

# **Skyway Concession Company Holdings, LLC and Subsidiary**

(A Delaware Limited Liability Company)

**Consolidated Financial Statements**

**December 31, 2008 and 2007**

# Skyway Concession Company Holdings, LLC and Subsidiary

(A Delaware Limited Liability Company)

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December 31, 2008 and 2007

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**Report of Independent Auditors**

To the Board of Directors and Members of  
Skyway Concession Company Holdings, LLC

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations, members' equity (deficit) and cash flows present fairly, in all material respects, the financial position of Skyway Concession Company Holdings, LLC and Subsidiary (the "Company") at December 31, 2008 and 2007, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 2 to the consolidated financial statements, the Company changed its method of depreciation for highway-related property, plant and equipment as of January 1, 2008.

*PricewaterhouseCoopers LLP*

February 25, 2009

**Skyway Concession Company Holdings, LLC and Subsidiary**  
**(A Delaware Limited Liability Company)**  
**Consolidated Balance Sheets**  
**December 31, 2008 and 2007**  
**(in thousands of dollars)**

	2008	2007
<b>Assets</b>		
Current assets		
Cash	\$ 60	\$ 41
Restricted cash and cash equivalents	17,611	11,990
Accounts receivable, net of allowance for doubtful accounts of \$127 and \$118 as of December 31, 2008 and 2007, respectively	2,965	3,187
Receivable from related parties	397	176
Prepaid financial guaranty insurance policy and other assets	3,911	3,862
Total current assets	<u>24,944</u>	<u>19,256</u>
Property and equipment		
Bridges and roads	400,570	396,438
Machinery and equipment	1,323	1,317
Tools	62	51
Furniture and fixtures	805	791
Computers and office equipment	350	326
Vehicles	122	90
Electrical facilities	111	48
	<u>403,343</u>	<u>399,061</u>
Less accumulated depreciation (see Note 2)	<u>(28,715)</u>	<u>(23,183)</u>
	374,628	375,878
Projects in progress	579	2,201
Net property and equipment	<u>375,207</u>	<u>378,079</u>
Concession rights, net of amortization of \$60,140 and \$44,854 as of December 31, 2008 and 2007, respectively	1,453,218	1,468,504
Deferred financing costs, net of amortization of \$2,558 and \$1,845 as of December 31, 2008 and 2007, respectively	11,264	11,977
Prepaid financial guaranty insurance policy, net of current portion of \$3,101 and \$3,057 as of December 31, 2008 and 2007, respectively	25,528	28,533
Security deposits	28	23
Restricted cash and cash equivalents and cash reserves	55,210	57,721
Total assets	<u>\$ 1,945,399</u>	<u>\$ 1,964,093</u>
<b>Liabilities and Members' (Deficit) Equity</b>		
Current liabilities		
Accounts payable	\$ 794	\$ 986
Due to related parties	577	351
Accrued other liabilities	747	2,245
Accrued interest	13,791	11,270
Total current liabilities	<u>15,909</u>	<u>14,852</u>
Derivative liability	695,522	214,935
Long term debt	1,552,513	1,549,732
Total liabilities	<u>2,263,944</u>	<u>1,779,519</u>
Commitments and contingencies (Note 10)	-	-
Members' (deficit) equity		
Members' capital	478,055	486,130
Accumulated other comprehensive income (loss)	(428,400)	(76,541)
Accumulated deficit	(368,200)	(225,015)
Total members' (deficit) equity	<u>(318,545)</u>	<u>184,574</u>
Total liabilities and members' (deficit) equity	<u>\$ 1,945,399</u>	<u>\$ 1,964,093</u>

The accompanying notes are an integral part of these consolidated financial statements.

**Skyway Concession Company Holdings, LLC and Subsidiary**  
(A Delaware Limited Liability Company)  
**Consolidated Statements of Operations**  
**Years Ended December 31, 2008 and 2007**  
(in thousands of dollars)

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	2008	2007
<b>Revenue</b>		
Toll revenue	\$ 62,312	\$ 53,238
Lease revenue	36	36
Total revenue	<u>62,348</u>	<u>53,274</u>
<b>Operating expenses</b>		
Salaries and wages	1,840	1,418
Operations overhead	651	818
Routine repairs and maintenance	1,404	1,277
Toll collection expenses	2,381	3,840
Other office and administrative expenses	2,900	2,008
Insurance	1,606	1,680
Depreciation and amortization (see Note 2)	21,554	24,091
Total operating expenses	<u>32,336</u>	<u>35,132</u>
Operating income	30,012	18,142
Derivatives loss	(75,977)	(7,195)
Interest expense, net	(97,220)	(95,196)
Net loss	<u>\$ (143,185)</u>	<u>\$ (84,249)</u>

The accompanying notes are an integral part of these consolidated financial statements.

**Skyway Concession Company Holdings, LLC and Subsidiary**  
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**Consolidated Statements of Members' Equity (Deficit)**  
**Years Ended December 31, 2008 and 2007**  
(in thousands of dollars)

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	Members' Capital	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Total
<b>Members' equity (deficit) at December 31, 2006</b>	\$ 508,430	\$ 227	\$ (140,766)	\$ 367,891
Distributions	(22,300)	-	-	(22,300)
Net loss	-	-	(84,249)	(84,249)
Net unrealized loss on hedging activities	-	(76,768)	-	<u>(76,768)</u>
Total comprehensive loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>(161,017)</u>
<b>Members' equity (deficit) at December 31, 2007</b>	486,130	(76,541)	(225,015)	184,574
Distributions	(8,075)	-	-	(8,075)
Net loss	-	-	(143,185)	(143,185)
Net unrealized loss on hedging activities	-	(351,859)	-	<u>(351,859)</u>
Total comprehensive loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>495,044</u>
<b>Members' equity (deficit) at December 31, 2008</b>	<u>\$ 478,055</u>	<u>\$ (428,400)</u>	<u>\$ (368,200)</u>	<u>\$ (318,545)</u>

The accompanying notes are an integral part of these consolidated financial statements.

