

To: Colorado High Performance Transportation Enterprise ('HPTE')
CC: Hogan Lovells US LLP, as Bond Counsel to HPTE
From: Stifel
Date: January 13, 2016
Subject: HPTE I-25 North Express Lanes Project (Segment 3) – Financial Feasibility Report

At the request of the Colorado High Performance Transportation Enterprise, in consideration of the issuance of the Series 2016 Toll Revenue Note, to be issued to finance a portion of the I-25 North Express Lanes Project (Segment 3) (the 'Project'); Stifel has prepared the following memorandum (inclusive of the attached appendix) demonstrating the financial feasibility of the proposed project.

Background

In October 2013, the Colorado Department of Transportation (CDOT) began a safety and mobility project on a 6-mile segment of I-25 between US 36 and 120th Avenue. The project will maximize the use of the existing highway infrastructure to expand the capacity of I-25 by adding one HOV/tolled Express Lane in each direction. In addition, the project will resurface the existing lanes along this 6-mile stretch.

The new Express Lanes will connect directly with the existing I-25 Express Lanes leading into and out of downtown Denver, providing motorists with the option of carpooling or paying a toll for a more reliable commute, or utilizing the existing general purpose lanes for free.

In 2013, HPTE engaged CDM Smith to develop an initial traffic and revenue study to determine the viability of the Project and any related financing from the toll revenues derived on the corridor. CDM Smith delivered a Draft Technical Memorandum (the 'Study') to HPTE on November 14, 2013, which has been used as the basis for the subsequent analysis.

Financial Feasibility Analysis of The Project

Based on the Study provided by CDM Smith, Stifel completed a pro-forma cashflow to ascertain the financial performance of the Project, related to an initial \$35,000,000 financing. Assumptions utilized in the analysis are as follows;

Projected Segment 3 Revenues: The Study did not include a specific estimate for revenues generated within Segment 3 of the Project. In order estimate the Segment 3 pledged revenues for the Series 2016 Note (the '2016 Note') (and any subsequent refinancing), Stifel calculated the difference of Scenario 4c from the Existing Conditions Scenario¹. The Study only provided estimated revenues through 2035, in order to project revenues through 2045, Stifel used the estimated growth rate from the Study in years 2026-2035 of 8.60% to project the revenues from 2036-2045. This projected cashflow was utilized as the available revenues in the pro-forma cashflow.

Series 2016 Note: Based on the terms included in the 2016 Note, Stifel calculated the annual net debt service (inclusive of capitalized interest through December 15, 2018) based on an estimated initial fixed rate of 2.125%² through the initial term of December 15, 2022.

¹ This assumption for revenues derived from Segment 3 was confirmed by HPTE, as a reasonable proxy based on the information provided in the CDM Smith Draft Technical Memorandum.

² Indicative interest rate provided by Bank of America, N.A. in their Request for Proposal response, final rate to be locked on January 19, 2016

Indicative 2022 Refunding Bonds: Assuming HPTE would be able to refinance the 2016 Note prior to the conclusion of the initial term, Stifel anticipated a 23 year fixed rate bond issue in 2022 (resulting in an aggregate 30 year financing) with the following assumptions; a) complete refinancing of the outstanding 2016 Note of \$35,000,000, b) fixed interest rate of 5.00%, c) fully funded debt service reserve fund (calculated at the lesser of: i) 10% of par ii) 100% of maximum annual debt service or iii) 125% of average annual debt service) and d) costs of issuance of 1.00% of the par amount.

Conclusion

Based on the assumptions detailed above, the proposed financing is reasonable and provides sufficient revenues to pay the estimated debt service on the 2016 Note and the indicative 2022 Refunding Bonds. Please see the enclosed pro-forma cashflow evidencing the assumptions and calculations described in this memorandum.

Disclosure

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**COLORADO HIGH PERFORMANCE TRANSPORTATION ENTERPRISE
I-25 NORTH EXPRESS LANES PROJECT (SEGMENT 3)
TOLL REVENUE NOTE
SERIES 2016**

