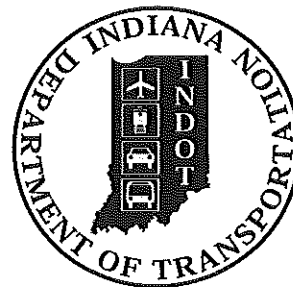
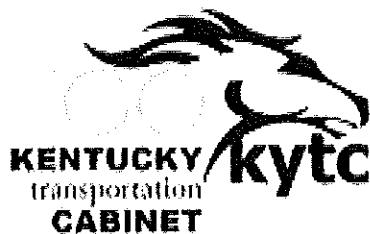
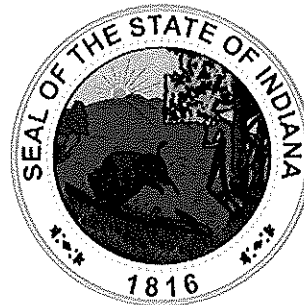




**MEMORANDUM OF UNDERSTANDING BETWEEN  
THE COMMONWEALTH OF KENTUCKY  
AND THE STATE OF INDIANA**

March 5, 2012



**MEMORANDUM OF UNDERSTANDING BETWEEN  
THE COMMONWEALTH OF KENTUCKY  
AND THE STATE OF INDIANA**

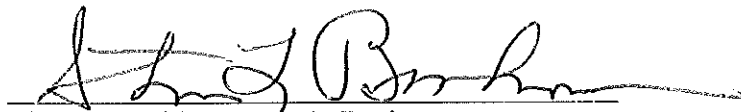
March 5, 2012

This **MEMORANDUM OF UNDERSTANDING** is between the Commonwealth of Kentucky (hereafter referred to as "Kentucky") and the State of Indiana (hereafter referred to as "Indiana").

In the spirit of longstanding teamwork and partnership that has defined their joint efforts to address issues of cross-river mobility in the greater Louisville-Southern Indiana metropolitan area, and in furtherance of their mutual goals with respect to the Louisville-Southern Indiana Ohio River Bridges Project (the "Project"), Kentucky and Indiana hereby approve and adopt the attached non-binding Term Sheet as the basis for moving toward a definitive bi-state development agreement among the relevant agencies and instrumentalities of both states following the approval of a financial plan for the Project pursuant to Kentucky Revised Statutes § 175B.030(6).

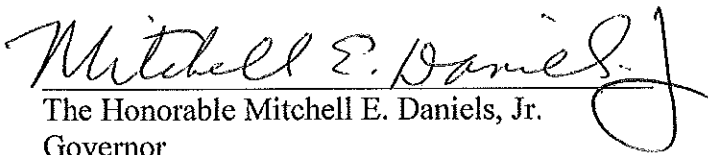
**IN WITNESS WHEREOF**, the Governors of Kentucky and Indiana have hereunto set their hands as of the day and year first above written.

**For the Commonwealth of Kentucky:**



The Honorable Steven L. Beshear  
Governor

**For the State of Indiana:**



The Honorable Mitchell E. Daniels, Jr.  
Governor

**Term Sheet  
for Development Agreement  
Louisville-Southern Indiana Ohio River Bridges Project  
March 2, 2012**

*This Term Sheet summarizes the concepts and key potential terms of the proposed development agreement contemplated hereby and by KRS 175B.030(6) and (7). There is no legal obligation on the part of any party until a definitive agreement is duly executed and delivered by the parties.*

|                                    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
|------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Purpose</b>                     | To define the roles and responsibilities for procurement, revenue sharing, financing, construction, tolling, operation and maintenance of the Louisville-Southern Indiana Ohio River Bridges Project (the "Project") under a single comprehensive development plan.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| <b>Parties</b>                     | <ul style="list-style-type: none"> <li>• Kentucky Transportation Cabinet ("KYTC")</li> <li>• Indiana Department of Transportation ("INDOT")</li> <li>• Indiana Finance Authority ("IFA")</li> <li>• Louisville and Southern Indiana Bridges Authority (the "Authority")</li> <li>• Kentucky Public Transportation Infrastructure Authority ("KPTIA")</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                       |
| <b>Project Description</b>         | The Project will reflect its NEPA-defined scope, consisting of six sections: Sections 1, 2 and 3 in the Downtown area, and Sections 4, 5 and 6 in the East End area.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| <b>Financial Plan Requirements</b> | <p>There will be a single financial plan for the Project.</p> <ul style="list-style-type: none"> <li>• A financial plan consistent with the requirements of KRS 175B.030(6) will be approved by the Authority on or before March 5, 2012; this plan will be submitted to KPTIA for approval.</li> <li>• A Major Project's Initial Financial Plan consistent with the foregoing plan will be submitted by KYTC and INDOT, in cooperation with KPTIA, the Authority and the IFA, to FHWA as promptly as practicable in 2012.</li> <li>• The Project will continue to be reflected in the Louisville Metropolitan Transportation Organization's MTP as a single project with a single financial demonstration for fiscal constraint purposes.</li> </ul> |