**Skyway Concession Company Holdings, LLC and Subsidiary**  
(A Delaware Limited Liability Company)  
**Consolidated Statements of Cash Flows**  
**Years Ended December 31, 2008 and 2007**  
(in thousands of dollars)

	2008	2007
<b>Cash flows from operating activities</b>		
Net loss	\$ (143,185)	\$ (84,249)
Adjustments to reconcile net loss to net cash used in operating activities		
Amortization of deferred financing costs included in interest	713	713
Refinancing insurance premium expense	6,291	6,284
Depreciation and amortization of property and equipment	6,268	8,804
Amortization of concession rights	15,286	15,286
Loss on disposal of property and equipment	810	-
Net unrealized loss on hedging activities	128,728	65,934
Financing components of derivatives	(62,778)	(59,594)
Changes to operating assets and liabilities		
Accounts receivable	222	(62)
Receivable from related parties	(221)	1,082
Prepaid expenses and security deposits	(105)	(510)
Accounts payable	(192)	(567)
Accrued other liabilities	(1,759)	(1,118)
Due to related parties	226	142
Accrued interest	5,302	1,870
Net cash flows used in operating activities	<u>(44,394)</u>	<u>(45,985)</u>
<b>Cash flows from investing activities</b>		
Purchase of property and equipment	(3,945)	(25,535)
Change in restricted cash and cash equivalents and cash reserve accounts	(3,110)	47,238
Net cash flows provided by (used in) investing activities	<u>(7,055)</u>	<u>21,703</u>
<b>Cash flows from financing activities</b>		
Refinancing insurance premium paid	(3,235)	(3,328)
Financing derivatives	62,778	59,594
Distributions and return of capital	(8,075)	(22,300)
Repayment of subdebt	-	(10,167)
Net cash flows from financing activities	<u>51,468</u>	<u>23,799</u>
Net change in cash	19	(483)
<b>Cash</b>		
Beginning of year	41	524
End of year	<u>\$ 60</u>	<u>\$ 41</u>
<b>Supplemental disclosure of cash flow information</b>		
Cash paid during the year for interest	<u>\$ 33,029</u>	<u>\$ 32,540</u>
<b>Supplemental disclosure of non-cash financing activities</b>		
Purchase of property and equipment under liabilities	<u>\$ 261</u>	<u>\$ 167</u>
Net unrealized loss on hedging activities	<u>\$ (351,859)</u>	<u>\$ (76,768)</u>
Conversion of interest to additional subordinated debt	<u>\$ 2,781</u>	<u>\$ 411</u>

The accompanying notes are an integral part of these consolidated financial statements.

# Skyway Concession Company Holdings, LLC and Subsidiary

(A Delaware Limited Liability Company)

## Notes to Consolidated Financial Statements

December 31, 2008 and 2007

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### 1. Description of Operations

Skyway Concession Company Holdings, LLC (the "Company") is a limited liability company formed pursuant to the laws of the State of Delaware. The Company wholly owns a subsidiary, Skyway Concession Company, LLC ("SCC").

The Company is indirectly owned 55% by Cintra Concesiones de Infraestructuras de Transporte, S.A. ("Cintra") and 45% by Macquarie Infrastructure Group and Macquarie Infrastructure Partners ("Macquarie") (collectively the "Members").

SCC was formed for the purpose of (1) leasing the Skyway Toll Bridge (the "Chicago Skyway") from the City of Chicago and (2) operating and collecting the toll revenues and maintaining the Chicago Skyway per the terms of the Concession and Lease Agreement between SCC and the City of Chicago.

The Chicago Skyway is a 7.8 mile limited access highway that was opened to traffic in 1959 and provides an important link between downtown Chicago and the surrounding communities. The Skyway provides two three-lane roadways, separated by a continuous reinforced concrete barrier median that links the Indiana Toll Road (I-90) on the eastern end to the Dan Ryan Expressway (I-94) on the western end. Approximately five miles of the highway consist of paved roadway. The balance of the roadway consists of various types of elevated bridge structures such as overpasses, long viaduct sections and the Calumet River Bridge with its connected ramps. The Calumet River Bridge itself is 2,458 feet in length and provides navigation clearance of 125 feet vertically and 200 feet horizontally.

On January 24, 2005, the closing date, as defined under the Concession and Lease agreement, SCC made a payment of \$1.83 billion to the City of Chicago and consequently assumed the operations of the Chicago Skyway.

The Concession and Lease agreement, among other things, requires SCC to:

- Be responsible for all aspects of the Chicago Skyway operations and to be in accordance with the provisions of the Concession and Lease agreement and applicable law.
- Comply with the Minority/Women Business Enterprise ("M./W.B.E.") requirements so long as the M./W.B.E. of Section 2-92-420 et seq. of the Municipal Code and the M./W.B.E. construction program requirements of Section 2-92-650 et seq. of the City of Chicago Municipal Code are in full force and effect.
- Fund and complete certain capital improvements (estimated to cost \$80 million at January 24, 2005).

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**2. Summary of Significant Accounting Policies**

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

**Principles of Consolidation**

The accompanying consolidated financial statements include the accounts of the Company and SCC. All significant intercompany balances and transactions have been eliminated.

**Cash and Cash Equivalents**

The Company and SCC consider all short-term investments with original maturities of three months or less to be cash equivalents. Cash equivalents include short-term investments in money market mutual funds.

**Restricted Cash and Cash Reserves**

SCC deposits all of its cash collections into a designated bank account. Transfers of funds from this designated bank account into the operation and capital expenditure bank accounts require the approval of SCC's lenders. Restricted cash and cash equivalents as of December 31, 2008 and 2007 pertain to project accounts (see Note 4).

**Accounts Receivable**

Beginning April 1, 2008, SCC's electronic toll collection ("ETC") transactions are processed by a related party, ITR Concession Company, LLC ("ITRCC"). Amounts due from ITRCC for having processed these ETC transactions are presented in accounts receivable in the Company's consolidated balance sheet as of December 31, 2008. Until April 1, 2008, SCC's ETC transactions were processed by the Illinois State Toll Highway Authority ("ISTHA"), a third party, with the amount due from ISTHA presented in accounts receivable in the Company's consolidated balance sheet as of December 31, 2007.

The ETC transactions processed by ITRCC on behalf of SCC include both amounts for prepaid and postpaid tolls incurred by motorists on the Chicago Skyway. Management regularly reviews its postpaid tolls receivable and provides an allowance for those amounts when it considers them uncollectible. In establishing the allowance for doubtful accounts, SCC considers historical write-off experience and amounts past due exceeding predetermined criteria. The actual amount of accounts that are not collected in a timely manner may differ from the allowance estimated by management.

