**NEW ISSUES - BOOK–ENTRY ONLY** **RATINGS: See "RATINGS" herein**

*In the opinion of Co-Bond Counsel to the Authority, interest on the Bonds (as defined herein) will be excludable from gross income for federal income tax purposes under statutes, regulations, published rulings and court decisions existing on the date hereof, subject to the matters discussed under "**TAX MATTERS — Federal Income Tax Treatment for the Bonds**" herein, including the alternative minimum tax on corporations. In the opinion of Co-Bond Counsel to the Authority, as of the date of issuance of the Notes (as defined herein), the Notes are not obligations described in Section 103(a) of the Internal Revenue Code of 1986. See "**TAX MATTERS — Federal Income Tax Treatment for the Notes**" herein.*

# NORTH TEXAS TOLLWAY AUTHORITY

**$672,833,449.65**
**SPECIAL PROJECTS SYSTEM REVENUE BONDS, SERIES 2011**

**$487,890,000 Current Interest Bonds, Series 2011A**

**$55,103,673.45 Capital Appreciation Bonds, Series 2011B**

**$129,839,776.20 Convertible Capital Appreciation Bonds, Series 2011C**

**$418,405,000**
**TAXABLE BOND ANTICIPATION NOTES, SERIES 2011**

**$348,295,000 Taxable Bond Anticipation Notes, Series 2011A**

**$70,110,000 Taxable Bond Anticipation Notes, Series 2011B**

**Dated Date: Date of delivery** **Due: As shown herein**

The North Texas Tollway Authority (the "*Authority*") Special Projects System Revenue Bonds, Series 2011, consisting of Current Interest Bonds, Series 2011A (the "*Series 2011A Bonds*"), Capital Appreciation Bonds, Series 2011B (the "*Series 2011B Bonds*"), and Convertible Capital Appreciation Bonds, Series 2011C (the "*Series 2011C Bonds*" and, together with the Series 2011A Bonds and the Series 2011B Bonds, the "*Bonds*") and the Authority's Taxable Bond Anticipation Notes, Series 2011A (the "*Series 2011A Notes*") and Taxable Bond Anticipation Notes Series 2011B (the "*Series 2011B Notes*" and, together with the Series 2011A Notes, the "*Notes*") will be issued as fully registered obligations of the Authority, a body politic and corporate and a political subdivision of the State of Texas. The Bonds and the Notes (collectively, the "*Obligations*") will be issued for the purpose of providing funds to pay an upfront payment to the Texas Department of Transportation for the Authority's right to own and operate an 11.5-mile tolled portion of State Highway 161 in western Dallas County extending from SH 183 south to IH 20 and designated the President George Bush Turnpike Western Extension ("*PGBT WE*") and to finance a portion of the costs of the construction and development of PGBT WE, all as more fully described herein and in **APPENDIX A.**

The Obligations will be registered in the nominee name of The Depository Trust Company, New York, New York ("*DTC*"), which will act as securities depository for the Obligations pursuant to its Book–Entry Only System described herein. No physical delivery of the Obligations will be made to the respective beneficial owners thereof.

Principal of, premium, if any, and interest on the Bonds will be payable by Wells Fargo Bank, National Association, as trustee (the "*Trustee*"), under a Trust Agreement dated as of April 1, 2011, as amended and supplemented (the "*SPS Trust Agreement*"), between the Authority and the Trustee, to DTC, which will make distribution of the amounts so paid to the beneficial owners thereof. Principal of, premium, if any, and interest on the Notes will be payable by Wells Fargo Bank, National Association, as paying agent (the "*Paying Agent/Registrar*") under a resolution adopted by the Board of Directors (the "*Board*") of the Authority on March 17, 2011 (the "*Note Resolution*") to DTC, which will make distribution of the amounts so paid to the beneficial owners thereof. See "**GENERAL INFORMATION REGARDING THE OBLIGATIONS — Book–Entry Only System**."

The Obligations are authorized by and issued pursuant to (i) the laws of the State of Texas, particularly Chapter 366, Texas Transportation Code, as amended, and Chapter 1371, Texas Government Code, as amended, and (ii) (a) with respect to the Bonds, a resolution (the "*Bond Resolution*") adopted by the Board on March 17, 2011, and (b) with respect to the Notes, the Note Resolution. The Obligations are payable solely from, and secured solely by the collateral described herein. See "**SECURITY AND SOURCES OF PAYMENT FOR THE OBLIGATIONS**."

The Obligations are further described in this Official Statement. See pages (i) through (v) for additional information relating to the Obligations, including provisions relating to maturities, interest rates, yields, tax status and the security therefor. **THE OBLIGATIONS ARE NOT SECURED BY REVENUES OF THE NTTA SYSTEM.**

NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OF TEXAS, NOR ANY OTHER AGENCY OR POLITICAL SUBDIVISION OF THE STATE OF TEXAS IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE OBLIGATIONS. THE AUTHORITY HAS NO TAXING POWER.

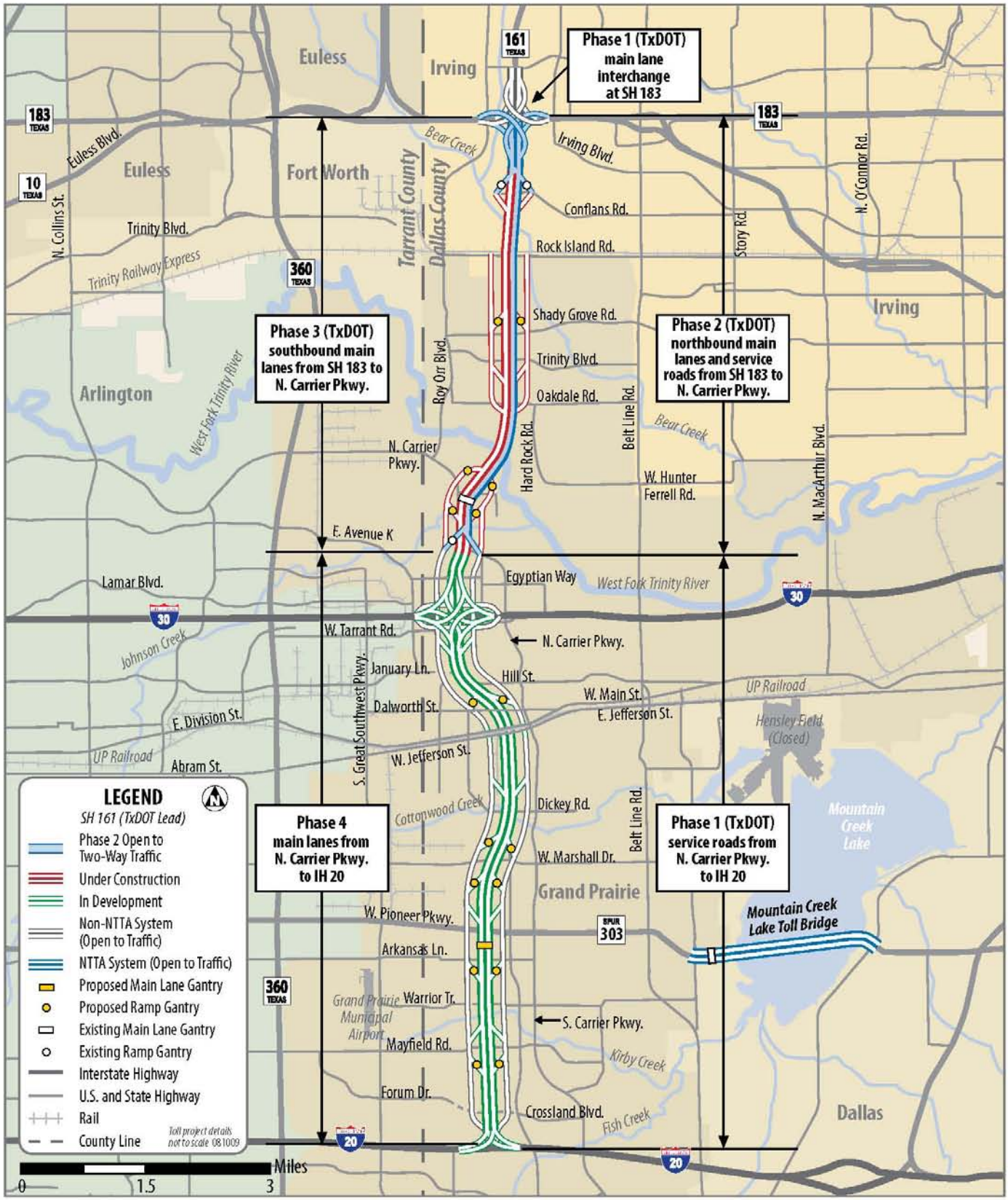
This cover page and pages (i) through (v) contain information for quick reference only. Such pages do not contain a complete summary of the Obligations. Potential investors must read the entire Official Statement to obtain information essential to making an informed investment decision. Investment in the Obligations is subject to certain investment considerations. See "**RISK FACTORS**."

The Obligations are offered for delivery when, as, and if issued and received by the Underwriters and subject to the approval of the Attorney General of the State of Texas and McCall, Parkhurst & Horton L.L.P., Dallas, Texas and Mahomes Bolden & Warren PC, Dallas, Texas, Co-Bond Counsel to the Authority. Certain legal matters will be passed upon for the Authority by Locke Lord Bissell & Liddell LLP, Dallas, Texas, Outside General Counsel for the Authority, and for the Underwriters by Andrews Kurth LLP, Houston, Texas and West & Associates L.L.P., Dallas, Texas, Co-Counsel for the Underwriters. It is expected that delivery of the Obligations will be made through DTC on or about April 28, 2011.

**CITI**

**Barclays Capital** **Estrada Hinojosa & Company, Inc.** **Loop Capital Markets**
**Morgan Keegan** **Morgan Stanley** **Ramirez & Co., Inc.**

The date of this Official Statement is April 21, 2011.




State Highway (SH) 161

# Project Location Map

NTTA
NORTH TEXAS TOLLWAY AUTHORITY

## MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, INITIAL YIELDS, CUSIP NUMBERS AND ADDITIONAL INFORMATION REGARDING THE SERIES 2011A BONDS

*General.* The Current Interest Bonds, Series 2011A (the "*Series 2011A Bonds*") will be issued as fully registered bonds, without coupons, in denominations of $5,000 or any integral multiple thereof and will be dated their date of delivery. Interest will accrue on the Series 2011A Bonds, calculated on the basis of a 360-day year composed of twelve 30-day months, from their date of delivery and will be payable semiannually on March 1 and September 1 of each year, commencing September 1, 2011. Principal will come due on September 1 of the year and in the amount set forth below or upon the earlier redemption of the Series 2011A Bonds.

### MATURITY SCHEDULE FOR THE SERIES 2011A BONDS

| Stated Maturity (September 1) | Principal Amount | Interest Rate | Yield | CUSIP No.[1] |
|---|---|---|---|---|
| 2014 | $ 6,835,000 | 4.000% | 1.550% | 66285WGG5 |
| 2015 | 11,045,000 | 4.000 | 2.050 | 66285WGH3 |
| 2016 | 5,000,000 | 4.000 | 2.480 | 66285WGJ9 |
| 2016 | 10,030,000 | 5.000 | 2.480 | 66285WHA7 |
| 2017 | 5,000,000 | 4.000 | 2.850 | 66285WGK6 |
| 2017 | 7,835,000 | 5.000 | 2.850 | 66285WHB5 |
| 2018 | 60,000 | 4.000 | 3.200 | 66285WGL4 |
| 2020 | 9,650,000 | 5.000 | 3.800 | 66285WGU4 |
| 2021 | 5,000,000 | 4.000 | 4.000 | 66285WGM2 |
| 2021 | 9,190,000 | 5.000 | 4.000 | 66285WGZ3 |
| 2023 | 5,860,000 | 5.000 | 4.300[c] | 66285WGN0 |
| 2024 | 170,000 | 5.000 | 4.450[c] | 66285WGV2 |
| 2025 | 730,000 | 5.000 | 4.600[c] | 66285WGW0 |
| 2026 | 360,000 | 5.000 | 4.700[c] | 66285WGX8 |
| 2028 | 5,365,000 | 5.500 | 4.880[c] | 66285WGY6 |
| 2029 | 4,645,000 | 5.250 | 5.010[c] | 66285WGP5 |
| 2030 | 7,195,000 | 5.000 | 5.100 | 66285WGQ3 |
| 2031 | 16,040,000 | 5.000 | 5.170 | 66285WGR1 |

| | | | | |
|---|---|---|---|---|
| $47,335,000 | 5.500% | Term Bond due September 1, 2036, | Priced to Yield 5.600%; | CUSIP No. 66285WGS9[1] |
| $280,545,000 | 5.500% | Term Bond due September 1, 2041, | Priced to Yield 5.650%; | CUSIP No. 66285WGT7[1] |
| $50,000,000 | 6.000% | Term Bond due September 1, 2041, | Priced to Yield 5.520%[c] | CUSIP No. 66285WHC3[1] |

*Optional and Mandatory Sinking Fund Redemption.* The Series 2011A Bonds are subject to optional and mandatory sinking fund redemption as described herein. See "**THE SERIES 2011A BONDS — Redemption**."

*Security.* **The PGBT WE is not a part of the NTTA System and the Series 2011A Bonds are not secured by and are not payable from the NTTA System revenues.** The Series 2011A Bonds are limited first tier obligations of the Authority payable solely from, and secured solely by, (a) revenues and all other receipts and income derived from the ownership and operation of the Special Projects System (excluding revenue sharing payments owed to the Texas Department of Transportation ("*TxDOT*")), and all rights to receive the same, whether in the form of accounts receivable, contract rights or other rights, and the proceeds of such rights whether now owned or held or hereafter coming into existence, (b) the Authority's right, title and interest as a "beneficiary" for the Special Projects System under the Master Custodial Account Agreement between the Authority and Wells Fargo Bank, National Association, but not as a "beneficiary" for any other toll projects of the Authority, (c) all money held by the Trustee in the funds and accounts created under the SPS Trust Agreement, other than the BANs Construction Fund, and (d) all right, title and interest of the North Texas Tollway Authority (the "*Authority*") in the Toll Equity Loan Agreement between the Authority and TxDOT, all as further described herein. See "**SECURITY AND SOURCES OF PAYMENT FOR THE OBLIGATIONS — Security and Sources of Payment for the Bonds**."

*Tax Status.* In the opinion of Co-Bond Counsel to the Authority, interest on the Series 2011A Bonds will be excludable from gross income for federal income tax purposes under statutes, regulations, published rulings and court decisions existing on the date hereof, except as explained under "**TAX MATTERS — Federal Income Tax Treatment for the Bonds**."

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[c] Priced to result in the stated yield to the September 1, 2021 optional redemption date.

## MATURITIES, PRINCIPAL AMOUNTS, APPROXIMATE YIELDS, CUSIP NUMBERS AND ADDITIONAL INFORMATION REGARDING THE SERIES 2011B BONDS

*General.* The Capital Appreciation Bonds, Series 2011B (the "*Series 2011B Bonds*") will be issued as fully registered bonds, without coupons, in denominations of $5,000 in Maturity Amount (defined below) or any integral multiple thereof and will be dated their date of delivery. Interest will accrete, calculated on the basis of a 360-day year composed of twelve 30-day months on the Series 2011B Bonds from their date of delivery and will compound semiannually on March 1 and September 1 of each year, commencing September 1, 2011. The sum of the principal of and accreted/compounded interest on the Series 2011B Bonds (the "*Maturity Amount*") is payable at the Stated Maturity specified below.

### MATURITY SCHEDULE FOR THE SERIES 2011B BONDS

| Stated Maturity (September 1) | Original Principal Amount | Approximate Yield to Stated Maturity | Interest Rate | Maturity Amount | CUSIP No.[1] |
|---|---|---|---|---|---|
| 2037 | $42,620,650.80 | 7.550% | 7.550% | $300,230,000 | 66285WHD1 |
| 2043 | 12,483,022.65 | 7.600 | 7.600 | 139,335,000 | 66285WHE9 |

*Optional and Mandatory Sinking Fund Redemption.* The Series 2011B Bonds are subject to optional and mandatory sinking fund redemption as described herein. See "**THE SERIES 2011B BONDS — Redemption**."

*Security.* **The PGBT WE is not a part of the NTTA System and the Series 2011B Bonds are not secured by and are not payable from the NTTA System revenues.** The Series 2011B Bonds are limited first tier obligations of the Authority payable solely from, and secured solely by, (a) revenues and all other receipts and income derived from the ownership and operation of the Special Projects System (excluding revenue sharing payments owed to the Texas Department of Transportation ("*TxDOT*")), and all rights to receive the same, whether in the form of accounts receivable, contract rights or other rights, and the proceeds of such rights whether now owned or held or hereafter coming into existence, (b) the Authority's right, title and interest as a "beneficiary" for the Special Projects System under the Master Custodial Account Agreement between the Authority and Wells Fargo Bank, National Association, but not as a "beneficiary" for any other toll projects of the Authority, (c) all money held by the Trustee in the funds and accounts created under the SPS Trust Agreement, other than the BANs Construction Fund, and (d) all right, title and interest of the North Texas Tollway Authority (the "*Authority*") in the Toll Equity Loan Agreement between the Authority and TxDOT, all as further described herein. See "**SECURITY AND SOURCES OF PAYMENT FOR THE OBLIGATIONS — Security and Sources of Payment for the Bonds**."

*Tax Status.* In the opinion of Co-Bond Counsel to the Authority, interest on the Series 2011B Bonds will be excludable from gross income for federal income tax purposes under statutes, regulations, published rulings and court decisions existing on the date hereof, except as explained under "**TAX MATTERS — Federal Income Tax Treatment for the Bonds**."

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## MATURITIES, PRINCIPAL AMOUNTS, APPROXIMATE YIELDS, INTEREST RATES, CUSIP NUMBERS AND ADDITIONAL INFORMATION REGARDING THE SERIES 2011C BONDS

*General.* The Convertible Capital Appreciation Bonds, Series 2011C (the "*Series 2011C Bonds*") will be issued as fully registered bonds, without coupons, in denominations of $5,000 in Maturity Amount (defined below) or any integral multiple thereof and will be dated their date of delivery. Interest will accrete, calculated on the basis of a 360-day year composed of twelve 30-day months on the Series 2011C Bonds from their date of delivery and will compound semiannually on March 1 and September 1 of each year, commencing September 1, 2011 to the Conversion Date set forth below for each Stated Maturity set forth below. After the Conversion Date for each Stated Maturity, interest on each Stated Maturity will accrue at the applicable interest rate specified below, calculated on the basis of a 360-day year composed of twelve 30-day months, on the total amount of principal and the accreted/compounded interest thereon (the "*Maturity Amount*") payable semiannually on March 1 and September 1 of each year, commencing on the applicable Initial Interest Payment Date for each Stated Maturity. Principal and accreted/compounded interest accreted prior to the Conversion Date will come due on September 1 of the years and in the amounts set forth below, or upon earlier optional redemption as described herein.

### MATURITY SCHEDULE FOR THE SERIES 2011C BONDS

| Stated Maturity | Conversion Date (September 1) | Initial Interest Payment Date | Original Principal Amount | Accreted Value at Conversion | Initial Principal Amount per $5,000 Accreted Value at Conversion Date | Approximate Yield to Stated Maturity | Interest Rate on and after Conversion Date | CUSIP No.[1] |
|---|---|---|---|---|---|---|---|---|
| 2043 | 2023 | March 1, 2024 | $36,767,691.00 | $ 85,950,000 | $ 2,138.90 | 7.000% | 7.000% | 66285WHF6 |
| 2045 | 2021 | March 1, 2022 | 93,072,085.20 | 184,920,000 | 2,516.55 | 6.750 | 6.750 | 66285WHG4 |

*Optional and Mandatory Sinking Fund Redemption.* The Series 2011C Bonds are subject to optional redemption and mandatory sinking fund redemption as described herein. See "**THE SERIES 2011C BONDS — Redemption**."

*Security.* **The PGBT WE is not a part of the NTTA System and the Series 2011C Bonds are not secured by and are not payable from the NTTA System revenues.** The Series 2011C Bonds are limited first tier obligations of the Authority payable solely from, and secured solely by, (a) revenues and all other receipts and income derived from the ownership and operation of the Special Projects System (excluding revenue sharing payments owed to the Texas Department of Transportation ("*TxDOT*")), and all rights to receive the same, whether in the form of accounts receivable, contract rights or other rights, and the proceeds of such rights whether now owned or held or hereafter coming into existence, (b) the Authority's right, title and interest as a "beneficiary" for the Special Projects System under the Master Custodial Account Agreement between the Authority and Wells Fargo Bank, National Association, but not as a "beneficiary" for any other toll projects of the Authority, (c) all money held by the Trustee in the funds and accounts created under the SPS Trust Agreement, other than the BANs Construction Fund, and (d) all right, title and interest of the North Texas Tollway Authority (the "*Authority*") in the Toll Equity Loan Agreement between the Authority and TxDOT, all as further described herein. See "**SECURITY AND SOURCES OF PAYMENT FOR THE OBLIGATIONS — Security and Sources of Payment for the Bonds**."

