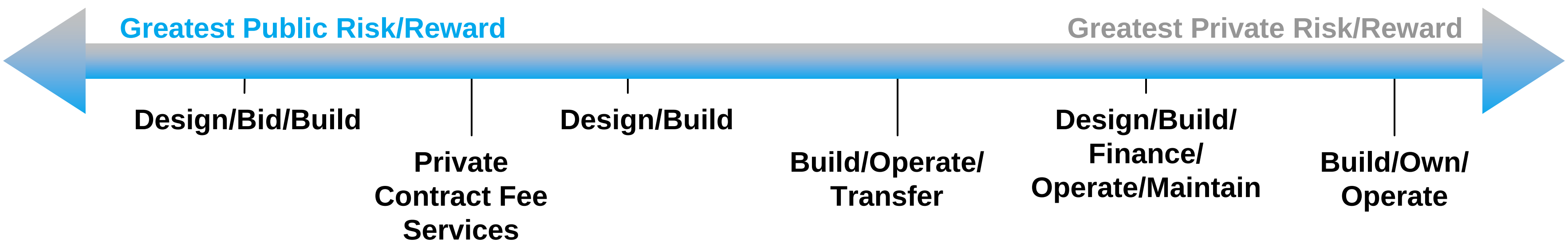
Growth in Investor Demand for Infrastructure Assets

- Foreign investors and new domestic participants have shown strong interest drawn by attractive and stable returns of infrastructure assets
- Demand is high from both strategic/financial investors as well as from equity participants
- Financial institutions are currently in the process of raising significant capital to invest in global infrastructure assets
- Investors see U.S. as one of few first-world markets with substantial growth opportunities
- Investors have shown the greatest interest in seasoned infrastructure assets

Spectrum of PPP Alternatives

PPPs can include private involvement in many different facets of transportation projects

- When evaluating PPP opportunities throughout the State, the State will have a range of different options to attract private participation in the State's transportation capital program



- Determining the appropriate PPP approach for individual projects within this spectrum will depend on a variety of factors including:
  - Public need
  - Feasibility of the project
  - Schedule for the project
  - Reasonableness of the financial aspects of the project
  - Impact of the project on local public sector transportation partners and other State and local municipal partners

Basic Types of Private Sector Participation

Within the spectrum of PPP alternatives, private involvement can be broken down into three specific categories, including construction, operations and maintenance and finance.

Construction – Design-Build Contracting

- Design-build contracting represents a more innovative development method that would likely produce a number of advantages for projects exceeding $200 million
- Under a design-build contract, the State agrees to pay a single fixed price to a contractor to design and build the facility on a certain timetable, which transfers risks of cost overruns and completion to the private sector
- An overwhelming majority of states currently have the ability to contract on a design-build basis, including Georgia

Operations and Maintenance – Qualified Management Agreements (QMA)

- Under a QMA, the State (or one of its authorities) and a private entity would enter into a management contract that would provide the entity a fixed fee plus possibly some incentive/disincentives
- A QMA would allow the State to contract out the operations and possibly mitigate some operating cost risks while maintaining control of toll setting

Finance – Privately Arranged Debt and Equity Capital

- Private investor develops committed funding package for the project through the combination of bank loans, taxable debt, tax-exempt debt (SAFETEA-LU), TIFIA, and equity
- Public entity indirectly benefits from a typically less conservative structure (e.g. refinancing risk, active swap management, aggressive revenue projections) while bearing no financial risk

General Benefits and Considerations of Privatization

Privatization allows the Public Entity to transfer certain risks/rewards to a Private Entity while maintaining public ownership.

- The Public Entity seeks an upfront or annual payments 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
- Can access low-cost, tax-exempt market

Public Considerations

- Public has operating risk/management responsibilities
- Willingness to raise tolls to fund other projects
- Significant amount of debt
- Public must fund current and future capital improvements

Private Ownership

Public Benefits

- Receives upfront payment or annual 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
- Measurement of Private Entity performance
- Political repercussions of increased tolls
- Decision on whether to assess property taxes on owner/lessee will impact upfront or ongoing payment

Public and Private Goals of a Toll Road PPP

Successful toll PPP requires efficiently meeting public and private goals.

Public Goals (Seller)

- Receive a competitive valuation price
- Objective, fair and consistent financial assumptions
- Structure agreement to ensure future performance and efficiently allocating risks/responsibilities
- Manage political considerations
- Ensure a fair and transparent solicitation process
- Preempt/withstand legal challenge
- Strong public relations effort and notification
- Rules of privatization clearly outlined and maintained
- Sufficient time allowed between “bid” stages
- Full disclosure of information in organized, timely manor

Private Goals (Concessionaire)

- Anticipate a return on capital competitive with comparable investments
- Maximize strength of future revenue stream
  - Inflation protected return
  - Enforce toll increases
- Maximize leverage and financing flexibility
- Agreements have sufficient senior lender protections
- Structure agreement to ensure protection of equity investment
- Fair allocation of risks and *force majeure* protection between public and private entities

Public vs. Private Toll Road Structures

Understanding valuation metrics first requires understanding goals.

	Public Toll Road	Private Toll Road
Goals	• Improve transportation • Respond to political environment	• Maximize present value cash flow • Provide customers a quality product
Tolling / Revenue Restrictions	• Toll increase typically limited to operate and maintain facility and repay debt • Political pressure • Toll rate covenant • Priced as a public service	• Set tolls at lesser of (1) market level and (2) concession agreement limitation • Typically no toll rate covenant
Financing	• Tax-Exempt Debt • TIFIA • Government contribution	• Taxable Corporate Debt • Possible Tax-Exempt Debt under SAFETEA-LU • TIFIA • Equity (15 – 30% of financing)
Purpose of Debt	• Finance initial development and subsequent improvements	• Finance initial development and subsequent improvements • Maximize leverage to minimize cost of capital/maximize bid price
Traffic / Revenue Modeling	• Focus on cost recovery / downside	• Focus on business approach and upside potential for equity
Surplus Revenues	• Fund capital improvements for facility and other eligible projects	• Fund capital improvements for facility • Recurring equity dividend payments

Public vs. Private Weighted Average Cost of Capital (WACC)