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### **Financial Guaranty Insurance Policy**

As a condition precedent to the Series A and Series B Bonds (collectively, the "Bonds"), SCC was required to enter into a financial guaranty insurance policy, guaranteeing the repayment of the Bonds. In order to meet the condition precedent, SCC entered into a 40 year financial guaranty insurance policy. Under the terms of the agreement, SCC was required to prepay \$38.9 million of the net present value of a portion of the periodic premium payments as well as make the remaining premium payments over the life of the policy. SCC has deemed the net present value of such periodic premium payments to be made over the life of the Bonds and the \$38.9 million prepayment to be debt issuance cost. SCC amortizes these debt issuance costs using the effective interest method over the life of the Bonds and accretes the periodic premium payments to their net present value through interest expense. For the year ended December 31, 2008 and 2007, SCC has recorded \$8.8 million of interest expense in the statement of operations related to amortization of the prepaid premium and accretion of interest on the periodic premium payments.

As of December 31, 2008 and 2007, \$3.1 million of the prepaid premium has been recorded in current assets and \$25.5 million and \$28.5 million, respectively, has been recorded in long-term assets.

### **Property and Equipment**

Property and equipment includes purchased property and equipment and the bridges and roads, buildings, leasehold interests on land and leasehold improvements and other furniture, fixtures and equipment associated with operating the Chicago Skyway.

Effective January 1, 2008, the Company changed its method of depreciation for highway-related property and equipment from the straight-line method to a "modified units of production" method which makes use of traffic volume over an asset's estimated useful life. This method is referred to as the "traffic-based depreciation method". Under the traffic-based depreciation method, depreciation of an asset is a function of both time and usage. The impact of usage on depreciation is taken into account by use of traffic volume. The time factor implies that an asset has a maximum longevity, regardless of usage and depreciation expense cannot be less than the straight-line amount which would be calculated using the asset's maximum economic life. Depreciation expense for an individual asset is the greater of the amount computed under the traffic-based method or straight-line over the individual asset's maximum economic life. The Company has concluded that the traffic-based depreciation method better reflects the consumption of the expected benefits of these assets and therefore represents a preferable method of depreciation for highway-related property and equipment.

The Company has accounted for the change in the method of depreciation for its highway-related property and equipment as a change in accounting estimate under Statement of Financial Accounting Standards No. 154 "Accounting Changes and Error Corrections" ("SFAS 154"), which requires that a change in accounting estimate is accounted for in (a) the period of change if the change affects that period only or (b) the period of change and future periods if the change affects both.

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Depreciation expense for highway-related assets was \$5.8 million for the year ended December 31, 2008 and is included in depreciation and amortization in the Company's consolidated statement of operations for the year ended December 31, 2008. Had the Company continued using the straight-line method of depreciation for highway-related assets, depreciation expense for highway-related assets would have been \$10.3 million for the year ended December 31, 2008.

Property and equipment are stated at cost less accumulated depreciation. SCC capitalizes additions and improvements that add to productive capacity or extend an asset's useful life. Maintenance and repair expenditures are charged to operations as incurred. Depreciation is recorded over the following useful lives, under the modified units of production method for highway-related assets and the straight line method for all other assets during the year ended December 31, 2008, and under the straight line method for all assets during the year end December 31, 2007.

Bridges and roads	5 to 50 years
Machinery and equipment	5 years
Tools	5 years
Furniture and fixtures	7 years
Computer and office equipment	5 years
Vehicles	5 years
Electrical facilities	5 years

For the year ended December 31, 2008 and 2007, total depreciation expense was \$6.3 million and \$8.8 million, respectively.

SCC originally recorded the aggregate fair value of property and equipment acquired by major category on the basis of an appraisal performed by an outside independent appraiser when they were acquired in connection with the Concession and Lease Agreement, see Note 3. When components of these major property and equipment categories are removed from service, (either through sale, abandonment, or the item having been rendered functionally obsolete), SCC estimates the remaining net book value of the property and equipment being disposed and recognizes a gain or loss on disposal for the removed item. For property and equipment acquired subsequent to the inception of the Concession and Lease Agreement, when an item is removed from service, SCC recognizes a gain or loss on disposal for the removed item on a specific identification basis.

### Concession Rights

The value assigned to the right to operate the Chicago Skyway is amortized on a straight-line basis over the life of the Concession and Lease agreement of 99 years and assumes no residual value.

# Skyway Concession Company Holdings, LLC and Subsidiary

(A Delaware Limited Liability Company)

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### **Impairment of long-lived assets**

The Company reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flow expected to be generated by the asset (undiscounted and without interest charges). If such assets are considered to be impaired, the impairment recognized is measured by the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets. The Company has not recognized any impairment on long-lived assets as of December 31, 2008 and 2007.

### **Concession and Lease Agreement Direct Costs**

SCC has capitalized those costs directly related to entering into the Concession and Lease agreement and has included such costs in the total amount allocated to property and equipment under lease or concession rights based upon relative fair values (see Note 3).

### **Deferred Financing Costs**

Deferred financing costs consist of costs incurred in connection with obtaining the Company and SCC's debt. The costs have been capitalized and are amortized to interest expense over the terms of the debt using the effective interest method. Amortization expense related to deferred financing costs was \$0.7 million for the years ended December 31, 2008 and 2007. Annual amortization expense of deferred financing costs for the next five years amounts to \$0.7 million.

### **Construction Retention**

Retention amounts represent amounts due to contractors upon significant completion of construction contracts which are withheld pending final inspection of the works performed. Retention amounts withheld from invoices range from 5% to 10% of the underlying invoice total and are recorded as an accrued liability at the time payment is made on the underlying invoice. As of December 31, 2008 and 2007, \$0.3 million and \$1.7 million was recorded for construction retention, respectively, and is recorded in accrued liabilities in the consolidated balance sheets.

### **Income Taxes**

The Company operates as a limited liability company and is a disregarded entity for federal and state income tax purposes. The Company is not liable for U.S. federal income taxes as its members recognize their share of income and loss in their respective tax return. Accordingly, no provision for U.S. federal income taxes is recorded.

### **Traffic and Revenue Recognition**

Revenues include toll revenues which are recognized at the time vehicles use the Chicago Skyway. Lease revenues consist of two components, fixed and variable. The fixed component is recognized on a straight-line basis over the life of the lease while the variable component is recognized as a percentage of the lessees' gross revenues in the year those revenues are earned. Toll revenues are collected in two ways:

#### **Cash Collections**

Cash received at the actual toll booths each day is deposited into deposit accounts.