*Tax Status.* In the opinion of Co-Bond Counsel to the Authority, interest on the Series 2011C Bonds will be excludable from gross income for federal income tax purposes under statutes, regulations, published rulings and court decisions existing on the date hereof, except as explained under "**TAX MATTERS — Federal Income Tax Treatment for the Bonds**."

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## MATURITY, PRINCIPAL AMOUNT, INTEREST RATE, YIELD, CUSIP NUMBER AND ADDITIONAL INFORMATION REGARDING THE SERIES 2011A NOTES

*General.* The Taxable Bond Anticipation Notes, Series 2011A (the "*Series 2011A Notes*") will be issued as fully registered notes, without coupons, in denominations of $5,000 or any integral multiple thereof and will be dated their date of delivery. Interest will accrue on the Series 2011A Notes, calculated on the basis of a 360-day year composed of twelve 30-day months, from their date of delivery and will be payable semiannually on March 1 and September 1 of each year, commencing September 1, 2011. Principal will come due on September 1 of the year and in the amount set forth below.

### MATURITY SCHEDULE FOR THE SERIES 2011A NOTES

$348,295,000 2.441% Term Note due September 1, 2013, Priced to Yield 2.441%; CUSIP No. 66285WHH2[(1)]

*Optional and Mandatory Sinking Fund Redemption.* The Series 2011A Notes are *not* subject to optional redemption and are *not* subject to mandatory sinking fund redemption. See "**THE SERIES 2011A NOTES — Redemption**."

*Security.* **The Series 2011A Notes are not secured by the revenues of the Special Projects System or the NTTA System or any funds and accounts held by the Trustee under the SPS Trust Agreement other than the BANs Construction Fund**. The Series 2011A Notes are secured by a lien on and pledge of (i) the money from the TIFIA Loan disbursements (described herein) made to the Authority to refinance or retire the Series 2011A Notes and the money from the sale of any refunding bonds or such other bonds, notes or obligations issued to refinance or retire the Series 2011A Notes and (ii) any proceeds of the Series 2011A Notes on deposit in the BANs Construction Fund held by the Trustee under the SPS Trust Agreement. The Series 2011A Notes are payable solely from money from the TIFIA Loan disbursements made to the Authority to retire the Series 2011A Notes, and/or money from the sale of refunding bonds or other bonds, notes or obligations issued in accordance with the requirements and limitations of the SPS Trust Agreement, the Toll Equity Loan Agreement between the Authority and the Texas Department of Transportation and the TIFIA Loan Agreement between the Authority and the United States Department of Transportation acting by and through the Federal Highway Administrator, to retire the Series 2011A Notes, or amounts on deposit in the BANs Construction Fund. See "**SECURITY AND SOURCES OF PAYMENT FOR THE OBLIGATIONS — Security and Sources of Payment for the Notes**." The Authority expects that the Series 2011A Notes will be paid from amounts available under the TIFIA Loan described herein. **The Series 2011A Notes are not entitled to the benefit of the Toll Equity Loan Agreement.**

*Tax Status.* **The Series 2011A Notes are not obligations described in Section 103(a) of the Internal Revenue Code of 1986, as amended, and thus interest on the Series 2011A Notes is not anticipated to be excludable from gross income for federal income tax purposes.** See "**TAX MATTERS — Federal Income Tax Treatment for the Notes**."

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## MATURITY, PRINCIPAL AMOUNT, INTEREST RATE, YIELD, CUSIP NUMBER AND ADDITIONAL INFORMATION REGARDING THE SERIES 2011B NOTES

*General.* The Taxable Bond Anticipation Notes, Series 2011B (the "*Series 2011B Notes*") will be issued as fully registered notes, without coupons, in denominations of $5,000 or any integral multiple thereof and will be dated their date of delivery. Interest will accrue on the Series 2011B Notes, calculated on the basis of a 360-day year composed of twelve 30-day months, from their date of delivery and will be payable semiannually on March 1 and September 1 of each year, commencing September 1, 2011. Principal will come due on September 1 of the year and in the amount set forth below.

### MATURITY SCHEDULE FOR THE SERIES 2011B NOTES

$70,110,000 2.306% Term Note due September 1, 2013, Priced to Yield 2.306%; CUSIP No. 66285WGF7[(1)]

*Optional and Mandatory Sinking Fund Redemption.* The Series 2011B Notes are *not* subject to optional redemption and are *not* subject to mandatory sinking fund redemption. See "**THE SERIES 2011B NOTES — Redemption**."

*Security.* **The Series 2011B Notes are not secured by the revenues of the Special Projects System or the NTTA System or any funds and accounts held by the Trustee under the SPS Trust Agreement other than the BANs Construction Fund**. The Series 2011B Notes are secured by a lien on and pledge of (i) the money from the TIFIA Loan disbursements (described herein) made to the Authority to refinance or retire the Series 2011B Notes and the money from the sale of any refunding bonds or such other bonds, notes or obligations issued to refinance or retire the Series 2011B Notes and (ii) any proceeds of the Series 2011B Notes on deposit in the BANs Construction Fund held by the Trustee under the SPS Trust Agreement. The Series 2011B Notes are payable solely from money from the TIFIA Loan disbursements made to the Authority to retire the Series 2011B Notes, and/or money from the sale of refunding bonds or other bonds, notes or obligations issued in accordance with the requirements and limitations of the SPS Trust Agreement, the Toll Equity Loan Agreement between the Authority and the Texas Department of Transportation and the TIFIA Loan Agreement between the Authority and the United States Department of Transportation acting by and through the Federal Highway Administrator, to retire the Series 2011B Notes, or amounts on deposit in the BANs Construction Fund. See "**SECURITY AND SOURCES OF PAYMENT FOR THE OBLIGATIONS — Security and Sources of Payment for the Notes**." The Authority expects that the Series 2011B Notes will be paid from amounts available under the TIFIA Loan described herein. **The Series 2011B Notes are not entitled to the benefit of the Toll Equity Loan Agreement.**

*Tax Status.* **The Series 2011B Notes are not obligations described in Section 103(a) of the Internal Revenue Code of 1986, as amended, and thus interest on the Series 2011B Notes is not anticipated to be excludable from gross income for federal income tax purposes.** See "**TAX MATTERS — Federal Income Tax Treatment for the Notes**."

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## AUTHORITY BOARD, ADMINISTRATION, CONSULTANTS AND ADVISORS

**Board of Directors**[1]

| Name | Length of Service | Term Expires August 31[2] | Appointed by | Occupation |
|---|---|---|---|---|
| Victor T. Vandergriff, Chairman | 3 years | 2012 | Tarrant County | Businessman |
| David R. Denison, Vice Chairman | 5 years | 2011 | Denton County | Businessman |
| Robert K. Shepard | 4 years | 2011 | Governor | Airline Pilot |
| Michael R. Nowels | 3 years | 2012 | Denton County | Businessman |
| Dr. Bob Day | 3 years | 2011 | Dallas County | Optometrist |
| Kenneth Barr | 2 years | 2011 | Tarrant County | Businessman |
| William Moore | 1 year | 2011 | Collin County | Businessman |
| Kent Cagle | 6 months | 2012 | Dallas County | City Manager |
| Jane Willard | 6 months | 2012 | Collin County | Community Advocate |

**Administration**[3]

| Name | Position |
|---|---|
| Allen Clemson | Executive Director |
| Janice D. Davis | Chief Financial Officer |
| Magdalena M. Kovats | Director of Internal Audit |
| Gerald E. Carrigan | Assistant Executive Director of Project Delivery |
| Clayton Howe | Assistant Executive Director of Operations |
| Kimberly B. Tolbert | Assistant Executive Director of Administrative Services |
| Everett Ray Zies | Controller |
| Ruby Franklin | Secretary of the Board |

**Consultants and Advisors**

| | |
|---|---|
| Outside General Counsel | Locke Lord Bissell & Liddell LLP<br>Dallas, Texas |
| Co-Bond Counsel | McCall, Parkhurst & Horton L.L.P.<br>Dallas, Texas |
| | Mahomes Bolden & Warren PC<br>Dallas, Texas |
| Independent Auditors | Crowe Horwath LLP<br>Chicago, Illinois |
| Traffic Engineers | Wilbur Smith Associates<br>Dallas, Texas |
| | with the assistance of<br>Baez Consulting, LLC<br>Allen, Texas |
| Consulting Engineers | HNTB Corporation<br>Dallas, Texas |
| Financial Advisor | RBC Capital Markets, LLC<br>New York, New York |
| Co-Financial Advisor | TKG & Associates<br>Dallas, Texas |
| Trustee and Paying Agent/Registrar | Wells Fargo Bank, National Association<br>Dallas, Texas |

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(1) See "**GOVERNMENT AND MANAGEMENT — The Board of Directors**" in **APPENDIX A**.
(2) Serves until appointment of successor or reappointment.
(3) See " **GOVERNMENT AND MANAGEMENT — Key Staff Members**" in **APPENDIX A.**

## USE OF INFORMATION IN OFFICIAL STATEMENT

No dealer, broker, salesman, or other person has been authorized by the Authority or Citigroup Global Markets Inc., Barclays Capital Inc., Estrada Hinojosa & Company, Inc., Loop Capital Markets, LLC, Morgan Keegan & Co., Inc., Morgan Stanley & Co. or Ramirez & Co., Inc. (collectively, the "*Underwriters*") to give any information or to make any representation other than those contained in this Official Statement, and, if given or made, such other information or representation must not be relied upon as having been authorized by the Authority or the Underwriters. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor may there be any sale of the Obligations by any person, in any jurisdiction in which it is unlawful for such person to make such offer, solicitation, or sale. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement, nor any sale of the Obligations will, under any circumstances, create any implication that there has been no change in the affairs of the Authority or the Texas Department of Transportation since the date hereof. This Official Statement is submitted in connection with the sale of the Obligations and in no instance may this Official Statement be reproduced or used for any other purpose.

CUSIP numbers have been assigned to the Obligations by Standard & Poor's CUSIP Service Bureau for the convenience of the owners of the Obligations. None of the Authority, its Financial Advisors or the Underwriters will be responsible for the selection or the correctness of the CUSIP numbers.

This Official Statement is intended to reflect facts and circumstances on the date of this Official Statement or on such other date or at such other time as is identified herein. No assurance can be given that such information will not be misleading at a later date. Consequently, reliance on this Official Statement at times subsequent to the issuance of the Obligations described herein should not be made on the assumption that any such facts or circumstances are unchanged.

The Trustee assumes no responsibility for this Official Statement and has not reviewed or undertaken to verify any information contained in this Official Statement.

None of the Authority, the Financial Advisors, or the Underwriters makes any representation or warranty with respect to the information contained in this Official Statement regarding the Depository Trust Company ("*DTC*") or its Book–Entry Only System, as such information was furnished by DTC.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

The price and other terms respecting the offering and sale of the Obligations may be changed from time to time by the Underwriters after such Obligations are released for sale, and such Obligations may be offered and sold at prices other than the initial offering price, including sales to dealers who may sell such Obligations into investment accounts. In connection with the offering of the Obligations, the Underwriters may over-allot or effect transactions that stabilize or maintain the market price of the Obligations at a level above those that might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

No registration statement relating to the Obligations has been filed with the Securities and Exchange Commission under the Securities Act of 1933, as amended, in reliance upon an exemption provided thereunder. The Obligations have not been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Obligations been registered or qualified under the securities laws of any other jurisdiction. The Authority assumes no responsibility for the registration or qualification for sale or other disposition of the Obligations under the securities laws of any jurisdiction in which the Obligations may be offered, sold or otherwise transferred. This disclaimer of responsibility for registration or qualification for sale or other disposition of the Obligations will not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration or qualification provisions.

In making an investment decision, investors must rely on their own examination of the Obligations and the terms of the offering, including the merits and risks involved. The Obligations have not been recommended by any federal or state securities commission or regulatory authority. Furthermore, the foregoing authorities have not confirmed the accuracy or determined the adequacy of this document. Any representation to the contrary is a criminal offense.

The statements contained in this Official Statement, and in other information provided by the Authority, that are not purely historical, are forward-looking statements, including statements regarding the Authority's expectations, hopes, intentions or strategies regarding the future. All forward-looking statements included in this Official Statement are based on information available to the Authority as of the date hereof, and the Authority assumes no obligation to update any such forward-looking statements. See "**RISK FACTORS — Forward-Looking Statements**."

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# OFFICIAL STATEMENT

## relating to

**NORTH TEXAS TOLLWAY AUTHORITY**

**$672,833,449.65**

**SPECIAL PROJECTS SYSTEM REVENUE BONDS, SERIES 2011**

**$487,890,000 Current Interest Bonds, Series 2011A**

**$55,103,673.45 Capital Appreciation Bonds, Series 2011B**

**$129,839,776.20 Convertible Capital Appreciation Bonds, Series 2011C**

**$418,405,000**

**TAXABLE BOND ANTICIPATION NOTES, SERIES 2011**

**$348,295,000 Taxable Bond Anticipation Notes, Series 2011A**

**$70,110,000 Taxable Bond Anticipation Notes, Series 2011B**

## INTRODUCTION

This Official Statement (this "*Official Statement*") contains certain information relating to the offering and sale by the North Texas Tollway Authority (the "*Authority*") of its Special Projects System Revenue Bonds consisting of its Current Interest Bonds, Series 2011A (the "*Series 2011A Bonds*"), Capital Appreciation Bonds, Series 2011B (the "*Series 2011B Bonds*") and Convertible Capital Appreciation Bonds, Series 2011C (the "*Series 2011C Bonds*" and, together with the Series 2011A Bonds and the Series 2011B Bonds, the "*Bonds*") and its Taxable Bond Anticipation Notes, Series 2011A (the "*Series 2011A Notes*") and Taxable Bond Anticipation Notes, Series 2011B (the "*Series 2011B Notes*" and, together with the Series 2011A Notes, the "*Notes*"). The Bonds and the Notes are collectively referred to herein as the "*Obligations*."

The Authority is a body corporate and politic and a political subdivision of the State of Texas (the "*State*") currently serving Collin, Dallas, Denton and Tarrant Counties (the "*Member Counties*").

The Obligations are being issued by the Authority pursuant to (i) the laws of the State, particularly Chapter 366, Texas Transportation Code, as amended (the "*Authority Act*") and Chapter 1371, Texas Government Code, as amended ("*Chapter 1371*"), and (ii) (a) with respect to the Bonds, a resolution (the "*Bond Resolution*") adopted by the Board of Directors (the "*Board*") of the Authority on March 17, 2011, and (b) with respect to the Notes, a resolution (the "*Note Resolution*") adopted by the Board of the Authority on March 17, 2011.

The Bonds are limited first tier obligations of the Authority payable solely from, and secured solely by (a) revenues and all other receipts and income derived from the ownership and operation of the Special Projects System (excluding revenue sharing payments owed to the Texas Department of Transportation ("*TxDOT*")), and all rights to receive the same, whether in the form of accounts receivable, contract rights or other rights, and the proceeds of such rights whether now owned or held or hereafter coming into existence, (b) the Authority's right, title and interest as a "beneficiary" for the Special Projects System under the Master Custodial Account Agreement (the "*MCAA*") between the Authority and Wells Fargo Bank, National Association, as custodian, but not as a "beneficiary" for any other toll projects of the Authority, (c) all money held by Wells Fargo Bank, National Association, as trustee (the "*Trustee*") in the funds and accounts, other than the BANs Construction Fund, created under the Trust Agreement dated as of April 1, 2011 (the "*SPS Trust Agreement*") between the Trustee and the Authority, and (d) all right, title and interest of the Authority in the Toll Equity Loan Agreement (the "*TELA*") (a copy of which is attached hereto as **APPENDIX G**) between the Authority and TxDOT, all as further described herein. See "**SECURITY AND SOURCES OF PAYMENT FOR THE OBLIGATIONS — Security and Sources of Payment for the Bonds**." The Special Projects System described herein will initially consist only of an 11.5-mile tolled portion of State Highway 161 in western Dallas County extending from SH 183 south to IH 20 and designated the President George Bush Turnpike Western Extension ("*PGBT WE*"). However, the Authority expects to undertake the development and construction of a proposed 27.6 mile tollway between IH 30 near the Central Business District in the City of Fort Worth and US 67 in Cleburne (the "*SWP/CTP*") and it is anticipated that the SWP/CTP will become part of the Special Projects System, although the Authority is under no obligation to add the SWP/CTP to the Special Projects System. If undertaken as part of the Special Projects System, the Authority expects to finance the SWP/CTP at least in part through the issuance of

debt under the SPS Trust Agreement and such debt is expected to be secured on a parity with the Bonds. Financing the SWP/CTP through the Special Projects System will require the issuance of additional debt on a parity with the Bonds, the issuance of which is subject to the execution of a supplement to the TELA and approval by the United States Department of Transportation acting by and through the Federal Highway Administrator (the "*TIFIA Lender*"). See "**PLAN OF FINANCE — The Project**" herein, "**THE SPECIAL PROJECTS SYSTEM**" "**POSSIBLE ADDITIONS TO THE SPECIAL PROJECTS SYSTEM**" in **APPENDIX A** and "**APPENDIX G — TOLL EQUITY LOAN AGREEMENT (EXCLUDING APPENDICES)**." **The Special Projects System is not a part of the NTTA System and the Obligations are not secured by and are not payable from the revenues of the NTTA System.**

**The Notes are not secured by revenues of the Special Projects System or the NTTA System or any funds and accounts held by the Trustee under the SPS Trust Agreement other than the BANs Construction Fund. The Notes are not entitled to the benefit of the TELA.** The Authority has granted a lien on and pledge of (i) the money from the TIFIA Loan disbursements (described herein) made to the Authority under the loan agreement (the "*TIFIA Loan Agreement*") between the Authority and the TIFIA Lender to refinance or retire the Notes and the money from the sale of any refunding bonds or such other bonds, notes or obligations issued to refinance or retire the Notes and (ii) any proceeds of the Notes on deposit in the BANs Construction Fund held by the Trustee under the SPS Trust Agreement. The Notes are payable solely from money from the TIFIA Loan disbursements made to the Authority to retire the Notes, money from the sale of refunding bonds or other bonds, notes or obligations issued to retire the Notes or amounts on deposit in the BANs Construction Fund. The Authority expects that the Notes will be paid from amounts available under the TIFIA Loan described herein. See "**SECURITY AND SOURCES OF PAYMENT FOR THE OBLIGATIONS — Security and Sources of Payment for the Notes**" and " **— Security and Sources of Payment for the Bonds — Additional Obligations under the SPS Trust Agreement**."

The Obligations will be issued for the purpose of providing funds to pay an upfront payment to TxDOT for the Authority's right to own and operate PGBT WE as a tolled facility, which payment consists of reimbursement to TxDOT for funds expended for the development and construction of the PGBT WE and of a payment to TxDOT to be deposited into a segregated fund and spent on other eligible priority transportation projects in the North Texas region, and to finance a portion of the costs of the construction and development of PGBT WE, all as more fully described herein. See "**PLAN OF FINANCE**."

Investment in the Obligations involves certain risks, some of which are discussed in this Official Statement. The statements contained in this Official Statement, including the Appendices herein, that are not purely historical, are forward-looking statements, including statements regarding the Authority's expectations, hopes, intentions or strategies regarding the future. Readers should not place undue reliance on forward-looking statements. All forward-looking statements included in this Official Statement are based on information available to the Authority as of the date hereof, and the Authority assumes no obligation to update any such forward-looking statements. See "**RISK FACTORS**" for a discussion of several risks that should also be considered in evaluating an investment in the Obligations.

This Official Statement contains, in part, estimates and matters of opinion that are not intended as statements of fact, and no representation or warranty is made as to the correctness of such estimates and matters of opinion. This Official Statement speaks only as of its date, and the information contained herein is subject to change. Capitalized terms used in this Official Statement that are not otherwise defined herein have the meanings assigned to them in the SPS Trust Agreement. See "**SUMMARY OF CERTAIN PROVISIONS OF THE SPS TRUST AGREEMENT**" in **APPENDIX E**.

THE PRINCIPAL OF, PREMIUM, IF ANY, AND INTEREST ON THE BONDS IS PAYABLE ONLY FROM TOLLS AND OTHER REVENUES OF THE SPECIAL PROJECTS SYSTEM (EXCLUDING REVENUE SHARING PAYMENTS OWED TO TXDOT) HELD BY THE TRUSTEE IN THE REVENUE FUND, THE RIGHT TO RECEIVE REVENUES OF THE SPECIAL PROJECTS SYSTEM HELD AS PROVIDED UNDER THE MASTER CUSTODIAL ACCOUNT AGREEMENT, MONEY HELD BY THE TRUSTEE IN THE FUNDS AND ACCOUNTS CREATED UNDER THE SPS TRUST AGREEMENT (OTHER THAN THE BANS CONSTRUCTION FUND), ON THE BASIS AND IN THE PRIORITY

DESCRIBED THEREIN AND HEREIN, AND TO THE EXTENT SUCH SOURCES ARE AT ANY TIME INSUFFICIENT, FROM ADVANCES MADE TO THE TRUSTEE UNDER THE TELA.