|                                                                                            |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
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| <b>Procurement Structure</b>                                                               | The procurement of the Project will be bifurcated into two elements.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| <ul style="list-style-type: none"> <li>• Downtown (Procurement A)</li> </ul>               | Procurement A will be comprised of Sections 1, 2 and 3 of the Project, including the new Downtown bridge, the reconfiguration of the Kennedy Interchange, and the Indiana approach in Jeffersonville. The procurement will be carried out through one or more “design-build” contracts, for which KYTC will be the lead contracting agency, as more particularly provided below and in <u>Appendix A</u> attached hereto. Procurement A will not cover responsibility for Operations & Maintenance (“O&M”) for the Project, which is separately described in “Operations and Maintenance” below.                                                                                                                                                                                                                                                                                                                              |
| <ul style="list-style-type: none"> <li>• East End (Procurement B)</li> </ul>               | Procurement B will be comprised of Sections 4, 5 and 6 of the Project (that is, the new East End bridge and the related approaches in Indiana and Kentucky, including the tunnel under the Drumanard Estate). The procurement may be carried out through a “design-build” contracting mechanism (either for the construction period only or as part of a long-term “availability payment concession” structure depending on the final Value for Money determination), for which the IFA will be the lead contracting agency, as more particularly provided below and in <u>Appendix B</u> attached hereto. It is anticipated that Procurement B will cover responsibility for Operations & Maintenance (“O&M”) for Section 5. Procurement B will not cover responsibility for O&M for Section 4 and Procurement B may cover responsibility for O&M for Section 6.                                                             |
| <b>Procurement and Financing Roles and Responsibilities</b>                                | The procurement and financing of the Project will be carried out by the parties to the Development Agreement with each of the Downtown and East End portions to be led by a designated contracting agency, as follows:                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| <ul style="list-style-type: none"> <li>• Downtown (Procurement A)-- Contracting</li> </ul> | <p>KYTC will serve as the lead contracting agency for Procurement A and be responsible for design approval and construction acceptance. INDOT will serve in a supporting and consulting capacity to assist with the review of plans, proposals, reports and related documents as necessary or helpful to facilitate the procurement. Although KYTC will serve as the lead contracting agency, such specifications as INDOT shall agree to will be used in connection with Section 3 (Indiana approach).</p> <p>The procurement will proceed under and be executed pursuant to new design-build powers expected to be approved by the Kentucky General Assembly in its 2012 regular session.</p> <p>Procurement A shall be constructed to meet current Interstate Standards. Value engineering and alternative technical concepts that require a re-evaluation or a supplement to the NEPA decision will not be permitted,</p> |

|                                                                                                         |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
|---------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                                                                         | <p>however, in the process of structuring and executing Procurement A, KYTC shall have the ability to explore, utilize and implement, value engineering and alternative technical concepts to the extent permissible within the NEPA decision of the Project.</p> <p>As the Ohio River Bridges Project is a single project with two bridges, to be built with federal as well as state funds, and as such subject to federal law, Kentucky anticipates the states and FHWA will agree on DBE goals appropriate for the Project. Kentucky will include language in its procurement advertisements and contract documents requiring contractors to meet DBE/good faith effort goals as well as aggressively create and monitor opportunities for “race neutral” and other broader community participation.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| <ul style="list-style-type: none"> <li>• Downtown (Procurement A)-- Financing</li> </ul>                | <p>KPTIA will be designated as the “issuing authority” under KRS 175B.025 in connection with providing the financing of Procurement A through the issuance of governmental purpose tax-exempt bonds backed by future toll revenues from Kentucky’s share of future Project toll revenues (the “Kentucky Revenue Share”). The Kentucky Revenue Share will be used to make payments of principal and interest on toll revenue bonds.</p> <p>Conventional funding commitments will be provided by KYTC to support the financing and construction of Procurement A. Such conventional construction funding commitments shall be no less than a) \$50 million per year for six (6) years beginning with FY 2013; and, b) proceeds of an estimated \$236 million in previously authorized but unissued GARVEE Bonds. Kentucky’s conventional funds will be dedicated to the construction, acquisition, and related capital costs of the project sections subject to Procurement A, with no financial obligation on the part of the State of Indiana, INDOT or IFA to provide such funds after the award of Procurement A. The State of Indiana, INDOT or IFA will continue to provide financial support for any technical assistance and right of way acquisition needed on Section 3 until such time Procurement A is awarded.</p> <p>Additional information regarding the financing of Procurement A is provided in <u>Appendix A</u> attached hereto.</p> |
| <ul style="list-style-type: none"> <li>• East End (Procurement B)— Contracting and Financing</li> </ul> | <p>The IFA will serve as the lead contracting agency for Procurement B, with INDOT being responsible for design approval and construction acceptance. KYTC will serve in a supporting and consulting capacity to assist with the review of plans, proposals, reports and related documents as necessary or helpful to facilitate the procurement. Although the IFA will serve as the lead contracting agency, such specifications as KYTC shall agree to will be used in connection with Section 4 (Kentucky approach).</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |

The procurement will proceed under and be executed pursuant to the IFA's statutory powers. In the event the procurement takes the form of an availability payment concession structure, a concession agreement will be entered into with the "best value" bidder that will stipulate the financing package provided by the developer/operator based on the agreed-upon future payment stream from the IFA, as set forth in the agreement. Should the IFA determine that greater Value for Money may be achieved through a Design/Build contract it may choose to issue revenue bonds secured by the Indiana Revenue Share (as hereinafter defined) of project revenues to fund a portion of the East End crossing.

Procurement B shall be constructed to meet current Interstate Standards and the width of the major structures shall be constructed to accommodate six lanes. Value engineering and alternative technical concepts that require a re-evaluation or a supplement to the NEPA decision will not be permitted, however, in the process of structuring and executing Procurement B, IFA and INDOT shall have the ability to explore, utilize and implement, and to authorize their bidders and contract counterparties to explore, utilize and implement, value engineering practices, alternative design concepts, efficient construction means and methods, and innovative project delivery techniques of all kind and character whatsoever, to the fullest extent permissible within the NEPA-defined scope of the Project and the related NEPA commitments.