#### **I-Pass, EZ-Pass, and I-Zoom Revenues**

I-Pass and EZ-Pass were implemented in 2005, whereas I-Zoom began in April of 2008. Customers are charged according to the electronic tolling record of usage.

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Total electronic toll collection accounted for approximately 51.3% and 41.4% of the total traffic in 2008 and 2007, respectively.

Toll rates are based on number of axles per vehicle and are subject to the maximum amounts to which SCC is entitled, in accordance with the terms of the Concession and Lease agreement. The toll rates in effect as at December 31, 2008 and 2007 were as follows:

Vehicle Classification	2008		2007	
	4 a.m. to 8 p.m.	8 p.m. to 4 a.m.	4 a.m. to 8 p.m.	8 p.m. to 4 a.m.
2 axles	\$ 3.00	\$ 3.00	\$ 2.50	\$ 2.50
3 axles	7.60	5.40	5.10	3.60
4 axles	10.10	7.20	6.80	4.80
5 axles	12.60	9.00	8.40	6.00
6 axles	15.20	10.80	10.10	7.20
7 or more axles	17.70	12.60	11.80	8.40

**Accounting for Derivative Instruments and Hedging Activities**

SCC and the Company account for derivatives and hedging activities related to their interest rate swaps in accordance with Statement of Financial Accounting Standards (SFAS) No. 133, Accounting for Derivative Instruments and Hedging Activities, as amended by SFAS No. 137, Accounting for Derivative Instruments and Hedging Activities—Deferral of Effective Date of FASB Statement No. 133, SFAS No. 138, Accounting for Certain Derivative Instruments and Certain Hedging Activities, and SFAS No. 149, Amendment of Statement 133 on Derivative Instruments and Hedging Activities.

SFAS No. 133 requires that all derivative financial instruments be recorded on the balance sheet at fair value. Changes in fair values are recorded each period in income or Other Comprehensive Income (“OCI”), depending on whether a derivative is designated as part of a hedge transaction and, if it is, the type of hedge transaction. SCC and the Company formally document all relationships between derivative hedging instruments and hedged items, as well as their method of assessing hedge effectiveness.

If certain conditions are met, a derivative may be specially designated as (a) a hedge of the exposure to changes in the fair value of a recognized asset or liability or an unrecognized firm commitment, (b) a hedge of the exposure to variable cash flows of a forecasted transaction, or (c) a hedge of the foreign currency exposure of a net investment in a foreign-currency-dominated forecasted transaction. The accounting for changes in the fair value of a derivative depends on the intended use of the derivative and resulting designation.

For a qualifying cash flow hedge, changes in the fair value of the derivative, to the extent that the hedge is effective, are recorded in OCI, until earnings are affected by the variability of cash flows of the hedged transaction. Any ineffective portion of a cash flow hedge is immediately recognized as a derivative gain or (loss) in the statement of operations. Amounts recorded in OCI are reclassified to interest income or interest expense during the period in which the hedged transaction impacts earnings, unless (a) occurrence of the forecasted transaction is not probable, in which case the amount in accumulated OCI is reclassified to earnings immediately, (b) SCC or the Company expect at any time that continued reporting of a net loss in accumulated OCI would lead to recognizing a net loss on the combination of the hedging instrument and hedged transaction (and

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related asset acquired or liability incurred) in one or more future periods, in which case the loss is reclassified immediately into earnings for the amount that is not expected to be recovered, or (c) the occurrence of the forecasted transaction was the issuance of long-term debt; in which case, SCC or the Company recognize the effective portion of the cumulative changes in fair value as interest expense over the life of the long-term debt.

If a derivative no longer qualifies as a cash flow hedge, SCC or the Company will discontinue hedge accounting prospectively. SCC or SCCH continues to carry the derivative on the balance sheet at fair value and records further changes in fair value in the statements of operations as derivative gain or loss on hedging activities until the derivative is terminated or re-designated.

Currently SCC and the Company only designate and account for their hedge relationships using cash flow hedge accounting.

The changes in the value of undesignated derivatives are recorded as derivative income (loss) in the statement of operations.

All derivatives are recorded on the balance sheet at their estimated fair value. Where available, the fair value of derivative instruments is based on quoted market prices received from knowledgeable independent sources. However, active markets do not exist for all of the Company's derivative instruments. Consequently, the independent sources the Company uses to obtain quoted market prices may use estimating techniques, such as discounted cash flow analysis and comparison to similar instruments to determine fair values. Estimates developed by these independent sources involve subjective judgment about the amount, timing and probabilities of potential future cash flows. These estimates are susceptible to material change over time.

### **Fair Value of Financial Instruments**

As of December 31, 2008, the carrying amount of certain financial instruments employed by the Company and SCC, including restricted cash and cash equivalents, accounts receivable, accounts payable and accrued expenses were representative of their fair values because of the short-term maturity of these instruments.

The carrying amount reported in the consolidated balance sheet as of December 31, 2008 and 2007 for long-term debt is \$1.6 billion. Using a discounted cash flow technique, the Company has determined the fair value of its debt to be \$1.2 billion at December 31, 2008. In determining the fair value, the Company considered an interest rate spread that would be issued for comparable debt. As of December 31, 2007, the fair value of the Company's debt approximated its carrying value.

Interest rate swap agreements have been recorded at their estimated fair values as discussed in Note 8.

Effective January 1, 2008, the Company adopted SFAS No. 157, *Fair Value Measurements* ("FAS 157"). FAS 157 clarifies the definition of fair value, prescribes methods for measuring fair value, establishes a fair value hierarchy based on the inputs used to measure fair value and expands disclosures about the use of fair value measurements. These additional disclosures are provided in Note 8.

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In accordance with Financial Accounting Standards Board Staff Position No. FAS 157-2, *Effective Date of FASB Statement No. 157* ("FSP 157-2"), SCC and the Company deferred the adoption of FAS 157 for nonfinancial assets and nonfinancial liabilities, except those items recognized or disclosed at fair value on an annual basis, until January 1, 2009.

**Recent Accounting Pronouncement**

In September 2008, the Financial Accounting Standards Board ("FASB") adopted Statement of Financial Accounting Standards No. 161 "Disclosures about Derivative Instruments and Hedging Activities, an amendment to FAS 133" ("FAS 161"). FAS 161 expands the required disclosures pertaining to the Company's derivative instruments and hedging activities in terms of the risks the Company intends to manage with these strategies. FAS 161 is effective for fiscal years beginning after November 15, 2008 and will not have an impact on the financial position of SCC.

