



HONOLULU AUTHORITY for RAPID TRANSPORTATION

## MINUTES

### Joint Meeting of the Finance Committee and Project Oversight Committee

Mission Memorial Annex Conference Room

550 South King Street, Honolulu, Hawaii

Thursday, March 7, 2013, 9:00 am

PRESENT:	Don Horner	Carrie Okinaga
	Robert "Bobby" Bunda	Ivan Lui-Kwan
	Glenn Okimoto	William "Buzz" Hong
	George Atta	Michael Formby
ALSO IN ATTENDANCE: (Sign-in Sheet and Staff)	Dan Grabauskas	Lorenzo Garrido
	Bill Brennan	Cindy Matsushita
	Diane Arakaki	Paul Migliorato
	Gary Takeuchi	Frank Genadio
	Joyce Oliveira	Doug Chun
	Duane Sayers	Lori Hiraoka
	Andrea Tantoco	Russell Honma
	Valene Sadural	Paula Youngling
	Wes Mott	
EXCUSED:	Damien Kim	Keslie Hui

#### I. Call to Order by Chair

Mr. Horner called the meeting to order at 9:00 a.m.

Mr. Horner stated that the joint committee would take an item out of order. He said that Ansaldo Honolulu JV would be making a presentation to the joint committee for transparency, pursuant to the budget proviso that it reassure the Board of its financial capacity as the Core Systems contractor. He said that Executive Director Dan Grabauskas as the chief procurement officer would decide how to proceed after the presentation.

#### II. Public Testimony on all Agenda Items

Mr. Horner called for public testimony, and there was none.

III. Approval of the February 7, 2013 Minutes of the Joint Meeting of the Finance Committee and Project Oversight Committee

Mr. Horner called for the approval of the February 7, 2013 minutes of the joint meeting of the Finance and Project Oversight Committees. There being no objections, the minutes were unanimously approved.

Board member Ivan Lui-Kwan stated that he had a previously disclosed conflict, and based upon advice of counsel, he would excuse himself from the Ansaldo presentation. Mr. Lui-Kwan left the meeting.

VII. Ansaldo Honolulu Joint Venture Presentation on Financial Capacity

Mr. Horner then asked the representatives of Ansaldo Honolulu JV (Ansaldo) to introduce themselves. Enrico Fontana, Project Manager and Managing Director, Ansaldo Honolulu JV, introduced himself. Joe Pozza, Vice President Administration, Finance and Treasurer, Ansaldo STS USA, introduced himself. He also introduced Christian Andi, the Chief Financial Officer and Financial Reporting Officer of Ansaldo STS, who joined the discussion from Italy via web conference.

Mr. Andi stated although he had planned to make the presentation in person, he had recently been in an accident that rendered him unable to travel. Mr. Horner stated that the presentation was a result of a substantial number of questions posed to Ansaldo in advance. He said that Ansaldo's PowerPoint presentation would be posted on HART's website. The presentation is attached hereto as Attachment A. Mr. Pozza said he would give a background of the joint venture, followed by an update on Ansaldo's financial capacity.

Mr. Horner asked when Ansaldo's financial statements were audited, and Mr. Pozza said that its Board of Directors had just approved its 2012 financials.

Mr. Pozza reported that Ansaldo is a joint venture between Ansaldo STS (STS) and AnsaldoBreda (Breda), both of which are jointly and severally liable to HART. Additionally, STS and Breda's parent company Finmeccanica ensures all of their obligations.

Mr. Pozza outlined the HART Design-Build-Operate-Maintain (DBOM) contract, which has a total value of \$1.4 billion. The design-build portion being discussed that day was \$574 million. Mr. Horner explained that this "trains and the brains" portion of the contract represents \$574 million of the contract, and that the five-year maintenance and operations portion of the contract is \$823 million, plus three years of maintenance and operations during construction.

Mr. Pozza continued by saying that 85% of the total contract is being performed by STS. He detailed Ansaldo's partners, which include Siemens, Alcatel-Lucent, Johnson Controls, and various local partners, spread across ten U.S. states. The train control

portion is being built by STS in Pennsylvania. Passenger vehicle assembly is done by Breda in Pittsburg, California.

Mr. Pozza gave a brief history of STS, which was founded by George Westinghouse in 1881 and is an experienced international leader in signaling and transportation with a worldwide presence. In the U.S., STS has had a hand in mass transit and freight projects nationwide.

Similarly, Breda has had 160 years of experience with trains, and has had a presence in the U.S. since 1978.

Upon Mr. Horner's request, Mr. Fontana introduced Massimo Mele, Vice President of Project Delivery and Project Principal for STS, who is responsible for major projects in the U.S., Northern Europe, and the Middle East. Mr. Horner asked Mr. Mele to speak to his background. Mr. Mele said he had been working with STS since 1986, and that their target is to create the best transportation solution for their clients. He spoke of the importance of maintaining schedules, cost and safety in project delivery and management.

Mr. Fontana outlined how Ansaldo's operations in 2012 and 2013 affirmed its ability to meet contracted deliveries worldwide. He said that Ansaldo is a leader in driverless, steel wheel, steel rail systems, of which Honolulu will be their tenth built. Ansaldo's first such system was completed in Copenhagen in 2002, which also had a DBOM contract. He said that the contract had just been renewed for another five years. Currently, four such systems are currently in operation in Copenhagen, Riyadh, Brescia and Milan, with the C system in Rome to be completed by the end of the year. Seven of those systems utilize the same train control technology developed in Pennsylvania, and Honolulu will be one of them.

Mr. Fontana then revealed the most up to date rendering of Honolulu's train, with the colors and logo for purposes of presentation only and subject to change. Mr. Horner asked that Mr. Grabauskas provide the media with a pdf copy of the rendering. Mr. Fontana said that eight U.S. cities will have Breda trains.

Mr. Pozza reported that STS maintains a strong financial position, and that 2012 was a strong year. He said that it had a 60% free float, and that it had global shareholders 23% of whom are from North America. He detailed their healthy backlog of \$7.5 billion in 2012, strong amount of new orders, and consistent revenue growth. He indicated that although the revenue figures on page 23 of the presentation appear to decrease, this is only a function of the exchange rate, and that revenues have actually increased. He said that STS has zero debt, a net worth of \$619 million that continues to grow, and strong working capital funds. STS has significant bonding capacity, with its surety bond through Chartis. In addition, he reminded the Board that Finmeccanica also ensures all the obligations of STS.

Mr. Fontana reported on the status of project delivery since receiving its Notice to Proceed (NTP) 14 months ago. He detailed the subcontract agreements executed to date, as well as the timeline for future subcontracts. He also reported on the design status, and said that the goal for completion of design is one to two months.

Mr. Fontana provided a high level schedule providing a three-year outlook. Mr. Grabauskas explained that the schedule was agreed on with HART, and accounted for the pending construction delay. Although the schedule will have to be adjusted, he reported that Ansaldo is on track with the schedule, as engineering and design work continue. Mr. Fontana continued by saying that Ansaldo has built up its Honolulu office over the last 14 months, and will be creating local jobs.

Mr. Pozza moved into answering HART's questions on Ansaldo's financial capacity. Question #1 requested financial data for STS, Breda, and Finmeccanica. Mr. Andi said that as STS had shown a strong balance sheet, he would provide no further comment. Regarding Breda, there was a significant turnaround in net worth from 2011 to 2012 because of a commitment to turn the company around via a \$500 million investment. Mr. Andi said that although working capital remains negative, it is significantly better than it has been in the past.

Mr. Andi reported that Finmeccanica is 30% state-owned, and listed on the Italian stock exchange. It has total assets of \$40 billion, with 75,000 global employees. He said that Finmeccanica has nine directors, six of whom are independently appointed, and three of whom are appointed by Finmeccanica. He pointed out that Finmeccanica is independent of STS and Breda.

Question #2 relates to the backlog of contracts (i.e., work currently contracted for) of STS and Breda. Mr. Andi reported that STS had a backlog of \$7.5 billion, and Breda had a backlog of \$3.8 billion.

Question #3 requested information on new STS and Breda contracts awarded since 2010. At Mr. Horner's request, Mr. Andi explained that the Miami contract had been signed the previous month. Mr. Fontana revealed a rendering of the Miami trains, and said that the Breda contract for Miami is valued at almost \$300 million. Mr. Horner pointed out by contrast that Breda's portion of HART's contract is under \$200 million. Mr. Fontana said that Miami ordered 136 vehicles, while Honolulu ordered 80.

Mr. Pozza answered Question #4, which asked Ansaldo to identify any terminations for default from 2009 to date for STS and Breda. He said there were none.

Question #5 asked for all contracts in which a surety was required to pay for work because of default by STS or Breda from 2001 to date. Mr. Pozza reported that neither STS nor Breda drew on any bonds for any contracts.

Mr. Horner called for questions from the members.

Mr. Hong asked if the Executive Director was comfortable with the three-year outlook provided by Ansaldo. Mr. Grabauskas said he was, and thanked the Ansaldo representatives for their presence and commitment to openness and transparency.