As the Ohio River Bridges Project is a single project with two bridges, to be built with federal as well as state funds, and as such subject to federal law, Indiana anticipates the states and FHWA will agree on DBE goals appropriate for the Project. Indiana will include language in its procurement advertisements and concessionaire documents requiring contractors to meet DBE/good faith effort goals as well as aggressively create and monitor opportunities for "race neutral" and other broader community participation.

Conventional funding commitments will be provided by INDOT through the IFA to support the financing and construction of Procurement B. Such conventional construction funding commitments shall be no less than \$54 million per year for eight (8) years beginning with FY 2013. Indiana's conventional funds will be dedicated to the construction, acquisition, and related capital costs of the project sections subject to Procurement B, with no financial obligation on the part of the Commonwealth of Kentucky, KYTC or KPTIA to provide such funds after the award of Procurement B. KYTC shall continue to provide financial support for technical assistance and the acquisition of right of way on Section 4 until such time as Procurement B is awarded.

|                                                                                  |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
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|                                                                                  | <p>Indiana's share of future Project toll revenues (the "Indiana Revenue Share") will be used to make required developer payments under an availability payment concession structure, or, alternatively, to make payments of principal and interest on IFA-issued toll revenue bonds, as applicable.</p> <p>Additional information regarding the financing of Procurement B is provided in <u>Appendix B</u> attached hereto.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| <b>Toll Collection;<br/>Facilities Operations<br/>&amp; Maintenance</b>          | Toll collections and O&M responsibilities for the LSIORB Project will be allocated as follows:                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| • Tolling policy                                                                 | The relevant transportation and financing agencies from both states will be responsible for establishing, maintaining and adjusting toll policy for both the Downtown and East End components of the project, including toll setting. They will perform this role in accordance with an agreed upon framework established prior to initiating procurement of the Project. It is acknowledged by all parties that establishment of toll rates will under certain circumstances be dictated by the terms of the various financing documents as well as the contemplated Development Agreement. Such rate adjustments may be directly linked to toll covenants, additional bonds tests, provisions for adjustment of the availability payment (as further explained in Appendix A & B attached hereto), and other common covenants required by lenders and/or equity investors, all as permitted by applicable law.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| • Toll collection, cash management, account servicing and violations enforcement | Pursuant to terms agreed upon by the parties to the development agreement, the relevant transportation and financing agencies from both states, through one or more contracts with qualified private vendors, will be responsible for establishing and managing toll operations, including toll collection, certain cash management, account servicing and violations enforcement with respect to the LSIORB project. The relevant transportation and financing agencies from both states will enter into a bank trust agreement with a qualified trustee bank to manage certain project cash flows; specifically excluding budgeted Indiana or Kentucky state funds, proceeds of obligations not secured by the Indiana or Kentucky Revenue Share, or other such funds as the parties may agree. Pursuant to such bank agreement, tolls will be deposited directly in trust for the benefit of both states, and the trustee will perform these cash management functions. All toll collection, cash management, account servicing and violations enforcement will be subject to audit and review by each of KPTIA, KYTC, INDOT and IFA. The relevant transportation and financing agencies from both states will contract for all services through one or more qualified private service providers, and, in the case of violations enforcement, with Indiana and Kentucky law enforcement agencies. The relevant transportation and financing |

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|                                                                                       | <p>agencies from both states will provide all reasonable and responsible best efforts to assist with violations enforcement including adoption of legislation and establishment of procedures.</p> <p>Toll policy is further described in Appendix C attached hereto.</p>                                                                                                                                                                                                                                                                                                                                               |
| <ul style="list-style-type: none"> <li>• Facilities O&amp;M</li> </ul>                | <p>IFA and INDOT will, directly or indirectly through a private vendor, have responsibility for facilities O&amp;M for Sections 3, 5 and 6 of the Project.</p> <p>KYTC will, directly or indirectly through a private vendor, have responsibility for facilities O&amp;M for Sections 1, 2 and 4 of the Project.</p>                                                                                                                                                                                                                                                                                                    |
| <ul style="list-style-type: none"> <li>• Lifecycle O&amp;M (Leveled Rehab)</li> </ul> | <p>IFA and INDOT will, directly or indirectly through a private vendor, have responsibility for lifecycle O&amp;M for Sections 3, 5 and 6 of the Project.</p> <p>KYTC will, directly or indirectly through a private vendor, have responsibility for lifecycle O&amp;M for Sections 1, 2 and 4 of the Project.</p>                                                                                                                                                                                                                                                                                                      |
| <ul style="list-style-type: none"> <li>• O&amp;M Standards</li> </ul>                 | <p>With respect to the bridges, approaches and rights-of-way in the sections of the project for which they have O&amp;M or lifecycle responsibility as described above, KPTIA and KYTC, on the one hand, and IFA and INDOT, on the other hand, will perform or cause to be performed their respective facilities O&amp;M and lifecycle O&amp;M obligations in accordance with applicable standards, specifications and guidelines relating to highway, bridge and right-of-way maintenance in the Commonwealth of Kentucky (in the case of KPTIA and KYTC) and the State of Indiana (in the case of IFA and INDOT).</p> |
| <p><b>Amendment of 2004 Bi-State MOU (Cost-Sharing Agreement)</b></p>                 | <p>The 2004 MOU between INDOT and KYTC will be amended or superseded as appropriate to reflect the updated cost-sharing arrangements contemplated by the proposed procurement structure and revised conventional funding commitments herein described.</p>                                                                                                                                                                                                                                                                                                                                                              |
|                                                                                       |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |

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| <b>Revenue Share</b>                                         | Aggregate gross toll revenues on the Project will be allocated to each of KYTC/KPTIA (the Kentucky Revenue Share) and INDOT/IFA (the Indiana Revenue Share) pursuant to an agreed upon revenue share formula of 50% / 50% in each year in which Project debt is outstanding and/or an availability payment concession is in effect.                                                                                                                                                                                                                                                                                                                                    |
| <b>TIFIA Funding</b>                                         | The relevant transportation and financing agencies from both states will jointly seek opportunities for federal TIFIA funding. All parties recognize the expected limited availability of TIFIA funding for the Project and may adjust the Revenue Share to take into consideration the final allocation of TIFIA to either or both of the Procurements.                                                                                                                                                                                                                                                                                                               |
| <b>Consultants and Advisors</b>                              | Each lead contracting agency will have the ability to retain its own consultants and advisors with respect to the procurement, financing, construction, tolling, operation and maintenance for which it is responsible. To the extent necessary or appropriate, resources may also continue to be engaged via the existing contracting mechanism available through the Project's general engineering consultant. The parties will cooperate and put such arrangements in place to ensure their continued mutual access to consultants that are deemed to be shared resources of the LSIORB Project.                                                                    |
| <b>SEIS Process; Timetable; Tolling and Pricing Approval</b> | The Bi-State Management Team will continue to advance the Supplemental Environmental Impact Statement process with a view toward obtaining an updated Record of Decision as promptly as practicable. The parties will use their best efforts to secure tolling and pricing approval from FHWA's Office of Innovative Program Delivery in order to toll all project bridges, including the existing Kennedy Bridge, the new Downtown Bridge and the new East End Bridge, and, in the case of the Kennedy Bridge, to commence such tolling no later than June 2018. The parties will also use their best efforts to commence procurement as soon as practicable in 2012. |
| <b>Timetable; Tolling of Existing Kennedy Bridge</b>         | Tolling of the existing Kennedy Bridge will commence upon the earlier of: completion of the new Downtown Bridge; or completion of the new East End Bridge. INDOT and KYTC understand and agree that a Section 129 Toll Agreement governing tolling of the existing Kennedy Bridge must be executed by INDOT, IFA, KYTC, KPTIA, FHWA, and any other necessary party as a condition precedent to execution of any concession agreement for development, construction, operation and maintenance of the East End Bridge. The Section 129 Toll Agreement must comply with all requirements of 23 U.S.C. § 129 and any applicable regulations or FHWA guidance.             |
| <b>Further Assurances</b>                                    | In connection with the agreement contemplated by this term sheet, each party will execute and deliver such additional documents and instruments and perform such additional acts that may be necessary or                                                                                                                                                                                                                                                                                                                                                                                                                                                              |

|                           |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
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|                           | appropriate to deliver the Project in the manner described herein.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| <b>Delayed Completion</b> | <p>In the event Procurement B is not completed or is significantly delayed other than as a direct result of action or inaction on the part of Kentucky or its relevant agencies involved in the project, Indiana shall be solely responsible for any claims or costs that may be asserted by FHWA or US DOT for reimbursement under 23 CFR 630.112 or otherwise.</p> <p>Conversely, in the event Procurement A is not completed or is significantly delayed other than as a direct result of action or inaction on the part of Indiana or its relevant agencies involved in the project, Kentucky shall be solely responsible for any claims or costs that may be asserted by FHWA or US DOT for reimbursement under 23 CFR 630.112 or otherwise.</p> |

## **Appendix A – Procurement A**

**KYTC DSRF Replenishment.** The Downtown Bridge Toll Revenue Bonds indenture of trust shall include a debt service reserve fund (DSRF) into which shall be deposited an amount equal at least to the next fiscal year's principal and interest requirements for all outstanding senior lien bonds. In the event that Downtown Bridge Revenues are insufficient to fully fund senior lien bonds principal and interest payments, the DSRF shall be used to make timely payments to bondholders. In order to support the creditworthiness of such Bonds and financing of the Project, KYTC agrees to budget and seek appropriation, at the next available opportunity, from legally available Highway Funds, an amount that will replenish and restore the DSRF to its required amount. Any such amounts budgeted and appropriated will be considered a loan to the Downtown Bridge project and repaid with interest at 5% per annum from the Downtown Bridge Revenues, which are on deposit from time to time in the General Reserve Fund, subject to the priority of payments from such fund described below.

**KYTC O&M and M&R.** The Downtown Bridge Toll Revenue Bonds indenture of trust shall include (a) a Tolling O&M Reserve Fund into which shall be deposited an amount equal to KPTIA's share of toll collection costs estimated to be due in the following year or such lesser amount agreed to by the IFA and KYTC, (b) a General O&M Reserve Fund into which shall be deposited amounts deemed reasonable to fund Downtown Bridge facility O&M, and (c) an M&R Reserve Fund into which shall be deposited amounts deemed reasonable to fund Downtown Bridge lifecycle costs. In the event that Downtown Bridge Revenues are insufficient to fully fund the O&M and M&R Reserve deposits, and in order to support the creditworthiness of such Bonds and financing of the Project, the KYTC agrees to budget and seek appropriation, at the next available opportunity, from legally available Highway Funds, an amount that will restore the Tolling O&M, General O&M and M&R Reserve Funds to their required amounts. Any such amounts budgeted and appropriated will be considered a loan to the Downtown Bridge project and repaid with interest at 5% per annum from the Downtown Bridge Revenues which are on deposit from time to time in the General Reserve Fund, subject to the priority of payments from such fund described below.