TO SECURE THE NOTES, THE AUTHORITY HAS GRANTED A LIEN ON AND PLEDGE OF (I) THE MONEY FROM THE TIFIA LOAN DISBURSEMENTS (DESCRIBED HEREIN) MADE TO THE AUTHORITY TO REFINANCE OR RETIRE THE NOTES AND/OR THE MONEY FROM THE SALE OF ANY REFUNDING BONDS OR SUCH OTHER BONDS, NOTES OR OBLIGATIONS ISSUED IN ACCORDANCE WITH THE REQUIREMENTS AND LIMITATIONS OF THE SPS TRUST AGREEMENT, THE TELA AND THE TIFIA LOAN AGREEMENT, TO REFINANCE OR RETIRE THE NOTES AND (II) ANY MONEY FROM THE SALE OF THE NOTES ON DEPOSIT IN THE BANS CONSTRUCTION FUND HELD BY THE TRUSTEE UNDER THE SPS TRUST AGREEMENT. THE NOTES ARE PAYABLE SOLELY FROM PROCEEDS OF THE TIFIA LOAN DISBURSEMENTS MADE TO THE AUTHORITY TO RETIRE THE NOTES, PROCEEDS OF REFUNDING BONDS OR OTHER BONDS, NOTES OR OBLIGATIONS ISSUED TO RETIRE THE NOTES AND AMOUNTS ON DEPOSIT IN THE BANS CONSTRUCTION FUND.

EXCEPT AS SPECIFIED IN THE PRECEDING PARAGRAPHS, NONE OF THE STATE OF TEXAS, THE AUTHORITY, THE NTTA SYSTEM, THE SPECIAL PROJECTS SYSTEM NOR ANY OTHER AGENCY OR POLITICAL SUBDIVISION OF THE STATE OF TEXAS IS OBLIGATED TO PAY THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE OBLIGATIONS. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OF TEXAS, NOR ANY OTHER AGENCY OR POLITICAL SUBDIVISION OF THE STATE OF TEXAS IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE OBLIGATIONS. THE AUTHORITY HAS NO TAXING POWER.

## THE NORTH TEXAS TOLLWAY AUTHORITY

The Authority is a regional tollway authority governed by the Authority Act and is a political subdivision of the State of Texas currently serving Collin, Dallas, Denton, and Tarrant Counties. It came into existence on September 1, 1997 as a successor to the Texas Turnpike Authority (the "*TTA*"), an agency of the State of Texas that was created in 1953 and abolished in 1997. At that time, all obligations of the TTA related to the system of toll roads operated by the TTA in Collin, Dallas, Denton and Tarrant Counties were assumed by the Authority. Also, the Authority assumed ownership of the system of toll roads then in existence (as then in existence and subsequently expanded, the "*NTTA System*"). **The revenues of the NTTA System are not pledged to the payment of the Obligations**. However, under certain circumstances the Authority is required to contribute funds from the NTTA System. See "**SECURITY AND SOURCES OF PAYMENT FOR THE OBLIGATIONS — Security and Source of Payment for the Bonds — Toll Equity Loan Agreement — Cost Overruns**."

The Authority has decided to create a separate system of toll roads known as the Special Projects System. The Special Projects System will initially consist of PGBT WE only. However, the Authority expects to undertake the development and construction of the SWP/CTP and to add the SWP/CTP to the Special Projects System, although the Authority is under no obligation to add the SWP/CTP to the Special Projects System. **The revenues of the Special Projects System are pledged to the Bonds only. The revenues of the Special Projects System are not pledged to the payment of the Notes.**

The Authority's Board has adopted a mission statement which provides that the mission of the Authority is to enhance mobility through responsible and innovative tolling solutions.

The Authority Act authorizes the Authority to acquire, construct, maintain, repair, and operate turnpike projects such as those included in the NTTA System and the Special Projects System at such locations within its jurisdiction as may be determined by the Authority and to issue bonds and other obligations, for the purpose of paying all or any part of the cost of a turnpike project. See **APPENDIX A** for additional information regarding the Authority, the Special Projects System and the NTTA System.

## PLAN OF FINANCE

### General

The Obligations are being issued in accordance with the Authority Act, Chapter 1371, the Bond Resolution (with respect to the Bonds), the SPS Trust Agreement (with respect to the Bonds) and the Note Resolution (with respect to the Notes). See "**SUMMARY OF CERTAIN PROVISIONS OF THE SPS TRUST AGREEMENT**" in **APPENDIX E**.

Proceeds of the Bonds will be used to: (i) pay a portion of the upfront payment to TxDOT for the Authority's right to own and operate PGBT WE as a tolled facility as further described herein, (ii) finance a portion of the costs of the development and construction of PGBT WE, (iii) pay capitalized interest on the Bonds, (iv) fund a portion of the Major Maintenance Reserve Fund, and (v) pay costs of issuance of the Bonds. Proceeds of the Series 2011A Notes will be used to: (i) pay a portion of the upfront payment to TxDOT, including interest thereon, (ii) finance a portion of the cost of the development and construction of PGBT WE, (iii) pay capitalized interest on the Series 2011A Notes, (iv) fund a portion of the Major Maintenance Reserve Fund, and (v) pay costs of issuance of the Series 2011A Notes. Proceeds of the Series 2011B Notes will be used to: (i) finance a portion of the cost of the development and construction of PGBT WE, (ii) pay capitalized interest on the Series 2011B Notes, (iii) fund the Rate Stabilization Fund, and (iv) pay costs of issuance of the Series 2011B Notes.

TxDOT will deposit the upfront payment received from the Authority in a segregated account of the State Highway Fund for the benefit of the North Texas region.

### Prior, Contemporaneous and Subsequent Financing Plans Relating to the Special Projects System

*The Authority's System Revenue Bonds, Series 2010A and 2010B.* In May 2010, the Authority issued its North Texas Tollway Authority System Subordinate Lien Revenue Bonds, Series 2010A and Subordinate Lien Taxable Revenue Bonds, Series 2010B in the aggregate principal amount of $400 million. Such bonds are secured by revenues of the NTTA System and are not secured under the SPS Trust Agreement. The Authority expects to utilize approximately $72.5 million of the proceeds of such bonds as a contribution for the acquisition, development and construction of PGBT WE. In addition, if the Authority undertakes the SWP/CTP, it has committed to use the remainder of the proceeds of such bonds as a contribution for the acquisition, development and construction of SWP/CTP.

*The Transportation Infrastructure Finance and Innovation Act Loan.* The Authority has entered into the TIFIA Loan Agreement in order to obtain a loan in the approximate amount of $418.4 million (the "*TIFIA Loan*") under the Transportation Infrastructure Finance and Innovation Act. Proceeds of the TIFIA Loan, when drawn upon, are expected to be used to refund the Notes at their maturity. The TIFIA Loan will be evidenced by a promissory note of the Authority (the "*TIFIA Note*"). However, certain conditions must be met for the Authority to draw funds under the TIFIA Loan Agreement and the TIFIA Loan Agreement and the obligations of the TIFIA Lender to advance funds may be suspended or terminated. See "**RISK FACTORS — Conditions to Drawing on the TIFIA Loan**" and "**—Failure to Refinance the Notes at Maturity**." The TIFIA Note will be issued and secured as a Second Tier Obligation under the SPS Trust Agreement and will be subordinate to the Bonds, except as provided below.

Upon the occurrence and during the continuance of any Bankruptcy Related Event of the Authority (as defined herein), the TIFIA Note will, if the Owner of the TIFIA Note is the TIFIA Lender or another governmental lender at such time, automatically and without action on the part of the TIFIA Lender or any other person immediately become and be of equal rank and in parity with the First Tier Obligations and will be entitled to all rights of an Owner of First Tier Obligations (including, without limitation, the right of payment pro rata with other First Tier Obligations pursuant to the SPS Trust Agreement). Upon such event, the money and investments held in the Second Tier Debt Service Fund allocable to the payment of the TIFIA Note are required to be transferred by the Trustee to the First Tier Debt Service Fund. See "**SECURITY AND SOURCES OF PAYMENTS FOR THE OBLIGATIONS — Security and Sources of Payment for the Notes — The Transportation Infrastructure Finance and Innovation Act Loan**."

*The Toll Equity Loan*. The Authority has entered into the TELA with TxDOT, pursuant to which TxDOT has agreed to make a toll equity loan (the "*Toll Equity Loan*") available to the Authority in an aggregate amount up to approximately $4.1 billion, limited as described herein (the "*Maximum Available Aggregate Amount*"). The Maximum Available Aggregate Amount represents the aggregate amount of project costs that TxDOT may pay or reimburse under applicable law, and represents the aggregate amount of funds that TxDOT may be required to advance from time to time to the Trustee, in respect of Eligible Costs (as defined below) relating to the acquisition, construction, development and operation of PGBT WE. At any time toll revenues and balances under the SPS Trust Agreement funds and accounts are insufficient to pay debt service or budgeted operations and maintenance costs, advances under the TELA may be used to pay debt service on PGBT WE as well as Operating Expenses, Major Maintenance Expenses and Capital Expenditures during the term of the Toll Equity Loan up to specified annual budgeted amounts and, in all cases, up to the Maximum Available Aggregate Amount, to the extent amounts to be drawn or advanced are within the amount of Eligible Costs calculated from time to time in accordance with the TELA. Disbursements of the Toll Equity Loan are available during each year the Bonds are outstanding in Maximum Available Annual Amounts ranging from $7.2 million to $239.5 million and may only be drawn upon if toll revenues and fund balances under the SPS Trust Agreement are insufficient to pay debt service, budgeted Operating Expenses, budgeted Major Maintenance Expenses and budgeted Capital Expenditures. The Authority will pledge its rights under the TELA to the Trustee under the SPS Trust Agreement and the Trustee will be authorized, in each year, to make draws on the Toll Equity Loan to cure a shortfall in the First Tier Debt Service Fund, the Second Tier Debt Service Fund, the Project Budget Account of the Operating Fund, the Project Budget Account of the Major Maintenance Fund, and the Project Budget Account of the Capital Expenditures Fund during the term of the TELA, subject to the limitations described below, in an amount equal to the lesser of:

(i) debt service payments associated with the Bonds and the TIFIA Loan for the applicable period for which an advance is requested, plus Operating Expenses, Major Maintenance Expenses and Capital Expenditures up to the amounts for the applicable period as set forth in the budget approved by the Authority and TxDOT in advance of the delivery of the Bonds based on an estimate of the amounts to be spent in each year for Project Costs, Operating Expenses, Major Maintenance Expenses and Capital Expenditures (the "*Project Budget*"), but minus balances available in the First Tier Capitalized Interest Account for the payment of interest on the Bonds for the applicable period to the extent that a portion of a requested advance is to be used to pay interest on the Bonds, minus any Revenues deposited into the Revenue Fund during the applicable period, minus any available amounts in the Annual Operating Budget Account of the Operating Fund, Annual Operating Budget Account of the Major Maintenance Fund, Annual Operating Budget Account of the Capital Expenditures Fund, Major Maintenance Reserve Fund, Rate Stabilization Fund, Capital Expenditures Reserve Fund, General Account of the General Fund and Current Year Revenue Account of the General Fund; and

(ii) the Maximum Available Annual Amount (as set forth under the caption "**SECURITY AND SOURCES OF PAYMENT FOR THE OBLIGATIONS — Security and Sources of Payment for the Bonds — Toll Equity Loan Agreement**") for the applicable period for which an advance is requested, minus balances in the First Tier Capitalized Interest Account for the payment of interest on the Bonds for the applicable period to the extent that a portion of a requested advance is to be used to pay interest on the Bonds, minus any Revenues deposited into the Revenue Fund during the applicable period, minus any available amounts in the Annual Operating Budget Account of the Operating Fund, Annual Operating Budget Account of the Major Maintenance Fund, Annual Operating Budget Account of the Capital Expenditures Fund, Major Maintenance Reserve Fund, Rate Stabilization Fund, Capital Expenditures Reserve Fund, General Account of the General Fund and Current Year Revenue Account of the General Fund,

in each case subject to the Maximum Available Aggregate Amount. TxDOT is required to make such advances under the Toll Equity Loan when requested by the Trustee pursuant to a certificate demonstrating, among other things, an insufficiency of the amounts available in the funds and held under the SPS Trust Agreement, from time to time up to the Maximum Available Aggregate Amount and the Maximum Available Annual Amounts, but not to exceed with any advance, taking into account all prior advances, the aggregate amount of "*Eligible Costs,*"

which are amounts expended or incurred, or reasonably anticipated to be expended or incurred, by the Authority for the upfront payment to TxDOT and initial construction costs, Capital Expenditures, Major Maintenance Expenses and Operating Expenses. Eligible Costs may not exceed the costs set forth in the Project Budget. In addition to the foregoing limitations, the obligations of TxDOT to make advances under the Toll Equity Loan are subject to appropriation to TxDOT by the Texas State Legislature in a manner that would allow use of the funds to be advanced for such purpose. The legislative appropriation requirements, together with the Maximum Available Aggregate Amount, the Maximum Available Annual Amount and the Eligible Costs limitations are referred to herein as the "*TxDOT Exposure Limitations*."

If the total amount of periodic draws in any year is less than the Maximum Available Annual Amount, the difference will not be carried forward, and will not be available for future periodic draws. Amounts drawn under the Toll Equity Loan must be repaid by the Authority and such amount and interest thereon will constitute Third Tier Obligations under the SPS Trust Agreement and will be subordinate to the Bonds. The unpaid amount of each advance under the Toll Equity Loan Commitment will bear interest from the date of such advance to the date on which such advance and the interest thereon are repaid in full at a rate per annum equal to the ten-year "Aaa (pure)" rate provided by Municipal Market Data and published in The Bond Buyer under the caption "Municipal Market Data General Obligation Yields" on the day such advance is made, plus 100 basis points.

The Authority has structured its debt service for PGBT WE so that in each year total debt service plus most or all budgeted operations and maintenance expenses (including budgeted Major Maintenance and Capital Expenditures to the extent not reserved for) for that year does not exceed 100% of the Maximum Available Annual Amount for that year. Under the terms of the TELA, the Authority is obligated to bridge any initial construction funding shortfalls and to fund any construction cost overruns from assets that are not a part of the Trust Estate. In addition, to the extent annual Operating Expenses, Major Maintenance Expenses and Capital Expenditures relating to PGBT WE either (i) exceed the budgeted amounts and are not paid out of PGBT WE revenues or (ii) exceed prescribed standards, the Authority is responsible for paying such amounts from assets that are not a part of the Trust Estate. See "**SECURITY AND SOURCES OF PAYMENT FOR THE OBLIGATIONS — Security and Sources of Payment for the Bonds — Toll Equity Loan Agreement**." Proceeds of the drawings on the Toll Equity Loan are available for use by the Trustee to pay debt service on the Bonds and the TIFIA Loan and to pay Operating Expenses, Major Maintenance Expenses, and Capital Expenditures relating to PGBT WE to the extent toll revenues and fund balances under the SPS Trust Agreement are not sufficient for those purposes when required subject to the TxDOT Exposure Limitations. **See** "**APPENDIX B — THE TEXAS DEPARTMENT OF TRANSPORTATION AND THE STATE HIGHWAY FUND**" for additional information regarding TxDOT and the State Highway Fund.

**THE TOLL EQUITY LOAN IS NOT AVAILABLE TO PAY PRINCIPAL OF AND INTEREST ON THE NOTES.**

*The SWP/CTP*. The Authority expects to undertake the development and construction of a proposed 27.6 mile tollway between IH 30 near the Central Business District in the City of Fort Worth and US 67 in Cleburne (the "*SWP/CTP*"). The Authority anticipates that the SWP/CTP will become part of the Special Projects System and will be financed pursuant to the SPS Trust Agreement, with the obligations issued thereunder being secured on a parity with the Bonds, however, the Authority is not obligated to add the SWP/CTP to the Special Projects System unless the SWP/CTP is financed with obligations issued under the SPS Trust Agreement. The total project cost of the SWP/CTP, including amounts to be paid by others, is currently estimated to be $1.434 billion. The Authority's share of such amount is estimated to be approximately $901 million. If the SWP/CTP is financed as part of the Special Projects System, the TELA is required to be amended to provide coverage for the debt service, operating expense and major maintenance expenses relating to the SWP/CTP, which amendment is subject to approval by TxDOT. See "**APPENDIX A — POSSIBLE ADDITIONS TO THE SPECIAL PROJECTS SYSTEM**." See also, "**APPENDIX I — THE PROJECT BUDGET**."

**Subsequent Financings Relating to the NTTA System**

Under the TELA and the Trust Agreement, the Authority is obligated to provide legally available funds to pay all Capital Expenditures, Operating Expenses and Major Maintenance Expenses (as such capitalized terms are defined in the TELA) (i) that exceed the Project Budget, to the extent Special Projects System revenues are not

available to pay such expenses or (ii) to the extent such expenditure or expense is a result of exceeding prescribed standards. The TELA also requires the Authority to provide legally available funds to pay construction costs that exceed the Project Budget (as described under " **— Prior Contemporaneous and Subsequent Financing Plans Relating to the Special Projects System — The Toll Equity Loan**"). It is likely that the source of such funds would be from revenues generated by the NTTA System, if any, after payment of (i) all necessary current expenses of maintaining, repairing and operating the NTTA System, (ii) all debt service on NTTA System obligations, (iii) all required fund deposits under the NTTA System trust agreement (the "*NTTA System Trust Agreement*"), (iv) all debt service under the ISTEA loan agreement, and (v) all debt service required to be made on the Authority's subordinate lien revenue bonds.

As a result of the Authority's obligation to provide legally available funds to cover certain shortfalls or as a result of exceeding prescribed standards related to the Special Projects System, it is useful to understand the financial position of the Authority as it relates to the NTTA System so that investors might consider the Authority's ability to provide such funds. See "**APPENDIX A — THE AUTHORITY — Existing NTTA System Obligations**" and " **— THE AUTHORITY — Future NTTA System Obligations**" for information regarding existing indebtedness and future indebtedness incurred or to be incurred under the NTTA System Trust Agreement.

**The Project**

As described above, proceeds of the Obligations will be used in part to pay an upfront payment to TxDOT for the Authority's right to own and operate PGBT WE as a tolled facility and to finance a portion of the costs of the development and construction of PGBT WE. See the inside cover page of this Official Statement for a map showing the location of PGBT WE. The upfront payment to TxDOT consists of reimbursement to TxDOT for funds expended for the development and construction of portions of the PGBT WE and of a payment to TxDOT to be deposited into a segregated account and spent on other eligible priority transportation projects in the North Texas region. The PGBT WE extends the existing TxDOT section of SH 161 south of the current terminus of PGBT by approximately 11.5 miles, from SH 183 south to IH 20. The environmental clearances necessary to construct PGBT WE as a toll road have been received. TxDOT has acquired all right-of-way (except for potential easements in Phase 4 that are the responsibility of the design-builder) and has constructed its portion of PGBT WE. PGBT WE is being built in four phases. Phase 1, which generally consists of the SH 183/PGBT WE interchange and the frontage roads from Carrier Parkway (north of IH 30) south to IH 20, was constructed by TxDOT and is complete and open to traffic. Phases 2 and 3 were jointly constructed by TxDOT and the Authority and generally consist of the frontage roads and main lanes (including two major bridges over floodplains) from SH 183 south to just north of IH 30. Phases 2 and 3 are substantially complete and are open to traffic. Phase 4 generally consists of the main lanes from just north of IH 30 south to IH 20 (including a multi-track Union Pacific railroad bridge over PGBT WE), and the IH 30/PGBT WE and IH 20/PGBT WE interchanges, with the main lanes and high volume interchange direct connect ramps scheduled to be substantially complete by October 2012. PGBT WE will be operated exclusively with an all electronic toll collection system.

PGBT WE averaged approximately 17,051 toll transactions per day in 2009 (August through December) and 26,399 toll transactions per day in 2010 (January 1 through December 31). See "**THE SPECIAL PROJECTS SYSTEM**" in **APPENDIX A** for additional information relating to PGBT WE.

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## Estimated Sources and Uses of Funds

The proceeds from the sale of the Obligations, the Authority contribution, and a contribution from TxDOT and the use of such funds are anticipated to be as follows:

| | Series 2011 Obligations | Authority Contribution[1] | TxDOT Contribution[2] | Total |
|---|---|---|---|---|
| **Sources of Funds*** | | | | |
| Principal Amount | $ 1,091,238,450 | $ - | $ - | $ 1,091,238,450 |
| Net Original Issue Premium (Discount) | 1,480,254 | - | - | 1,480,254 |
| Revenue | - | 7,219,191 | - | 7,219,191 |
| Other | - | 72,471,089 | 12,000,000 | 84,471,089 |
| Total | $ 1,092,718,704 | $ 79,690,280 | $ 12,000,000 | $ 1,184,408,984 |
| **Uses of Funds*** | | | | |
| Upfront Payment to TxDOT[3] | $ 469,074,676 | $ - | $ - | $ 469,074,676 |
| Transfer to PGBT WE Project Account | 456,354,426 | 78,243,955 | 12,000,000 | 546,598,381 |
| Capitalized Interest on Bonds | 63,177,659 | - | - | 63,177,659 |
| Capitalized Interest on Notes | 23,533,665 | - | - | 23,533,665 |
| Deposit to Rate Stabilization Fund | 65,376,911 | - | - | 65,376,911 |
| Deposit to Major Maintenance Reserve Fund | 4,002,391 | - | - | 4,002,391 |
| Costs of Issuance[4] | 11,198,976 | 1,446,325 | - | 12,645,301 |
| Total | $ 1,092,718,704 | $ 79,690,280 | $ 12,000,000 | $ 1,184,408,984 |

[1]Revenue contribution funded at financial close from revenue previously collected by the Authority on portions of PGBT WE already open to traffic. The $72,471,089 contribution funded at financial close is from proceeds of the Authority's Subordinate Lien Bonds issued in May 2010.