Mr. Formby asked for an explanation of the joint and several liability shown on slide 4 of the presentation. Mr. Pozza replied that STS and Breda are jointly and severally liable for their contracts, and Finmeccanica adds another layer of responsibility above that.

Mr. Bunda asked where construction of the guideway and cars fits into the three-year outlook. Mr. Fontana responded that this is characterized in the presentation as “installation” of the components, while “procurement” includes the manufacture of the rail cars. Mr. Bunda asked whether Ansaldo was on budget for design, and Mr. Fontana replied that it was.

Mr. Horner asked for the representatives to comment on what would happen in the event of the sale of Breda or STS. He acknowledged the delicate nature of the situation, as Finmeccanica is a publicly traded company. Mr. Andi responded that any buyer would remain obligated to deliver the projects under contract. He explained that in its attempt to concentrate on its core business of defense, Finmeccanica is trying to sell off its divisions that are not core. He further explained that the company will remain public, and that any buyer will be obliged to offer the same price to investors in a mandatory public offering. The price must be judged by the STS Board of Directors, who will make a careful evaluation of the sale.

Mr. Horner asked whether the bond would stay in place, and Mr. Andi said it would. Mr. Horner asked whether Finmeccanica’s support would continue. Mr. Andi responded that Finmeccanica would continue to be co-responsible, as agreed.

Mr. Horner asked if Mr. Grabauskas had enough information to go forward with an NTP, as the budget proviso was designed to restrain HART until the Board could receive a presentation on Ansaldo’s financial situation. Mr. Grabauskas said he did because of Ansaldo’s transparency and openness. He said that he had spoken with people from other transit agencies, and that there is a lot of excitement about the project, both from new and repeat Ansaldo customers. He said that the fact that Honolulu will be Ansaldo’s tenth driverless system inspires confidence in their proven track record.

Mr. Horner called for a motion to lift the budget proviso. Mr. Bunda so moved, and Ms. Okinaga seconded the motion, which carried unanimously.

Mr. Grabauskas thanked the HART Board, and particularly Mr. Horner. Mr. Horner thanked Mr. Fontana, Mr. Andi, and Mr. Pozza.

Mr. Horner called a two-minute recess at 10:08 a.m.

The joint committee reconvened at 10:11 a.m., at which time Mr. Lui-Kwan rejoined the members.

IV. Change Order Review

Mr. Grabauskas stated that Director of Design and Construction Lorenzo Garrido would be making his monthly update on delay claims. Mr. Garrido said that he would be referring to the handout provided to the members, a copy of which is attached hereto as Attachment B.

Mr. Garrido pointed to the row labeled "Revised Invoice (per HART review)," which represents amounts agreed on by HART and Kiewit. Kiewit has agreed to revise and resubmit those invoices to reflect the agreed-upon amount. He reported that invoices through December have been submitted, which HART was processing. Mr. Garrido said that HART expects to receive subsequent invoices, for which it would evaluate costs and justifications.

Mr. Garrido summarized that invoices submitted by Kiewit to date totaled approximately \$17 million. This amount was 22% or \$4.8 million less than initially forecast in the change order. Invoices that were resubmitted total \$8.3 million, which is 62% less than initially estimated. Mr. Garrido said that those figures were expected to increase, but would be lower than the amounts submitted by Kiewit.

Mr. Garrido said he would probably return the following month to request additional funds for the change order. He said staff was still evaluating to determine whether that would occur.

Ms. Okinaga thanked Mr. Garrido for his work in negotiations with Kiewit. Mr. Garrido said that negotiations were challenging, but that HART is committed to ongoing dialogue with its contractors.

Mr. Horner expressed approval that the project is running below the initial estimate on the change order, and asked Mr. Garrido to return with another update the following month. Mr. Grabauskas commented that the initial six-month allocation for the change order would last for eight to nine months.

Mr. Lui-Kwan asked if HART was still on schedule regarding the construction delay. Mr. Grabauskas confirmed that HART remained on track to resume construction around September.

V. Full Funding Grant Agreement Update

Planner Phyllis Kurio reported that HART was still awaiting the notification of the receipt of funds for the first drawdown under the Full Funding Grant Agreement (FFGA). Mr. Horner asked when Ms. Kurio expected to receive the funds, and she replied that she estimated HART would receive the money within the next day.

Mr. Grabauskas said that due to sequestration, there remained a lot of uncertainty about how New Starts monies would be affected. However, he reported that HART's total

\$255 million from the FFGA was safe, although the disbursement might be delayed in some fashion.

VI. Scope of Permitted Interaction Group on Fare Policy

Ms. Okinaga reminded members that Mr. Grabauskas had suggested formulating recommendations on fare policy and the operating budget via a Permitted Interaction Group under the Sunshine Law. She requested that he advise on the scope of work to be done by the group.

Mr. Horner asked Mr. Grabauskas to work with Mr. Formby on a recommendation for the scope of the group. He emphasized the complexity of fare policy development, which must take into consideration federal matters such as impacts on certain populations. Mr. Grabauskas said he would get information on different types of fare policies, as well as coordination with Oahu Transit Services (OTS). Mr. Horner agreed that HART's charter allows the Board to set fare policy for rail, but that OTS must be involved in that decision. For instance, he recommended a cashless system, as cash is expensive to process. He spoke of special fares for events, and Mr. Grabauskas suggested considering different fare options for visitors.

Mr. Lui-Kwan asked Mr. Formby to comment on interface issues between rail and bus. Mr. Formby said that the Department of Transportation Services (DTS) was working with the mayor on multimodal connection recommendations, which would be made in April. He said that DTS would obtain a consultant study, which could be useful in the fare policy discussion. Mr. Formby reported that OTS is also seeking to make its operations cashless. He said that cashless systems also had the advantage of producing data about riders' behavioral patterns.

Ms. Okinaga noted her understanding that the group could periodically update the Board as to its activities prior to rendering a report for Board consideration.

VIII. Executive Session

There was no reason for executive session.

IX. Adjournment

There being no further business before the joint committee, Mr. Horner adjourned the meeting at 10:29 a.m.

Respectfully Submitted,

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Cindy Matsushita

  
\_\_\_\_\_  
Board Administrator

Approved:

  
\_\_\_\_\_  
Damien Kim  
Project Oversight Committee Chair

MAR 21 2013

\_\_\_\_\_  
Date

  
\_\_\_\_\_  
Don Horner  
Finance Committee Chair

MAR 21 2013

\_\_\_\_\_  
Date

# ATTACHMENT A



Ansaldo Honolulu

# Update on Financial Capacity

March 7, 2013



# A World-Class Technology Delivered on Time and on Budget

**In just 14 months  
we have assembled  
a team of specialists**

**Operations in 2012 and 2013  
reconfirmed our ability to  
meet our contracted  
deliveries worldwide**

**As leader of the Honolulu JV  
Ansaldo STS maintains its  
strong financial position**

**Working hard  
to get it done right!**

- **Over 150 years of history.**
- **In USA since 1881, established by George Westinghouse**
- **Leading global player in the Signalling and Mass Transit technologies**
- **Teaming up with Ansaldo Breda, in USA since 1978**
  
- **Honolulu is our 10<sup>th</sup> Driverless Transit System around the world**
- **We opened three systems since our last meeting (Riyadh, Milan 5, Brescia)**
- **We are planning a new train manufacturing facility in USA**
- **When completed USA Passengers will ride Ansaldo trains in nine US cities**
  
- **No external Debt. Strong cash position at positive \$400 million.**
- **Reported ROS of approximately 10% despite a challenging economy**
- **Ability to self fund R&D and a strong working capital position**
- **Book-to-bill ratio consistently above 100% of Sales with a backlog >4.6x sales which guarantees strong earnings visibility for years to come**
  
- **Since Day 1 of our contract, we have been working full steam ahead**
- **Major sub-contractors on board**
- **The Definitive Design Phase is almost complete and Interim Design has begun**
- **Support to fine-tune the system (MSF and miscellaneous)**
- **Procurement of Platform Screen Gates**