**Reclassifications**

Certain accounts in 2007 were reclassified to conform with the 2008 financial statements presentation.

**3. Investment in Concession and Lease Agreement**

On January 24, 2005, SCC paid to the City of Chicago \$1.83 billion for the following:

- Right to use roads and bridges which form part of the Chicago Skyway Toll Bridge,
- Right to use buildings which housed the office and the toll booths,
- A leasehold interest in the land associated with the Chicago Skyway,
- Right to use certain computer software and hardware for the operation of the Toll Bridge,
- Right to use certain furniture and fixtures and
- A concession right to operate the toll bridge

The Concession and Lease Agreement included both the acquisition of certain "Concession Rights" and the right to lease certain tangible assets, namely the bridges and roads, buildings, leasehold interest on the land, leasehold improvements, furniture, fixtures, and equipment associated with operating the Chicago Skyway. SCC has determined that a lease exists, (the "Lease Arrangement"), under the guidance of EITF 01-08, "Determining Whether an Arrangement Contains a Lease" as the Agreement conveyed the right to SCC to operate the underlying property and equipment and SCC has taken on the financial risk associated with operating such property and equipment.

SCC has also determined that the Concession and Lease Agreement contains a lease arrangement that qualifies as a capital lease under FAS 13, "Accounting for Leases" since the term of the Concession and Lease Agreement exceeds 75% of the economic useful life of the leased property. Consequently, the one-time lease payment of \$1.83 billion has been allocated to the tangible assets and the intangible asset, "Concession Rights," based on their relative fair market values.

All rights and leasehold interests are for a period of 99 years.

SCC used an outside independent appraiser to help determine the fair values of the various assets associated with the Concession and Lease agreement.

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SCC allocated the \$1.83 billion paid to the City of Chicago and \$17 million of other direct costs associated with entering into the Concession and Lease Agreement to the following assets based upon their relative fair values:

Concession rights	\$ 1,513,272
Bridges and roads	322,510
Buildings	1,003
Leasehold interest in land	8,618
Furniture and fixtures	666
Computer and office equipment	1,110
	<u>\$ 1,847,179</u>

#### 4. Project Accounts System (Cash Reserve Accounts)

Under the terms of the Series A and Series B Bonds, SCC maintains the following restricted cash accounts held by banks, as applicable, when the requirement to do so arises:

- Collection account
- Proceeds account
- Operations account--operating costs disbursement account, Schedule 2 works disbursement account, the major maintenance disbursement account and the capital improvement account
- Bond payment accounts--Series A Bonds, Series B Bonds
- Operational reserve account
- Debt service reserve account
- Major maintenance reserve account
- Distribution account
- Senior indebtedness redemption account
- Cash sweep redemption account
- Schedule 2 works reserve account
- Capital improvement account
- City loss compensation account
- Revenue stabilization reserve account
- Additional FSA-insured indebtedness payment accounts (if and when required)
- Loss proceed account (if and when required)
- Permitted swap counterparty collateral accounts (if and when required)

All of the project accounts are under the control of a common security representative and any withdrawals from these accounts need approval of the latter. These restricted cash accounts are set up to fund the operating and capital expenditure requirements of SCC.

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As of December 31, 2008 and 2007, balances exist in the following cash reserve accounts:

	<b>2008</b>	<b>2007</b>
Collections account	\$ 363	\$ 635
Operating account	999	1,462
Proceeds account	1,035	2,332
Revenue stabilization reserve	6,255	7,527
Schedule 2 works revenue	13,824	18,750
Operational reserve	4,003	4,014
Debt service reserve	30,085	25,067
Bond payment account	9	31
Distribution account	16,248	9,893
	<u>72,821</u>	<u>69,711</u>
Less - current portion	(17,611)	(11,990)
	<u>\$ 55,210</u>	<u>\$ 57,721</u>

**5. Intangible Assets**

As of December 31, 2008 and 2007, the Company's intangible assets consisted of the following:

	Estimated Useful Lives (in years)	2008			2007		
		Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Concession rights	99	\$ 1,513,358	\$ 60,140	\$ 1,453,218	\$ 1,513,358	\$ 44,854	\$ 1,468,504

Amortization expense related to intangible assets was \$15.3 million for the years ended December 31, 2008 and 2007. Annual amortization expense of intangible assets for each of the next five years amounts to \$15.3 million per year.

**6. Debt**

Long-term debt consists of the following at December 31, 2008 and 2007:

	<b>2008</b>	<b>2007</b>
Series A bonds	\$ 439,000	\$ 439,000
Series B bonds	961,000	961,000
Subordinated debt	152,513	149,732
	<u>\$ 1,552,513</u>	<u>\$ 1,549,732</u>

**Series A and B Bonds**

On August 16, 2005, SCC issued two series of bonds totaling \$1.4 billion.

The Series A Senior Secured Floating Rate Bonds (\$439 million) are due in 2017 and bear interest at 3-month LIBOR, 3.76% at December 31, 2008 (5.20% at December 31, 2007) plus 0.28% per annum. Principal on the Series A Bonds is payable in full at maturity.

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The Series B Senior Secured Floating Rate Bonds (\$961 million) are due in 2026 and bear interest at 3-month LIBOR, 3.76% at December 31, 2008 (5.20% at December 31, 2007) plus 0.38% per annum. Principal on the Series B Bonds is payable on the 30th day of June and December of each year, commencing on June 30, 2019 in accordance with the amortization schedule set forth below:

### Series B Bonds - Principal Payment Schedule

Payment date	Principal Payment
June 30, 2019	\$ 25,192
December 30, 2019	152,033
June 30, 2020	152,033
December 30, 2020	41,955
June 30, 2021	41,955
December 30, 2021	44,475
June 30, 2022	44,475
December 30, 2022	47,174
June 30, 2023	47,174
December 30, 2023	57,218
June 30, 2024	57,218
December 30, 2024	60,765
June 30, 2025	60,765
December 30, 2025	64,284
June 30, 2026	64,284
	<u>\$ 961,000</u>

Interest on the Series A and B bonds will be payable quarterly in arrears on the 30th day of March, June, September and December, commencing September 30, 2005.