[2]TxDOT, upon the request of the Regional Transportation Council, has agreed to provide funds to the Authority for the purpose of building a multi-track Union Pacific railroad bridge over PGBT WE which is required to be built by the Authority. This amount will not be funded at financial close and will be paid to the Authority over the construction period of the railroad bridge.

[3]Includes interest on the upfront payment in an amount equal to $11,074,676.

[4]Includes underwriting, legal, financial advisory, consultancy, and accounting fees, initial fees of the Trustee and Paying Agent, publication costs, and printing expenses, among other financing fees, costs and expenses of issuance.

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## PRO FORMA DEBT SERVICE REQUIREMENTS

Set forth in the table below are the total debt service requirements for the outstanding obligations of the Authority secured by the Revenues of the Special Projects System. The table reflects the Authority's assumptions described under "**PLAN OF FINANCE**" and in the footnotes below.

| | First Tier Debt Service[1] | | | | | | | | Second Tier Debt Service[1] | | | | First & Second Tier Debt Service[1] |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Series 2011 A Bonds | | Series 2011 B Bonds | | Series 2011 C Bonds | | | | TIFIA Loan[2] | | | | |
| Fiscal Year End (Aug 31) | Principal | Interest[3] | Principal | Accrued Interest | Principal | Interest | Accrued Interest | Total First Tier | Principal | Interest | Accrued Interest | Total | Total First and Second Tier |
| 2011 | $ - | $ 8,966,337 | $ - | $ - | $ - | $ - | $ - | $ 8,966,337 | $ - | $ - | $ - | $ - | $ 8,966,337 |
| 2012 | - | 26,242,938 | - | - | - | - | - | 26,242,938 | - | - | - | - | 26,242,938 |
| 2013 | - | 26,242,938 | - | - | - | - | - | 26,242,938 | - | - | - | - | 26,242,938 |
| 2014 | 6,835,000 | 26,242,938 | - | - | - | - | - | 33,077,938 | - | - | - | - | 33,077,938 |
| 2015 | 11,045,000 | 25,969,538 | - | - | - | - | - | 37,014,538 | - | - | - | - | 37,014,538 |
| 2016 | 15,030,000 | 25,527,738 | - | - | - | - | - | 40,557,738 | - | - | - | - | 40,557,738 |
| 2017 | 12,835,000 | 24,826,238 | - | - | - | - | - | 37,661,238 | - | 1,000,000 | - | 1,000,000 | 38,661,238 |
| 2018 | 60,000 | 24,234,488 | - | - | - | - | - | 24,294,488 | - | 22,510,261 | - | 22,510,261 | 46,804,749 |
| 2019 | - | 24,232,088 | - | - | - | - | - | 24,232,088 | - | 22,510,261 | - | 22,510,261 | 46,742,349 |
| 2020 | 9,650,000 | 24,232,088 | - | - | - | - | - | 33,882,088 | - | 22,510,261 | - | 22,510,261 | 56,392,349 |
| 2021 | 14,190,000 | 23,749,588 | - | - | - | - | - | 37,939,588 | - | 22,510,261 | - | 22,510,261 | 60,449,849 |
| 2022 | - | 23,090,088 | - | - | - | 12,482,100 | - | 35,572,188 | - | 22,510,261 | - | 22,510,261 | 58,082,449 |
| 2023 | 5,860,000 | 23,090,088 | - | - | - | 12,482,100 | - | 41,432,188 | 838,287 | 22,498,893 | 161,713 | 23,498,893 | 64,931,081 |
| 2024 | 170,000 | 22,797,088 | - | - | - | 18,498,600 | - | 41,465,688 | 838,287 | 22,453,824 | 161,713 | 23,453,824 | 64,919,512 |
| 2025 | 730,000 | 22,788,588 | - | - | - | 18,498,600 | - | 42,017,188 | 838,287 | 22,408,693 | 161,713 | 23,408,693 | 65,425,881 |
| 2026 | 360,000 | 22,752,088 | - | - | - | 18,498,600 | - | 41,610,688 | 838,287 | 22,363,593 | 161,713 | 23,363,593 | 64,974,281 |
| 2027 | - | 22,734,088 | - | - | - | 18,498,600 | - | 41,232,688 | 838,287 | 22,318,493 | 161,713 | 23,318,493 | 64,551,181 |
| 2028 | 5,365,000 | 22,734,088 | - | - | - | 18,498,600 | - | 46,597,688 | 838,287 | 22,273,424 | 161,713 | 23,273,424 | 69,871,112 |
| 2029 | 4,645,000 | 22,439,013 | - | - | - | 18,498,600 | - | 45,582,613 | 838,287 | 22,228,293 | 161,713 | 23,228,293 | 68,810,906 |
| 2030 | 7,195,000 | 22,195,150 | - | - | - | 18,498,600 | - | 47,888,750 | 838,287 | 22,183,193 | 161,713 | 23,183,193 | 71,071,943 |
| 2031 | 16,040,000 | 21,835,400 | - | - | - | 18,498,600 | - | 56,374,000 | 838,287 | 22,138,093 | 161,713 | 23,138,093 | 79,512,093 |
| 2032 | - | 21,033,400 | 8,220,194 | 31,754,523 | - | 18,498,600 | - | 79,506,717 | 838,287 | 22,093,024 | 161,713 | 23,093,024 | 102,599,741 |
| 2033 | - | 21,033,400 | 8,109,465 | 34,360,688 | - | 18,498,600 | - | 82,002,153 | 838,287 | 22,047,893 | 161,713 | 23,047,893 | 105,050,046 |
| 2034 | - | 21,033,400 | 6,312,961 | 29,291,944 | - | 18,498,600 | - | 75,136,906 | 838,287 | 22,002,793 | 161,713 | 23,002,793 | 98,139,699 |
| 2035 | - | 21,033,400 | 7,886,588 | 40,015,155 | - | 18,498,600 | - | 87,433,743 | 838,287 | 21,957,693 | 161,713 | 22,957,693 | 110,391,437 |
| 2036 | 47,335,000 | 21,033,400 | 3,370,840 | 18,677,817 | - | 18,498,600 | - | 108,915,657 | 838,287 | 21,912,624 | 161,713 | 22,912,624 | 131,828,282 |
| 2037 | 10,000,000 | 18,429,975 | 8,720,603 | 52,709,397 | - | 18,498,600 | - | 108,358,575 | 838,287 | 21,867,493 | 161,713 | 22,867,493 | 131,226,068 |
| 2038 | 72,030,000 | 17,829,975 | - | - | - | 18,498,600 | - | 108,358,575 | 838,287 | 21,822,393 | 161,713 | 22,822,393 | 131,180,968 |
| 2039 | 81,925,000 | 13,818,325 | - | - | - | 18,498,600 | - | 114,241,925 | 838,287 | 21,777,293 | 161,713 | 22,777,293 | 137,019,218 |
| 2040 | 85,700,000 | 9,262,450 | - | - | - | 18,498,600 | - | 113,461,050 | 838,287 | 21,732,224 | 161,713 | 22,732,224 | 136,193,274 |
| 2041 | 80,890,000 | 4,498,950 | - | - | - | 18,498,600 | - | 103,887,550 | 838,287 | 21,687,093 | 161,713 | 22,687,093 | 126,574,643 |
| 2042 | - | - | 9,665,865 | 90,469,002 | - | 18,498,600 | - | 118,633,467 | 838,287 | 21,641,993 | 161,713 | 22,641,993 | 141,275,460 |
| 2043 | - | - | 2,817,158 | 28,627,842 | 38,315,369 | 18,498,600 | 50,709,631 | 138,968,600 | 838,287 | 21,596,893 | 161,713 | 22,596,893 | 161,565,493 |
| 2044 | - | - | - | - | 70,961,677 | 12,274,538 | 70,028,323 | 153,264,538 | 838,287 | 21,551,824 | 161,713 | 22,551,824 | 175,816,362 |
| 2045 | - | - | - | - | 20,562,730 | 2,757,713 | 20,292,270 | 43,612,713 | 83,212,680 | 20,389,612 | 16,052,431 | 119,654,722 | 163,267,435 |
| 2046 | - | - | - | - | - | - | - | - | 156,360,000 | 14,920,870 | 30,163,169 | 201,444,039 | 201,444,039 |
| 2047 | - | - | - | - | - | - | - | - | 160,390,000 | 6,454,026 | 30,940,590 | 197,784,616 | 197,784,616 |
| Total | $ 487,890,000 | $ 655,929,262 | $ 55,103,673 | $ 325,906,369 | $ 129,839,776 | $ 409,968,450 | $ 141,030,224 | $ 2,205,667,754 | $ 418,405,000 | $ 639,873,554 | $ 80,713,870 | $ 1,138,992,424 | $ 3,344,660,178 |

[1]Debt service due on September 1 is shown as paid in the previous fiscal year ending August 31 as cash flow from the previous fiscal year is used to make September 1 debt service payments.

[2]TIFIA Loan is the expected take-out financing for both series of the Notes.

[3]Interest on the Series 2011A Bonds is fully capitalized through October 1, 2013.

## ESTIMATED TOLL REVENUES, EXPENSES, OTHER INCOME, AND ESTIMATED DEBT SERVICE COVERAGE

The table on the following page shows estimated annual net revenues of the Special Projects System for the period for the fiscal year ending August 31, 2011 through August 31, 2047. These net revenues were derived by deducting estimated expenses, estimated by the Consulting Engineer, from the annual toll revenues of the Special Projects System as estimated by the Traffic Engineers, and adding the Other Revenues estimated by the Authority. See "**THE TRAFFIC AND REVENUE STUDY**" in **APPENDIX A** and "**RISK FACTORS**." The "Other Revenues" include investment and other earnings on projected cash balances of the Authority, and various fees and other charges connected with video tolling. The table reflects the Authority's assumptions described under "**PLAN OF FINANCE**" and "**PRO FORMA DEBT SERVICE REQUIREMENTS**."

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| Fiscal Year End (Aug 31) | Annual Cash Flow* | | | | | | | | Annual Debt Service Coverage Ratios* | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Toll Revenue | Other Revenue[1] | Total Revenue | First Tier Debt Service (Net)[2,3] | Second Tier Debt Service (Gross)[3,4] | Operations & Maintenance | Major Maintenance, Capital Expenditures, and Net Cash Fund Deposits and Draws[5] | General Fund Deposit | Gross First Tier Debt Service Coverage Ratio[6] | Gross Total Debt Service Coverage Ratio[7] | Net Total Debt Service Coverage Ratio[8] |
| 2011[9] | $ 11,265,500 [9] | $ 3,477,090 [9] | $ 14,742,599 [9] | $ - | $ - | $ (9,865,899) [9] | $ (3,589,669) [9] | $ 1,287,031 | NA | NA | NA |
| 2012 | 10,612,400 | 2,336,243 | 12,948,643 | - | - | (7,312,203) | (3,354,610) | 2,281,830 | NA | NA | NA |
| 2013 | 31,796,300 | 5,719,130 | 37,515,430 | - | - | (13,521,248) | (4,086,046) | 19,908,136 | NA | NA | NA |
| 2014 | 45,601,900 | 6,693,291 | 52,295,191 | (30,891,026) | - | (15,532,562) | (5,596,044) | 275,559 | 1.69x | 1.69x | 1.19x |
| 2015 | 52,745,200 | 7,762,413 | 60,507,613 | (37,014,538) | - | (16,473,244) | (6,062,679) | 957,152 | 1.63x | 1.63x | 1.19x |
| 2016 | 58,029,300 | 7,347,611 | 65,376,911 | (40,557,738) | - | (16,719,450) | (6,968,128) | 1,131,596 | 1.61x | 1.61x | 1.20x |
| 2017 | 61,112,700 | 6,957,065 | 68,069,765 | (37,661,238) | (1,000,000) | (16,935,974) | (9,910,556) | 2,561,997 | 1.81x | 1.76x | 1.32x |
| 2018 | 66,724,300 | 6,646,795 | 73,371,095 | (24,294,488) | (22,510,261) | (17,281,335) | (7,533,689) | 1,751,323 | 3.02x | 1.57x | 1.20x |
| 2019 | 70,464,700 | 6,405,351 | 76,870,051 | (24,232,088) | (22,510,261) | (17,652,042) | (9,908,284) | 2,567,376 | 3.17x | 1.64x | 1.27x |
| 2020 | 78,984,400 | 7,108,443 | 86,092,843 | (33,882,088) | (22,510,261) | (18,435,287) | (8,339,624) | 2,925,584 | 2.54x | 1.53x | 1.20x |
| 2021 | 83,472,300 | 6,950,888 | 90,423,188 | (37,939,588) | (22,510,261) | (19,762,977) | (6,876,854) | 3,333,508 | 2.38x | 1.50x | 1.17x |
| 2022 | 89,717,700 | 6,725,692 | 96,443,392 | (35,572,188) | (22,510,261) | (20,222,887) | (12,774,149) | 5,363,906 | 2.71x | 1.66x | 1.31x |
| 2023 | 92,943,100 | 6,561,517 | 99,504,617 | (41,432,188) | (23,498,893) | (20,693,855) | (10,099,641) | 3,780,041 | 2.40x | 1.53x | 1.21x |
| 2024 | 99,574,300 | 6,434,095 | 106,008,395 | (41,465,688) | (23,453,824) | (21,268,939) | (15,767,854) | 4,052,089 | 2.56x | 1.63x | 1.31x |
| 2025 | 97,404,300 | 6,700,843 | 104,105,143 | (42,017,188) | (23,408,693) | (21,255,976) | (13,594,512) | 3,828,773 | 2.48x | 1.59x | 1.27x |
| 2026 | 101,743,500 | 6,513,270 | 108,256,770 | (41,610,688) | (23,363,593) | (21,682,547) | (17,814,897) | 3,785,046 | 2.60x | 1.67x | 1.33x |
| 2027 | 105,482,200 | 6,504,873 | 111,987,073 | (41,232,688) | (23,318,493) | (22,353,753) | (21,339,644) | 3,742,496 | 2.72x | 1.73x | 1.39x |
| 2028 | 113,459,300 | 6,541,517 | 120,000,817 | (46,597,688) | (23,273,424) | (23,180,383) | (22,676,588) | 4,272,733 | 2.58x | 1.72x | 1.39x |
| 2029 | 117,349,300 | 6,564,420 | 123,913,720 | (45,582,613) | (23,228,293) | (23,914,384) | (25,639,575) | 5,548,855 | 2.72x | 1.80x | 1.45x |
| 2030 | 126,194,400 | 7,264,024 | 133,458,424 | (47,888,750) | (23,183,193) | (24,814,461) | (28,712,866) | 8,859,153 | 2.79x | 1.88x | 1.53x |
| 2031 | 138,267,900 | 7,725,556 | 145,993,456 | (56,374,000) | (23,138,093) | (26,590,359) | (31,936,331) | 7,954,673 | 2.59x | 1.84x | 1.50x |
| 2032 | 152,980,600 | 8,042,483 | 161,023,083 | (79,506,717) | (23,093,024) | (29,902,763) | (18,259,509) | 10,261,069 | 2.03x | 1.57x | 1.28x |
| 2033 | 158,563,100 | 8,166,155 | 166,729,255 | (82,002,153) | (23,047,893) | (30,963,488) | (20,209,880) | 10,505,841 | 2.03x | 1.59x | 1.29x |
| 2034 | 171,238,600 | 8,326,754 | 179,565,354 | (75,136,906) | (23,002,793) | (32,246,316) | (38,762,157) | 10,417,181 | 2.39x | 1.83x | 1.50x |
| 2035 | 177,488,800 | 9,231,894 | 186,720,694 | (87,433,743) | (22,957,693) | (33,431,142) | (31,855,854) | 11,042,262 | 2.14x | 1.69x | 1.39x |
| 2036 | 188,708,000 | 9,328,484 | 198,036,484 | (108,915,657) | (22,912,624) | (34,609,724) | (18,414,270) | 13,184,208 | 1.82x | 1.50x | 1.24x |
| 2037 | 192,882,800 | 9,414,503 | 202,297,303 | (108,358,575) | (22,867,493) | (35,661,409) | (22,283,664) | 13,126,162 | 1.87x | 1.54x | 1.27x |
| 2038 | 204,353,300 | 9,514,647 | 213,867,947 | (108,358,575) | (22,822,393) | (36,901,048) | (32,663,908) | 13,122,023 | 1.97x | 1.63x | 1.35x |
| 2039 | 209,055,800 | 9,619,985 | 218,675,785 | (114,241,925) | (22,777,293) | (38,047,406) | (29,906,933) | 13,702,226 | 1.91x | 1.60x | 1.32x |
| 2040 | 221,698,500 | 10,526,087 | 232,224,587 | (113,461,050) | (22,732,224) | (39,399,734) | (43,009,675) | 13,621,904 | 2.05x | 1.71x | 1.42x |
| 2041 | 225,226,800 | 10,578,792 | 235,805,592 | (103,887,550) | (22,687,093) | (40,474,351) | (56,093,488) | 12,663,109 | 2.27x | 1.86x | 1.54x |
| 2042 | 237,707,200 | 10,675,531 | 248,382,731 | (118,633,467) | (22,641,993) | (41,825,747) | (51,150,772) | 14,130,752 | 2.09x | 1.76x | 1.46x |
| 2043 | 242,673,100 | 10,781,728 | 253,454,828 | (138,968,600) | (22,596,893) | (43,081,835) | (32,645,966) | 16,161,534 | 1.82x | 1.57x | 1.30x |
| 2044 | 257,523,900 | 10,898,860 | 268,422,760 | (153,264,538) | (22,551,824) | (44,580,085) | (30,440,035) | 17,586,278 | 1.75x | 1.53x | 1.27x |
| 2045 | 262,002,100 | 11,804,160 | 273,806,260 | (43,612,713) | (119,654,722) | (45,851,607) | (48,359,476) | 16,327,742 | 6.28x | 1.68x | 1.40x |
| 2046 | 276,664,200 | 11,915,147 | 288,579,347 | - | (201,444,039) | (47,388,135) | (19,596,577) | 20,150,595 | NA | 1.43x | 1.20x |
| 2047 | 281,681,900 | 12,009,506 | 293,691,406 | - | (197,784,616) | (48,743,748) | (27,379,527) | 19,783,515 | NA | 1.48x | 1.24x |
| Total | $ 5,113,393,700 | $ 295,774,841 | $ 5,409,168,550 | $(2,142,028,630) | $(1,138,992,424) | $(1,018,578,304) | $ (793,613,931) | $ 315,955,260 | | | |

[1]Includes video toll administrative fees and fines.

[2]Net of capitalized interest.

[3]Debt service due on September 1 is shown as paid in the previous fiscal year ending August 31 as cash flow from the previous fiscal year is used to make September 1 debt service payments.

[4]Represents scheduled TIFIA Loan debt service and assumes no prepayments.

[5]Net cash flow from major maintenance and capital expenditures and Major Maintenance Reserve Fund, Capital Expenditure Reserve Fund, and Rate Stabilization Fund draws and deposits, excluding deposits funded by debt proceeds and General Fund draws.

[6]Equal to (x) Total Revenue, divided by (y) First Tier Net Debt Service.

[7]Equal to (x) Total Revenue, divided by (y) the sum of First Tier and Second Tier Net Debt Service.

[8]Equal to (x) Total Revenue less Operations & Maintenance expenses, divided by (y) the sum of First Tier and Second Tier Net Debt Service.

[9]Fiscal year 2011 projections (Toll Revenue, Other Revenue, Total Revenue, Operations & Maintenance, and Major Maintenance, Capital Expenditures, and Net Cash Fund Deposits and Draws) include estimated revenues and costs from the opening of PGBT WE mainlanes in August 2009 through August 31, 2011.

## THE SERIES 2011A BONDS

### Description

The Series 2011A Bonds will be issued as fully registered bonds, without coupons, in denominations of $5,000 or any integral multiple thereof and will be dated as of their date of delivery. Interest on the Series 2011A Bonds will accrue at the interest rates specified on page (i) hereof, calculated on the basis of a 360-day year composed of twelve 30-day months, from their date of delivery and will be payable semiannually on March 1 and September 1 of each year, commencing September 1, 2011. Principal will come due on September 1 of the years and in the amounts set forth on page (i) hereof or upon earlier redemption of the Series 2011A Bonds as described herein.

### Redemption

*Optional Redemption.* The Series 2011A Bonds may be redeemed prior to their scheduled maturity at the option of the Authority, with funds derived from any available source, on September 1, 2021, or on any date thereafter, in whole or in part, and if in part, the particular Series 2011A Bonds or portions of Series 2011A Bonds to be redeemed are to be selected and designated by the Authority in its sole discretion, in authorized denominations, at the redemption price equal to par plus accrued interest to the date of redemption.