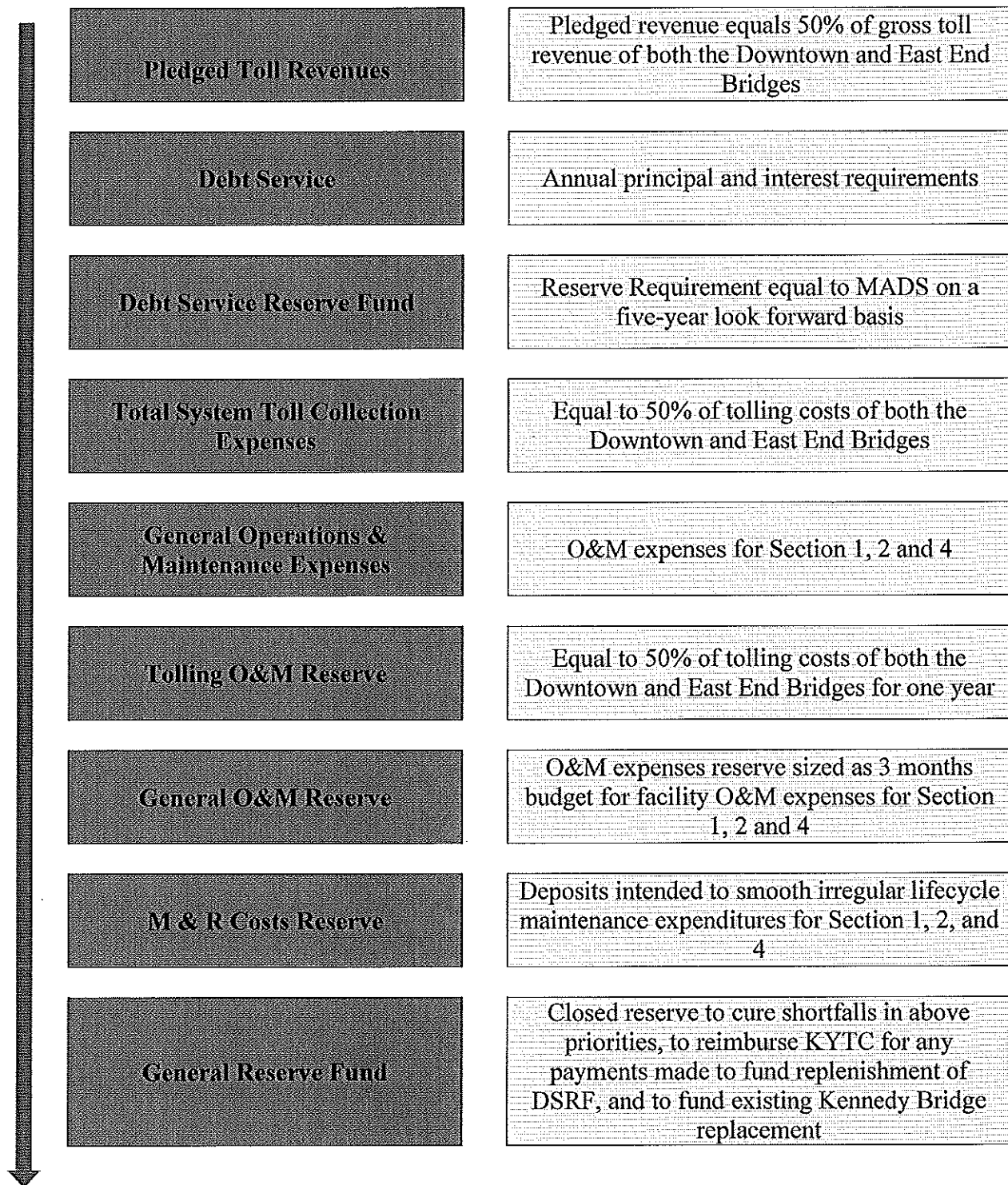
**Downtown Bridge Pledged Revenues.** Fifty percent (50%) of all tolls, rates, charges and other revenues related to traffic and operations of both the Downtown Bridge and the East End Bridge shall be deposited with KPTIA or its designated Trustee for Toll Revenue Bonds issued to finance or refinance Downtown Bridge construction and related capital costs.

**Priority of Payments for Downtown Bridge Pledged Revenues.** All Downtown Bridge Pledged Revenues shall be used monthly to make the following payments and in the following priority:

1. Principal and interest owed on Toll Revenue Bonds issued to finance or refinance Downtown Bridge construction and related capital costs.
2. Any amounts required to be deposited to the Debt Service Reserve Fund which secures the Toll Revenue Bonds.