Pursuant to a financial guaranty insurance policy or the Bond Insurance policy issued by Financial Security Assurance Inc. ("FSA"), FSA unconditionally and irrevocably guarantees the timely payment of scheduled installments of principal and accrued and unpaid interest on the Series A Bonds and Series B Bonds and the related interest rate swap payments (see Note 7).

The terms of the bonds also provide for the following:

- a) Optional redemption at any time after September 30, 2010 at a redemption price set as follows:
  - 103% of the principal amount being redeemed plus any accrued interest, if redeemed within the 12-month period commencing on September 30, 2010;
  - 102% of the principal amount plus any accrued interest if the optional redemption occurs during the 12-month period commencing on September 30, 2011;
  - 101% of the principal amount plus any accrued interest if the optional redemption occurs during the 12-month period commencing on September 30, 2012; and
  - 100% of the principal amount plus any accrued interest if the optional redemption occurs on or after September 30, 2013.

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- b) Various restrictive covenants common to such agreements, including limitations on sale of assets (not to exceed \$2.0 million per year); incurrence of additional debt outside of the permitted indebtedness and limitations on investments and distributions.

The bonds were issued pursuant to an indenture and offered within the United States to qualified buyers in reliance on Rule 144A under the Securities Act and to a limited number of institutional “accredited investors” (as defined in Rule 501(a)(1), (2), (3) or (7) under the Security Act); and outside the United States pursuant to Regulation S under the Securities Act.

**Subordinated Debt**

On August 17, 2005, the Company entered into a loan agreement for a term loan of \$150 million.

The loan matures 30 years from the date of closing (August 17, 2035).

The interest rates for the subordinated loan are as follows:

From August 17, 2005 to August 16, 2008	6-month LIBOR + 2.50%
From August 17, 2008 to August 16, 2011	6-month LIBOR + 2.75%
From August 17, 2011 to August 17, 2035	6-month LIBOR + 3.00%

The 6-month LIBOR rate at December 31, 2008 is 3.10% (5.39% at December 31, 2007). Interest payments are due on January 10 and July 10 of each year. During the year ended December 31, 2008, no principal payments were made. During the year ended December 31, 2007, \$10.2 million of principal payments were made. During the year ended December 31, 2008 and 2007, \$11.2 million and \$12.1 million of interest payments were made, respectively. In addition, \$2.8 million and \$0.4 million of interest was converted to additional principal during the year ended December 31, 2008 and 2007, respectively.

The terms of the loan agreement provide for prepayments of the loan at the option of the Company and various restrictive covenants common to such agreements, including a limitation on incurrence of indebtedness outside of the loan agreement and those permitted under this loan agreement and limitations on investments.

The subordinated debt is subordinated to the Series A and Series B Bonds.

**7. Derivatives**

The Series A and B bond agreements between SCC and its lenders require SCC to enter into a hedging transaction. Accordingly, SCC entered into four interest rate swaps (the “Series A and Series B Swaps”), as set out in the table below.

Description	Notional Amount	Counterparty
Series A swap	\$ 219,500	Citibank
Series A swap	219,500	Goldman Sachs
Series B swap	480,500	Citibank
Series B swap	480,500	Dexia Credit Local

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The details of the Series A and Series B swaps are as follows:

Series A swaps	
Trade date	August 8, 2005
Effective date	August 16, 2005
Termination date	June 30, 2017
Floating rate option	USD-LIBOR-BBA
Spread	Plus 0.28%
Floating rate day count fraction	Actual/360
Floating rate period end date	Quarterly on each March 30, June 30, September 30 and December 30 commencing on September 30, 2005
Fixed rate amount	See Table A
Series B swaps	
Trade date	August 8, 2005
Effective date	August 16, 2005
Termination date	June 30, 2026
Floating rate option	USD-LIBOR-BBA
Spread	Plus 0.38%
Floating rate day count fraction	Actual/360
Floating rate period end date	Quarterly on each March 30, June 30, September 30 and December 30 commencing on September 30, 2005
Fixed rate amount	See Table B

SCC's effective interest rate on the Series B Swaps was 5.74% and 5.80% for the year ended December 31, 2008 and 2007, respectively.

SCC designated the Series A swaps as cash flow hedges and records the effective portion of the hedge as a component of other comprehensive income. SCC uses the hypothetical derivative method to determine the ineffective portion of the Series A swaps and records those amounts as derivative income (loss) in the statement of operations.

On December 16, 2005, SCC designated 75% of each of the Series B swaps as cash flow hedges. From August 16 through December 16, 2005, SCC recorded all the effects of and changes in the fair value of the Series B swaps as derivative loss in the statement of operations. From December 16, 2005 forward, SCC recorded the effective portion of the Series B swaps as a component of other comprehensive income and the ineffective portion as derivative loss. SCC utilizes the hypothetical derivative method to determine the ineffective portions of the Series B swaps.

Because an other than insignificant financing element is included in the structure of the Series A and Series B swaps (i.e. deferred interest payments), cash inflows and outflows associated with Series A and Series B swaps are included in cash flows from financing activities in the statement of cash flows.

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**Swap A Fixed Payments**

<b>Payment Dates</b>	<b>Fixed Payment</b>	<b>Notional Amount</b>	<b>Payment Dates</b>	<b>Fixed Payment</b>	<b>Notional Amount</b>
September 30, 2005		\$ 439,000	September 30, 2011		\$ 439,000
December 30, 2005	\$ 10,569	439,000	December 30, 2011	\$ 10,569	439,000
March 30, 2006		439,000	March 30, 2012		439,000
June 30, 2006	10,569	439,000	June 30, 2012	10,569	439,000
September 30, 2006		439,000	September 30, 2012		439,000
December 30, 2006	10,569	439,000	December 30, 2012	10,569	439,000
March 30, 2007		439,000	March 30, 2013		439,000
June 30, 2007	10,569	439,000	June 30, 2013	10,569	439,000
September 30, 2007		439,000	September 30, 2013		439,000
December 30, 2007	10,569	439,000	December 30, 2013	10,569	439,000
March 30, 2008		439,000	March 30, 2014		439,000
June 30, 2008	10,569	439,000	June 30, 2014	10,569	439,000
September 30, 2008		439,000	September 30, 2014		439,000
December 30, 2008	10,569	439,000	December 30, 2014	12,907	439,000
March 30, 2009		439,000	March 30, 2015		439,000
June 30, 2009	10,569	439,000	June 30, 2015	12,907	439,000
September 30, 2009		439,000	September 30, 2015		439,000
December 30, 2009	10,569	439,000	December 30, 2015	12,907	439,000
March 30, 2010		439,000	March 30, 2016		439,000
June 30, 2010	10,569	439,000	June 30, 2016	12,907	439,000
September 30, 2010		439,000	September 30, 2016		439,000
December 30, 2010	10,569	439,000	December 30, 2016	12,907	439,000
March 30, 2011		439,000	March 30, 2017		439,000
June 30, 2011	10,569	439,000	June 30, 2017	12,907	439,000