ESTIMATED CASH FLOW

YEAR	ESTIMATED REVENUE ⁽¹⁾	SERIES 2016 NOTE			INDICATIVE SERIES 2022 REFUNDING BONDS			EXCESS NET REVENUE	DEBT SERVICE COVERAGE	CUMULATIVE EXCESS REVENUE	ESTIMATED O&M ⁽⁴⁾	CUMULATIVE EXCESS NET REVENUE
		PRINCIPAL	INTEREST ⁽²⁾	CAPITALIZED INTEREST	TOTAL NET DEBT SERVICE	PRINCIPAL	INTEREST ⁽³⁾					
2016	623,000	-	667,309	(667,309)	-	-	-	623,000	-	623,000	-	623,000
2017	823,000	-	743,750	(743,750)	-	-	-	823,000	-	1,446,000	-	1,446,000
2018	984,000	-	743,750	(743,750)	-	-	-	984,000	-	2,430,000	-	2,430,000
2019	1,167,000	-	743,750	-	743,750	-	-	423,250	1.57x	2,853,250	(102,000)	2,751,250
2020	1,383,000	-	743,750	-	743,750	-	-	639,250	1.86x	3,492,500	(104,040)	3,286,460
2021	1,637,000	-	743,750	-	743,750	-	-	893,250	2.20x	4,385,750	(106,121)	4,073,589
2022	1,937,000	-	743,750	-	743,750	-	-	1,193,250	2.60x	5,579,000	(108,243)	5,158,596
2023	2,289,000	-	-	-	-	1,966,500	1,966,500	322,500	1.16x	5,901,500	(110,408)	5,370,688
2024	2,704,000	-	-	-	-	1,966,500	1,966,500	737,500	1.38x	6,639,000	(112,616)	5,995,572
2025	3,189,000	-	-	-	-	1,966,500	1,966,500	1,222,500	1.62x	7,861,500	(114,869)	7,103,203
2026	3,465,000	-	-	-	-	1,966,500	1,966,500	1,498,500	1.76x	9,360,000	(117,166)	8,484,537
2027	3,764,000	-	-	-	-	1,966,500	1,966,500	1,797,500	1.91x	11,157,500	(119,509)	10,162,528
2028	4,089,000	-	-	-	-	1,966,500	1,966,500	2,122,500	2.08x	13,280,000	(121,899)	12,163,128
2029	4,441,000	-	-	-	-	1,966,500	1,966,500	2,474,500	2.26x	15,754,500	(124,337)	14,513,291
2030	4,823,000	-	-	-	-	15,000	1,966,500	1,981,500	2.43x	18,596,000	(126,824)	17,227,967
2031	5,238,000	-	-	-	-	185,000	1,965,750	2,150,750	2.44x	21,683,250	(129,361)	20,185,856
2032	5,688,000	-	-	-	-	380,000	1,956,500	2,336,500	2.43x	25,034,750	(131,948)	23,405,408
2033	6,176,000	-	-	-	-	595,000	1,937,500	2,532,500	2.44x	28,678,250	(134,587)	26,914,321
2034	6,706,000	-	-	-	-	845,000	1,907,750	2,752,750	2.44x	32,631,500	(137,279)	30,730,293
2035	7,284,000	-	-	-	-	1,125,000	1,865,500	2,990,500	2.44x	36,925,000	(140,024)	34,883,769
2036	7,911,819	-	-	-	-	1,440,000	1,809,250	3,249,250	2.43x	41,587,569	(142,825)	39,403,513
2037	8,593,750	-	-	-	-	1,790,000	1,737,250	3,527,250	2.44x	46,654,069	(145,681)	44,324,332
2038	9,334,458	-	-	-	-	2,185,000	1,647,750	3,832,750	2.44x	52,155,777	(148,595)	49,677,445
2039	10,139,009	-	-	-	-	2,620,000	1,538,500	4,158,500	2.44x	58,136,285	(151,567)	55,506,387
2040	11,012,905	-	-	-	-	3,110,000	1,407,500	4,517,500	2.44x	64,631,690	(154,598)	61,847,193
2041	11,962,123	-	-	-	-	3,655,000	1,252,000	4,907,000	2.44x	71,686,813	(157,690)	68,744,626
2042	12,993,156	-	-	-	-	4,265,000	1,069,250	5,334,250	2.44x	79,345,719	(160,844)	76,242,689
2043	14,113,055	-	-	-	-	4,935,000	856,000	5,791,000	2.44x	87,667,774	(164,061)	84,400,683
2044	15,329,480	-	-	-	-	5,680,000	609,250	6,289,250	2.44x	96,708,004	(167,342)	93,273,572
2045	16,650,751	-	-	-	-	6,505,000	325,250	6,830,250	2.44x	106,528,505	(170,689)	102,923,384
TOTAL	186,450,505	-	5,129,809	(2,154,809)	2,975,000	39,330,000	37,617,000	76,947,000		106,528,505		

Assumptions:

- 1) Assumes estimated Segment 3 revenues from CDM Smith November 14, 2013 Draft Technical Memorandum; Scenario 4c revenues less Existing Conditions Revenues
- 2) Assumes initial fixed rate of 2.125% for Series 2016 Note
- 3) Assumes 5.00% interest rate
- 4) Assumes \$17,000 per lane mile and 2.00% annual growth rate (estimates provided by HPTE)

CDM Smith Draft Technical Memorandum provides revenue estimates through 2035; 2036-2045 revenues utilize identical growth rate assumption of 8.60%, from years 2026-2035 in the Memorandum