# A World-Class Technology Delivered on Time and on Budget

In just 14 months  
we have assembled  
a team of specialists

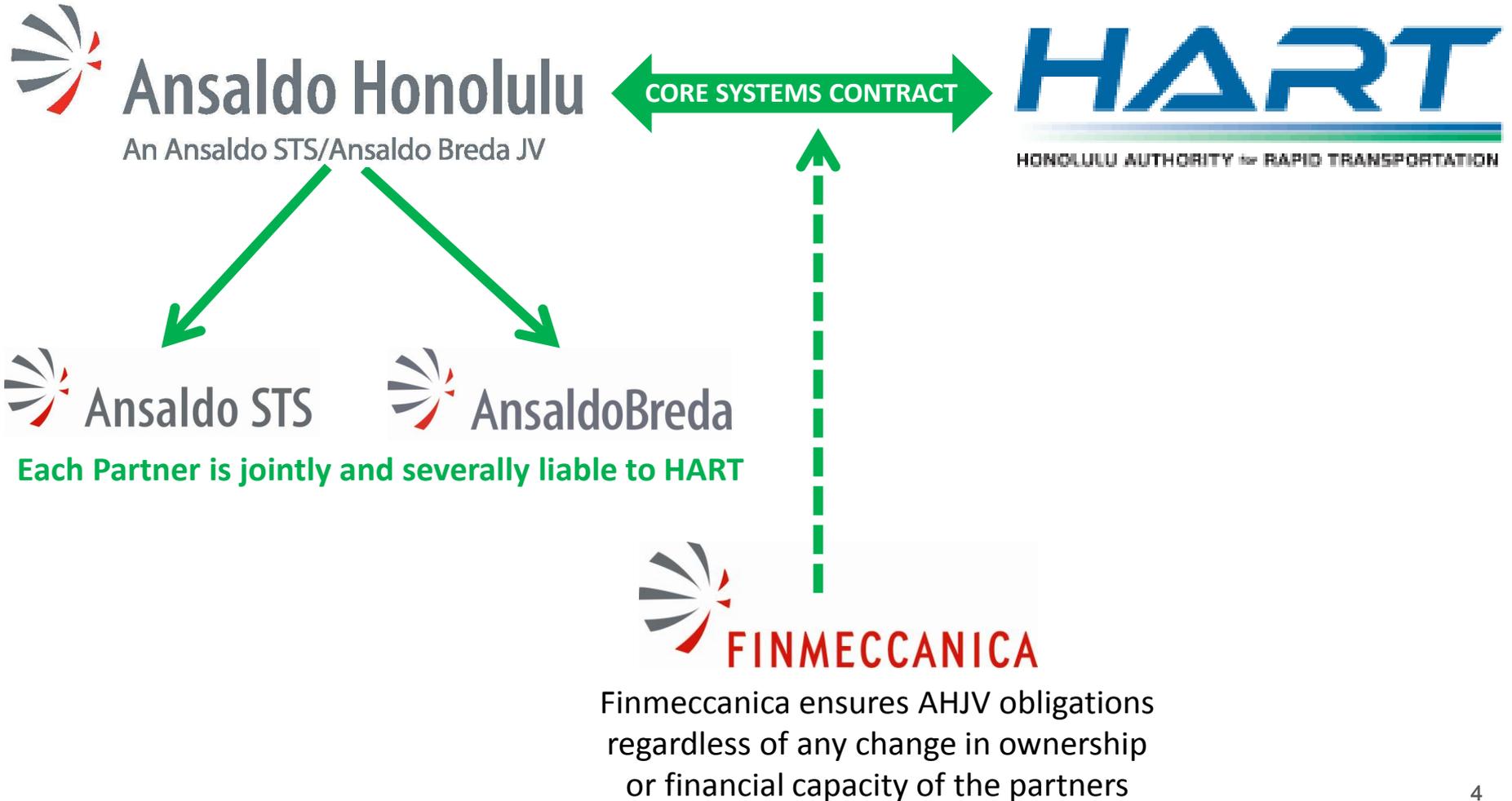
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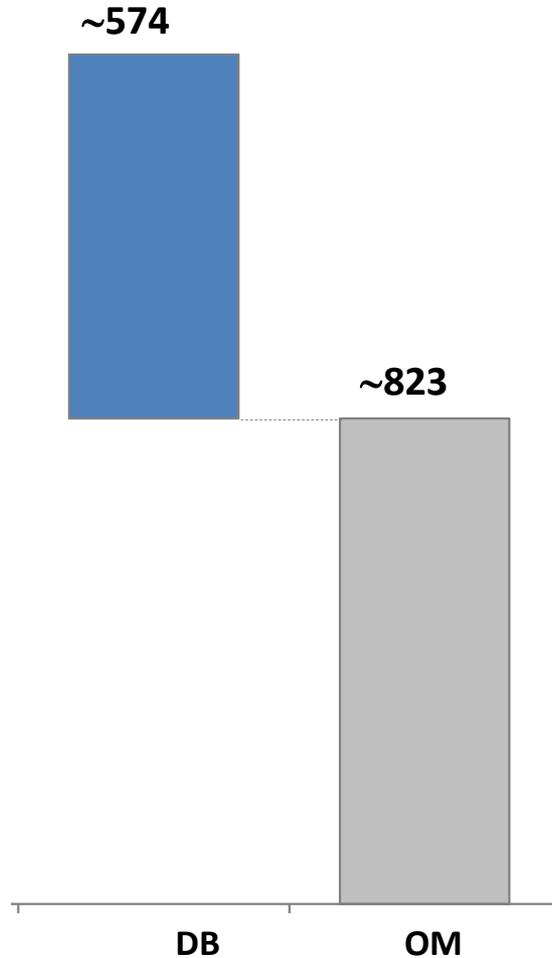
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- We opened three systems since our last meeting (Riyadh, Milan 5, Brescia)
- We are planning a new train manufacturing facility in USA
- When completed USA Passengers will ride Ansaldo trains in nine US cities
  
- No external Debt. Strong cash position at positive \$400 million.
- Reported ROS of approximately 10% despite a challenging economy
- Ability to self fund R&D and a strong working capital position
- Book-to-bill ratio consistently above 100% of Sales with a backlog >4.6x sales which guarantees strong earnings visibility for years to come
  
- Since Day 1 of our contract, we have been working full steam ahead
- Major sub-contractors on board
- The Definitive Design Phase is almost complete and Interim Design has begun
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- Procurement of Platform Screen Gates

# Core Systems DBOM Contract



# Core Systems DBOM Contract

## Contract Breakdown, \$M



## Details

- **Design – Build work**
  - 2012 thru 2019
  - 64% Ansaldo STS
  - 36% Ansaldo Breda
  - 80% American content
  - Major systems designed and built in USA
- **Operate-Maintain work**
  - 2016 thru 2029
  - 100% Ansaldo STS
  - ~300 local jobs