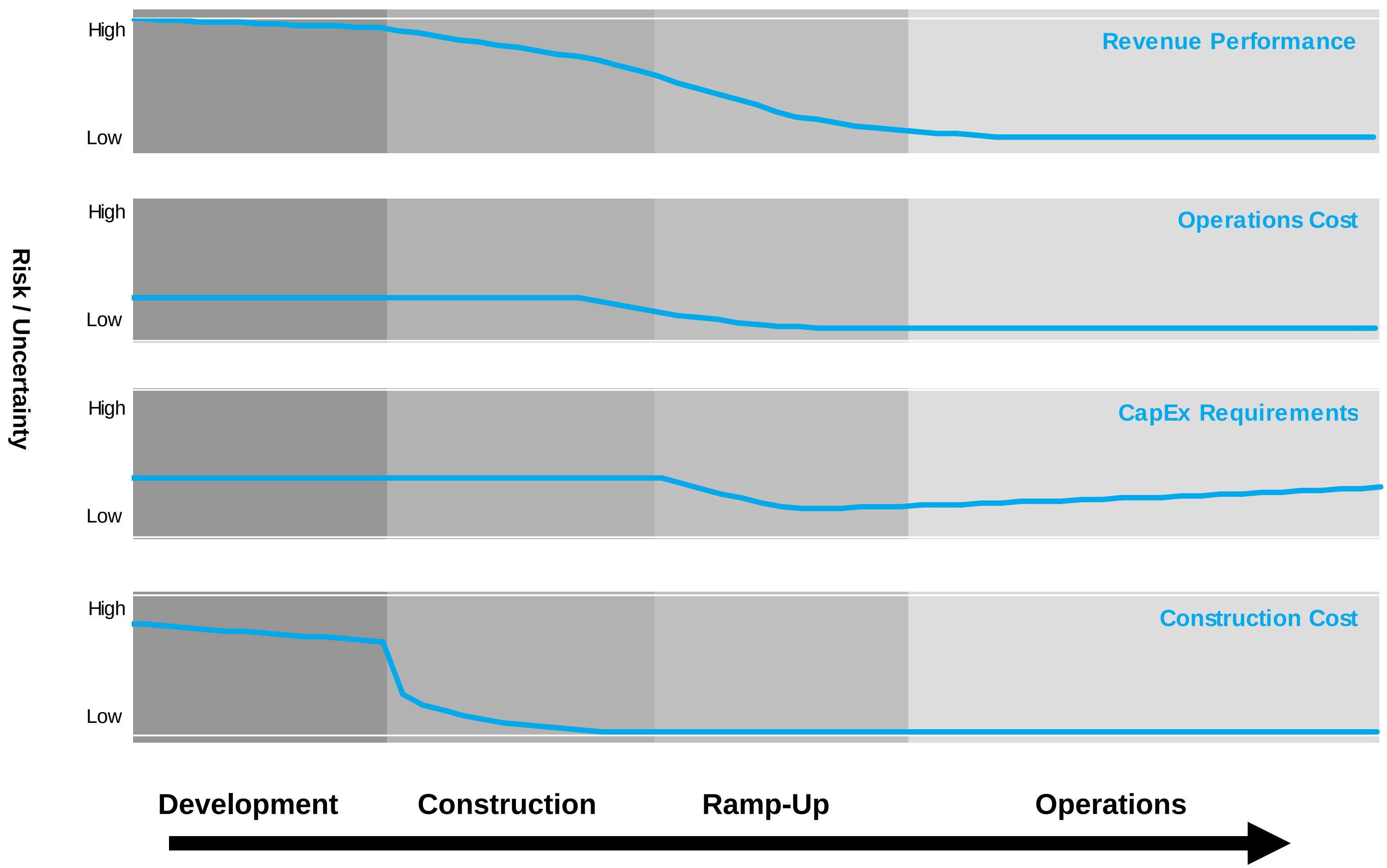
A Public entity should have a lower cost of capital than a Private entity.

- Public entity can utilize cheaper tax-exempt debt
  - Private entities would be forced to finance 80% to 85% of the purchase price with taxable debt
    - Private Activity Bonds (PABs) utilizing tax-exempt debt can only be used for new construction or non-operating roads
      - PABs still incur higher rates than traditional tax-exempt debt as PABs are subject to the Alternative Minimum Tax (AMT)
- Public entity would have a higher credit rating
  - Private entities typically employ higher leverage which would yield a rating in the BBB category
- Private entity would contribute approximately 15%-20% equity at an IRR of 10-16%
  - Public model consists of 100% debt at tax-exempt rates below 6%
- Private model has several offsets to the Public's cheaper weighted average cost of capital
  - Depreciation benefit, although this is hard to monetize
  - Equity contribution monetizes the surplus revenues below coverage levels that the Public currently monetizes
    - The public could share in excess revenues through a revenue sharing agreement
    - The public entity would enjoy the benefit of the surplus revenue in the future upon completion of the concession term

Risk and Uncertainty Affects Value

A PPP on a start-up facility transfers significant risks to the private sector.

- The value of the asset increases as the risks associated with the maturation process decline



6. Public-Public Partnerships

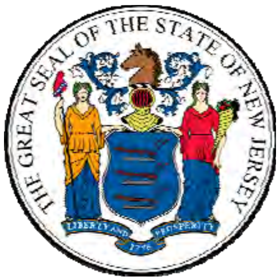
Funding Alternative – Public-Public Partnerships

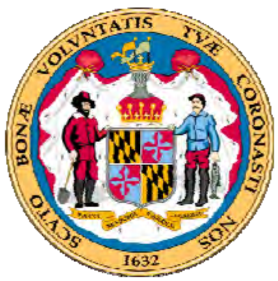
Many states are finding value in "Public-Public" Partnerships as a viable and cost effective alternative to traditional P3s

- For states with independent, self-sustaining public tollway and toll bridge authorities (e.g. Rhode Island Turnpike and Bridge Authority), Public-Public Partnerships represent an alternative funding solution for statewide transportation problems in lieu of transferring long-term control through a concession-style P3

- Public-Public Partnerships can take many forms, but all seek to:
  - Encourage multiple statewide entities historically operated on a stand-alone basis to cooperate participate to solve statewide transportation issues
  - Maintain public ownership and control of revenue producing transportation assets (i.e. toll roads)
  - Retain all excess revenues after all debt is repaid
  - Maintain tax-exemption on all transportation asset-related debt
  - Monetize future revenues for traditional (i.e. asset expansion and reconstruction) and non-traditional purposes (i.e. mass transit)

States giving serious consideration to or that have recently entered into Public-Public Partnerships





Current PPP Landscape

Several states are currently exploring public monetization options for infrastructure assets in lieu of private concessions.