*Mandatory Sinking Fund Redemption.* The Series 2011A Bonds maturing on September 1, 2041 and bearing interest at a rate of 5.500% and the Series 2011A Bonds maturing on September 1, 2041 and bearing interest at a rate of 6.000% are subject to mandatory sinking fund redemption prior to maturity with funds derived from the First Tier Debt Service Fund in the following amounts, on the following dates and at a price of par plus accrued interest to the redemption date, with the particular Series 2011A Bonds, or portions thereof to be redeemed to be selected and designated by the Authority in its sole discretion, in authorized denominations:

| **Series 2011A Bonds Maturing September 1, 2041 and bearing interest at a rate of 5.500%** | |
|---|---|
| Redemption Date (September 1) | Principal Amount |
| 2038 | $62,030,000 |
| 2039 | 71,925,000 |
| 2040 | 75,700,000 |
| 2041[(1)] | 70,890,000 |

| **Series 2011A Bonds Maturing September 1, 2041 and bearing interest at a rate of 6.000%** | |
|---|---|
| Redemption Date (September 1) | Principal Amount |
| 2037 | $10,000,000 |
| 2038 | 10,000,000 |
| 2039 | 10,000,000 |
| 2040 | 10,000,000 |
| 2041[(1)] | 10,000,000 |

[(1)] Stated Maturity.

The principal amount of the Series 2011A Bonds required to be redeemed on any date pursuant to mandatory sinking fund redemption is required to be reduced, at the option of the Authority, by the principal amount of any Series 2011A Bonds of the same stated maturity and bearing interest at the same rate scheduled for redemption on such redemption date or dates, which, at least 45 days prior to the respective mandatory sinking fund redemption date, have been (1) acquired by the Authority and delivered to the Trustee for cancellation, (2) acquired and canceled by the Trustee at the direction of the Authority, with funds from the First Tier Principal Account of the Debt Service Fund at a price not exceeding the principal amount of such Series 2011A Bonds plus accrued interest to the date of acquisition thereof, or (3) redeemed pursuant to the optional redemption provisions and not previously credited to a scheduled mandatory sinking fund redemption.

*Notice of Redemption.* At least 30 days prior to the date fixed for optional redemption of any Series 2011A Bonds or portions thereof prior to maturity, at the option of the Authority, a written notice of such redemption is required to be sent by the Trustee by United States mail, first-class postage prepaid, to the registered Owner of each Series 2011A Bond to be redeemed at its address as it appeared in the registration books

maintained by the Trustee on the 45th day prior to such redemption date; *provided, however*, that the failure to send, mail, or receive such notice, or any defect therein or in the sending or mailing thereof, will not affect the validity or effectiveness of the proceedings for the optional redemption of any Series 2011A Bond. The mailing of such notice as required above in connection with the redemption of Series 2011A Bonds prior to maturity at the option of the Authority will be the only notice actually required in connection with or as a prerequisite to such optional redemption of any Series 2011A Bonds or portions thereof. All redemption notices for the Series 2011A Bonds are required to contain a description of the Series 2011A Bonds to be redeemed including such items specified in the SPS Trust Agreement.

In addition to the foregoing, the Trustee is required to give notice of redemption or of defeasance of any Series 2011A Bonds by mail, first-class, postage prepaid at least 30 days prior to a redemption date and within 30 days after a defeasance date to each registered securities depository and to the Municipal Securities Rulemaking Board (the "*MSRB*"). In addition, in the event of a redemption caused by an advance refunding, the Trustee is required to send a second notice of redemption to the persons specified in the preceding sentence at least 30 days but not more than 90 days prior to the actual redemption date. Any notice sent to the registered securities depositories or MSRB is required to be sent so that it is received at least two days prior to the general mailing or publication date of such notice. The Trustee is also required to send a notice of prepayment or redemption to the registered Owner who has not sent its Series 2011A Bonds in for redemption 60 days after the redemption date.

If notice of redemption is given and if due provision for such payment is made, the Series 2011A Bonds or portions thereof which are to be redeemed thereby automatically will be treated as redeemed prior to their scheduled maturities, and they will not bear interest after the date fixed for redemption, and they will not be regarded as being outstanding except for the right of the registered Owners to receive the redemption price plus accrued interest from the Trustee out of the fund provided for such payment.

So long as a book–entry only system is used for the Series 2011A Bonds, the Trustee will send any notices with respect to the Series 2011A Bonds only to DTC. Any failure by DTC to advise any DTC participant, or of any DTC participant or indirect participant to notify the beneficial owner, will not affect the validity of the redemption of the Series 2011A Bonds called for redemption or any other action premised on any such notice.

During any period in which ownership of the Series 2011A Bonds is determined by a book–entry at a securities depository for the Series 2011A Bonds, if fewer than all of the Series 2011A Bonds are to be redeemed, the particular Series 2011A Bonds will be selected in accordance with the arrangements between the Authority and the securities depository.

*Conditional Notice of Redemption.* In the case of an optional redemption of the Series 2011A Bonds, the notice may state (1) that it is conditioned upon the deposit of money, in an amount equal to the amount necessary to effect the redemption, with the Trustee no later than the redemption date or (2) that the Authority retains the right to rescind such notice at any time prior to the scheduled redemption date if the Authority delivers a certificate of a Board Representative to the Trustee instructing the Trustee to rescind the redemption notice (in either case, a "*Conditional Redemption*"), and such notice and optional redemption will be of no effect if such money is not so deposited or if the notice is rescinded as described in the paragraph below.

Any Conditional Redemption may be rescinded in whole or in part at any time prior to the redemption date if the Authority delivers a certificate of a Board Representative to the Trustee instructing the Trustee to rescind the redemption notice. The Trustee is required to give prompt notice of such rescission or failure to deposit funds to the affected Owners. Any Series 2011A Bonds subject to Conditional Redemption where redemption has been rescinded or funds to effect the redemption have not been deposited will remain outstanding, and the rescission or failure to deposit funds will not constitute an event of default under the SPS Trust Agreement.

**Security and Priority**

The Series 2011A Bonds are limited first tier obligations of the Authority payable solely from, and secured solely by, (a) revenues and all other receipts and income derived from the ownership and operation of the Special Projects System (excluding revenue sharing payments owed to TxDOT), and all rights to receive the same, whether in the form of accounts receivable, contract rights or other rights, and the proceeds of such rights whether now owned or held or hereafter coming into existence, (b) the Authority's right, title and interest as a

"beneficiary" for the Special Projects System under the MCAA, but not as a "beneficiary" for any other toll projects of the Authority, (c) all money held by the Trustee in the funds and accounts created under the SPS Trust Agreement, other than the BANs Construction Fund, and (d) all right, title and interest of the Authority in the TELA, all as further described herein. See "**SECURITY AND SOURCES OF PAYMENT FOR THE OBLIGATIONS — Security and Sources of Payment for the Bonds**." **The PGBT WE is not part of the NTTA System and the Series 2011A Bonds are not secured by and are not payable from revenues of the NTTA System.**

**Tax Status**

In the opinion of Co-Bond Counsel to the Authority, interest on the Series 2011A Bonds will be excludable from gross income for federal income tax purposes under statutes, regulations, published rulings and court decisions existing on the date hereof, except as explained under "**TAX MATTERS — Federal Income Tax Treatment for the Bonds**."

## THE SERIES 2011B BONDS

**Description**

The Series 2011B Bonds will be issued as fully registered bonds, without coupons, in denominations of $5,000 in Maturity Amount (defined below) or any integral multiple thereof and will be dated as of their date of delivery. Interest will accrete, calculated on the basis of a 360-day year composed of twelve 30-day months, on the Series 2011B Bonds from their date of delivery and will compound semiannually on March 1 and September 1 of each year, commencing September 1, 2011. The sum of the principal of and accreted/compounded interest on the Series 2011B Bonds (the "*Maturity Amount*") is payable only at the Stated Maturity set forth on page (ii) hereof.

**Yield on the Series 2011B Bonds**

The approximate yields on the Series 2011B Bonds set forth on page (ii) of this Official Statement are based upon the initial offering prices set forth on page (ii). The original principal amount of a Series 2011B Bond with interest thereon compounded semiannually to March 1 or September 1 ("*Accretion Dates*"), as the case may be, next preceding the date of such calculation (or the date of calculation, if such calculation is made on March 1 or September 1), using the respective yields to maturity stated on page (ii), means the "*Accreted Value*" for the Series 2011B Bonds. Based on the initial offering prices for the Series 2011B Bonds, schedules of Accreted Value per $5,000 Maturity Amount on the respective Accretion Dates, using the estimated yields stated on page (ii) of this Official Statement, are set forth in **APPENDIX F-1 — SCHEDULE OF ACCRETED VALUES FOR THE SERIES 2011B BONDS**. The yields on the Series 2011B Bonds to a particular purchaser may differ depending upon the price paid by that purchaser. For various reasons, securities that do not pay interest periodically, such as the Series 2011B Bonds, have experienced greater price fluctuations in the secondary market than securities that pay interest on a periodic basis.

**Redemption**

*Optional Redemption.* The Series 2011B Bonds may be redeemed prior to their scheduled maturities at the option of the Authority, with funds derived from any available source, on September 1, 2031, or on any date thereafter, in whole or in part, and if in part, the particular Series 2011B Bonds or portions of Series 2011B Bonds to be redeemed are to be selected and designated by the Authority in its sole discretion, in authorized denominations, at a redemption price equal to the Accreted Value as of the date of redemption plus accrued interest to the date of redemption.

*Mandatory Sinking Fund Redemption.* The Series 2011B Bonds maturing on September 1, 2037 and September 1, 2043 are subject to mandatory sinking fund redemption prior to maturity and are required to be redeemed by the Trustee prior to maturity, with funds derived from the First Tier Debt Service Fund created and maintained pursuant to the SPS Trust Agreement in the following original principal amounts, on the following dates and at a price equal to the Accreted Value as of the redemption date, with the particular Series 2011B Bonds, or portions thereof to be redeemed to be selected and designated by the Authority in its sole discretion:

| Series 2011B Bonds Maturing on September 1, 2037 | | |
|---|---|---|
| Redemption Date (September 1) | Original Principal Amount | Accreted Value at Mandatory Redemption Date |
| 2032 | $8,220,193.80 | $39,974,716.75 |
| 2033 | 8,109,465.00 | 42,470,152.50 |
| 2034 | 6,312,961.20 | 35,604,905.50 |
| 2035 | 7,886,587.80 | 47,901,743.20 |
| 2036 | 3,370,840.20 | 22,048,657.20 |
| 2037[1] | 8,720,602.80 | 61,430,000.00 |

| Series 2011B Bonds Maturing on September 1, 2043 | | |
|---|---|---|
| Redemption Date (September 1) | Original Principal Amount | Accreted Value at Mandatory Redemption Date |
| 2042 | $9,665,865.10 | $100,134,866.80 |
| 2043[1] | 2,817,157.55 | 31,445,000.00 |

[1] Stated Maturity.

*provided*, that a portion of any Series 2011B Bond may be redeemed only in an authorized denomination.

The original principal amount of the Series 2011B Bonds required to be redeemed on any date pursuant to mandatory sinking fund redemption is required to be reduced, at the option of the Authority, by the original principal amount of any Series 2011B Bonds of the same stated maturity scheduled for redemption on such redemption date or dates, which, at least 45 days prior to the respective mandatory sinking fund redemption date, have been (1) acquired by the Authority and delivered to the Trustee for cancellation, (2) acquired and canceled by the Trustee at the direction of the Authority, with funds from the First Tier Principal Account of the Debt Service Fund at a price not exceeding the original principal amount of such Series 2011B Bonds plus accrued interest to the date of acquisition thereof, or (3) redeemed pursuant to the optional redemption provisions and not previously credited to a scheduled mandatory sinking fund redemption.

*Notice of Redemption*. At least 30 days prior to the date fixed for optional redemption of any Series 2011B Bonds or portions thereof prior to maturity, at the option of the Authority, a written notice of such redemption is required to be sent by the Trustee by United States mail, first-class postage prepaid, to the registered Owner of each Series 2011B Bond to be redeemed at its address as it appeared in the registration books maintained by the Trustee on the 45th day prior to such redemption date; *provided, however*, that the failure to send, mail, or receive such notice, or any defect therein or in the sending or mailing thereof, will not affect the validity or effectiveness of the proceedings for the optional redemption of any Series 2011B Bond. The mailing of such notice as required above in connection with the redemption of Series 2011B Bonds prior to maturity at the option of the Authority will be the only notice actually required in connection with or as a prerequisite to such optional redemption of any Series 2011B Bonds or portions thereof. All redemption notices for the Series 2011B Bonds are required to contain a description of the Series 2011B Bonds to be redeemed including such items specified in the SPS Trust Agreement.

In addition to the foregoing, the Trustee is required to give notice of redemption or of defeasance of any Series 2011B Bonds by mail, first-class, postage prepaid at least 30 days prior to a redemption date and within 30 days after a defeasance date to each registered securities depository and to the MSRB. In addition, in the event of a redemption caused by an advance refunding, the Trustee is required to send a second notice of redemption to the persons specified in the preceding sentence at least 30 days but not more than 90 days prior to the actual redemption date. Any notice sent to the registered securities depositories or the MSRB is required to be sent so that it is received at least two days prior to the general mailing or publication date of such notice. The Trustee is also required to send a notice of prepayment or redemption to the registered Owner who has not sent its Series 2011B Bonds in for redemption 60 days after the redemption date.

If notice of redemption is given and if due provision for such payment is made, the Series 2011B Bonds or portions thereof which are to be redeemed thereby automatically will be treated as redeemed prior to their scheduled maturities, and they will not bear interest after the date fixed for redemption, and they will not be regarded as being outstanding except for the right of the registered Owners to receive the redemption price plus accrued interest from the Trustee out of the fund provided for such payment.

So long as a book–entry only system is used for the Series 2011B Bonds, the Trustee will send any notices with respect to the Series 2011B Bonds only to DTC. Any failure by DTC to advise any DTC participant,

or of any DTC participant or indirect participant to notify the beneficial owner, will not affect the validity of the redemption of the Series 2011B Bonds called for redemption or any other action premised on any such notice.

During any period in which ownership of the Series 2011B Bonds is determined by a book–entry at a securities depository for the Series 2011B Bonds, if fewer than all of the Series 2011B Bonds are to be redeemed, the particular Series 2011B Bonds will be selected in accordance with the arrangements between the Authority and the securities depository.

*Conditional Notice of Redemption*. In the case of an optional redemption of the Series 2011B Bonds, the notice may state (1) that it is conditioned upon the deposit of money, in an amount equal to the amount necessary to effect the redemption, with the Trustee no later than the redemption date or (2) that the Authority retains the right to rescind such notice at any time prior to the scheduled redemption date if the Authority delivers a certificate of a Board Representative to the Trustee instructing the Trustee to rescind the redemption notice (in either case, a "*Conditional Redemption*"), and such notice and optional redemption will be of no effect if such money is not so deposited or if the notice is rescinded as described in the paragraph below.

Any Conditional Redemption may be rescinded in whole or in part at any time prior to the redemption date if the Authority delivers a certificate of a Board Representative to the Trustee instructing the Trustee to rescind the redemption notice. The Trustee is required to give prompt notice of such rescission or failure to deposit funds to the affected Owners. Any Series 2011B Bonds subject to Conditional Redemption where redemption has been rescinded or funds to effect the redemption have not been deposited will remain outstanding, and the rescission or failure to deposit funds will not constitute an event of default under the SPS Trust Agreement.

**Security and Priority**

The Series 2011B Bonds are limited first tier obligations of the Authority payable solely from, and secured solely by, (a) revenues and all other receipts and income derived from the ownership and operation of the Special Projects System (excluding revenue sharing payments owed to TxDOT), and all rights to receive the same, whether in the form of accounts receivable, contract rights or other rights, and the proceeds of such rights whether now owned or held or hereafter coming into existence, (b) the Authority's right, title and interest as a "beneficiary" for the Special Projects System under the MCAA, but not as a "beneficiary" for any other toll projects of the Authority, (c) all money held by the Trustee in the funds and accounts created under the SPS Trust Agreement, other than the BANs Construction Fund, and (d) all right, title and interest of the Authority in the TELA, all as further described herein. See "**SECURITY AND SOURCES OF PAYMENT FOR THE OBLIGATIONS — Security and Sources of Payment for the Bonds**." **The PGBT WE is not part of the NTTA System and the Series 2011B Bonds are not secured by and are not payable from revenues of the NTTA System.**

**Tax Status**

In the opinion of Co-Bond Counsel to the Authority, interest on the Series 2011B Bonds will be excludable from gross income for federal income tax purposes under statutes, regulations, published rulings and court decisions existing on the date hereof, except as explained under "**TAX MATTERS — Federal Income Tax Treatment for the Bonds**."

## THE SERIES 2011C BONDS

**Description**

The Series 2011C Bonds will be issued as fully registered bonds, without coupons, in denominations of $5,000 in Maturity Amount (defined below) or any integral multiple thereof and will be dated as of their date of delivery. Interest will accrete, calculated on the basis of a 360-day year composed of twelve 30-day months, on the Series 2011C Bonds from their date of delivery and will compound semiannually on March 1 or September 1, as the case may be, commencing September 1, 2011 to the Conversion Date specified on page (iii) hereof for each Stated Maturity specified on page (iii) hereof. After the Conversion Date for each Stated Maturity, interest on each Stated Maturity will accrue at the interest rate specified on page (iii) hereof, calculated on the basis of a 360-day year composed of twelve 30-day months, on the total amount of principal and accreted/compounded

interest thereon to the applicable Conversion Date (the "*Maturity Amount")*, payable semiannually on March 1 and September 1 of each year, commencing on the applicable Initial Interest Payment Date specified on page (iii) hereof. The Maturity Amount will come due on September 1 of the years and in the amounts set forth on page (iii) hereof, or upon earlier optional redemption, as described below. **No interest payments are due to the registered Owners of the Series 2011C Bonds until after the Conversion Date.**

**Yield on the Series 2011C Bonds during the Accretion Period**

The approximate yields to Stated Maturity on the Series 2011C Bonds set forth on page (iii) of this Official Statement are based upon the initial offering prices set forth on page (iii). The original principal amount of Series 2011C Bonds with interest thereon compounded semiannually to March 1 or September 1 ("*Accretion Dates*"), as the case may be, next preceding the date of such calculation (or the date of calculation, if such calculation is made on March 1 or September 1) to the Conversion Dates, using the respective yields to Stated Maturity set forth on page (iii) means the "*Accreted Value*" for the Series 2011C Bonds. Based on the initial offering prices for the Series 2011C Bonds of each Stated Maturity, schedules of Accreted Value per $5,000 Maturity Amount for each Stated Maturity on the respective Accretion Dates, using the yields stated on page (iii) of this Official Statement, are set forth in **APPENDIX F-2 — SCHEDULE OF ACCRETED VALUES FOR THE SERIES 2011C BONDS.** The yields on the Series 2011C Bonds to a particular purchaser may differ depending upon the price paid by that purchaser. For various reasons, securities that do not pay interest periodically, such as the Series 2011C Bonds, have traditionally experienced greater price fluctuations in the secondary market than securities that pay interest on a periodic basis.

**Redemption**

*Optional Redemption*. The Series 2011C Bonds may be redeemed prior to their scheduled maturity at the option of the Authority, with funds derived from any available source, on September 1, 2031, or on any date thereafter, in whole or in part, and if in part, the particular Series 2011C Bonds or portions of Series 2011C Bonds to be redeemed are to be selected and designated by the Authority in its sole discretion, in authorized denominations, at a redemption price equal to the Accreted Value as of the date of redemption plus accrued interest to the date of redemption.

*Mandatory Sinking Fund Redemption.* The Series 2011C Bonds maturing on September 1, 2045 are subject to mandatory sinking fund redemption prior to maturity and are required to be redeemed by the Trustee prior to maturity with funds derived from the First Tier Debt Service Fund created and maintained pursuant to the SPS Trust Agreement in the following original principal amounts, on the following dates and at a price equal to the Accreted Value as of the redemption date, with the particular Series 2011C Bonds, or portions thereof to be redeemed to be selected and designated by the Authority in its sole discretion *provided*, that a portion of any Series 2011C Bond may be redeemed only in an authorized denomination:

| Redemption Date (September 1) | Original Principal Amount | Maturity Value |
|---|---|---|
| 2043 | $1,547,678.25 | $3,075,000 |
| 2044 | 70,961,676.90 | 140,990,000 |
| 2045[1] | 20,562,730.05 | 40,855,000 |

[1] Stated Maturity.

The original principal amount of the Series 2011C Bonds required to be redeemed on any date pursuant to mandatory sinking fund redemption is required to be reduced, at the option of the Authority, by the original principal amount of any Series 2011C Bonds scheduled for redemption on such redemption date or dates, which, at least 45 days prior to the respective mandatory sinking fund redemption date, have been (1) acquired by the Authority and delivered to the Trustee for cancellation, (2) acquired and canceled by the Trustee at the direction of the Authority, with funds from the First Tier Principal Account of the Debt Service Fund at a price not exceeding the principal amount of such Series 2011C Bonds plus accrued interest to the date of acquisition thereof, or (3) redeemed pursuant to the optional redemption provisions and not previously credited to a scheduled mandatory sinking fund redemption.