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**Swap B Fixed Payments**

<b>Payment Dates</b>	<b>Fixed Payment</b>	<b>Notional Amount</b>	<b>Payment Dates</b>	<b>Fixed Payment</b>	<b>Notional Amount</b>
September 30, 2005		\$ 961,000	March 30, 2016		\$ 961,000
December 30, 2005	\$ 293	961,000	June 30, 2016	\$ 19,241	961,000
March 30, 2006		961,000	September 30, 2016		961,000
June 30, 2006	293	961,000	December 30, 2016	20,229	961,000
September 30, 2006		961,000	March 30, 2017		961,000
December 30, 2006	129	961,000	June 30, 2017	20,229	961,000
March 30, 2007		961,000	September 30, 2017		961,000
June 30, 2007	129	961,000	December 30, 2017	283,688	961,000
September 30, 2007		961,000	March 30, 2018		961,000
December 30, 2007		961,000	June 30, 2018	283,688	961,000
March 30, 2008		961,000	September 30, 2018		961,000
June 30, 2008		961,000	December 30, 2018	195,876	961,000
September 30, 2008		961,000	March 30, 2019		961,000
December 30, 2008	3,846	961,000	June 30, 2019	170,684	961,000
March 30, 2009		961,000	September 30, 2019		961,000
June 30, 2009	3,846	961,000	December 30, 2019		961,000
September 30, 2009		961,000	March 30, 2020		961,000
December 30, 2009	5,077	961,000	June 30, 2020		961,000
March 30, 2010		961,000	September 30, 2020		961,000
June 30, 2010	5,077	961,000	December 30, 2020		961,000
September 30, 2010		961,000	March 30, 2021		961,000
December 30, 2010	5,983	961,000	June 30, 2021		961,000
March 30, 2011		961,000	September 30, 2021		961,000
June 30, 2011	5,983	961,000	December 30, 2021		961,000
September 30, 2011		961,000	March 30, 2022		961,000
December 30, 2011	10,324	961,000	June 30, 2022		961,000
March 30, 2012		961,000	September 30, 2022		961,000
June 30, 2012	10,324	961,000	December 30, 2022		961,000
September 30, 2012		961,000	March 30, 2023		961,000
December 30, 2012	11,752	961,000	June 30, 2023		961,000
March 30, 2013		961,000	September 30, 2023		961,000
June 30, 2013	11,752	961,000	December 30, 2023		961,000
September 30, 2013		961,000	March 30, 2024		961,000
December 30, 2013	16,373	961,000	June 30, 2024		961,000
March 30, 2014		961,000	September 30, 2024		961,000
June 30, 2014	16,373	961,000	December 30, 2024		961,000
September 30, 2014		961,000	March 30, 2025		961,000
December 30, 2014	14,894	961,000	June 30, 2025		961,000
March 30, 2015		961,000	September 30, 2025		961,000
June 30, 2015	14,894	961,000	December 30, 2025		961,000
September 30, 2015		961,000	March 30, 2026		961,000
December 30, 2015	19,241	961,000	June 30, 2026		961,000

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On August 17, 2005, Skyway Concession Company Holdings LLC entered into interest rate swap agreements (the "Subordinated Debt Swaps") with following banks:

<b>Bank</b>	<b>Notional Amount</b>
Banco Bilbao Vizcaya Argentaria	\$ 50,000
Banco Santander Central Hispano, S.A.	50,000
CALYON	50,000

The details of the subordinated debt swaps are as follows:

Trade date	August 17, 2005
Effective date	August 19, 2005
Termination date	July 10, 2011
Floating rate option	USD-LIBOR
Spread	
Floating rate day count fraction	Actual/360
Floating rate period end date	Semiannual on January 10 and July 10
Fixed rate	4.68%

The terms of the above swap agreements provide for varying notional amounts during the life of the swaps ranging from \$44.5 million to \$53.6 million.

The Company has designated the subordinated debt and the subordinated debt swaps in a cash flow hedge relationship which the Company believes is 100% hedged and accordingly records the effective portion of the subordinated debt swaps as a component of other comprehensive income and the ineffective portion as derivative loss.

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A summary of the changes in fair value of the Company and SCC's derivatives is as follows:

	Series A Swaps	Series B Swaps	Subordinated Debt Swaps	Total
<b>Balance at December 31, 2006</b>	\$ 13,658	\$ (88,731)	\$ 2,840	\$ (72,233)
Derivative income (loss) charged to operations from January 1, 2007 through December 31, 2007	(5,792)	(749)	(654)	(7,195)
Interest expense from January 1, 2007 through December 31, 2007	-	(58,739)	-	(58,739)
Other comprehensive income (loss) from January 1, 2007 through December 31, 2007	<u>(13,773)</u>	<u>(57,955)</u>	<u>(5,040)</u>	<u>(76,768)</u>
<b>Balance at December 31, 2007</b>	(5,907)	(206,174)	(2,854)	(214,935)
Derivative income (loss) charged to operations from January 1, 2008 through December 31, 2008	(6,141)	(67,095)	(2,741)	(75,977)
Interest expense from January 1, 2008 through December 31, 2008	-	(52,751)	-	(52,751)
Other comprehensive income (loss) from January 1, 2008 through December 31, 2008	<u>(73,014)</u>	<u>(273,982)</u>	<u>(4,863)</u>	<u>(351,859)</u>
<b>Balance at December 31, 2008</b>	<u>\$ (85,062)</u>	<u>\$ (600,002)</u>	<u>\$ (10,458)</u>	<u>\$ (695,522)</u>

**8. Fair Value of Financial Instruments under FAS 157**

FAS 157 applies to all assets and liabilities that are being measured and reported on a fair value basis. FAS 157 establishes a framework for measuring fair value, prescribes methods for measuring fair value, establishes a fair value hierarchy based on the inputs used to measure fair value and expands disclosure about fair value measurements. FAS 157 requires that assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

Level 1: Quoted market prices in active markets for identical assets or liabilities.