Texas (SB 792)

- New 2007 legislation slows PPP trend significantly
  - Moratorium on new concession agreements for most projects
  - Requires that all new major urban projects must be evaluated under the public and private ownership methods (both methods assume tolling for new projects)
  - Public toll entities have right of first refusal to build new projects
- SH-121 (near Dallas) Procurement
  - TxDOT solicited private bids to build, own and operate SH 121 in Dallas for 50 years.
  - Cintra was preliminarily awarded concession for $2.8 bid to Cintra for SH-121 near Dallas/Ft. Worth
  - North Texas Tollway Authority (NTTA) has challenged Cintra bid award by submitting a $3.3 billion public ownership bid
    - Texas Transportation Commission approved NTTA's bid as the winner 4-1 in June 2007

Pennsylvania (HB 1590)

- Governor has sought a long-term funding program to a massive funding backlog for highway, bridges and transit
  - Over 800 bridges are in poor repair and need major rehabilitation or replacement
- Governor sought preliminary proposals for a concession of Pennsylvania Turnpike and has hired a PPP Advisor to evaluate options
- Penn Turnpike Commission (PTC) submitted a Citi-advised plan to create a "Public-Public Partnership" to fund the Commonwealth's transportation through several funding sources including:
  - Public monetization of turnpike revenues
  - Conversion of I-80 from a free road to a toll road
- Legislation enacting the PTC's plan signed on July 18, 2007

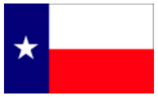
PPP Political Implications

PPP pursuits have garnered negative sentiment among the public and have impacted political approval ratings and elections.

Indiana

- Republican Governor Daniels and legislature approved the lease of the Indiana Toll Road (ITR) by a 3 vote margin
- ITR concession became the main campaign point during the ensuing legislative elections
  - American flag now required to fly over every foreign-operated toll plaza
- Republicans lost majority control of the Indiana House on November 7, 2006
  - Several incumbent Republicans along the ITR corridor were defeated
- Governor's approval rating is considerably lower following the ITR concession
- Concession was supposed to fuel the Governor's "Major Moves" initiative to fund transportation, however it has stalled
- Gov. has withdrawn 3 major private concession toll projects due to opposition from both political parties

Texas



- Governor Perry and TxDOT are major proponents of PPPs to develop transportation projects
- Tolling and PPPs became a divisive and major political issue during the November 2006 elections
  - "Remember the Alamo" bumper stickers
- Republican Governor Perry was re-elected with only 39% of the vote (was a heavy favorite prior to several PPP projects)
- Republicans lost 5 seats in the legislature (mainly attributable to tolling and PPPs)
- In 2007 legislative session, legislators overwhelmingly approved a moratorium on future concessions
- SB 792 gives regional toll authorities (e.g. NTTA, HCTRA) right of first refusal on all projects

Illinois

- Governor Blagojevich announced interest in evaluating PPP opportunities on the Illinois Tollway following the Chicago Skyway concession
- Governor's recent stance on a potential concession of the Tollway has considerably softened
- The City of Chicago's Midway Airport P3 proposal also faces considerable scrutiny, in addition to FAA carrier approval constraints

Pennsylvania Turnpike Commission (PTC)

Since December 2006, Citi has partnered with the PTC in the structuring of its proposal to provide stable and diverse funding sources for Commonwealth-wide transportation and transit initiatives.

- In December 2006, PennDOT, at the direction of Governor Ed Rendell, issued a Request for Expressions of Interest (REI) to private parties who would be interested in entering into a long-term concession for the 538-mile Pennsylvania Turnpike (or provide other services in connection therewith; i.e. FA)
  - Under the Governor's plan, the proceeds of such a sale would be placed into a new transportation trust fund with the annual investment earnings of the sale proceeds used to upgrade and maintain Pennsylvania's transportation and transit networks
- The PTC responded to the REI by proposing a 3-pronged "Public-Public Partnership" with PennDOT to meet the following objectives:
  - Generate sufficient annual resources to meet the Commonwealth's transportation and transit needs
  - Retain Commonwealth's control of the Turnpike
  - Reduce Motor License Fund spending requirements on existing roadways (i.e. I-80)
  - Allocate costs of supporting PennDOT's 40,000 mile road network among diverse combination of revenue sources
  - Encourage commerce by keeping toll levels moderate
  - Insulate the Commonwealth's General Fund
  - Maintain flexibility for the future
- ***Public-Public Partnership Act of 2007 – Act 44***
  - Final legislation enacted on July 18 commits the Commission to provide approximately $2.5 billion to the Commonwealth over the next three years
  - 60% of annual contribution expected to be for transportation, 40% for mass transit
  - Initial $62.5 million payment made by PTC to PennDOT for transit operating assistance in August 2007
  - $531,855,000 Turnpike Bond Anticipation Notes, Series A and B of 2007 issued in October 2007 to finance October and January payments totaling more than $458 million
    - $277 million for roads and bridges
    - $182 million for transit operating assistance
- Starting in 2011, the total funding requirement will be approximately $900 million per annum inflated at 2.5% per year thereafter

Pennsylvania Funding Proposal Illustration

The PTC proposed a public-public partnership with PennDOT that includes a full package of initiatives to provide new investment in the Commonwealth's transportation network.

- **$5 billion Motor License Fund (MLF) Special Revenue Bond program**
  - Debt finance long-term improvements only
  - Allows time for additional revenue sources to come on-line
  - Back-up guarantee from the MLF to provide security on the Special Revenue Bonds
    - Commission responsible for all debt service on the Special Revenue Bonds
- **Toll I-80 to manage cross-state traffic flow**
  - Operational and construction cost savings
  - Substantial annual residuals transferred to Commonwealth
  - Certain transfers made through issuance of special toll revenue bonds to avoid additional toll increases
  - *I-80 revenues remain in the Commonwealth to provide ongoing support for Commonwealth's transportation and transit needs*
- **Annual Transfers from Turnpike to Commonwealth**
  - Tolls adjusted to meet annual funding targets
  - Annual funding can be used for certain PennDOT projects
  - Special toll revenue (PTC Monetization) bonds used to provide cash flow relief and limit toll increases
  - *PTC revenues remain in the Commonwealth to provide ongoing support for Commonwealth's transportation and transit needs*