*Notice of Redemption.* At least 30 days prior to the date fixed for optional redemption of any Series 2011C Bonds or portions thereof prior to maturity, at the option of the Authority, a written notice of such redemption is required to be sent by the Trustee by United States mail, first-class postage prepaid, to the registered Owner of each Series 2011C Bond to be redeemed at its address as it appeared in the registration books maintained by the Trustee on the 45th day prior to such redemption date; *provided, however*, that the failure to send, mail, or receive such notice, or any defect therein or in the sending or mailing thereof, will not affect the validity or effectiveness of the proceedings for the optional redemption of any Series 2011C Bond. The mailing of such notice as required above in connection with the redemption of Series 2011C Bonds prior to maturity at the option of the Authority will be the only notice actually required in connection with or as a prerequisite to such optional redemption of any Series 2011C Bonds or portions thereof. All redemption notices for the Series 2011C Bonds are required to contain a description of the Series 2011C Bonds to be redeemed including such items specified in the SPS Trust Agreement.

In addition to the foregoing, the Trustee is required to give notice of redemption or of defeasance of any Series 2011C Bonds by mail, first-class, postage prepaid at least 30 days prior to a redemption date and within 30 days after a defeasance date to each registered securities depository and to the MSRB. In addition, in the event of a redemption caused by an advance refunding, the Trustee is required to send a second notice of redemption to the persons specified in the preceding sentence at least 30 days but not more than 90 days prior to the actual redemption date. Any notice sent to the registered securities depositories or the MSRB is required to be sent so that it is received at least two days prior to the general mailing or publication date of such notice. The Trustee is also required to send a notice of prepayment or redemption to the registered Owner who has not sent its Series 2011C Bonds in for redemption 60 days after the redemption date.

If notice of redemption is given and if due provision for such payment is made, the Series 2011C Bonds or portions thereof which are to be redeemed thereby automatically will be treated as redeemed prior to their scheduled maturities, and they will not bear interest after the date fixed for redemption, and they will not be regarded as being outstanding except for the right of the registered Owners to receive the redemption price plus accrued interest from the Trustee out of the fund provided for such payment.

So long as a book–entry only system is used for the Series 2011C Bonds, the Trustee will send any notices with respect to the Series 2011C Bonds only to DTC. Any failure by DTC to advise any DTC participant, or of any DTC participant or indirect participant to notify the beneficial owner, will not affect the validity of the redemption of the Series 2011C Bonds called for redemption or any other action premised on any such notice.

During any period in which ownership of the Series 2011C Bonds is determined by a book–entry at a securities depository for the Series 2011C Bonds, if fewer than all of the Series 2011C Bonds are to be redeemed, the particular Series 2011C Bonds will be selected in accordance with the arrangements between the Authority and the securities depository.

*Conditional Notice of Redemption.* In the case of an optional redemption of the Series 2011C Bonds, the notice may state (1) that it is conditioned upon the deposit of money, in an amount equal to the amount necessary to effect the redemption, with the Trustee no later than the redemption date or (2) that the Authority retains the right to rescind such notice at any time prior to the scheduled redemption date if the Authority delivers a certificate of a Board Representative to the Trustee instructing the Trustee to rescind the redemption notice (in either case, a "*Conditional Redemption*"), and such notice and optional redemption will be of no effect if such money is not so deposited or if the notice is rescinded as described in the paragraph below.

Any Conditional Redemption may be rescinded in whole or in part at any time prior to the redemption date if the Authority delivers a certificate of a Board Representative to the Trustee instructing the Trustee to rescind the redemption notice. The Trustee is required to give prompt notice of such rescission or failure to deposit funds to the affected Owners. Any Series 2011C Bonds subject to Conditional Redemption where redemption has been rescinded or funds to effect the redemption have not been deposited will remain outstanding, and the rescission or failure to deposit funds will not constitute an event of default under the SPS Trust Agreement.

**Security and Priority**

The Series 2011C Bonds are limited first tier obligations of the Authority payable solely from, and secured solely by, (a) revenues and all other receipts and income derived from the ownership and operation of the Special Projects System (excluding revenue sharing payments owed to TxDOT), and all rights to receive the same, whether in the form of accounts receivable, contract rights or other rights, and the proceeds of such rights whether now owned or held or hereafter coming into existence, (b) the Authority's right, title and interest as a "beneficiary" for the Special Projects System under the MCAA, but not as a "beneficiary" for any other toll projects of the Authority, (c) all money held by the Trustee in the funds and accounts created under the SPS Trust Agreement, other than the BANs Construction Fund, and (d) all right, title and interest of the Authority in the TELA, all as further described herein. See "**SECURITY AND SOURCES OF PAYMENT FOR THE OBLIGATIONS — Security and Sources of Payment for the Bonds**." **The PGBT WE is not part of the NTTA System and the Series 2011C Bonds are not secured by and are not payable from revenues of the NTTA System.**

**Tax Status**

In the opinion of Co-Bond Counsel to the Authority, interest on the Series 2011C Bonds will be excludable from gross income for federal income tax purposes under statutes, regulations, published rulings and court decisions existing on the date hereof, except as explained under "**TAX MATTERS — Federal Income Tax Treatment for the Bonds**."

## THE SERIES 2011A NOTES

**Description**

The Series 2011A Notes will be issued as fully registered notes, without coupons, in denominations of $5,000 or any integral multiple thereof and will be dated as of their date of delivery. Interest on the Series 2011A Notes will accrue at the interest rates specified on page (iv) hereof, calculated on the basis of a 360-day year composed of twelve 30-day months, from their date of delivery and will be payable semiannually on March 1 and September 1 of each year, commencing September 1, 2011. Principal will come due on September 1, 2013.

**Redemption**

*Optional Redemption.* The Series 2011A Notes are *not* subject to optional redemption.

*Mandatory Sinking Fund Redemption.* The Series 2011A Notes are *not* subject to mandatory sinking fund redemption prior to maturity.

**Security and Priority**

**The Series 2011A Notes are not secured by revenues of the Special Projects System or the NTTA System or any funds and accounts held by the Trustee under the SPS Trust Agreement other than the BANs Construction Fund. The Series 2011A Notes are not entitled to the benefit of the TELA.** The Authority has granted a lien on and pledge of (i) the proceeds of the TIFIA Loan disbursements (described herein) made to the Authority to refinance or retire the Series 2011A Notes and/or the proceeds from the sale of any refunding bonds or such other bonds, notes or obligations issued in accordance with the requirements and limitations of the SPS Trust Agreement, the TELA and the TIFIA Loan Agreement to refinance or retire the Series 2011A Notes and (ii) any proceeds of the Series 2011A Notes on deposit in the BANs Construction Fund held by the Trustee under the SPS Trust Agreement. The Series 2011A Notes are payable solely from proceeds of the TIFIA Loan disbursements made to the Authority to retire the Series 2011A Notes, proceeds of refunding bonds or other bonds, notes or obligations issued to retire the Series 2011A Notes and amounts on deposit in the BANs Construction Fund. The Authority expects that the Series 2011A Notes will be paid from amounts available under the TIFIA Loan described herein. See "**SECURITY AND SOURCES OF PAYMENT FOR THE OBLIGATIONS — Security and Sources of Payment for the Notes**" and " **— Security and Sources of Payment for the Bonds — Additional Obligations under the SPS Trust Agreement**."

**Tax Status**

**The Series 2011A Notes are not obligations described in Section 103(a) of the Internal Revenue Code of 1986, as amended, and thus interest on the Series 2011A Notes is not anticipated to be excludable from gross income for federal income tax purposes.** See "**TAX MATTERS — Federal Income Tax Treatment for the Notes**."

## THE SERIES 2011B NOTES

**Description**

The Series 2011B Notes will be issued as fully registered notes, without coupons, in denominations of $5,000 or any integral multiple thereof and will be dated as of their date of delivery. Interest on the Series 2011B Notes will accrue at the interest rate specified on page (v) hereof, calculated on the basis of a 360-day year composed of twelve 30-day months from their date of delivery and will be payable semiannually on March 1 and September 1 of each year, commencing September 1, 2011. Principal will come due on September 1, 2013.

**Redemption**

*Optional Redemption.* The Series 2011B Notes are *not* subject to optional redemption.

*Mandatory Sinking Fund Redemption.* The Series 2011B Notes are *not* subject to mandatory sinking fund redemption prior to maturity.

**Security and Priority**

**The Series 2011B Notes are not secured by revenues of the Special Projects System or the NTTA System or any funds and accounts held by the Trustee under the SPS Trust Agreement other than the BANs Construction Fund. The Series 2011B Notes are not entitled to the benefit of the TELA.** The Authority has granted a lien on and pledge of (i) the proceeds of the TIFIA Loan disbursements (described herein) made to the Authority to refinance or retire the Series 2011B Notes and/or the proceeds from the sale of any refunding bonds or such other bonds, notes or obligations issued in accordance with the requirements and limitations of the SPS Trust Agreement, the TELA and the TIFIA Loan Agreement to refinance or retire the Series 2011B Notes and (ii) any proceeds of the Series 2011B Notes on deposit in the BANs Construction Fund held by the Trustee under the SPS Trust Agreement. The Series 2011B Notes are payable solely from proceeds of the TIFIA Loan disbursements made to the Authority to retire the Series 2011B Notes, proceeds of refunding bonds or other bonds, notes or obligations issued to retire the Series 2011B Notes and amounts on deposit in the BANs Construction Fund. The Authority expects that the Series 2011B Notes will be paid from amounts available under the TIFIA Loan described herein. See "**SECURITY AND SOURCES OF PAYMENT FOR THE OBLIGATIONS — Security and Sources of Payment for the Notes**" and " **— Security and Sources of Payment for the Bonds — Additional Obligations under the SPS Trust Agreement**."

**Tax Status**

**The Series 2011B Notes are not obligations described in Section 103(a) of the Internal Revenue Code of 1986, as amended, and thus interest on the Series 2011B Notes is not anticipated to be excludable from gross income for federal income tax purposes.** See "**TAX MATTERS — Federal Income Tax Treatment for the Notes**."

## GENERAL INFORMATION REGARDING THE OBLIGATIONS

**Trustee and Paying Agent/Registrar**

*Trustee under the SPS Trust Agreement*

The Authority has appointed Wells Fargo Bank, National Association to serve as Trustee under the SPS Trust Agreement. Any Trustee must be a bank or trust company duly organized and doing business under the laws of the United States of America and located in the State of Texas, authorized under such laws to exercise

corporate trust powers and subject to examination by federal or state authority, of good standing, and having, at the time of its appointment, a combined capital and surplus aggregating not less than $100,000,000.

The Trustee may resign by notice in writing to the Authority mailed to each Owner of record not less than 60 days before such resignation takes effect, but such resignation will take effect immediately upon the appointment of a new trustee, if the new trustee is appointed before the time limited by such notice and accepts such appointment, *provided that* such resignation will not become effective until a successor trustee is appointed and accepts appointment. The Trustee may be removed at any time by an instrument or instruments signed by the Owners of not less than a majority in Principal amount of the Obligations secured under the SPS Trust Agreement and then Outstanding. No removal of a trustee will be effective until a qualified successor trustee has been appointed and has accepted appointment. So long as no Event of Default has occurred and is continuing under the SPS Trust Agreement, the Trustee may be removed at any time by the Authority if the Authority names a successor trustee and directs the successor trustee to mail written notice of change in trustee to each registered Owner on or before the next interest payment date or redemption date, whichever is first to occur.

If at any time a trustee resigns, is removed, or otherwise becomes incapable of acting, or the bank or trust company acting as trustee is taken over by any governmental official, agency, department or board, the position of trustee will become vacant. If the position of trustee becomes vacant for any reason, the Authority is required to appoint a trustee to fill such vacancy, subject to the consent of TxDOT, which consent may not be unreasonably withheld. At any time within 60 days after any such vacancy, the Owners of a majority in Principal amount of the Obligations then Outstanding under the SPS Trust Agreement may appoint a successor trustee, which will supersede any trustee previously appointed by the Authority. If no appointment of a successor trustee is made pursuant to the foregoing provisions, the Owner of any Obligation Outstanding under the SPS Trust Agreement or any retiring trustee may apply to any court of competent jurisdiction to appoint a successor trustee.

*Paying Agent/Registrar under the Note Resolution*

The Authority has appointed Wells Fargo Bank, National Association as the Paying Agent/Registrar for the Notes. The Authority covenants to maintain and provide a Paying Agent/Registrar at all times while the Notes are outstanding, which, if it is not acting in such capacity, is required to be a national or state banking association or corporation organized and doing business under the laws of the Untied States of America or of any state and authorized under such laws to exercise trust powers. Should a change in the Paying Agent/Registrar occur the Authority agrees to promptly cause a written notice thereof to be (i) sent to each registered Owner of the Notes then outstanding by United States mail, first class, postage prepaid, or (ii) published in a financial newspaper or journal of general circulation in the City of New York, New York, once during each calendar week for at least two calendar weeks. In addition, such notice is required to be sent to (a) DTC or the successor securities depository if the Notes are then subject to a book–entry only system, and (b) each rating agency then rating the Notes. Such notice is required to give the name and address of the successor Paying Agent/Registrar. A successor Paying Agent/Registrar may be appointed without the consent of the Holders of the Notes.

**Record Date**

The Record Date for the payment of interest is the 15th day of the calendar month immediately preceding an Interest Payment Date.

**Payments in the Event of Holidays**

If the date for payment of the principal of or interest on the Obligations is a Saturday, Sunday, legal holiday, or day on which banking institutions are required or authorized by law or executive order to remain closed in the city where the Trustee or the Paying Agent/Registrar, as applicable, is located, then the date for such payment will be the next succeeding day which is not a Saturday, Sunday, legal holiday, or day on which such banking institutions are required or authorized by law to close. Payment on such later date will not increase the amount of interest due and will have the same force and effect as if made on the original date payment was due.

**Transfers and Exchanges**

Beneficial ownership of the Obligations registered in the name of Cede & Co. will initially be transferred as described under " — **Book–Entry Only System**" below.

The Authority is required to keep or cause to be kept at a corporate trust office of the Trustee (with respect to the Bonds) and the Paying Agent/Registrar (with respect to the Notes) in the State of Texas books or records for the registration and transfer of the applicable Obligations in accordance with the terms of the SPS Trust Agreement (with respect to the Bonds) and the terms of the Note Resolution (with respect to the Notes).

Upon surrender of any Obligation at the corporate trust office of the Trustee or Paying Agent/Registrar, as applicable, together with a written request therefor duly executed by the registered Owner or the assignee or assignees of such Obligation, or its or their duly authorized attorneys or representatives, with guarantee of signatures satisfactory to the Trustee or Paying Agent/Registrar, as applicable, such Obligation may, at the option of the registered Owner or such assignee or assignees, as appropriate, be exchanged for fully registered Obligations, without interest coupons, in authorized denominations, in an aggregate principal amount equal to the unpaid or unredeemed principal amount of any Obligation so surrendered, and payable to the appropriate registered Owner, assignee, or assignees, as the case may be; *provided that* the Trustee or Paying Agent/Registrar, as applicable, is not required to make the transfers of registration of Obligations or any portion thereof (i) during the period commencing with the close of business on any Record Date and ending with the opening of business on the next following principal or interest payment date, or (ii) with respect to any Obligation or any portion thereof called for redemption prior to maturity, within 45 days prior to its redemption date (with respect to the Bonds) or within 20 days prior to its redemption date (with respect to the Notes).

The Authority has covenanted to pay the Trustee's and the Paying Agent/Registrar's standard or customary fees and charges for transferring or exchanging any Obligation or any portion thereof, but the person requesting any such transfer or exchange is required to pay any taxes or governmental charges required to be paid with respect thereto.

The designated office of the Trustee and Paying Agent/Registrar is 1445 Ross Avenue, 2nd Floor, Dallas, Texas 75202.

**Defeasance**

Any Obligation will be deemed to be paid and no longer Outstanding within the meaning of the SPS Trust Agreement with respect to the Bonds and the Note Resolution with respect to Notes (a "*Defeased Debt*"), when payment of the principal of, redemption premium, if any, plus interest thereon to the due date thereof (whether such due date be by reason of maturity, upon redemption, mandatory or optional tender, or otherwise), either (i) has been made in accordance with the terms thereof, or (ii) has been provided by irrevocably depositing with the Trustee (with respect to the Bonds) or the Paying Agent/Registrar (with respect to the Notes), in trust, and irrevocably set aside exclusively for such payment, (1) money sufficient to make such payment or (2) Government Obligations (defined below), certified by an independent public accounting firm of national reputation to mature as to principal and interest in such amount and at such times as will insure the availability, without reinvestment, of sufficient money to make such payment, and all necessary and proper fees, compensation, and expenses of the Trustee and the Paying Agent/Registrar pertaining to the Obligations to be defeased or the payment thereof provided for to the reasonable satisfaction of the Trustee or the Paying Agent/Registrar, as applicable; provided, however, that only **clause (i)** applies to any Second Tier Obligations under the TIFIA Note or any Second Tier Credit Agreement. At such time as a Defeased Debt is deemed to be paid, it will no longer be secured by or entitled to the benefits of the SPS Trust Agreement or the Note Resolution, as applicable, except for the purposes of any such payment from such money or Government Obligations.

Any money so deposited with the Trustee or the Paying Agent/Registrar, as applicable, may at the direction of the Authority also be invested in Government Obligations, maturing in the amounts and times as set forth above, and all income from all Government Obligations in the hands of the Trustee or the Paying Agent/Registrar, as applicable, as described herein which is not required for the payment of the Obligations, the redemption premium, if any, and interest thereon, with respect to which such money has been so deposited, is required to be turned over to the Authority.

As used herein, the term "*Government Obligations*" mean (i) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (ii) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date of the purchase

thereof are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent, and (iii) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date of the purchase thereof are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent.

Any determination not to redeem Defeased Debt that is made in conjunction with the payment arrangements specified above will not be irrevocable if the Authority takes certain actions specified in the SPS Trust Agreement or the Note Resolution, as applicable.

**Book–Entry Only System**

*General*

The information in this section concerning The Depository Trust Company ("*DTC*") and the Book–Entry Only System has been obtained from DTC and is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by, the Authority, the Underwriters, the Trustee or the Paying Agent/Registrar.

Beneficial ownership in the Obligations will be available to Beneficial Owners (as described below) only by or through DTC Participants via a book–entry only system (the "*Book–Entry Only System*") maintained by DTC.

*DTC and Its Participants*

DTC will act as securities depository for the Obligations. Each series of the Obligations will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered bond certificate will be issued for each maturity of each series of the Obligations, in the aggregate principal amount and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("*Direct Participants*") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book–entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("*DTCC*"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("*Indirect Participants*"). DTC has Standard & Poor's highest rating: AAA. The DTC rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of Obligations under the Book–Entry Only System must be made by or through Direct Participants, which will receive a credit for the Obligations on DTC's records. The ownership interest of each actual purchaser of an Obligation ("*Beneficial Owner*") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Obligations are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial

Owners will not receive certificates representing their ownership interests in the Obligations, except if use of the Book–Entry Only System for the Obligations is discontinued.

To facilitate subsequent transfers, all Obligations deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of Obligations with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Obligations; DTC's records reflect only the identity of the Direct Participants to whose accounts such Obligations are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Obligations may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Obligations, such as redemptions, tenders, defaults, and proposed amendments to security documents. For example, Beneficial Owners of the Obligations may wish to ascertain that the nominee holding the Obligations for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of the notices be provided directly to them.

Redemption notices are required to be sent to DTC. If less than all of the Obligations of a series are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in the Obligations of such series to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Obligations unless authorized by a Direct Participant in accordance with DTC's MMI procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Trustee or Paying Agent/Registrar as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Obligations are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, redemption proceeds and interest payments on the Obligations will be made to Cede & Co. or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the Authority or the Trustee or Paying Agent/Registrar, as applicable, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with Obligations held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee or Paying Agent/Registrar, as applicable, or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest and redemption proceeds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Trustee or Paying Agent/Registrar, as applicable, disbursement of such payments to Direct Participants is the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

*Discontinuance of DTC Services*

DTC may discontinue providing its services as depository with respect to Obligations at any time by giving reasonable notice to the Authority and the Trustee or Paying Agent/Registrar, as applicable. Under such circumstances, if a successor securities depository is not obtained, Obligation certificates are required to be printed and delivered.

The Authority may decide to discontinue use of the system of book–entry only transfers through DTC (or a successor securities depository). In that event, Obligation certificates will be printed and delivered to DTC.

**Use of Certain Terms in Other Sections of this Official Statement**

While the Obligations are in the Book–Entry Only System, reference in other sections of this Official Statement to Owners of such Obligations should be read to include any person for whom a Participant acquires an interest in the Obligations, but (i) all rights of ownership, as described herein, must be exercised through DTC and the Book–Entry Only System and (ii) notices that are to be given to registered Owners by the Trustee or the Paying Agent/Registrar, as applicable, will be given only to DTC. DTC is required to forward (or cause to be forwarded) the notices to the Participants by its usual procedures so that such Participants may forward (or cause to be forwarded) such notices to the Beneficial Owners.