# A Team of World-Class Specialists

   
**Ansaldo STS**  
Systems Integration  
Train Control and SCADA  
Operation & Maintenance

   
**AnsaldoBreda**  
Passenger Vehicles

  
**SIEMENS**  
Traction Electrification

   
**Ansaldo Honolulu**  
An Ansaldo STS/Ansaldo Breda JV

  
**Alcatel·Lucent**   
Communications

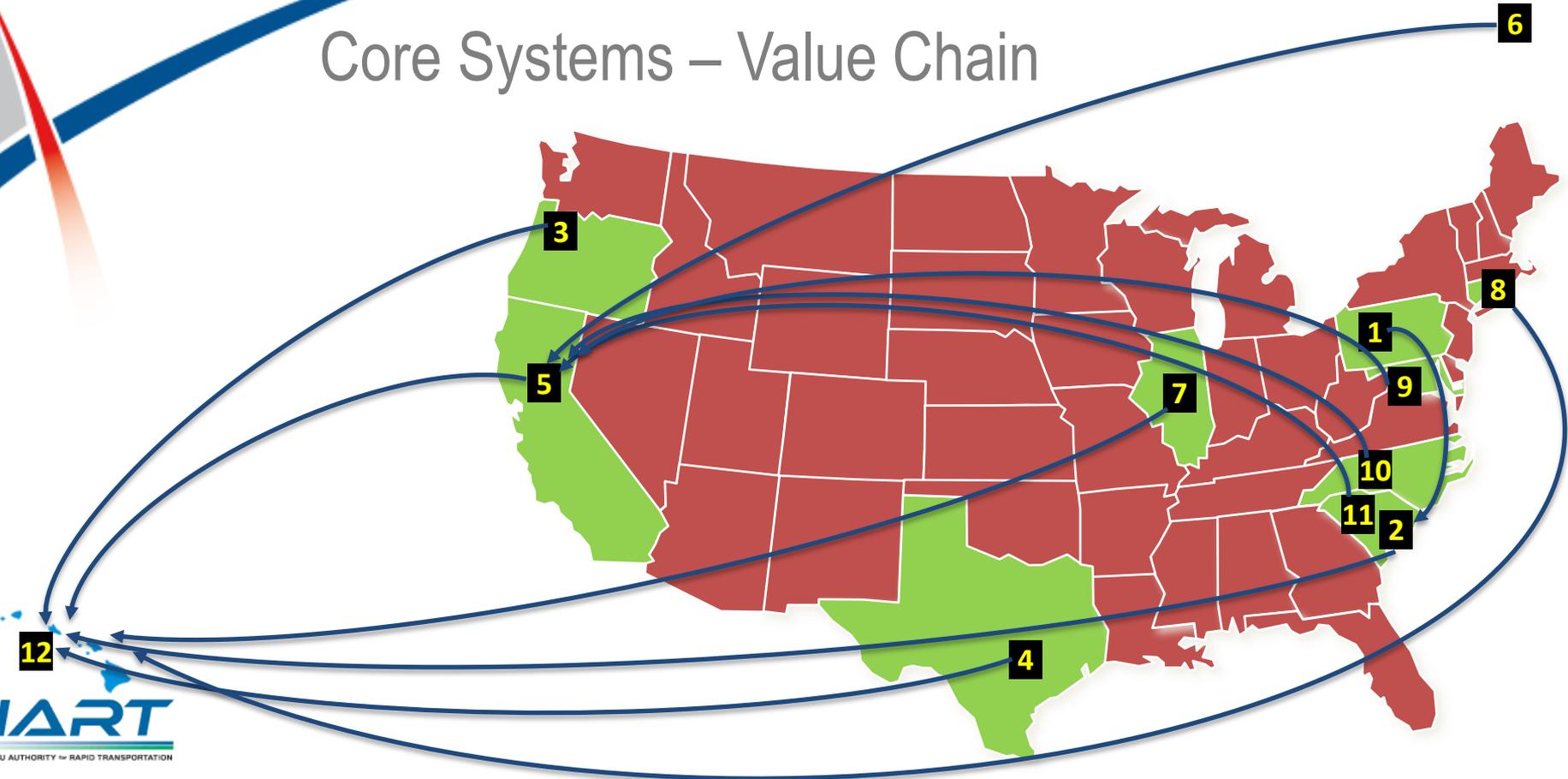
## Local Partners

  
Constructions  
Financial Services  
Logistics  
Security

Staff Training  
Legal Services  
Environmental Plans  
Cleaning Services

  
**Johnson Controls**   
Fire Detection

# Core Systems – Value Chain



- 1** Pittsburgh, PA (Train Control/SCADA Design)
- 2** Batesburg, SC (Train Control/SCADA Manufacturing)
- 3** Portland, OR (Traction Electrification Substations)
- 4** Plano, TX (Communications)
- 5** Pittsburg, CA (Passenger Vehicles Assembly)
- 6** Italy (Passenger Vehicles Design and some components, Carshells, Truck Frames, Inverter Modules, TCMS)

- 7** Northford, CT (Fire Detection)

## **Under Negotiation**

- 8** Elgin, IL (Maintenance & Recovery Vehicles)
- 9** Westminster, MD (Braking & Air Supplier, Doors, HVAC)
- 10** Charlotte, NC (Couplers)
- 11** Mt. Pleasant, SC (Gangways)
- 12** Honolulu, HI (Installations and O&M)

# Train Control North American Facilities & Competencies

**Ansaldo STS USA Pittsburgh, PA Technology Center**



## Signaling Engineering

- ✦ Carbone design and applications
- ✦ Safety and vital control systems
- ✦ Product hardware and software design
- ✦ Ground equipment design and applications
- ✦ Wayside signaling design
- ✦ SCADA

## General Engineering:

- ✦ R&D
- ✦ Design and prototyping
- ✦ Factory and field testing
- ✦ Software design, V&V
- ✦ Computer-Aided Design/Drafting (CADD)
- ✦ EMC design and analysis
- ✦ RAMS design and analysis
- ✦ OEM hardware/software assessment and application

**Ansaldo STS USA Batesburg, SC Manufacturing**



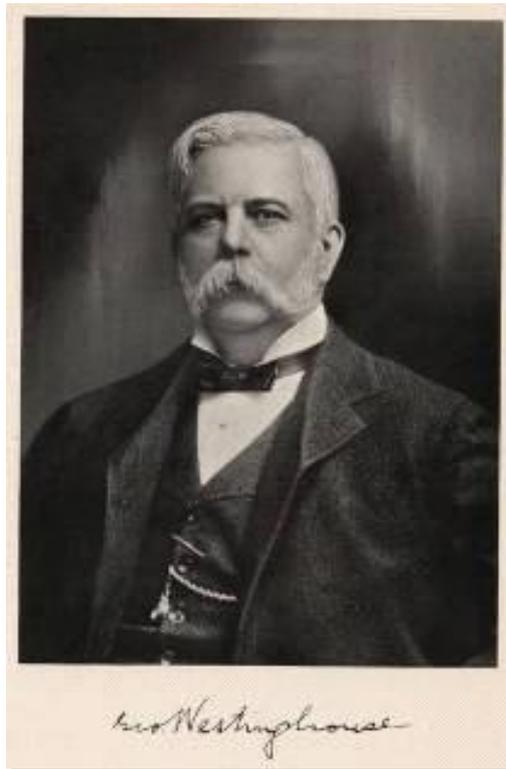
## Manufacturing:

- ✦ Fabrication and assembly
- ✦ Factory testing
- ✦ Packaging and inventory

## Service:

- ✦ Repair and return
- ✦ Warranty services
- ✦ Re-manufacturing
- ✦ Inspection services
- ✦ Service training
- ✦ RAILTEAM 24/7

# **Ansaldo STS** USA, Inc.



**George Westinghouse** established the **Union Switch & Signal** Company in **1881**

- Lifetime portfolio of 361 patents
- 18 patents pertaining to railway signaling equipment and systems

Union Switch & Signal is now Ansaldo STS USA, Inc., the American subsidiary of Ansaldo STS.

**Approximately 800 Employees in North America**

# Passenger Vehicles Assembly in Pittsburg, CA



**TOTAL COVERED AREA: 270,000 sq. ft.**

**MAIN EQUIPMENT:**

- ✓ 7 Overhead cranes with load capacity up to 40 tons;
- ✓ 33' Vertical clearance underneath cranes;
- ✓ Sanding booth;
- ✓ Painting booth;
- ✓ Assembly pits with rail for vehicle tests and inspections;
- ✓ 700 and 1500 Vdc power supply area



**Leading international technology company operating in the global  
Railway & Mass Transit business.**

**Over 150 years of technological excellence and proven capabilities.**

**Offers a complete range of products, from Signaling Systems  
to complete Turnkey Transportation Solutions.**

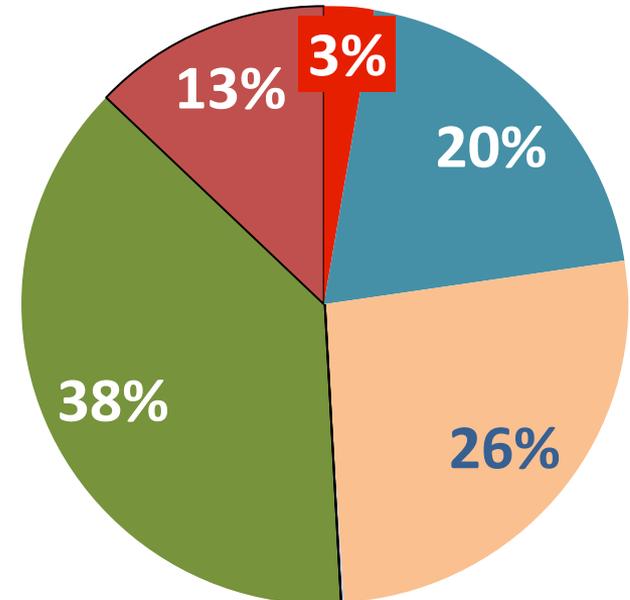
- **Turn-key General Contractor**
- **Technological Systems Integrator**
- **Train Control, Communications,  
Traction Electrification, and  
Other Systems Contractor**
- **Operations and Maintenance**





# Ansaldo STS Worldwide Presence

Country	Main Locations	Headcount Jan 2013
<b>ITALY</b>	Genoa Naples Turin Potenza	1.534
<b>FRANCE</b>	Les Ulis Riom	518
<b>SPAIN</b>	Madrid	69
<b>UK</b>	London Manchester	5
<b>SWEDEN</b>	Stockholm	43
<b>USA - CANADA</b>	Pittsburgh Batesburg Montreal	779
<b>AUSTRALIA</b>	Perth, Brisbane	582
<b>INDIA</b>	Bangalore	204
<b>MALAYSIA</b>	Kuala Lumpur	174
<b>BOTSWANA</b>	Gaborone	29
<b>CHINA</b>	Hong Kong Bejing	66
<b>Other Locations</b>		14
<b>TOTAL</b>		<b>4.017</b>





**Madrid-Lerida High-Speed Line**



**France TGV**



**Manchester Node & Metrolink Cambrian line**



**Channel Tunnel**



**Copenhagen Driverless Sweden Ester ERTMS Lev. 2 O&M contracts Copenhagen City ring**



**ATC Installation Saarbrücken Mannheim ERTM Lev. 2**



**Ghaziabad Kamrup Indian Railways**



**WMATA Silver Spring PAAC North Shore Connector New York Metro Chambers Street - NYCT**



**Omaha OTP**



**Honolulu Rail Transit**



**Los Angeles Metro (Green Line)**

**CPTM CAB**



**Jacksonville CTC**



**Conventional & Driverless Metros Rome, Naples, Milan, Brescia, Genoa**



**ACS Palermo Railways Rome Station C.B.I. SCMT / ACS Installations**



**Italian High-Speed Mi-Bo & RM-NA, FI-BO, TO-MI**



**Thessaloniki Metro ETCS Lev. 1 Terra - ERGA OSE**



**China & Korea High-Speed Binhai, Daegu Busan Shitai Line Shenyang Line 1 Shanghai Metro ERTMS Zhengxi Line Hangzhou Metro line 1**