Motor License Fund Special Revenue Bonds

+

Tolling I-80

+

Turnpike Commission Revenue Sources

=

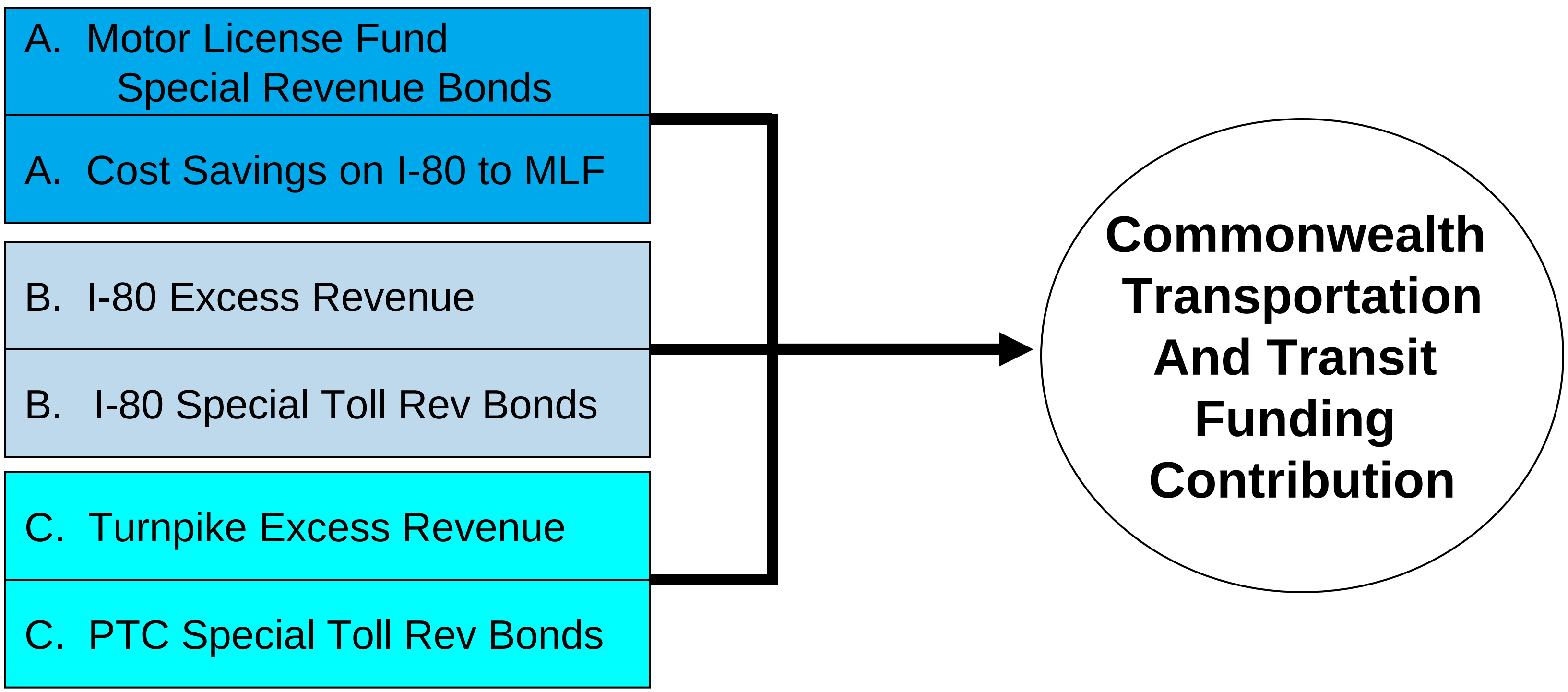
Funding Goal

Preliminary Program Cash Flows

	Bond Proceeds Contributions				Revenue/Cashflow Contributions				Payments	Total
FY End (5/31)	MLF Bonds	PTC Monetization	I-80 Monetization	Total Bond Proceeds	I-80 Cost Savings	PTC Cashflow Contribution	I-80 Cashflow Contribution	Total Cashflow Contribution	MLF Debt Service	Total Cashflow
	A	B	C	D	E	F	G	H	I	J
				A+B+C				E+F+G		D+H+I
2006										
2007										
2008	450,000,000	235,000,000	-	685,000,000	-	65,000,000	-	65,000,000	-	750,000,000
2009	480,000,000	324,000,000	-	804,000,000	-	78,733,296	-	78,733,296	(32,733,296)	850,000,000
2010	500,000,000	106,000,000	-	606,000,000	-	361,648,811	-	361,648,811	(67,648,811)	900,000,000
2011	499,000,000	230,000,000	-	729,000,000	116,985,856	180,533,284	-	297,519,140	(104,019,140)	922,500,000
2012	525,000,000	336,000,000	-	861,000,000	121,665,290	103,213,937	-	224,879,228	(140,316,728)	945,562,500
2013	538,000,000	259,000,000	-	797,000,000	126,531,902	224,175,233	-	350,707,135	(178,505,572)	969,201,563
2014	550,000,000	72,500,000	-	622,500,000	131,593,178	456,978,470	-	588,571,648	(217,640,046)	993,431,602
2015	500,000,000	348,000,000	-	848,000,000	136,856,905	291,057,894	-	427,914,799	(257,647,407)	1,018,267,392
2016	250,000,000	216,000,000	41,666,667	507,666,667	142,331,181	279,867,876	407,876,088	830,075,146	(294,017,736)	1,043,724,076
2017	250,000,000	223,500,000	100,000,000	573,500,000	148,024,428	292,605,718	367,889,932	808,520,079	(312,202,900)	1,069,817,178
2018	208,000,000	400,000,000	100,000,000	708,000,000	153,945,406	158,595,262	406,410,004	718,950,672	(330,388,064)	1,096,562,608
2019	250,000,000	405,000,000	100,000,000	755,000,000	160,103,222	150,650,880	403,740,693	714,494,794	(345,518,121)	1,123,976,673
2020	-	492,000,000	123,333,333	615,333,333	166,507,351	215,693,177	518,245,514	900,446,042	(363,703,285)	1,152,076,090
2021	-	353,000,000	204,000,000	557,000,000	173,167,645	366,306,450	448,107,182	987,581,277	(363,703,285)	1,180,877,992
2022	-	80,000,000	120,000,000	200,000,000	180,094,351	651,157,656	542,851,221	1,374,103,227	(363,703,285)	1,210,399,942
2023	-	-	168,000,000	168,000,000	187,298,125	743,250,646	505,814,456	1,436,363,226	(363,703,285)	1,240,659,940
2024	-	-	43,000,000	43,000,000	194,790,050	755,589,284	642,000,390	1,592,379,724	(363,703,285)	1,271,676,439
2025	-	-	-	-	202,581,652	768,177,446	696,412,537	1,667,171,635	(363,703,285)	1,303,468,350
2026	-	-	-	-	210,684,918	781,019,012	708,054,414	1,699,758,344	(363,703,285)	1,336,055,059
2027	-	-	-	-	219,112,314	794,117,865	719,929,542	1,733,159,720	(363,703,285)	1,369,456,435
2028	-	-	-	-	227,876,807	807,477,886	732,041,439	1,767,396,131	(363,703,285)	1,403,692,846
2029	-	-	-	-	236,991,879	978,435,358	587,061,215	1,802,488,452	(363,703,285)	1,438,785,167
2030	-	-	-	-	246,471,554	994,991,580	596,994,948	1,838,458,082	(363,703,285)	1,474,754,796
2031	-	-	-	-	256,330,416	1,011,872,834	607,123,701	1,875,326,952	(363,703,285)	1,511,623,666
2032	-	-	-	-	266,583,633	1,029,083,694	617,450,216	1,913,117,543	(363,703,285)	1,549,414,258