The information in this section concerning DTC and the Book–Entry Only System has been obtained from sources that the Authority believes to be reliable, but the Authority takes no responsibility for the accuracy thereof.

## SECURITY AND SOURCES OF PAYMENT FOR THE OBLIGATIONS

**Security and Sources of Payment for the Bonds**

*General*

The Bonds are limited first tier obligations of the Authority payable solely from, and secured solely by, (a) revenues and all other receipts and income derived from the ownership and operation of the Special Projects System (excluding revenue sharing payments owed to TxDOT), and all rights to receive the same, whether in the form of accounts receivable, contract rights or other rights, and the proceeds of such rights whether now owned or held or hereafter coming into existence, (b) the Authority's right, title and interest as a "beneficiary" for the PGBT WE under the Master Custodial Account Agreement between the Authority and Wells Fargo Bank, National Association, but not as a "beneficiary" for any other toll projects for the Authority, (c) all money held by the Trustee in the funds and accounts created under the SPS Trust Agreement, other than the BANs Construction Fund, and (d) all right, title and interest of the Authority in the TELA between the Authority and TxDOT (collectively, the "*Trust Estate*"). The PGBT WE is not part of the NTTA System and the Bonds are not secured by and are not payable from revenues of the NTTA System. "Revenues" consist of (a) all tolls, fees or charges collected or received for the use of the Special Projects System (initially, only PGBT WE) as well as fines and penalties and interest thereon collected as a result of a failure to pay any tolls, fees or charges for the use of the Special Projects System, (b) investment income from the funds and accounts established under the SPS Trust Agreement (other than interest income from the BANs Construction Fund), and (c) business interruption insurance payments, liquidated damages and any other amounts received by the Authority relating to the use and operation of the Special Projects System; *provided*, *however*, that any of the amounts described above collected by the Authority and required to be paid to TxDOT as revenue sharing payments pursuant to the Project Agreement do not constitute "Revenues." See "**THE SPECIAL PROJECTS SYSTEM — The Project Agreement" in APPENDIX A.**

The Trust Estate is pledged to the Trustee pursuant to the SPS Trust Agreement for the benefit and security of all Owners of First Tier Obligations, Second Tier Obligations and Third Tier Obligations, on the basis, and in the priority described herein and therein. The Bonds are First Tier Obligations under the SPS Trust Agreement. See " — **Funds and Accounts** — *Revenue Fund; Agreements with Other Turnpikes*" for a description of the application and priority of payment for funds deposited therein. See also "**APPENDIX E — SUMMARY OF CERTAIN PROVISIONS OF THE SPS TRUST AGREEMENT**."

THE PRINCIPAL OF, PREMIUM, IF ANY, AND INTEREST ON THE BONDS ARE PAYABLE ONLY FROM, TOLLS AND OTHER REVENUES OF THE SPECIAL PROJECTS SYSTEM (EXCLUDING REVENUE SHARING PAYMENTS OWED TO TXDOT) HELD BY THE TRUSTEE IN THE REVENUE FUND, REVENUES OF THE SPECIAL PROJECTS SYSTEM HELD UNDER THE MASTER CUSTODIAL ACCOUNT AGREEMENT, AND MONEY HELD BY THE TRUSTEE IN THE FUNDS AND ACCOUNTS CREATED UNDER THE SPS TRUST AGREEMENT (OTHER THAN THE BANS CONSTRUCTION FUND) AND PAYMENTS OF ADVANCES MADE UNDER THE TELA ON THE BASIS AND IN THE PRIORITY DESCRIBED THEREIN AND HEREIN. EXCEPT AS SPECIFIED IN THE PRECEDING SENTENCE, NONE OF THE STATE OF TEXAS, THE AUTHORITY, THE NTTA SYSTEM, THE SPECIAL PROJECTS

SYSTEM NOR ANY OTHER AGENCY OR POLITICAL SUBDIVISION OF THE STATE OF TEXAS IS OBLIGATED TO PAY THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE BONDS. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OF TEXAS, NOR ANY OTHER AGENCY OR POLITICAL SUBDIVISION OF THE STATE OF TEXAS IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE BONDS. THE AUTHORITY HAS NO TAXING POWER.

The Authority has not mortgaged, assigned, or pledged any interest in any real or personal property or improvements, including any interest in the Special Projects System, as security for payment of the Bonds other than the pledge of the Trust Estate under the SPS Trust Agreement.

Except as otherwise specified herein, capitalized terms used herein but not defined herein have the meanings set forth in **APPENDIX E** or **APPENDIX G**.

*Toll Equity Loan Agreement*

General

The TELA contains the representations, commitments and obligations of the Authority and TxDOT related to TxDOT's agreement to make advances of funds in favor of the Trustee on the Authority's behalf to support the Authority's efforts to develop, construct, operate, maintain and provide financing for PGBT WE (the "*Toll Equity Loan Commitment*") when toll revenues and SPS Trust Agreement fund balances are insufficient for such purposes. The Toll Equity Loan Commitment will not exceed the Maximum Available Aggregate Amount described under "**PLAN OF FINANCE — Prior, Contemporaneous and Subsequent Financing Plans Relating to the Special Projects System — The Toll Equity Loan**," and advances thereunder may not cause the aggregate principal amount of all advances in any draw period to exceed the "Maximum Available Annual Amount" for such draw period as set forth below, and the aggregate amounts of all advances may not exceed the aggregate amount of Eligible Costs. In no event may any advance cause the aggregate of all advances under the TELA to exceed the amount of Eligible Costs. As used herein, the term "Eligible Costs" mean amounts expended or incurred, or reasonably anticipated to be expended or incurred, by the Authority for Project Costs, Capital Expenditures, Major Maintenance and Operating Expenses (not to exceed amounts set forth in the Project Budget) and for the upfront payment.

Term

The undisbursed amount of the Toll Equity Loan Commitment will remain in effect until the earlier of (i) the final maturity date of the debt for which a draw on the Toll Equity Loan Commitment may be used to make payments and (ii) the date of the defeasance or refunding in whole of such debt.

Pledge and Assignment

TxDOT has consented to the pledge and assignment to the Trustee of, and the grant to the Trustee of a lien on and a security interest in, all of the Authority's right, title and interest in, to and under the TELA, pursuant to the terms and conditions of the SPS Trust Agreement, as collateral security for all of the obligations secured or purported to be secured by the SPS Trust Agreement.

TxDOT has agreed that as a result of the pledge and assignment referred to above, the Trustee will have the full right and power, in the exercise of the Trustee's rights and remedies under the SPS Trust Agreement, to enforce directly against TxDOT all obligations of TxDOT under the TELA, to exercise all other rights and remedies of the Authority under the TELA and to make all demands and requests and give all notices required or permitted to be made by the Authority or the Trustee under the TELA.

Toll Equity Loan

If there exists a deficiency in toll revenues and in certain SPS Trust Agreement funds and accounts described below, the Trustee is required to present to TxDOT a toll equity loan draw request certificate in the form attached to the SPS Trust Agreement. Upon receipt by TxDOT of a completed toll equity loan draw request certificate from the Trustee, then by 2:00 p.m. on the third Business Day after such receipt, TxDOT is required to make a corresponding advance under the Toll Equity Loan Commitment to the Trustee, from money appropriated by the Texas State Legislature in a manner that would allow its use for this purpose, the proceeds of which will be

deposited with the Trustee in the fund or account under the SPS Trust Agreement identified in the draw certificate. The SPS Trust Agreement funds and accounts referenced in the first sentence above include the First Tier Debt Service Fund, the Second Tier Debt Service Fund, the Project Budget Account of the Operating Fund, the Project Budget Account of the Major Maintenance Fund and the Project Budget Account of the Capital Expenditures Fund. Each toll equity loan draw request certificate will state that the Trustee has accessed and depleted funds held in the applicable Project Reserve Funds (as defined in the TELA) before an advance is requested under the TELA. The amount of the advance may not exceed (i) the lesser of (a) debt service payments associated with the Bonds and the TIFIA Loan or other debt for which a draw on the Toll Equity Loan Commitment may be used to make payments (the "*Senior Project Debt*") for the applicable period for which an advance is requested, plus Operating Expenses, Major Maintenance Expenses and Capital Expenditures up to the amounts for the applicable period as set forth in the Project Budget, but minus balances available in the First Tier Capitalized Interest Account for the payment of interest on the Bonds for the applicable period to the extent that a portion of a requested advance is to be used to pay interest on the Bonds, minus any Revenues deposited into the Revenue Fund during the applicable period, minus any available amounts in the Annual Operating Budget Account of the Operating Fund, Annual Operating Budget Account of the Major Maintenance Fund, Annual Operating Budget Account of the Capital Expenditures Fund, Major Maintenance Reserve Fund, Rate Stabilization Fund, Capital Expenditures Reserve Fund, General Account of the General Fund and Current Year Revenue Account of the General Fund; and (b) the Maximum Available Annual Amount for the applicable period for which an advance is requested, minus balances in the First Tier Capitalized Interest Account for the payment of interest on the Bonds for the applicable period to the extent that a portion of a requested advance is to be used to pay interest on the Bonds, minus any Revenues deposited into the Revenue Fund during the applicable period, minus any available amounts in the Annual Operating Budget Account of the Operating Fund, Annual Operating Budget Account of the Major Maintenance Fund, Annual Operating Budget Account of the Capital Expenditures Fund, Major Maintenance Reserve Fund, Rate Stabilization Fund, Capital Expenditures Reserve Fund, General Account of the General Fund and Current Year Revenue Account of the General Fund, or (ii) when added to other amounts advanced under the Toll Equity Loan Commitment during the current draw period, the Maximum Available Annual Amount.

If the principal amount of advances under the Toll Equity Loan Commitment made in a given draw period is less than the Maximum Available Annual Amount for such draw period (or if no advances under the Toll Equity Loan Commitment have been made in such draw period), the difference will not be carried forward and may not be applied to increase the amount available to be advanced in any future draw period.

The unpaid amount of each advance under the Toll Equity Loan Commitment will bear interest from the date of such advance to the date on which such advance and the interest thereon are repaid in full at a rate per annum equal to the ten-year "Aaa (pure)" rate provided by Municipal Market Data and published in The Bond Buyer under the caption "Municipal Market Data General Obligation Yields" on the day such advance is made, plus 100 basis points.

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Maximum Available Annual Amount and Aggregate Amount of Eligible Costs

The following table sets out the Maximum Available Annual Amount under the TELA and the expected aggregate amount of Eligible Costs in each year through the final maturity of the First Tier Obligations, as compared to the debt service on First and Second Tier Obligations in each year.

| Fiscal Year End (Aug 31) | Toll Equity Loan Maximum Available Annual Amount* | Toll Equity Loan Aggregate Eligible Costs[1] | Annual First Tier and Second Tier Net Debt Service[2] | Cumulative First Tier and Second Tier Net Debt Service[2] |
|---|---|---|---|---|
| 2011 | $ - | $ 1,036,290,401 | $ - | $ - |
| 2012 | - | 1,036,290,401 | - | - |
| 2013 | 7,210,874 | 4,093,677,822 | - | - |
| 2014 | 48,497,869 | 4,093,677,822 | 30,891,026 | 30,891,026 |
| 2015 | 54,186,241 | 4,093,677,822 | 37,014,538 | 67,905,564 |
| 2016 | 59,351,296 | 4,093,677,822 | 40,557,738 | 108,463,301 |
| 2017 | 62,216,287 | 4,093,677,822 | 38,661,238 | 147,124,539 |
| 2018 | 69,128,837 | 4,093,677,822 | 46,804,749 | 193,929,287 |
| 2019 | 69,354,189 | 4,093,677,822 | 46,742,349 | 240,671,636 |
| 2020 | 73,794,183 | 4,093,677,822 | 56,392,349 | 297,063,984 |
| 2021 | 75,663,809 | 4,093,677,822 | 60,449,849 | 357,513,833 |
| 2022 | 76,220,504 | 4,093,677,822 | 58,082,449 | 415,596,281 |
| 2023 | 84,739,456 | 4,093,677,822 | 64,931,081 | 480,527,362 |
| 2024 | 87,303,233 | 4,093,677,822 | 64,919,512 | 545,446,874 |
| 2025 | 91,659,700 | 4,093,677,822 | 65,425,881 | 610,872,755 |
| 2026 | 92,116,167 | 4,093,677,822 | 64,974,281 | 675,847,036 |
| 2027 | 95,136,411 | 4,093,677,822 | 64,551,181 | 740,398,217 |
| 2028 | 96,820,433 | 4,093,677,822 | 69,871,112 | 810,269,328 |
| 2029 | 99,999,336 | 4,093,677,822 | 68,810,906 | 879,080,234 |
| 2030 | 108,643,962 | 4,093,677,822 | 71,071,943 | 950,152,178 |
| 2031 | 119,403,097 | 4,093,677,822 | 79,512,093 | 1,029,664,271 |
| 2032 | 131,120,320 | 4,093,677,822 | 102,599,741 | 1,132,264,012 |
| 2033 | 135,765,767 | 4,093,677,822 | 105,050,046 | 1,237,314,058 |
| 2034 | 138,448,454 | 4,093,677,822 | 98,139,699 | 1,335,453,757 |
| 2035 | 153,289,552 | 4,093,677,822 | 110,391,437 | 1,445,845,193 |
| 2036 | 163,426,760 | 4,093,677,822 | 131,828,282 | 1,577,673,475 |
| 2037 | 163,426,760 | 4,093,677,822 | 131,226,068 | 1,708,899,543 |
| 2038 | 163,426,760 | 4,093,677,822 | 131,180,968 | 1,840,080,512 |
| 2039 | 163,426,760 | 4,093,677,822 | 137,019,218 | 1,977,099,730 |
| 2040 | 163,426,760 | 4,093,677,822 | 136,193,274 | 2,113,293,005 |
| 2041 | 129,018,014 | 4,093,677,822 | 126,574,643 | 2,239,867,648 |
| 2042 | 146,911,358 | 4,093,677,822 | 141,275,460 | 2,381,143,108 |
| 2043 | 169,628,386 | 4,093,677,822 | 161,565,493 | 2,542,708,601 |
| 2044 | 178,498,077 | 4,093,677,822 | 175,816,362 | 2,718,524,963 |
| 2045 | 181,444,618 | 4,093,677,822 | 163,267,435 | 2,881,792,398 |
| 2046 | 201,445,337 | 4,093,677,822 | 201,444,039 | 3,083,236,438 |
| 2047 | 239,528,255 | 4,093,677,822 | 197,784,616 | 3,281,021,054 |
| Total | $ 4,093,677,822 | | $ 3,281,021,054 | |

[1]Assumes substantial completion in October 2012 and no downward adjustments resulting from actual expenses being lower than assumed in the Project Budget.

[2]Net of capitalized interest.

The foregoing table assumes that the TIFIA Loan will be utilized to redeem the Notes.

Prepayment

Although the SPS Trust Agreement prohibits the voluntary prepayment of principal of the Toll Equity Loan unless the Senior Project Debt is indefeasibly paid in full, under the TELA, the Authority may prepay any amount of principal of the Toll Equity Loan, without premium or penalty, upon at least two business days' notice to TxDOT specifying the date and amount of prepayment. The principal amount of the Toll Equity Loan is required to be paid prior to maturity on the first business day of each month in the order in which advances under the Toll Equity Loan Commitment were made, but solely from and to the extent of funds available therefor held in the Third Tier Principal Account of the Third Tier Debt Service Fund under the SPS Trust Agreement.

Termination of TELA

Commencing on the 5th anniversary of the date when all phases of PGBT WE are open for normal and continuous operations and use by the traveling public, the Authority and TxDOT will meet on a periodic basis to discuss the potential for the termination of the Toll Equity Loan Commitment with the goal of accomplishing such termination at the earliest practicable date through a defeasance and refunding of the debt for which a draw on the Toll Equity Loan Commitment may be used to make payments. If at any time after such 5th anniversary date the Authority is able to issue debt secured by Revenues of the Special Projects System that is rated investment grade by at least two of the national rating agencies without the Toll Equity Loan Commitment and without support from the NTTA System or any other roadways or assets of the Authority in a principal amount along with other funds held in the Project Reserve Funds (other than the Major Maintenance Reserve Fund and Capital Expenditures Reserve Fund) sufficient to pay or defease all outstanding debt for which a draw on the TELA may be used to make payments and amounts owed to TxDOT under the Toll Equity Note and the TELA, the Authority is required to use good faith efforts to issue such debt and cause a termination of the Toll Equity Loan Commitment.

Toll Equity Loan Commitment Fee

On September 1, 2021 or ten years from the effective date of the Supplement to TELA if the SWP/CTP becomes part of the Special Projects System, and on the first day of each fiscal year thereafter, the Authority is required to pay to TxDOT, from unencumbered amounts on deposit in the General Account of the General Fund or the Current Year Revenue Account of the General Fund, a non-refundable amount equal to three percent of that fiscal year's Maximum Available Annual Amount. Failure to pay such amounts will not constitute a default under the TELA, unless sufficient unencumbered funds are on deposit in the General Account of the General Fund or the Current Year Revenue Account of the General Fund to make such payment.

Security

The Toll Equity Loan Note and all other payment obligations of the Authority owed to TxDOT under the TELA will constitute Third Tier Obligations under the SPS Trust Agreement so long as debt for which a draw on the Toll Equity Loan Commitment may be used to make payments is outstanding, and thereafter will constitute First Tier Obligations under the SPS Trust Agreement. Upon the occurrence and during the continuation of a Third Tier Subordination Event (as defined in **APPENDIX E**), under the SPS Trust Agreement TxDOT will have no right to demand, accept or take any action to collect any payment or any other property on account of any Third Tier Obligations and the Third Tier Obligations will be subordinated to the prior payment in full of the First and Second Tier Obligations.

Toll Rate Covenant

Under the TELA, the Authority covenants to keep in effect a Toll Rate Schedule that will produce Revenues of the Special Projects System such that the General Fund or the Capital Expenditures Reserve Fund will have an unencumbered fund balance at the end of each fiscal year. If (A) the then updated financial model indicates that there will not be an unencumbered fund balance in the General Fund or the Capital Expenditures Reserve Fund at the end of each of the next five fiscal years, or (B) the General Fund or the Capital Expenditures Reserve Fund does not have an unencumbered fund balance at the end of any fiscal year, the Authority is required to: (1) promptly engage the Traffic Engineers to within 90 days after such event review and analyze the Toll Rate Schedule then in effect and recommend revisions to the Toll Rate Schedule to (a) increase the Revenues of the Special Projects System in a manner that will enable the Authority to realize at the earliest feasible time, but in no

event later than the end of the fiscal year following the fiscal year in which the Traffic Engineer was engaged, Revenues of the Special Projects System in an amount sufficient so that the updated financial model does not indicate at the end of any of the next five fiscal years a reduction in the unencumbered balance in the General Fund or the Capital Expenditures Reserve Fund from the end of the prior fiscal year, and (b) increase Revenues of the Special Projects System in a manner that will enable the Authority to realize an unencumbered balance in the General Fund or the Capital Expenditures Reserve Fund no later than the end of the fifth fiscal year following the fiscal year in which the Traffic Engineer was engaged, and (2) within 60 days of receipt of the Traffic Engineer's written recommendations either implement the Traffic Engineer's recommendations or undertake an alternative plan which in the reasonable opinion of the Authority is likely to generate equivalent or greater Revenues of the Special Projects System than the Traffic Engineer's recommended actions. If the Authority implements the Traffic Engineer's recommended revisions to the Toll Rate Schedule it will not constitute an Event of Default under the TELA if the General Fund or the Capital Expenditures Reserve Fund does not have an unencumbered balance at the end of any fiscal year. If the Authority undertakes an alternative plan and the unencumbered balance in the General Fund or the Capital Expenditures Reserve fund at the end of the next fiscal year is reduced from the unencumbered balance at the end of the fiscal year in which the Traffic Engineer was engaged (other than as a result of the expenditure of such funds for Capital Expenditures), TxDOT may institute and prosecute in a court of competent jurisdiction an appropriate action to compel the Authority to comply with its covenants described herein. The foregoing covenant and other covenants of the Authority under the TELA are for the sole benefit of TxDOT and may be changed or waived by TxDOT without the consent of bondholders. Additionally, a default or event of default under the TELA will not constitute a default or event of default under the Trust Agreement (unless there is a default or event of default under the TIFIA Loan Agreement and the TIFIA Lender has notified the Trustee of such default or event of default.)