**Taipei Circular Line Phase 1 Kuala Lumpur LRT North Ipoh ti Pedang Besar**



**Clearways 3 Hamersley Hope; Dows Rio Tinto Roy Hill Iron Ore**

**Riyad Metro Women's University**

**Electrification and Signalling Banlieu sud Tunis**

**Libya Ras Ajdir Sirti Al-Hisha Sadha & Sirth-Benghazi line**

**Turkey Begazkopru Ulukisla Yenice and Mersin Toprakkale Metro Ankara**



# Ansaldo STS

## U.S. market leader in mass transit and freight





- 1853** Establishment of “Giovanni Ansaldo” Company
- 1854** The first Ansaldo Steam Locomotive “Sampierdarena”
- 1886** Establishment of “Ing. Ernesto breda & C.” Company
- 1898** Steam Locos exported to Denmark, Romania and other countries
- 1907** Construction of the breda 1000<sup>th</sup> Locomotive
- 1939** World Railway Speed Record: ETR 200 reaches 203 km/h (126 mph)
- 1952** Start of High Speed train regular service “Settebello” (200 km/h) (124 mph)
- 1978** Start of supplies in USA: Cleveland and Washington
- 2001** Operations merged into Ansaldo Breda



## High-Speed Vehicles



**V300 Zefiro**



**V250**



**ETR500**

## Railway Vehicles



**EMU**



**Commuters**



**Diesel**



**Locomotives**

## Urban Rail Vehicles



**Driverless Metro**



**Low Floor**



**Light Rail**



**Heavy Rail**



**Tramwave**

# A World-Class Technology Delivered on Time and on Budget

In just 14 months  
we have assembled  
a team of specialists

Operations in 2012 and 2013  
reconfirmed our ability to  
meet our contracted  
deliveries worldwide

As leader of the Honolulu JV  
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Working hard  
to get it done right!

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# Leadership – Ten Systems Around the World



**Copenhagen M1/M2**



**Riyadh**



**Brescia**



**Milan 5**



**Rome C**



**Taipei**



**Tessaloniki**



**Copenhagen CityRing**



**Milan 4**

**Four Systems are in operation**

**Seven** Systems use the same **US Train Control technology** developed in Pittsburgh, PA. Honolulu is among them.

## 10. Honolulu Rail Transit Project



**Honolulu** The first driverless rail transit system in the United States.

Disclaimer – Colors and Logo are not final.

U.S. passengers will ride our trains in eight cities



Washington, D.C.



Los Angeles, CA



Atlanta, GA



Honolulu, HI



Los Angeles, CA



Cleveland, OH



San Francisco, CA



Boston, MA



Miami, FL

# A World-Class Technology Delivered on Time and on Budget

In just 14 months  
we have assembled  
a team of specialists

Operations in 2012 and 2013  
reconfirmed our ability to  
meet our contracted  
deliveries worldwide

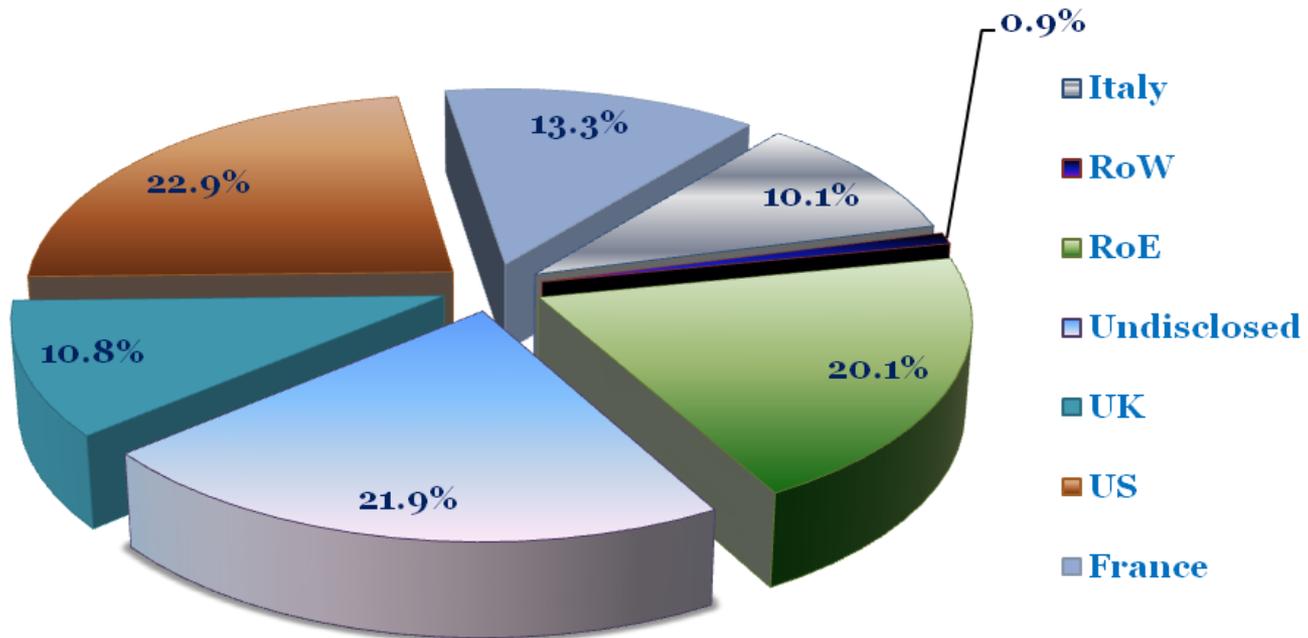
As leader of the Honolulu JV  
Ansaldo STS maintains its  
strong financial position

Working hard  
to get it done right!

- Over 150 years of history.
- In USA since 1881, established by George Westinghouse
- Leading global player in the Signalling and Mass Transit technologies
- Teaming up with Ansaldo Breda, in USA since 1978
  
- Honolulu is our 10<sup>th</sup> Driverless Transit System around the world
- We opened three systems since our last meeting (Riyadh, Milan 5, Brescia)
- We are planning a new train manufacturing facility in USA
- When completed USA Passengers will ride Ansaldo trains in nine US cities
  
- **No external Debt. Strong cash position at positive \$400 million.**
- **Reported ROS of approximately 10% despite a challenging economy**
- **Ability to self fund R&D and a strong working capital position**
- **Book-to-bill ratio consistently above 100% of Sales with a backlog >4.6x sales which guarantees strong earnings visibility for years to come**
  
- Since Day 1 of our contract, we have been working full steam ahead
- Major sub-contractors on board
- The Definitive Design Phase is almost complete and Interim Design has begun
- Support to fine-tune the system (MSF and miscellaneous)
- Procurement of Platform Screen Gates



**60% Free Float as of 12.31.2012<sup>1</sup>**



**~23% of investors are in North America**

1. Remaining 40% owned by Finmeccanica



## Key Data Trends - Growth with sustained profitability

USD Mil	2008	2009	2010	2011	2012
Order Backlog	4,360	5,414	6,098	7,034	7,498
New Orders	1,906	2,483	2,640	3,008	1,919
Revenues	1,626	1,693	1,708	1,685	1,604
EBIT	173	180	182	161	150
Return on Sales	10.6%	10.6%	10.7%	9.6%	9.4%
Net Profit	114	126	126	102	98

- **Healthy backlog (4.6 times Revenues)**
- **Strong orders intake – positive book-to-bill ratio**
- **Revenue growth with sustained profitability**



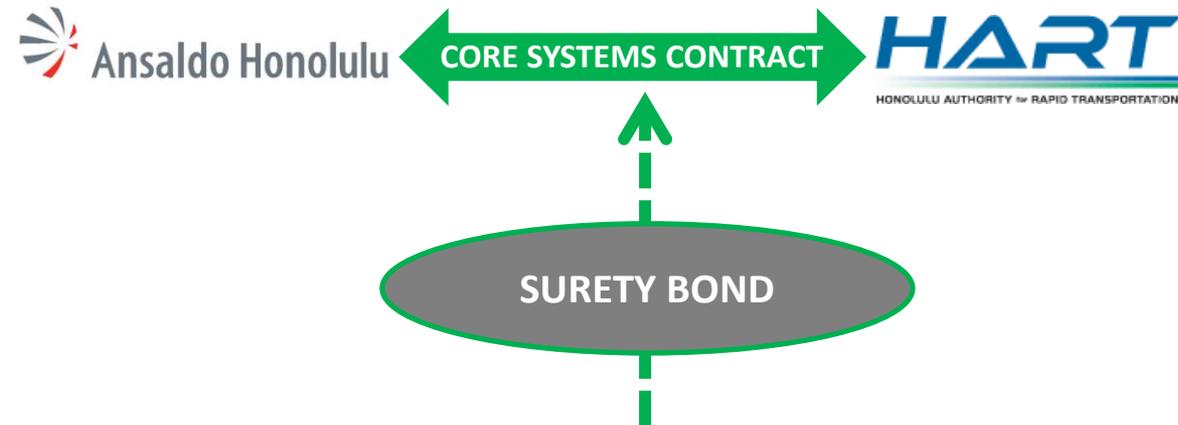
<b>USD Mil</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>
<b>Net Financial Position (Positive Cash)</b>	(272)	(402)	(426)	(374)	(398)
<b>External Debt</b>	0	0	0	0	0
<b>Total Current Assets</b>	1,220	1,617	1,817	1,898	2,112
<b>Total Current Liabilities</b>	1,172	1,479	1,595	1,638	1,778
<b>Net Working Capital</b>	48	138	222	260	334
<b>Total Assets</b>	1,573	1,980	2,169	2,246	2,461
<b>Total Liabilities</b>	1,243	1,545	1,659	1,699	1,842
<b>Net Worth</b>	331	435	511	547	619