2033	-	-	-	-	277,246,978	1,046,628,701	627,977,220	1,951,852,900	(363,703,285)	1,588,149,614
2034	-	-	-	-	288,336,858	1,044,054,054	626,432,433	1,958,823,344	(330,969,990)	1,627,853,355
2035	-	-	-	-	299,870,332	1,040,458,644	624,275,187	1,964,604,163	(296,054,474)	1,668,549,688
2036	-	-	-	-	311,865,145	1,036,301,520	621,780,912	1,969,947,576	(259,684,146)	1,710,263,431
2037	-	-	-	-	324,339,751	1,032,541,765	619,525,059	1,976,406,574	(223,386,558)	1,753,020,016
2038	-	-	-	-	337,313,341	1,027,956,180	616,773,708	1,982,043,230	(185,197,713)	1,796,845,517
2039	-	-	-	-	350,805,875	1,023,140,012	613,884,007	1,987,829,894	(146,063,239)	1,841,766,655
2040	-	-	-	-	364,838,110	1,018,142,868	610,885,721	1,993,866,699	(106,055,878)	1,887,810,821
2041	-	-	-	-	379,431,634	1,015,787,504	609,472,503	2,004,691,641	(69,685,549)	1,935,006,092
2042	-	-	-	-	394,608,899	1,025,170,456	615,102,274	2,034,881,629	(51,500,385)	1,983,381,244
2043	-	-	-	-	410,393,255	1,034,929,838	620,957,903	2,066,280,996	(33,315,221)	2,032,965,775
2044	-	-	-	-	426,808,986	1,046,978,811	628,187,287	2,101,975,084	(18,185,164)	2,083,789,919
2045	-	-	-	-	443,881,345	1,057,502,077	634,501,246	2,135,884,667	-	2,135,884,667
2046	-	-	-	-	461,636,599	1,079,778,241	647,866,944	2,189,281,784	-	2,189,281,784
2047	-	-	-	-	480,102,063	1,102,444,854	661,466,912	2,244,013,829	-	2,244,013,829
2048	-	-	-	-	499,306,145	1,125,505,018	675,303,011	2,300,114,174	-	2,300,114,174
2049	-	-	-	-	519,278,391	1,148,961,649	689,376,989	2,357,617,029	-	2,357,617,029
2050	-	-	-	-	540,049,527	1,172,817,455	703,690,473	2,416,557,455	-	2,416,557,455
2051	-	-	-	-	561,651,508	1,197,074,927	718,244,956	2,476,971,391	-	2,476,971,391
2052	-	-	-	-	584,117,568	1,221,736,317	733,041,790	2,538,895,676	-	2,538,895,676
2053	-	-	-	-	607,482,271	1,246,803,623	748,082,174	2,602,368,068	-	2,602,368,068
2054	-	-	-	-	631,781,562	1,272,278,567	763,367,140	2,667,427,269	-	2,667,427,269
2055	-	-	-	-	657,052,824	1,298,162,579	778,897,548	2,734,112,951	-	2,734,112,951
2056	-	-	-	-	683,334,937	1,324,456,774	794,674,064	2,802,465,775	-	2,802,465,775
2057	-	-	-	-	710,668,335	1,351,161,928	810,697,157	2,872,527,419	-	2,872,527,419
Total	**5,000,000,000**	**4,080,000,000**	**1,000,000,000**	**10,080,000,000**	**15,552,730,300**	**40,531,007,911**	**26,302,468,109**	**82,386,206,320**	**(9,092,582,135)**	**83,373,624,185**

Pennsylvania's Transportation Future – A Public-Public Partnership

Pennsylvania can raise the necessary annual revenue through a variety of funding alternatives.



Appendix

A. Citi Credentials

Citi's Municipal and Vermont Credentials

Citi is the #1 senior manager of national and Vermont municipal bond transactions.

- Citi is the #1 ranked underwriter of municipal bonds for each of the last ten years
- 400 professionals dedicated to Municipal Securities
- Headquartered in New York with 16 regional offices

Global Consumer Group | Global Wealth Management

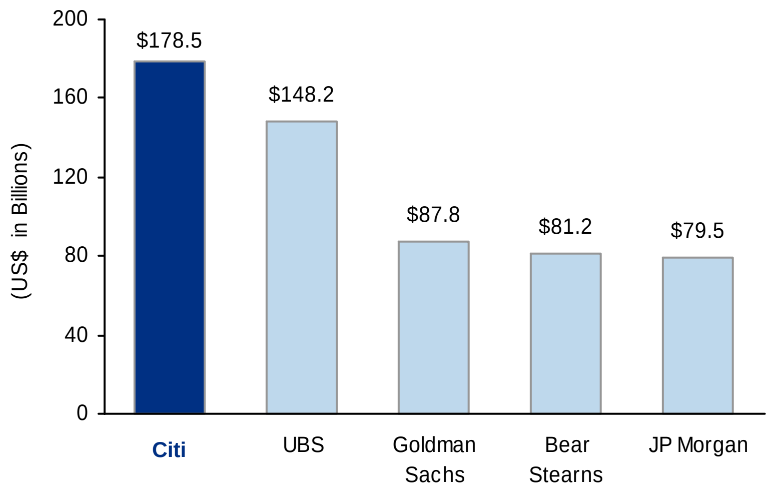
Corporate & Investment Bank | Citi Alternative Investments

Assets: $1.5 tr   Book Value: $18.8 bn   Net Income: $25 bn

Market Cap: $275 bn   S&P: AA   Moody 's Rating: Aa1

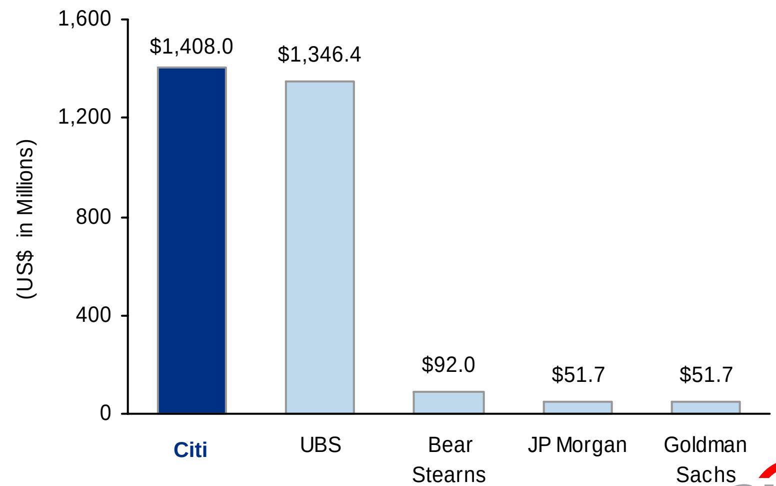
Negotiated Municipal Issuances – U.S.

