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PUBLIC-PRIVATE PARTNERSHIPS, INFRASTRUCTURE, JOBS, DEFICIT REDUCTION AND A NATIONAL INFRASTRUCTURE FINANCE MODEL

OBSERVATIONS FOR ELECTED OFFICIALS AND STAFF BASED ON 18 MONTHS OF DISCUSSION IN WASHINGTON

BY

YAVAPAI REGIONAL CAPITAL, INC.

A REGIONAL INFRASTRUCTURE MERCHANT BANK

• U.S. infrastructure needs $2-5 trillion of investment. This could create millions ofjobs by unleashing the country's greatest asset—its private sector.

• When private capital entered the U.S. power market (DATE) some projects were built for up to 40% less than with traditional gov't funding.

• PPPs providing new infrastructure and traditional asset monetizations have conflicting goals.

• PPPs emphasize cost effective delivery. Asset monetizations maximize debt at the expense of higher user charges.

FINANCING

• Infrastructure finance in the U.S. has relied on Public Finance debt.

• PPPs rely mainly on Project Finance debt, a $1.7trillion market since 1983.*

• This debt has consistently accepted completion risk in return for complete transparency and full due diligence.

• U.S. banks handed this market to foreign banks in the 1980s and now have limited resources to get back into this business.

• Asking U.S. infrastructure companies to compete without domestic banks is akin to asking Silicon Valley to compete without venture capital.

• TIFIA is the only U.S. Project Finance lender in the U.S. transportation sector.

• 100% equity-funded PPPs will result in higher user charges jeopardizing public buy-in. Debt support is therefore needed, and for sectors other than transport.

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NATIONAL INFRASTRUCTURE FINANCE

• Successful development bank models are regionally decentralized, ensuring good risk underwriting and transparency.

• In the U.S. this means very de-centralized

• YRC's business model is a regional, privately run, origination business. Underwriting standards are preserved by linking remuneration to project success via long-term equity stakes.

• Though privately controlled, YRC welcomes minority public ownership to overcome any perception that private capital is pillaging public assets.

• Project Finance due diligence and feasibility analysis will ensure that scarce public funds are invested, not wasted or spent on "pork."

• THE US needs a Washington-based debt rediscounting or TIFIA-style lending activity across all infrastructure sectors. This could be characterized as an infrastructure "TALF."

• Loans so originated could be sold internationally on a non-recourse basis and would therefore not count as Federal debt.

CONCLUSION

• The conflicting goals of rebuilding infrastructure, job creation and deficit containment can be met, not by just spending federal moneys, but by leveraging them with private equity and capital for infrastructure.

• Private investors and lenders will ensure the moneys are invested quickly, not merely spent.