3. Payment of Tolling O&M Expenses, which are 50% of the costs of toll collections for both the Downtown Bridge and the East End Bridge including enforcement of toll violations.
4. An amount sufficient to fund the shortfall or increase in the requirement for the Tolling O&M Reserve Fund, which requirement is equal to KPTIA's share of the following year's estimated tolling O&M expenses.
5. Payment of General O&M Expenses, which are recurring and ordinary operating costs of the Downtown Bridge and Kentucky LSIORB approaches.
6. An amount sufficient to fund the shortfall or increase in the requirement for the General O&M Reserve Fund.
7. Principal and interest owed with respect to a Downtown Bridge TIFIA Loan, if any, as well as any related deposits to a TIFIA reserve fund.
8. Non-recurring capital and lifecycle costs of the Downtown Bridge and Kentucky LSIORB approaches. An account shall be created within the Toll Revenue Bonds indenture of trust that holds at all times a M&R Reserve deemed reasonable and appropriate by an independent consulting engineer.
9. Deposits into the Downtown Bridge General Reserve Fund which shall be created within the Toll Revenue Bonds indenture of trust.

**Figure A-1**



\* KYTC agrees to budget and seek appropriation, at the next available opportunity, from legally available Highway Funds, an amount that will restore the Tolling O&M, General O&M and M&R Reserve Funds to their required amounts.

**Priority of Payments from the Downtown Bridge General Reserve Account.** All funds deposited and accumulated in this account shall be used monthly to make the following payments and in the following priority:

1. Cure any shortfall in the principal and interest accounts of the Toll Revenue Bonds.
2. Cure any shortfall in the amounts required to be deposited to the Debt Service Reserve Fund which secures the Toll Revenue Bonds.
3. Cure any shortfall in the amounts required to be deposited to and maintained in the Tolling O&M Expenses account.
4. Cure any shortfall in the amounts required to be deposited to and maintained in the Tolling O&M Reserve account.
5. Cure any shortfall in the amounts required to be deposited to and maintained in the General O&M Expenses account.
6. Cure any shortfall in the amounts required to be deposited to and maintained in the General O&M Reserve account.
7. Reimburse KYTC, including interest accruing at 5% per annum, for any amounts deposited into the Debt Service Reserve Fund pursuant to the KYTC DSRF Replenishment Guarantee.
8. Cure any shortfall in the principal, interest and reserve accounts related to a TIFIA Loan, if any.
9. Cure any shortfall in the amounts required to be deposited to and maintained in the M&R Reserve account.
10. Reimburse KYTC, including interest accruing at 5% per annum, for any amounts deposited into the Tolling O&M Expenses account, General O&M Expenses account, the Tolling O&M Reserve account, the General O&M Reserve account pursuant to the KYTC O&M Guarantee. Reimburse KYTC, including interest accruing at 5% per annum, for any amounts deposited into the M&R Reserve account pursuant to the KYTC M&R Guarantee.
11. Any remaining balance in the Downtown Bridge General Reserve Account shall be held for the benefit of the Downtown Bridge project including the Kennedy Bridge Replacement.

**Downtown Bridge Toll Revenue Bonds Rate Covenant.** Subject to review by credit rating agencies, TIFIA, and any credit enhancement provider, KPTIA and IFA shall adhere to the following rate covenant so long as any Downtown Bridge and East End Bridge financial obligations are outstanding including any toll revenue bonds, TIFIA loan, and/or availability payments. Toll rates and charges on both LSIORB facilities shall be set at levels such that projected revenues are sufficient to provide:

- a) For the Downtown Bridge (i) senior lien toll revenue bonds debt service coverage in each year of 1.50 times, (ii) senior lien toll revenue bonds plus TIFIA debt service coverage in each year of 1.25 times, and (iii) coverage of all payments and obligations owed under the Downtown Bridge Toll Revenue Bonds indenture of trust; and

- b) For the East End Bridge (i) in any year in which Availability Payment obligations remain outstanding, not less than \_\_\_% of Availability Payments due and payable during the following year (the percentage to which will be agreed to by the IFA and KYTC), and (ii) in any year in which toll revenue bond obligations remain outstanding, (a) senior lien toll revenue bonds debt service coverage in each year of 1.50 times, (b) senior lien toll revenue bonds plus TIFIA debt service coverage in each year of 1.25 times, and (c) coverage of all payments and obligations owed under the East End Crossing Toll Revenue Bonds indenture of trust.

**Downtown Bridge Toll Revenue Bonds Additional Bonds.** Subject to review by credit rating agencies, TIFIA, and any credit enhancement provider, KPTIA, IFA and any parties to a LSIORB development agreement should provide that the Downtown Bridge Toll Revenue Bonds indenture of trust will allow for the issue of additional bonds to refinance the original Bonds as well as to finance (i) major capital improvements of the Downtown Bridge, (ii) additions to the LSIORB toll revenue system of facilities including potentially the Sherman Minton Bridge, and (iii) the replacement of the existing Kennedy Bridge. All parties to the development agreement will consent prior to the issuance of any additional bonds to finance new capital improvements and projects. The parties further acknowledge that such future new money additional bonds may require amendments to the development agreement and particularly to the split of system toll revenues in order to support such additional bonds.