(Senior Managed, 1/1/2004 – 12/7/2007, in $ Billions)



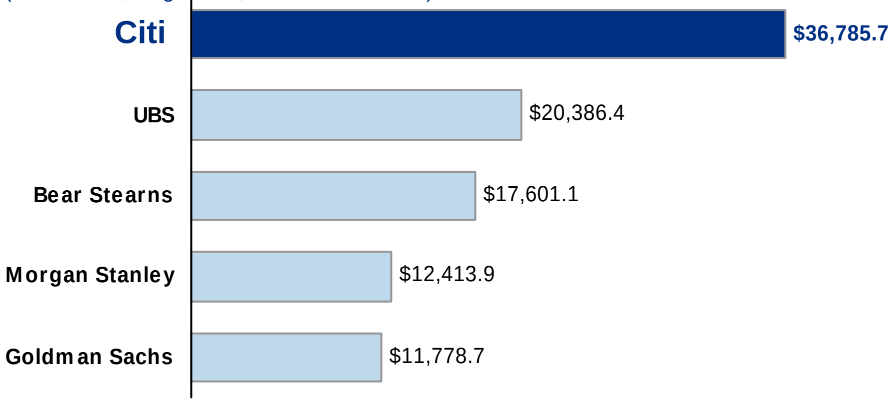
Negotiated Municipal Issuances - Vermont

(Senior Managed, 1/1/2004 – 12/7/2007, in $ Millions)

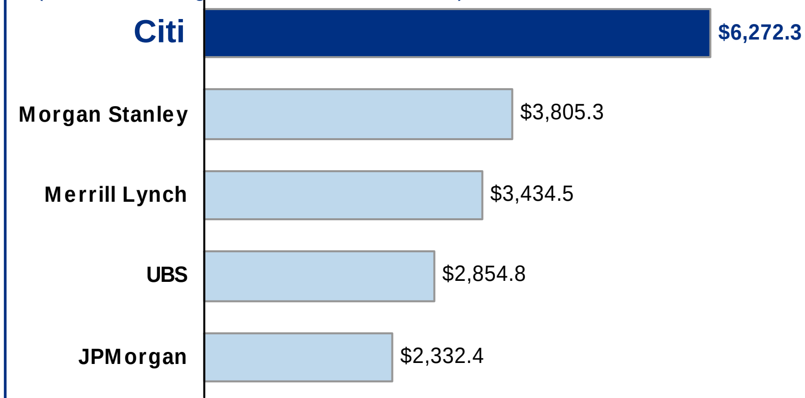


Citi is the #1 Sr. Manager of U.S. Transportation Projects

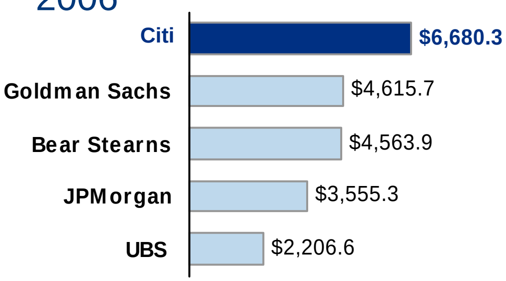
2001-2006
($ in millions, Negotiated, Full Credit to Lead)



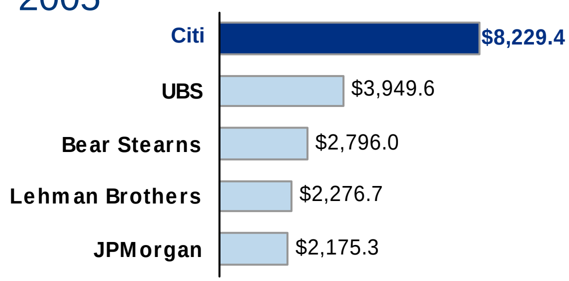
2007 YTD
($ in millions, Negotiated, Full Credit to Lead)



