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From: **Gerry Rea** <grea@gerryrea.co.nz>

Date: Fri, Jul 14, 2017 at 4:16 PM

Subject: Penlink

To: Stephen Lyttelton <stephen.lyttelton@gmail.com>

Hi Stephen

Further to our meeting today I set out my thoughts on a Public Private Partnership concept.

I emphasise my comments are based on information obtained from other parties and are estimates only. The figures can be revised but the concept I believe is the way forward for the project to become a reality.

I am informed the estimated total cost would be \$390m.

I am also told that the estimated revenue from tolls would be between 25% to 33% of the total cost.

I have worked on a middle of the road figure of 30% which equates to \$117m.

I have estimated the construction period to be 5 years.

Central Government needs to be involved and not Local Council.

Government would contribute \$140m as an interest free loan for 10 years but only required at completion of the contract.

A bond issue for public subscription of \$250m at 5% interest redeemable in 8 years and is underwritten by the Government.

Government would also grant a loan of \$70m interest free repayable in 6 years. This would be required for interest payments to bondholders, advertising, administration and set up costs.

Revenue from tolls in year 6 will be applied firstly in repayment of \$70m loan and the remainder towards building a capital repayment to bondholders.

Thereafter bondholders will be repaid in years 7 & 8.

Government are then repaid the full amount of their loan in years 9 & 10.

The public bond issue needs to be attractive to general public investors as this forms the backbone of the structure.

The project provides for the contractor to be paid progressively from bondholders contributions with the final payment paid by the Government.

Upon completion the project is handed on to Local Council who will have a debt free concept to collect revenues and maintain.

I would welcome the opportunity to discuss this concept with appropriate parties in the near future.

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