Kentucky Public Transportation Infrastructure Authority  
Louisville and Southern Indiana Ohio River Bridges - Financial Plan  
Downtown Bridge Only - No TIFIA Case

(1) 50% Straight GROSS Revenue Split; (2) Construction Cost Updated 1/25/2012; (3) Downtown Pledged Revenues = 50% of Gross System Revenues; (4) KY pays O&M and W&R in Seg 1, 2 and 4

As of February 15, 2012

**I. Funding Summary**

| in \$ thousands                 | Interim Financing |         |         |           |         | Total     |
|---------------------------------|-------------------|---------|---------|-----------|---------|-----------|
|                                 | FY 2013           | FY 2014 | FY 2015 | FY 2016   | FY 2017 | FY 2018   |
| <b>Sources:</b>                 |                   |         |         |           |         |           |
| KYTC Highway Plan               | 50,000            | 50,000  | 50,000  | 50,000    | 50,000  | 50,000    |
| KYTC 2012 GARVEEs               | 337               | 172,347 | 65,316  |           |         |           |
| IM Major Moves                  |                   |         |         |           |         |           |
| Toll Revenue 34th               |                   |         | 127,500 | (127,500) |         |           |
| Senior Toll Revenue Bonds       |                   |         | 480,875 |           | 159,203 | 59,255    |
| Subordinated Toll Revenue Bonds |                   |         |         |           |         |           |
| Funding Gap                     |                   |         |         |           |         |           |
| <b>Total</b>                    | 50,337            | 222,347 | 540,810 | 380,475   | 249,203 | 118,255   |
|                                 |                   |         |         |           |         | 1,387,432 |

**Uses:**

|                    |        |         |         |         |         |           |
|--------------------|--------|---------|---------|---------|---------|-----------|
| Construction Costs | 49,102 | 215,112 | 225,141 | 232,711 | 241,858 | 111,028   |
| Financing Costs    | 7,235  | 7,235   | 12,675  | 153,774 | 7,235   | 7,235     |
| <b>Total</b>       | 56,337 | 222,347 | 240,816 | 386,475 | 249,203 | 118,255   |
|                    |        |         |         |         |         | 1,387,432 |

Note: Financing costs include cost of loss and/or underwriter's discount, DSRF, CapX, GARVEE interest payments and BAA interest payments

## **Appendix B – Procurement B**

### ***Availability Concession***

The Indiana Finance Authority (IFA) intends to conduct a procurement process to enter into a concession agreement with a concessionaire to design, build, finance and maintain the East End Crossing of the Ohio River Bridges (ORB) Project under an Availability Payment (AP) contract structure. The IFA will only enter into such a concession if the highest ranked bid received under its procurement demonstrates positive Value for Money relative to a more conventional Design/Build procurement. Should the IFA determine that positive Value for Money is not received it intends to finance the East End Crossing with governmental purpose toll revenue bonds.

The East End Crossing consists of Sections 4, 5, and 6 of the ORB Project. Assuming a concession agreement is entered into, the concessionaire will be responsible for delivering and providing appropriate guarantees and warranties on all sections. KYTC will be responsible for maintenance and lifecycle costs of Section 4; the Concessionaire will be responsible for maintenance and lifecycle costs of Section 5 and potentially Section 6; and INDOT will be responsible for maintenance and lifecycle costs of Section 6 if it chooses not to include that work in the concession agreement. Tolling equipment installment and tolling operations for both the Downtown Bridge and East End Crossing will be contracted separately.

### ***Concession Payments***

The IFA intends to make (i) milestone and/or completion payments funded with its public commitments of \$54 million per year during the construction period, and (ii) availability payments for the services that will be provided by the concessionaire upon construction completion. The milestone and/or completion payments will be made during the construction period upon completion of significant portions of the East End Crossing. Public commitments contributed after completion of construction may be allocated to availability payments.

The availability payments will compensate the concessionaire for delivering and maintaining the East End Crossing pursuant to terms of the concession contract. Key characteristics of the availability payment structure may include:

- Commencement of payments only upon completion and service operation of the East End Crossing;
- Potential reductions in payments if the facility is not maintained to the standards defined in the concession contract;
- “Build-up” of the Availability Payment to cover construction costs; operations and maintenance costs, including life cycle costs; financing costs; and return on investment to equity investors.

### ***State of Indiana Funding Commitments***

The payments under the concession agreement will be funded with a combination of:

- Indiana’s share of toll revenues from the LSIORB Project; and
- INDOT appropriations.

Indiana will commit \$54 million per year for eight years toward the East End Crossing, for a total of \$432 million. Additionally, Indiana will provide any additional funds required to supplement its share of toll revenues in the event tolls are insufficient to cover its obligations under the concession agreement. State funding will be subject to appropriation.

### ***Pledged Revenues***

Fifty percent (50%) of all tolls, rates, charges and other revenues related to traffic and operations of both the LSIORB Project shall be deposited with IFA or its designated trustee. Such deposits will be used: (i) to pay Indiana's share of Tolling O&M on the LSIORB Project, and (ii) to make availability payments to the concessionaire and/or to make debt service payments on toll revenue bonds. In any periods where net toll revenues are insufficient to cover the full availability payment obligation, INDOT will provide the balance of funding through an appropriation of its statewide transportation funds.

### ***Rate Covenant***

For so long as any East End Crossing obligations remain outstanding, toll rates and charges on both LSIORB facilities shall be set at levels such that projected revenues are sufficient to provide the following:

- (i) in any year in which Availability Payment obligations remain outstanding, not less than \_\_\_\_% of Availability Payments due and payable during the following year (the percentage to which will be agreed to by the IFA and KYTC), and (ii) in any year in which toll revenue bond obligations remain outstanding, (a) senior lien toll revenue bonds debt service coverage in each year of 1.50 times, (b) senior lien toll revenue bonds plus TIFIA debt service coverage in each year of 1.25 times, and (c) coverage of all payments and obligations owed under the East End Crossing Toll Revenue Bonds indenture of trust.