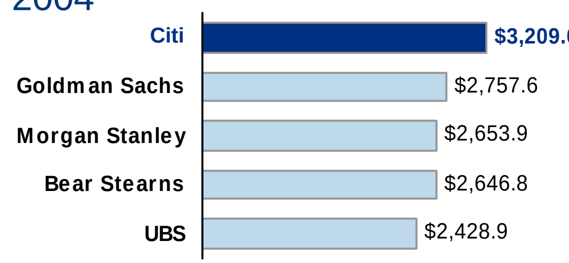
2006



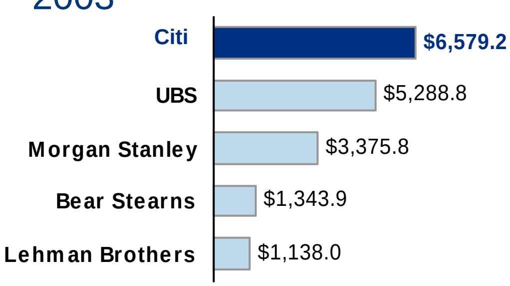
2005



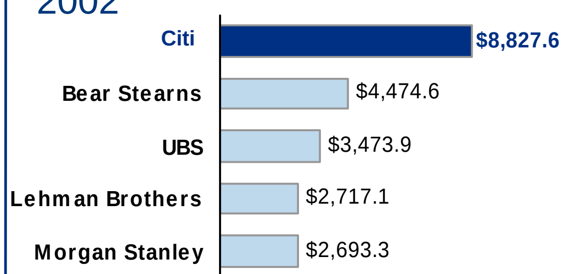
2004



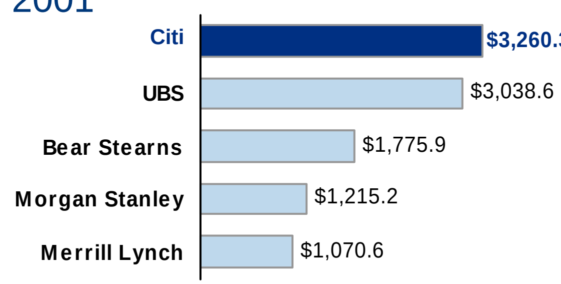
2003



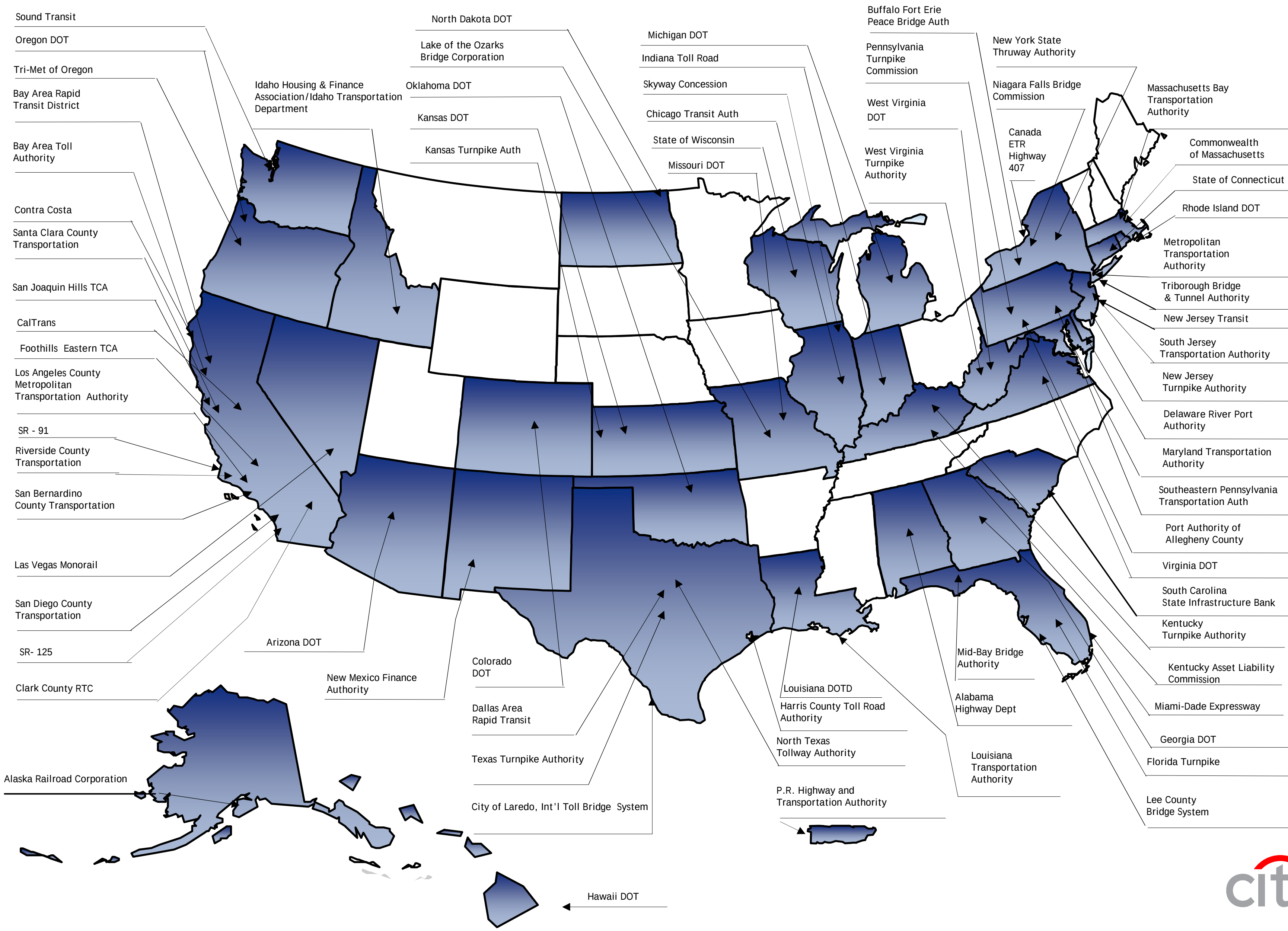
2002



2001



Citi's Senior Managed Surface Transportation Clients



Representative Senior Managed Clients By Category

Citi serves the broadest and deepest transportation client base in the United States.

Revenue Bonds/GARVEEs

- Louisiana's on the move DOTD builds the way
- State of California Transportation Commission
- New York State Thruway Authority
- Texas Department of Transportation
- ADOT
- MoDOT
- KDOT
- MDOT Michigan Department of Transportation
- Maryland Transportation Authority
- Commonwealth of Kentucky
- DOT
- Pennsylvania Turnpike
- State of Georgia 1776
- Commonwealth of Massachusetts
- NDDOT North Dakota Department of Transportation
- Oklahoma Department of Transportation
- Idaho Transportation Department

Toll Facilities

- Penna Turn-Pike
- NTTA North Texas Tollway Authority
- Chicago Skyway
- The Peace Bridge
- Indiana Department of Transportation
- BATA Bay Area Toll Authority
- NJ Turnpike
- New York State Thruway Authority
- Florida's Turnpike
- 407 ETR Express Toll Route
- Harris County Texas
- LTA
- Transportation Corridor Agencies
- Illinois Tollway
- MTA Bridges and Tunnels
- Texas Department of Transportation

Mass Transit

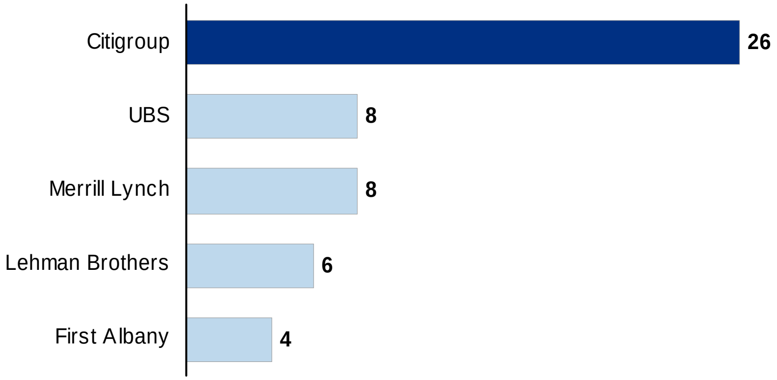
- MTA New York City Transit
- Massachusetts Bay Transportation Authority
- Los Angeles Metropolitan Transportation Authority
- Chicago Transit Authority
- Florida Department of Transportation
- Bay Area Rapid Transit
- Southeastern Pennsylvania Transportation Authority
- Alaska Railroad Corporation
- NJ Transit The Way To Go.
- Tri-Met
- DART
- Tren Urbano