- **Healthy positive cash position**
- **No external debt**
- **Strong working capital position**
- **Our bonding capacity exceeds the Honolulu project needs**

# Contract Strongly Backed by Surety Bonds

## Bond Structure

## Bond Key Data



- **Design-Build Work - \$ 574 M**
  - **DB Performance Bond \$ 360,941,082**
  - **DB Labor and Material Payment Bond \$ 360,941,082**
- **Letter of Commitment for O&M Bonds**

  Through its subsidiary  
National Union Fire Insurance Company of Pittsburgh, PA

**AM Best Company Rating: A (Excellent)**  
**Financial Size: XV (over \$ 2B)**  
**Moody's Rating – A1 (Good financial security)**  
**S&P Rating – A (Good – safe and stable)**  
**All confirmed in January 2013**

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- **Support to fine-tune the system (MSF and miscellaneous)**
- **Procurement of Platform Screen Gates**

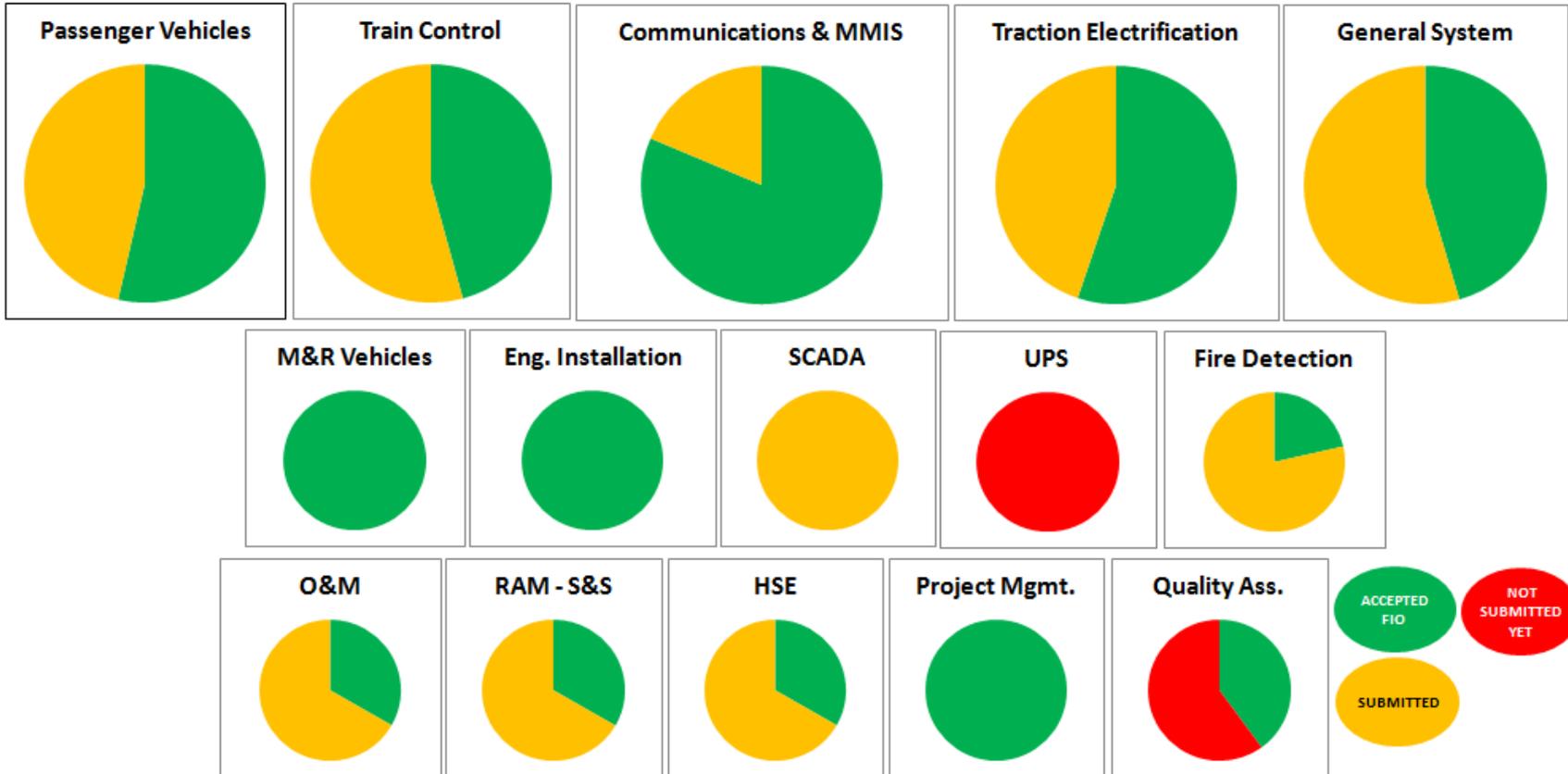
## Subcontract Agreements - Executed

<b>Scope</b>	<b>Vendor</b>
<b>Communications</b>	Alcatel-Lucent USA, Inc.
<b>Traction Electrification</b>	Siemens Industry, Inc.
<b>Fire Detection &amp; Alarm System</b>	Johnson Controls, Inc

## Subcontract Agreements - Pending

<b>Scope</b>	<b>Estimated Time of Execution</b>
<b>Maintenance and Recovery Vehicles</b>	Q1-2013
<b>Installations + Cable Trays</b>	Q2-2013
<b>UPS</b>	Q2-2013
<b>Major Passenger Vehicles Components</b>	Q3-2013
<b>Platform Fall Detection</b>	PENDING
<b>Fare Vending</b>	PENDING

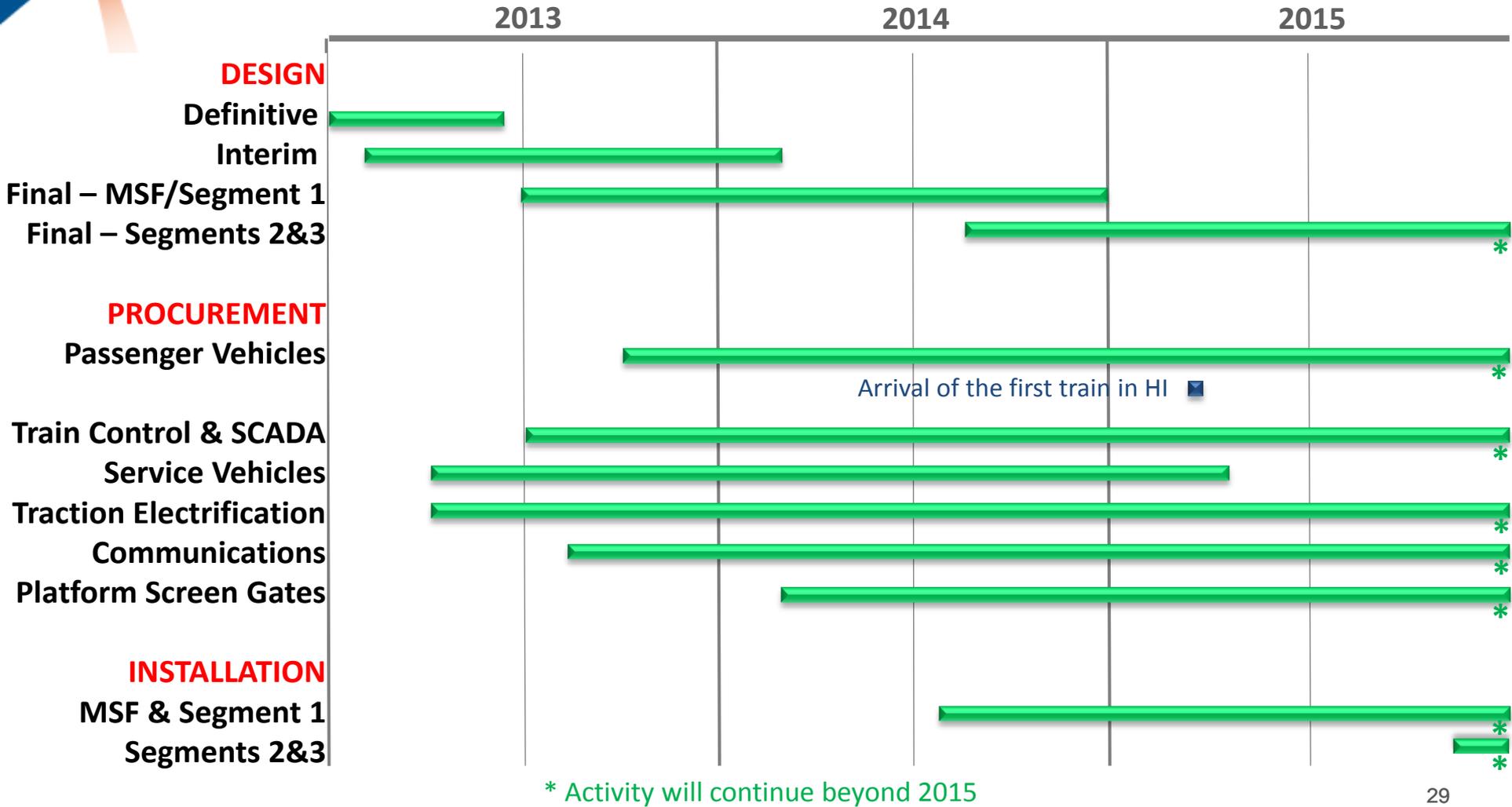
# Status of Definitive Design as of Feb 28, 2013