### ***Sources and Uses of Funds***

In the event the highest ranked concession bid provides positive Value for Money the concessionaire will be responsible for securing financing for the development of the East End Crossing, secured by its milestone payments and/or availability payments. Indicative sources and uses of funds during the construction period is reflected in the following table.

| <b>Sources of Funds During Construction (\$000)</b> |                  |                | <b>Uses of Funds During Construction (\$000)</b> |                    |                |
|-----------------------------------------------------|------------------|----------------|--------------------------------------------------|--------------------|----------------|
| Source                                              | Nominal          | % of Total     | Use                                              | Nominal            | % of Total     |
| Debt                                                | 768,595          | 58.10%         | Construction costs                               | (1,160,802)        | 87.75%         |
| Equity                                              | 284,275          | 21.49%         | Financing costs/net transfers to reserves        | (162,038)          | 12.25%         |
| Indiana appropriation funds*                        | 270,000          | 20.41%         |                                                  |                    |                |
| <b>Total sources</b>                                | <b>1,322,870</b> | <b>100.00%</b> | <b>Total uses</b>                                | <b>(1,322,870)</b> | <b>100.00%</b> |

\*Reflects \$54 million per year for five year construction period. Upon project completion additional public funds will be contributed to Availability Payment obligations.

## **Appendix C – Toll Policy**

### **Toll Policy**

In order to facilitate financing of the Louisville-Southern Indiana Ohio River Bridges Project (the “Project”), a comprehensive Toll Policy will be established prior to issuance of the final Request for Proposals for either the Downtown procurement or the East End procurement, whichever occurs first. The policy will include, but may not be limited to, the following features:

#### *Initial Toll Rates*

- Identification of vehicle classes
- Unit toll rates by vehicle class
- Definition of allowable toll variations by time of day or day of the week
- Definition of allowable toll variations tied to levels of traffic congestion

#### *Toll Rate Adjustments*

- Allowable frequency of toll rate adjustments
- Market indices that define adjustment mechanisms (e.g. CPI, regional GDP per capita, etc.)
- Forced triggers for rate adjustments

### **Rate Setting Mechanism**

#### *Initial Toll Schedule*

The relevant transportation and financing agencies from both states will implement toll rates consistent with the agreed upon Toll Policy and all applicable financing documents. Such toll rates will initially be established at a base level agreed upon by IFA and KPTIA to support the financial obligations of each of the East End procurement and Downtown procurement. Specifically, the toll rate schedule, which will be reflected in an “investment grade” traffic and revenue forecast developed by a qualified Traffic and Revenue forecasting firm, will be expected to provide sufficient cash flow to: 1) give assurance to senior lien tax-exempt bondholders and/or subordinate lien lenders on the Downtown financial structure; and 2) give assurance to IFA regarding a base level of toll reimbursements expected to be available to fund concessionaire Availability Payments, or alternatively, revenue bond investors, on the East End.

#### *Toll Adjustment Formula*

Prior to July 1 of each year in which either: 1) tax-exempt bonds and/or a federal TIFIA loan is outstanding on the Downtown procurement; or 2) an Availability Payment obligation or other long-term financial commitment exists with respect to the East End procurement; the relevant transportation and financing agencies from both states will assess whether the existing toll rate schedule provides sufficient revenues to satisfy lender and/or equity investor covenants, including the obligation to make availability payments, securing the financings associated with each of the Downtown and East End procurements. In any year in which: 1) prior year revenues were insufficient to pay the cash obligations, as well as satisfy legal covenants (including Rate Covenants and

Additional Bonds Tests) of debt and equity commitments, or 2) revenue forecasts for the coming year are expected to be less than required to satisfy the same; the relevant transportation and financing agencies from both states shall engage a qualified Toll Consultant to determine the toll adjustment necessary to increase forecast revenues to satisfy covenant requirements in the next subsequent year and each of the [4] succeeding years. The relevant transportation and financing agencies from both states shall covenant to immediately implement such recommended toll adjustments and to engage the qualified Toll Consultant to monitor actual cash flow against revenue forecasts not less than [quarterly] for a minimum period of [one year] thereafter to ensure adequate cash flow to satisfy all debt covenants.

### **Toll Collections and Cash Management**

The relevant transportation and financing agencies from both states shall engage a qualified toll system developer, integrator and operator to design, procure, install, operate and manage a comprehensive toll system for the Project. As direct beneficiaries of the toll system, IFA and KPTIA shall have consent rights over key operational considerations as well as audit rights related to the system for as long as either IFA or KPTIA has outstanding financial obligations on the Project.

The relevant transportation and financing agencies from both states, either directly or indirectly through the toll system operator, shall engage a trustee bank to establish an account and related subaccounts on behalf of the relevant transportation and financing agencies from both states, each of which will be signatory to the subject trust agreements. On a daily basis all toll collections shall be deposited into the primary account, and at predetermined intervals accumulated cash balances will be deposited into appropriate subaccounts in accordance with the framework of the bi-state agreement, and in support of the financial obligations of each of IFA and KPTIA. As long as financial obligations related to any element of the Project remain outstanding, none of the relevant transportation and financing agencies from both states shall have discretionary authority over the trustee-directed flow of funds through trustee held accounts; rather, once established, any further adjustments to the flow of funds shall occur only upon the unanimous consent of each of the parties.

Pursuant to an agreed upon time schedule, and in accordance with the terms and conditions of any related financing agreements entered into by the relevant transportation and financing agencies from both states, for as long as such agreements are outstanding, the Trustee shall remit the agreed upon cash flows to the IFA, KPTIA or their designees, in support of the related financial obligations. No party shall have discretionary authority over any element of cash collections, account deposits or distributions to the states, and all such cash flows shall occur strictly in accordance with the terms of the subject bank trust agreement(s).