citi

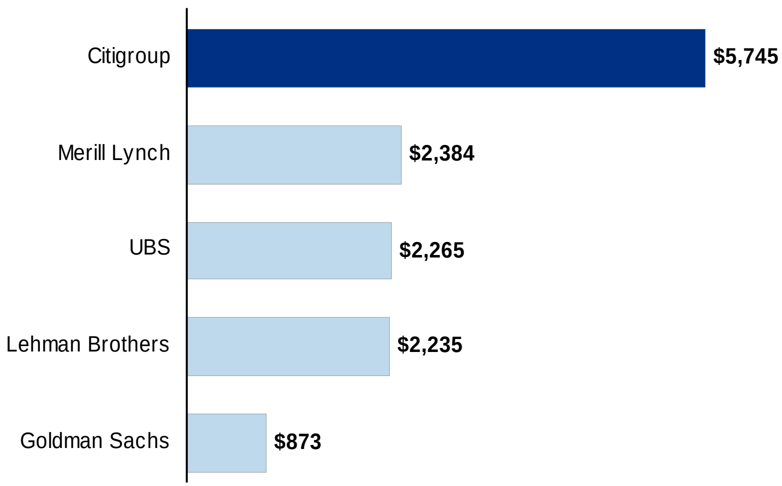
#1 GARVEE/GAN Underwriter in the Industry

Citigroup has senior managed 26 GARVEE/GAN credits including 18 inaugural transactions

Senior Managed GARVEE/GAN Transactions*



GARVEE/GAN Financings*



Citigroup GARVEE/GAN Highlights

- Citigroup has senior managed more than three times more GARVEE financings than any other Wall Street firm
- Citigroup senior managed 50% of all GARVEEs issued since 2005
- Citigroup has structured and senior managed more than 55% of all inaugural GARVEE credits

Citigroup's GARVEE/GAN Expertise

- Citigroup has senior managed 26 GARVEE/GAN issues and is currently hired to senior manage an additional GARVEE issue
  - Alaska Railroad Corp. (twice)
  - Arizona (twice)
  - Arkansas
  - Bay Area Rapid Transit
  - California
  - Chicago Transit Auth.
  - Colorado (twice)
  - Georgia (three)**
  - Idaho (twice)***
  - Kentucky (twice)
  - Los Angeles MTA
  - Massachusetts
  - Maryland
  - Michigan
  - New Jersey Transit (twice)
  - North Dakota
  - Puerto Rico
  - Rhode Island
  - Virginia

*Source: Securities Data Company and Citigroup, Full Credit to Lead; all amounts in $ millions, from January 1, 1998 to December 12, 2007
**Senior managed inaugural long-term direct and indirect GARVEEs in August 2006; also senior managed inaugural Georgia GARVEEs (two-year BANs) in 2001, bonds were defeased in 2003
***Senior Managed inaugural issue (May 2006), currently hired to senior manage second tranche

B. GARVEE Case Studies

Case Study - Idaho

In May 2006, Citi served as Senior Managing Underwriter for Idaho's $194,340,000 inaugural GARVEE Issuance. Citi is currently serving as senior manager for its second issue scheduled for early 2008.

- Idaho's first statewide transportation debt issuance of projected $1 billion "Connecting Idaho" program
- Issued by Idaho Housing & Finance Association on behalf of the Idaho Transportation Department
- Citigroup helped the Association and the Department establish strong credit ratings of Aa3/A+ ratings
  - Especially noteworthy due to 18-year final maturity, the longest direct GARVEE executed to date
- Unique Double-Barreled Revenue Pledge
  - Dual-pledge of direct federal payments and federal reimbursements received by the Idaho Transportation Department from its pay-as-you-go program
    - Direct Federal payments via MOU with FHWA pledged to pay Federal share of debt service
    - Reimbursed Federal funds pledged to pay State match component of the debt service
- MBIA Insurance
- Additional Bonds Test:
  - Projected average coverage of 26.41x for Series 2006 and 4.02x for entire $1.2 billion program
  - 5.00x ABT through FY 20010, 3.33x ABT thereafter
- Financed portions of six high priority federal-aid transportation projects including:
  - Interstate 84 – Two Segments: i) Caldwell to Meridian, ii) Orchard to Issacs Canyon
  - S.H. 16: Interstate 84 to South Emmett
  - U.S. Highway 95 – Two Segments: i) Worley to Setters, ii) Garwood to Sagle
  - U.S. Highway 30: McCammon to Soda Springs

Rhode Island - GARVEEs

In November 2003, Citi served as Senior Managing Underwriter for Rhode Island's $216,805,000 inaugural GARVEE Issuance.

- Rhode Island's first statewide transportation debt issuance
- New credit obtained Aa3/AA-/A+ ratings
- Structure:
  - 12 Year issue with 11 maturities, seven of which are insured by FSA
- Additional Bonds Test:
  - 1.50x current authorization
  - 3.00x 2nd Authorization
- Avoiding project cost inflation and preserving the State's limited GO Bond capacity
- Proceeds will accelerate completion of 5 high priority projects:
  - Interstate Route 195 Relocation and Improvement
  - Sakonnet River Bridge
  - Washington Bridge
  - Freight Rail Improvement Project
  - Route 403 Relocation Project

State of North Dakota - GARVEEs

In August 2005, Citi served as Senior Managing Underwriter for North Dakota's $51,445,000 inaugural GARVEE Issuance.

- North Dakota's first statewide transportation debt issuance
- Citigroup helped the State establish exceptional credit ratings of Aa1/AA from Moody's and Fitch respectively
- Structure:
  - 15 Year issue with 2013-2020 maturities insured by FSA
- Pledge:
  - Double Barrel Credit
    - State Highway Fund (includes all State Motor Fuel Taxes and Motor Vehicle Registration Fees)
    - Federal Highway Obligational Authority
- Exceptionally Strong Additional Bonds Test & Debt Service Coverage:
  - 5.00x ABT of 50% of Federal Obligational Authority and 100% of State Highway Fund Revenues
- Coverage ranges from 70.9x to 94.0x for initial issue
  - Financed high priority federal-aid transportation projects including:
  - Liberty Memorial Bridge
  - U.S. Highway 2