Accepted

Submitted

# 3-Year Outlook



# In Honolulu

**737 Bishop Street, Suite 2860, Honolulu, HI 96813**



# Responses to HART Questions

## Question #1

1. Provide comparative financial data identified below from the financial statements by year and through the most current internal statements since RFP Part 1 for Ansaldo STS, AnsaldoBreda, and Finmeccanica.
  - a. Total Assets
  - b. Current Assets
  - c. Total Liabilities
  - d. Current Liabilities
  - e. Net Worth (a - b)
  - f. Intangible Assets
  - g. Tangible Net Worth (e - f)
  - h. Working Capital - Liquid Net Assets (b - d)

The table should include the amounts annually commencing in calendar year **2008** through the most current interim period for which financial statements have been prepared in **2012**. Present the amounts in U.S. dollars and the exchange rate(s) used for financial conversion.

**Answer:**  
**See next slides**

## Financial Statement

### Ansaldo STS Consolidated Group

(USD Millions)

	2008	2009	2010	2011	2012
<b>1 Total Assets</b>	1,573	1,980	2,169	2,246	2,461
<b>2 Current Assets</b>	1,220	1,617	1,817	1,898	2,112
<b>3 Total Liabilities</b>	1,243	1,545	1,659	1,699	1,842
<b>4 Current Liabilities</b>	1,172	1,479	1,595	1,638	1,777
<b>5 Net Worth (1-3)</b>	331	435	511	547	619
<b>6 Intangible Assets</b>	68	65	67	70	67
<b>7 Tangible Net Worth (5-6)</b>	263	370	444	477	552
<b>8 Working Capital (2-4)</b>	49	138	222	259	335

<i>Exchange Rate for BS (from 1 to 8)</i>	1.39	1.44	1.34	1.29	1.32
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<b>Revenues</b>	1,626	1,635	1,708	1,685	1,604
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<i>Exchange Rates for P&amp;L (Revenue)</i>	1.47	1.39	1.33	1.39	1.29
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## Financial Statement AnsaldoBreda SpA (USD Millions)

	2008	2009	2010	2011	9/2012
<b>1 Total Assets</b>	1,326	1,691	1,588	1,106	1,290
<b>2 Current Assets</b>	1,175	1,450	1,427	1,051	1,237
<b>3 Total Liabilities</b>	1,253	1,433	1,520	1,631	1,289
<b>4 Current Liabilities</b>	1,198	1,381	1,477	1,589	1,256
<b>5 Net Worth (1-3)</b>	73	258	68	-525	1
<b>6 Intangible Assets</b>	3	86	114	3	1
<b>7 Tangible Net Worth (5-6)</b>	70	172	-46	-528	-
<b>8 Working Capital (2-4)</b>	-23	69	-50	-538	-19

<i>Exchange Rate for BS (from 1 to 8)</i>	1.39	1.44	1.34	1.29	1.29
---	------	------	------	------	------

<b>Revenues</b>	961	796	773	795	605
<b>EBIT</b>	-3	-170	-102	-899	-97
<b>Net Income</b>	-37	-246	-117	-912	-70
<b>New Orders</b>	388	1,233	1,571	902	236

<i>Exchange Rates for P&amp;L (Revenue)</i>	1.47	1.39	1.33	1.39	1.28
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**Financial Statement in USD Millions**  
**Finmeccanica Group**

	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>9/2012</b>
<b>1 Total Assets</b>	<b>41,592</b>	<b>43,898</b>	<b>41,650</b>	<b>39,465</b>	<b>40,236</b>
<b>2 Current Assets</b>	<b>23,365</b>	<b>25,232</b>	<b>23,370</b>	<b>21,995</b>	<b>22,719</b>
<b>3 Total Liabilities</b>	<b>33,071</b>	<b>34,468</b>	<b>32,139</b>	<b>33,526</b>	<b>34,188</b>
<b>4 Current Liabilities</b>	<b>23,688</b>	<b>24,038</b>	<b>22,590</b>	<b>22,384</b>	<b>23,036</b>
<b>5 Net Worth (1-3)</b>	<b>8,521</b>	<b>9,430</b>	<b>9,511</b>	<b>5,939</b>	<b>6,048</b>
<b>6 Intangible Assets</b>	<b>11,449</b>	<b>12,048</b>	<b>11,968</b>	<b>10,848</b>	<b>11,107</b>
of which Goodwill	<b>8,048</b>	<b>8,382</b>	<b>8,277</b>	<b>7,118</b>	<b>7,203</b>
<b>7 Tangible Net Worth (5-6)</b>	<b>-2,928</b>	<b>-2,618</b>	<b>-2,457</b>	<b>-4,909</b>	<b>-5,059</b>
<b>8 (2-4)</b>	<b>-323</b>	<b>1,194</b>	<b>780</b>	<b>-389</b>	<b>-317</b>
<b>Exchange Rate used</b>	<b>1.39</b>	<b>1.44</b>	<b>1.34</b>	<b>1.29</b>	<b>1.29</b>
<b>Revenues</b>	<b>22,104</b>	<b>25,265</b>	<b>24,864</b>	<b>24,072</b>	<b>15,596</b>
<b>EBIT</b>	<b>1,779</b>	<b>1,935</b>	<b>1,639</b>	<b>-3,317</b>	<b>799</b>
<b>Net Income</b>	<b>913</b>	<b>998</b>	<b>741</b>	<b>-3,205</b>	<b>187</b>
<b>New Orders</b>	<b>25,835</b>	<b>29,328</b>	<b>29,862</b>	<b>24,233</b>	<b>13,635</b>
<b>Exchange Rate used</b>	<b>1.47</b>	<b>1.39</b>	<b>1.33</b>	<b>1.39</b>	<b>1.28</b>

# Contracts in Progress as of December 2012

## Question #2

The residual value of contracts in process (backlog) for Ansaldo STS (as of December 2012) and for Ansaldo Breda (as of September 2012).

## Answer

**Ansaldo STS            \$ 7.5 B**

**Ansaldo Breda        \$ 3.8 B**

# New Contracts since 2010 – Ansaldo STS

Owner	Contract	Amount	Execution
HART	Core Systems DBOM	\$ 1,200 M	Nov. 2011
Metroselskabet Metrovej	Copenhagen Cityringen	\$ 1,050 M	since Jan. 2011
Rio Tinto Iron Ore	Rio Tinto Pilbara Operations Rail System	\$ 540 M	Apr. 2011
City of Milan	Milan Line 4	\$ 340 M	May 2011
Metroselskabet Metrovej	Copenhagen Driverless Metro - 5 Year O&M	\$ 320 M	Jan. 2010
City of Naples	Naples Line 6 - Mostra-Arsenale	\$ 210 M	Jun. 2010
City of Milan	Milan Line 5 extension	\$ 140 M	Feb. 2011
RFI	Direttrice To-PD	\$ 280 M	May 2011
RDZ	Lybia: Sirti - Benghazi	\$ 270 M	Aug. 2011
Hancock Prospecting	Hancock Prospecting - Roy Hill 1	\$ 160 M	May 2012
S L	Stockholm Red line	\$ 110 M	Mar. 2011
SEPTA	SEPTA PTC	\$ 100 M	Mar. 2012
SATURNO	HS Mi - Vr (Brescia - Treviglio)	\$ 100 M	Dec. 2012
SAIPEM	GCC - Abu Dhabi section 1	\$ 80 M	Mar. 2012
Eiffage	HSL Bretagne - Pays de Loire	\$ 80 M	Oct. 2011
Miscellaneous	Miscellaneous	\$ 200 M	n.a.
<b>Total</b>		<b>\$ 5,180 M</b>	

