



ALAMEDA CORRIDOR TRANSPORTATION AUTHORITY

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ACTA - FRA RRIF Loan Update – April 15, 2011

Background

Late in 2009, ACTA began working with the US Department of Transportation (US DOT) – Federal Rail Administration (FRA) on a Railroad Rehabilitation and Improvement Financing (RRIF) Loan. The original \$553 million ACTA – RRIF loan application was submitted on March 2, 2010. It was accepted as complete by FRA in September 2010. In December 2010 FRA staff advised ACTA that the application would not be considered by the US DOT Credit Council Committee (CCC) unless several key changes were made to the proposed RRIF structure.

In response to the requested changes, on Jan 5, 2011 ACTA submitted a revised RRIF application, raising the loan to parity with existing senior lien debt (1999 A/C bonds) instead of at the second subordinate level as originally proposed, and removing any 2004 bonds from the structure. In order to meet these new FRA requirements and the Master Trust Indenture's additional bonds test exception, it was necessary to reduce the RRIF loan request to \$83.7 million.

On Feb 8, 2011 FRA staff advised ACTA that the CCC had approved the revised loan application and that legal counsel to FRA would be appointed within 30 days. Following the appointment of FRA legal counsel it would be necessary to negotiate loan terms, draft RRIF loan documents, and submit the application to the Federal Office of Management & Budget for scoring, assessment of the credit risk premium, and final approval. For ACTA's part, the RRIF loan and documentation would require approval by ACTA's Governing Board and the Harbor Commissions of both Ports. In order to avoid an October 1, 2011 Port Shortfall Advance payment, the RRIF loan would need to close and fund no later than August 15, 2011.

It no longer appears that this deadline can be met. There are no other immediate and reasonable re-financing options available.

Current Status

Communication from the FRA staff has been limited. To our knowledge, a law firm has yet to be appointed to serve as counsel to FRA. It appears unlikely that the loan could close and fund by August 15, 2011, the deadline to avoid a port Shortfall Advance for the October 1, 2011 debt service payment. On March 15, 2011 ACTA advised the Ports that a Shortfall Advance payment of up to \$9 million from each Port would probably be necessary in late September in order to make the October 1, 2011 debt service payment. ACTA is regularly reviewing and updating its cash flow projections and will advise the Ports of the specific amount of the Shortfall Advance during the first 2 weeks of August.

It is possible, however, that the FRA RRIF process could be completed later this year or early next year averting an additional Shortfall Advance for the October 1, 2012 payment. If the FRA approves the RRIF loan after Oct 1, 2011, ACTA will re-evaluate the merits of the FRA RRIF.