Level 2: Observable market based inputs or unobservable inputs that are corroborated by market data.

Level 3: Unobservable inputs that are not corroborated by market data.

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The following table summarizes the valuation of our financial instruments by the above FAS 157 pricing levels as of the valuation dates listed:

	<b>December 31, 2008</b>		
	<b>Quoted Market Price (Level 1)</b>	<b>Significant Other Observable Inputs (Level 2)</b>	<b>Unobservable Inputs (Level 3)</b>
Money market investments	\$ -	\$ 71,458	\$ -
Total assets	\$ -	\$ 71,458	\$ -
Derivative instrument - liability position	\$ -	\$ 695,522	\$ -
Total liabilities	\$ -	\$ 695,522	\$ -

The unrealized gains and losses on money market investments are included in interest expense, net in the statement of operations. The unrealized gains and losses on derivatives are included in other comprehensive income, derivative loss and interest expense in the consolidated balance sheet and consolidated statement of operations (see Note 7).

The Company's derivative instruments require the Company to pay a fixed dollar amount of interest while the Company receives a variable dollar amount of interest based on the LIBOR swap rate. The LIBOR swap rate is observable at commonly quoted intervals for the full term of the swaps and therefore is considered a level 2 item. FAS 157 states that the fair value measurement of a liability must reflect the nonperformance risk of the entity. Therefore, the impact of the Company's creditworthiness has also been factored into the fair value measurement of the derivative instruments in a liability position.

**9. Related Party Transactions**

On June 29, 2006, SCC entered into a Cost Sharing agreement with ITR Concession Company LLC ("ITRCC"), an affiliate. The terms of the agreement provide that SCC and ITRCC share the compensation costs of certain SCC and ITRCC employees based upon an estimate of the amount of time spent by such employees to ITRCC and SCC. Likewise, the agreement provides for ITRCC to reimburse SCC approximately 50% of the utilities, repairs, supplies and other costs of maintaining and operating the SCC office. From time to time, ITRCC and SCC may add to, delete, change or modify the expenses to be shared and the percentages of such expenses which each party shall bear.

For the year ended December 31, 2008, and 2007, respectively, the total amount of costs charged to ITRCC in relation to this agreement amounted to \$1.6 million and \$1.5 million, respectively of which \$0.4 million and \$0.1 million remained outstanding at December 31, 2008 and 2007, respectively and are included in the receivable from related parties in the consolidated balance sheets. The total amount of costs charged to SCC by ITRCC amounted to \$0.1 million for the years ended December 31, 2008 and 2007 of which \$0.1 million remaining outstanding as of December 31, 2008 and 2007 and are included in due to related parties in the consolidated balance sheet.

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As part of the agreement between the Company's members, SCC is provided with certain secondees from the Company's Members or their affiliates and these secondees provide management services to the Company and SCC. The secondment arrangements are ongoing for the duration of the Concession and Lease agreement. In addition, the Company's Members, or their affiliates, from time to time, provide the Company or SCC with certain services related to operation of the Chicago Skyway. The services provided have included, but are not limited to, the payment of the initial start-up costs, acting as members on the Company's Board of Directors, maintenance of the Back Office System, and working or consulting on behalf of the Company or SCC. The Company or SCC reimburses its Members for the cost of providing these services. The total amount of costs incurred by the Company or SCC in relation to services provided by the Company's Members and the secondment arrangements for the year ended December 31, 2008 and 2007 amounted to \$1.8 million and \$0.9 million, respectively, of which \$0.5 million and \$0.3 million remained outstanding as of December 31, 2008 and 2007, respectively.

On September 23, 2008, Skyway Concession Company, LLC ("SCC") entered into a Electronic Toll Collection Agreement with ITR Concession Company, LLC ("ITRCC"), an affiliate. The terms of the agreement permit ITRCC to collect and process electronic toll collection ("ETC") transactions occurring on the Chicago Skyway on behalf of SCC. Cash received by ITRCC for ETC transactions having occurred on the Chicago Skyway is remitted to SCC according to terms of the agreement.

In exchange for collecting and processing ETC transactions on behalf of SCC, SCC reimburses ITRCC for fees and expenses related to this agreement incurred by ITRCC plus a margin of 10.0%.

In addition, ITRCC paid for the installation of certain hardware and software systems to permit the collection and processing of ETC transactions by ITRCC on behalf of SCC and SCC was responsible for the reimbursement of these amounts to ITRCC.

ITRCC processed a total amount of \$24.6 million under this agreement on behalf of SCC during the year ended December 31, 2008 and collected a total of \$21.6 million which was remitted to SCC. ETC transactions processed on behalf of SCC that remained outstanding as of December 31, 2008 totaled \$3.0 million and is included in the consolidated balance sheet as accounts receivable.

The Electronic Toll Collection Agreement is good through June 9, 2018 and may be extended if agreed upon by both parties.

#### **10. Commitments and Contingencies**

The Company and SCC may be subject to certain liabilities, claims and commitments in the ordinary course of business. The Company and SCC retain insurance for property and casualty risks related to the Chicago Skyway. Management believes purchased insurance coverage is adequate to cover all claims.

Under the terms of the Concession and Lease agreement, SCC is obligated to indemnify the City of Chicago for losses suffered by the City of Chicago arising out of, among other things, any failure on the SCC's part to comply with or observe any of the terms or obligations under the Concession and Lease agreement, any liabilities assumed by SCC relating to the Chicago Skyway or its operation after January 24, 2005 and any tax attributable to the transfer of SCC's interest to the Concession and Lease agreement.

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**11. Risks and Uncertainties**

The Company and SCC are subject to credit risk due to the risk of nonperformance by counterparties to the derivative agreements. If the recent disruptions in the credit markets continue, it may increase the likelihood that derivatives counterparties could experience liquidity or financial constraints that may prevent them from meeting their obligations to the Company or SCC which in turn could adversely affect the Company's financial condition and results of operations. In order to manage counterparty credit risk, management monitors the counterparties' credit ratings as determined by independent rating agencies. The counterparties credit ratings ranged from A to AA as of December 31, 2008.

**12. Subsequent Events**

On January 8, 2009, the Company made a distribution to its members of \$7.0 million and repaid \$7.0 million of accrued interest and principal on the subordinated debt.