## Question #3

**New contracts awarded to Ansaldo STS and for Ansaldo Breda since 2010.**

# New Contracts since 2010 – Ansaldo Breda

Owner	Contract	Amount	Execution
HART	Core Systems DBOM	\$ 207 M	Nov. 2011
Miami Dade County	Procurement of new metrorail vehicles – 68 MPs	\$298 M	Nov. 2012
ATM–Azienda Trasporti Milanesi (Milan, Italy)	30 six-car Heavy Rail Vehicles for Lines 1 and 2	\$ 276 M	Dec. 2012
City of Milan	47 four-car driverless Light Rail Vehicles for Line 4	\$ 330 M	Dec. 2012
Seinfra, Secretary of the Infrastructure of the State of Cearà. (Fortaleza, Brazil)	5, three-car, articulated Heavy Rail Vehicles, destined to the Southern line of the metro network of Fortaleza (Brazil).	\$ 28 M	May. 2012
Metroselskabet I/S - Metrovej 5 (Copenhagen, Denmark)	8 three-car, articulated, driverless Light Rail Vehicles	\$ 148 M	Aug. 2011
Metro 5 S.p.A. - Concessionnaire of Milan Municipality (Milan, Italy)	9 four-car, articulated, driverless Light Rail Vehicles	\$ 66 M	Jun. 2011
AMT-Azienda Mobilità e Trasporti (Genoa, Italy)	Framework agreement for the supply of 7, articulated, 4-car Light Rail Vehicles	\$ 35 M	Jan. 2011
Ferrovie Emilia Romagna Srl (F.E.R. Srl) (Italy)	12, five-car, articulated, single-deck electric multiple units	\$ 32 M	Dec. 2010
Sistemi Territoriali SpA (Italy)	20 electric multiple units (14, four-car trains + 6, six-car trains)	\$ 41 M	Dec. 2010
Trenitalia SpA (Italy)	50 high speed trains series V300 “Zefiro”	\$ 1,172 M	Sep. 2010
Ferrovie Genova-Casella Srl (Genoa, Italy)	Framework agreement for the supply of 1, metric gauge, tram-train, supplied by 3000 Vdc	\$ 5 M	Apr. 2010
Trenitalia SpA (Italy)	350 double-deck passenger cars for the regional transport (300 trailer cars and 50 driving cars) with option for additional 250 passenger cars	\$ 609 M	Mar. 2010
<b>Total</b>		<b>\$ 3,545 M</b>	

# The Ansaldo Breda Contract in Miami



## Contract

- Total Amount : \$ 298 M
- Award: November 2012
- NTP: December 2012



## Scope

- 136 Heavy Rail Vehicles 10ft x 75 ft
- Spare Parts
- 5 Year Warranty



## Schedule

- Design Completed by 2014
- First Train Delivery: June 2015
- Last Train Delivery: March 2018

# Terminations for Default

## Question #4

**Identify all contracts that have been terminated for default since 1/1/2009 through current for Ansaldo STS and for Ansaldo Breda. Provide the name of the client, the name of the project and the reason for termination.**

## Answer

**Ansaldo STS: NONE**

**Ansaldo Breda: NONE**

# Sureties' Involvement for Contractor Default

## Question #5

**Identify all contracts in which a Surety was required to perform or pay Performance and/or Payment Bond work because of default by Ansaldo STS or Ansaldo Breda since October 2001 through present. Provide the name of the Surety, the name of the client, the name of the project and the grounds for default.**

## Answer

**Ansaldo STS: NONE**

**Ansaldo Breda: NONE**



**Partnering with HART** to deliver a world-class system **on Time and on Budget**



# Ansaldo Honolulu

## ATTACHMENT B

Honolulu Rail Transit Project  
Construction Suspension Change Order Invoice Tracking

Updated: 3/4/13

**West Oahu/Farrington Highway Design-Build Contract (WOFH)**

	Sep-12	Oct-12	Nov-12	Dec-12	Jan-13	Feb-13	Cumulative Invoiced Total	Remaining Change Order Amount
Approved Change Order Amount (\$17.6M)	\$3,273,784	\$3,140,361	\$2,751,663	\$2,877,625	\$2,800,023	\$2,756,543	\$14,843,457	
Initial Contractor Invoice (Kiewit)	\$2,484,852	\$1,997,080	\$2,271,142	\$2,584,757	\$2,141,432		\$11,479,263	\$6,120,737
Dollar Difference	-\$788,932	-\$1,143,281	-\$480,521	-\$292,868	-\$658,591		-\$3,364,194	
Percentage Difference	-24%	-36%	-17%	-10%	-24%		-23%	
Revised Invoice (per HART review)*	\$1,318,433	\$1,073,760	\$1,206,327	\$942,938	\$843,339		\$5,384,797	\$12,215,203
Dollar Difference	-\$1,955,351	-\$2,066,601	-\$1,545,336	-\$1,934,687	-\$1,956,684		-\$9,458,660	
Percentage Difference	-60%	-66%	-56%	-67%	-70%		-64%	

**Kamehameha Highway Guideway Design-Build Contract (KHG)**

	Sep-12	Oct-12	Nov-12	Dec-12	Jan-13	Feb-13	Cumulative Invoiced Total	Remaining Change Order Amount
Approved Change Order Amount (\$4.2M)	\$811,382	\$754,022	\$752,716	\$670,612	\$663,193	\$548,075	\$3,651,925	
Initial Contractor Invoice (Kiewit)	\$650,030	\$459,503	\$519,509	\$584,894	\$389,186		\$2,603,122	\$1,596,878
Dollar Difference	-\$161,352	-\$294,519	-\$233,207	-\$85,718	-\$274,007		-\$1,048,803	
Percentage Difference	-20%	-39%	-31%	-13%	-41%		-29%	
Revised Contractor Invoice (per HART review)*	\$414,336	\$259,211	\$325,397	\$304,189	\$178,978		\$1,482,111	\$2,717,889
Dollar Difference	-\$397,046	-\$494,811	-\$427,319	-\$366,423	-\$484,215		-\$2,169,814	
Percentage Difference	-49%	-66%	-57%	-55%	-73%		-59%	

**Maintenance and Storage Facility Design-Build Contract (MSF)**

	Sep-12	Oct-12	Nov-12	Dec-12	Jan-13	Feb-13	Cumulative Invoiced Total	Remaining Change Order Amount
Approved Change Order Amount (\$4.1M)	\$671,820	\$692,256	\$627,543	\$661,602	\$678,632	\$768,148	\$3,331,852	
Initial Contractor Invoice (Kiewit Kobayashi JV)	\$777,334	\$599,335	\$536,443	\$584,020	\$446,845		\$2,943,977	\$1,156,023
Dollar Difference	\$105,514	-\$92,921	-\$91,100	-\$77,582	-\$231,787		-\$387,875	
Percentage Difference	16%	-13%	-15%	-12%	-34%		-12%	
Revised Contractor Invoice (per HART Review)*	\$402,493	\$327,071	\$265,365	\$221,466	\$219,367		\$1,435,763	\$2,664,238
Dollar Difference	-\$269,327	-\$365,184	-\$362,178	-\$440,136	-\$459,265		-\$1,896,090	
Percentage Difference	-40%	-53%	-58%	-67%	-68%		-57%	

**Monthly Invoice Total All Contracts**

Approved Change Order Amount	\$4,756,987	\$4,586,639	\$4,131,922	\$4,209,838	\$4,141,848
Initial Contractor Invoice	\$3,912,216	\$3,055,918	\$3,327,094	\$3,753,671	\$2,977,463
Dollar Difference	-\$844,771	-\$1,530,721	-\$804,828	-\$456,167	-\$1,164,385
Percentage Difference	-18%	-33%	-19%	-11%	-28%
Revised Contractor Invoices (per HART review)*	\$2,135,262	\$1,660,042	\$1,797,089	\$1,468,593	\$1,241,684
Dollar Difference	-\$2,621,724	-\$2,926,597	-\$2,334,833	-\$2,741,246	-\$2,900,164
Percentage Difference	-55%	-64%	-57%	-65%	-70%

	Cumulative Invoice Total All Contracts	Remaining Change Order Amount
Change Order Amount (\$25.9M)	\$21,827,234	
Contractor Invoice	\$17,026,362	\$8,873,638
Dollar Difference	-\$4,800,872	
Percentage Difference	-22%	
Revised Invoice*	\$8,302,671	\$17,597,329
Dollar Difference	-\$13,524,563	
Percentage Difference	-62%	

\* Revised Invoices do not include items that are still under evaluation and/or require further documentation for reimbursement. These items may include staffing, equipment, subcontractor costs, demobilization/remobilization.