Cost Overruns

Pursuant to the TELA, the Authority is responsible for obtaining funding from sources other than advances under the Toll Equity Loan Commitment or Senior Project Debt in the event Project Costs exceed the Project Budget, and in the event Capital Expenditures, Operating Expenses and Major Maintenance Expenses are higher than the Project Budget to the extent revenues from the Special Projects System are insufficient to pay such costs and expenses. So long as no Event of Default has occurred and is continuing under the SPS Trust Agreement, commencing one year after all phases of PGBT WE are open for normal and continuous operations and use by the travelling public, the Authority may be reimbursed out of money in the General Fund for Operating Expenses, Major Maintenance Expenses and Capital Expenditures made by the Authority for such purposes from such other sources. Furthermore, if the Authority elects to operate and maintain PGBT WE in accordance with standards higher than the standards set forth in the Project Agreement, the Authority will be responsible for obtaining funding for the increased costs associated with operating and maintaining PGBT WE to such higher level from sources other than Senior Project Debt, debt secured by Revenues of the Special Projects System or amounts held in funds or accounts under the SPS Trust Agreement, advances under the Toll Equity Loan Commitment, Revenues or the funds and accounts established under the SPS Trust Agreement and may not be reimbursed for the payment of such increased costs from debt secured by Revenues of the Special Projects System or amounts held in funds or amounts under the SPS Trust Agreement, advances under the Toll Equity Loan Commitment, Revenues or the funds and accounts established under the SPS Trust Agreement.

Authority Events of Default

The following constitute "Events of Default" under the TELA (to the extent not previously defined, capitalized terms used under this caption "Authority Events of Default" have the meanings specified in the TELA):

(a) Failure by the Authority to pay, from funds available therefor under the SPS Trust Agreement, when due any amount payable under the Toll Equity Loan Note.

(b) Failure by the Authority to make (i) any payment, to the extent funds are available under the SPS Trust Agreement, to TxDOT or as otherwise required to be paid from funds available under the SPS Trust Agreement or any other legally available source of funds of the Authority as required under the TELA, including, without limitation, repayment upon demand of TxDOT of the amount of any Revenues that were improperly used to pay

Operating Expenses, Major Maintenance Expenses or Capital Expenditures in violation of the TELA, except as set forth in **clause (a)** above, within ten business days from the date on which it was due, or (ii) any payment required to be paid under any debt for which a draw on the Toll Equity Loan Commitment may be used to make payments; *provided, however*, that any failure pursuant to this **clause (b)** will not constitute an Event of Default if the failure to make such payment results from a failure by TxDOT to advance funds in accordance with the provisions of the TELA.

(c) Failure by the Authority to observe and perform any covenant, condition or agreement on its part to be observed or performed under the TELA or under any Senior Project Debt, other than as referred to in **clauses (a)**, **(b)** or **(m)** under this heading, for a period of 60 days after the earlier of (i) the Authority acquiring actual knowledge of such occurrence or (ii) notice specifying such failure and requesting that it be remedied has been given to the Authority by TxDOT, unless TxDOT has agreed in writing to an extension of such time prior to its expiration; *provided, however*, if the failure stated in the notice is capable of cure but cannot reasonably be cured within the applicable period, the Authority will be entitled to a further extension of time reasonably necessary to remedy such failure so long as corrective action is instituted by the Authority within the applicable period and is diligently pursued until such failure is corrected.

(d) Any of the representations, warranties or certifications of the Authority made in or delivered pursuant to the TELA or any other Finance Documents proves to have been false or misleading in any material respect when made and, if such misrepresentation is capable of being cured, such misrepresentation has not been cured within 60 days after the earlier of (i) the Authority acquires actual knowledge of such failure and (ii) the Authority's receipt of notice from TxDOT of such failure.

(e) The Authority fails to perform or observe any material covenant, agreement or obligation under any Project Document (unless such failure could not reasonably be expected to have a Material Adverse Effect), and the Authority has failed to cure such failure or to obtain an effective written waiver thereof within the earlier of (A) 60 days after receipt of notice thereof from TxDOT and (B) the expiry of any applicable grace period relating to such covenant, agreement or obligation, *provided, however*, that with respect to this **subsection (e)**, if such cure or waiver cannot reasonably be obtained within the applicable period, the Authority will be entitled to an extension of such time if corrective action is instituted by the Authority within the applicable period and diligently pursued until such failure is corrected.

(f) One or more judgments for the payment of money in an aggregate amount in excess of $10,000,000 (as such amount is adjusted annually in proportion to any increase or decrease in the CPI over the Base Price Index) is rendered against (i) the Revenues or PGBT WE and the same remains undischarged for a period of 30 consecutive days during which execution is not effectively stayed, or any action is legally taken by a judgment creditor to attach or levy upon the Revenues or PGBT WE to enforce any such judgment or is not adequately covered by insurance or a performance bond for a period of 30 days, or (ii) the Authority and the same remains undischarged for a period of 30 consecutive days during which execution is not effectively stayed, to the extent that it is reasonably likely to have a Material Adverse Effect or any action is legally taken by a judgment creditor to attach or levy upon any assets of the Authority to enforce any such judgment or is not adequately covered by insurance or a performance bond for a period of 30 days, to the extent that it is reasonably likely to have a Material Adverse Effect.

(g) A Bankruptcy Event occurs with respect to the Authority.

(h) The Project Agreement expires or is terminated (whether by reason of a default thereunder or by mutual agreement of the parties thereto or otherwise), or for any reason ceases to be in full force and effect.

(i) The Authority fails to obtain, renew, maintain or comply with all material Governmental Approvals, as and when required by it, in connection with PGBT WE or the entering into of any Finance Document or any Project Document, and such failure could reasonably be expected to have a Material Adverse Effect; unless such failure is remedied within 60 days after TxDOT giving notice thereof to the Authority, or such longer period as TxDOT may allow, not to exceed 180 days.

(j) The SPS Trust Agreement ceases, except in accordance with its terms, to be effective to grant a perfected security interest on the collateral described therein (other than on an immaterial portion thereof), other than as a result of actions or failure to act by the Trustee.

(k) The Authority fails to operate and maintain PGBT WE in accordance with the Project Agreement and such failure could reasonably be expected to have a Material Adverse Effect; unless such failure is remedied within 30 days after TxDOT giving notice thereof to the Authority, *provided, however*, that if said default is such that it cannot by its nature with due diligence be cured within the said 30-day period but can be cured, it will not constitute an Event of Default if curative action is commenced by the Authority within said 30-day period and diligently pursued until the default is cured.

(l) Substantial Completion has not occurred by the date that occurs twelve months after the Guaranteed Substantial Completion Date.

(m) Any insurance required under the TELA is not, or ceases to be, in full force and effect at any time when it is required to be in effect, or any such insurance is avoided or any insurer avoids, suspends or otherwise reduces its liability under any policy relating to any such insurance or any insurer of any insurance is not bound, or ceases to be bound, to meet its obligations in full under any such insurance, and any such event could reasonably be expected to have a Material Adverse Effect, unless (i) such insurance is (prior to its cessation) replaced by insurance on substantially similar terms and in form and substance, and with insurers recommended by the Insurance Consultant, or (ii) the risks covered by such insurance are uninsurable or such insurance is determined to be not commercially available in the insurance market, and the Authority has agreed to the means by which the risk should be managed as recommended by the Insurance Consultant.

(n) Prior to Substantial Completion, the construction of the Authority Structures is abandoned; p*rovided that* abandonment of the construction of the Authority Structures will be deemed to have occurred if no significant construction (taking into account the construction schedule and permitted delay as a result of force majeure) is carried out without reasonable cause, for a continuous period of 90 days.

(o) The operation or maintenance of PGBT WE or any material part thereof is suspended or abandoned; *provided that*, suspension or abandonment of PGBT WE will be deemed to have occurred, after the Service Commencement Date, if the Authority fails, without reasonable cause, to operate PGBT WE (taking into account force majeure) for a continuous period of 90 days.

(p) The occurrence of an "Event of Default" under and as defined in the SPS Trust Agreement occurs.

Remedies

Upon or after the occurrence of an Event of Default under the TELA, TxDOT may, without prior notice unless otherwise specified below, demand or presentment, and to the extent permitted by applicable law, do any or all of the following:

(a) have reasonable access to and inspect, examine and make copies of the books and records and any and all accounts, data and income and other records of the Authority relating to

PGBT WE, including, without limitation, any such accounts, data and income and other records concerning the costs of operating and maintaining the Authority's system which are allocated to the operation and maintenance of PGBT WE or payable from Revenues or other amounts held in the funds and accounts created under the SPS Trust Agreement, during regular working hours of the Authority if reasonably necessary in the opinion of TxDOT;

(b) by suit, action or proceeding in equity, enjoin any acts or things which are unlawful or the violation of any rights of TxDOT and the Trustee;

(c) seek an action in mandamus against the Authority and/or seek the appointment of a receiver;

(d) upon the occurrence and continuance of an Event of Default under **clause (k)** under the caption " — **Authority Events of Defaults**" for a period of 60 days or **clause (o)** under the caption " — **Authority Events of Defaults**," upon notice to Authority but without waiving or releasing Authority from any obligations, TxDOT will have the right but not the obligation to step-in and undertake the operation and maintenance of PGBT WE using any and all reasonable means necessary to operate and maintain PGBT WE substantially in accordance with the requirements of the Project Agreement and to pay or direct the Trustee or other depository as applicable to pay or reimburse TxDOT for the costs thereof out of funds and accounts in the Operating Fund, Major Maintenance Fund, Capital Expenditures Fund, General Account of the General Fund and Current Year Revenue Account of the General Fund, in that order of priority, and should such costs amount to more than the total available in such funds at the time of the request for payment, then TxDOT will have the right (but not the obligation) to pay such additional costs by expenditure of TxDOT's funds for which it will be entitled to reimbursement from any future deposits to the funds described in this **clause (d)** *provided* such reimbursements will be made first from the General Account of the General Fund and the Current Year Revenue Account of the General Fund; *provided further* that, in the event TxDOT exercises its right to step-in and undertake the operation and maintenance of PGBT WE as provided in this **clause (d)**, the Authority will have the right to resume the operation and maintenance of PGBT WE in compliance with the requirements of the TELA and the Project Agreement and TxDOT is required to cease operating and maintaining PGBT WE but only following the submittal to TxDOT in writing of a remedial plan that (A) demonstrates to TxDOT's reasonable satisfaction that the Authority is ready, willing and able and has the technical and financial means to so operate and maintain PGBT WE, and (B) sets forth the specific steps Authority intends to take as well as the schedule to resume operation and maintenance of PGBT WE in compliance with the requirements of the TELA and the Project Agreement;

(e) upon the occurrence of an Event of Default under **clauses (l)** or **(n)** under the caption " — **Authority Events of Defaults**," TxDOT will have the right, but not the obligation, upon notice to Authority but without waiving or releasing Authority from any obligations, for so long as Substantial Completion has not occurred, regardless of whether the Authority is continuing or resumes construction work with respect to the Authority Structures, to step-in and undertake completion of the Authority Structures using any and all reasonable means necessary to achieve Substantial Completion substantially in accordance with the plans and specifications for the Authority Structures approved under the Project Agreement and to pay or direct the Trustee to pay or reimburse TxDOT for the costs thereof out of funds in the Construction Fund, the General Account of the General Fund, the Current Year Revenue Account of the General Fund or the Capital Expenditures Fund, in that order of priority, and should such costs amount to more than the total available in such funds at the time of the request for payment, then TxDOT will have the right (but not the obligation) to pay such additional costs by expenditure of TxDOT's funds for which it is entitled to reimbursement from any future deposits to the

General Account of the General Fund, the Current Year Revenue Account of the General Fund or the Capital Expenditures Fund, and if and to the extent TxDOT receives reimbursement from the Trustee for the costs relating to the exercise of its rights under **Section 6.02(e)** of the TELA in excess of $544,918,582 (the "*Excess Construction Cost*") from amounts on deposit in the Capital Expenditures Fund, the General Account of the General Fund or the Current Year Revenue Account of the General Fund the Authority is required, without limiting TxDOT's right to exercise remedies due to the occurrence and continuance of an Event of Default under **Section 6.01(l)** or **(n)** of the TELA, to repay TxDOT for the Excess Construction Costs as provided in **Section 6.02(e)** of the TELA and upon any such repayment from the Authority TxDOT is required to transfer such payment to the Trustee for deposit to the Capital Expenditures Fund, the General Account of the General Fund or the Current Year Revenue Account of the General Fund, as applicable; and

(f) exercise, or cause to be exercised, any and all such remedies as it may have under the TELA, the other Finance Documents or any other document or at law or in equity.

Appropriation and Other Matters Affecting TxDOT Advances

Under the TELA, TxDOT covenants that it will submit a request in accordance with applicable law to obtain an appropriation from the Texas Legislature to fulfill its obligation to make advances under the Toll Equity Loan Commitment, but not to exceed the Maximum Available Annual Amount for the draw periods included in the legislative request. Failure to honor a request by the Trustee for an advance under the Toll Equity Loan Commitment due solely to the fact that funds have not been appropriated to TxDOT by the Texas State Legislature in a manner that would allow its use for such purpose will not constitute an Event of Default with respect to TxDOT under the TELA. **If TxDOT fails to honor a request by the Trustee for an advance under the Toll Equity Loan Commitment due solely to the fact that funds have not been appropriated to TxDOT by the Texas State Legislature in a manner that would allow its use for such purpose, TxDOT will have no obligation to fund such request on any date subsequent to such failure.**

The TELA does not specify a particular source of funds for making advances, but TxDOT has stated its current intention is to make payments from the State Highway Fund (the "*State Highway Fund*"). The revenues deposited into the State Highway Fund are comprised of federal transportation program funds (or reimbursements from federal funds) and State motor fuel taxes and State motor vehicle registration fees, which may fluctuate based on, among other things, the condition of the State of Texas and national economic conditions, population growth, income and employment levels, levels of tourism, weather conditions, environmental regulation (including adverse impacts resulting from designation of large population centers within the State as non-attainment areas that do not meet federal Clean Air Act standards), fuel prices, road conditions, the availability of alternate modes of transportation and the development of alternative fuel vehicles and more fuel efficient vehicles. There can be no assurance that downturns in any of the numerous factors affecting these revenues will not significantly affect the future level of revenues available in the Fund.

The State Highway Fund is the general source for a substantial portion of funding for the state highway system, TxDOT, and the administration of State laws relating to traffic and safety on public roads.

**With respect to the priority of payments to be made from revenues in the State Highway Fund, TxDOT's payments of amounts due under the TELA (together with payments under all toll equity agreements and pass-through toll agreements) are a lower priority than the payment of any TxDOT bond and credit obligations outstanding and any commercial paper or tax and revenue anticipation notes outstanding, but are on a par with TxDOT's pass-through toll agreement obligations, other toll equity loan agreements and similar obligations. Certain amounts within the State Highway Fund are maintained in segregated subaccounts and may be used only for the restricted purposes of those subaccounts.** See **"RISK FACTORS — Conditions Affecting Advances by TxDOT; TxDOT Obligations Subject to Appropriation"** and **"APPENDIX B — THE TEXAS DEPARTMENT OF TRANSPORTATION AND THE STATE HIGHWAY FUND**."

Dispute Resolution Procedures

The Authority and TxDOT have agreed to set up a formalized process to resolve any issues that arise in connection with the TELA that the parties have designated to be subject to this formalized process. The process will include an issues resolution ladder to resolve questions at the appropriate organizational levels. Any questions that cannot be resolved by use of the issues resolution ladder will be referred to the Authority's Executive Director or his/her designee and TxDOT's Executive Director or his/her designee to resolve. If a dispute is processed under the issues resolution ladder and not resolved, the Authority and TxDOT agree to use the procedures in the following sentences. The party making a claim may advance it in accordance with the statutes and administrative rules applicable on the date of the TELA. The Authority and TxDOT agree to use any alternative dispute resolution procedure that is a part of the applicable claim procedure. The Authority and TxDOT agree to satisfy the requirement for alternative dispute resolution by participating in non-binding arbitration, unless otherwise agreed to by the Authority and TxDOT. During the resolution of an issue the Authority and TxDOT agree to not hinder work and such work will proceed.

Amendments to the TELA

Except as set forth below, without the prior written direction or consent of the Required Creditors, (i) the Authority and the Trustee may not sell, assign, delegate or otherwise transfer any of their rights or obligations under the TELA or consent to or accept any such assignment, delegation or other transfer of rights and obligations under the TELA; (ii) the Trustee may not assume any obligation of the Authority under the TELA, and (iii) the Authority and the Trustee may not amend, modify or supplement the TELA in a manner that is materially adverse to the Owners of the Obligations under the SPS Trust Agreement. The Trustee may not amend, modify or supplement the TELA without the prior written consent of the Authority.

Notwithstanding the foregoing, neither the consent of the Required Creditors nor the Trustee is required for any amendment, modification or supplement to the TELA for any commensurate increase in the Rate Stabilization Fund Requirement, the Maximum Available Aggregate Amount, the Maximum Available Annual Amount for any fiscal year or the Project Budget for any fiscal year, as may be required in connection with the issuance of Additional Obligations pursuant to the terms and conditions of the SPS Trust Agreement to finance the acquisition, development, design, construction, equipping, operation or maintenance of all or any portion of the SWP/CTP, or for any other amendment, modification or supplement to the TELA in connection therewith so long as such other amendment, modification or supplement does not adversely modify the obligations of TxDOT to pay any Draw Request under the TELA, *provided*, *however*, that the consent of the TIFIA Lender is required for such an amendment.

*Funds and Accounts*

Creation of Funds. The SPS Trust Agreement creates and establishes the following funds and provides that the amounts deposited therein will be held in trust by the Trustee until applied as described below:

(a) a Construction Fund; and within such fund, a CIF Construction Account and a Series 2011 Construction Account;

(b) a Revenue Fund;

(c) a First Tier Debt Service Fund, and within such fund, a First Tier Interest Account, a First Tier Principal Account and a First Tier Capitalized Interest Account;

(d) a Second Tier Debt Service Fund, and within such fund, a Second Tier Interest Account and a Second Tier Principal Account;

(e) an Operating Fund, and within such fund, a Project Budget Account and an Annual Operating Budget Account;

(f) a Major Maintenance Fund, and within such fund, a Project Budget Account and an Annual Operating Budget Account;

(g) a Capital Expenditures Fund, and within such fund, a Project Budget Account and an Annual Operating Budget Account;

(h) a Third Tier Debt Service Fund, and within such fund, a Third Tier Interest Account and a Third Tier Principal Account;

(i) a Rate Stabilization Fund;

(j) a Major Maintenance Reserve Fund;

(k) a Capital Expenditures Reserve Fund; and

(l) a General Fund, and within such fund, a General Account, a Current Year Revenue Account and a TIFIA Prepayment Account.

In addition to the foregoing, the Note Resolution requires that a BANs Construction Fund (and within such fund, a BAN Capitalized Interest Account) be created and held by the Trustee. The BANs Construction Fund secures only the Notes. See " **— Security and Sources of Payment for the Notes — The BANs Construction Fund**."

Master Custodial Account Agreement; Agreements with Other Turnpikes. Prior to the delivery of the Bonds, the Authority will enter into a Master Custodial Account Agreement (the "*Master Custodial Account Agreement*") with Wells Fargo Bank, National Association, as custodian, (the "*Custodian*"). Under the Master Custodial Account Agreement, all toll revenues collected by the Authority from all turnpike projects owned or operated by the Authority, including the toll revenues derived from the operation of PGBT WE, will be deposited into custodial accounts with the Custodian. On each business day, the Authority is required to direct the Custodian to transfer to the Trustee all toll revenues deposited into such custodial accounts that constitute available funds and that have been reconciled to transactions on PGBT WE. Under the terms of the SPS Trust Agreement, funds derived from the operation of PGBT WE are required to be transferred to the Revenue Fund (described below) on a daily basis, as far as practicable.

Under the SPS Trust Agreement, the Authority covenants that all Revenues (except investment income from all funds and accounts other than the Revenue Fund which are required to be retained in such funds and accounts except as otherwise required to be transferred as described herein) will be deposited daily, as far as practicable, with the Trustee or in the name of the Trustee with a Depositary under the Master Custodial Account Agreement.

The Authority may enter into agreements with any commission, authority or other similar legal body operating a turnpike whether or not connected to the Project, for the collection and application of tolls charged for trips over all or a portion of one or more turnpikes, which, on the basis of the revenues to be received under any such agreement, will result in the receipt by the Authority of its allocable portion of such tolls (less fees and expenses associated with such arrangement). Amounts relating to the Project and received by the Authority from such other commission, authority or other similar legal body or pursuant to the Master Custodial Account Agreement, in accordance with such agreements, are required to be deposited with the Trustee for credit to the Revenue Fund and will constitute Revenues.

Revenue Fund

Except as described herein, transfers from the Revenue Fund are required to be made on the fourth Business Day prior to the first day of each month (each such date, a "*Transfer Date*"). Transfers are required to be made for the below listed purposes or to the credit of the below-listed funds and accounts in the order of priority listed, *provided that*, if in any prior month the amount required to be deposited in a fund or account set forth below is not so deposited, then the amount to be deposited into such fund for the current Transfer Date is required to include all amounts required to be deposited in any prior month to such fund in accordance with the applicable provisions of the SPS Trust Agreement but not so deposited as of the current Transfer Date (the "*Shortfall Amount*"). The amount deposited for the current Transfer Date will not include a Shortfall Amount if and to the extent part of all of such Shortfall Amount was transferred to such fund from another fund in accordance with the applicable provisions of the SPS Trust Agreement or from a draw under the TELA prior to such Transfer Date. If, in any month, the Trustee submits a draw request under the TELA and the amount received by the Trustee pursuant to such draw request is insufficient to pay all amounts requested in such draw request, the Trustee is required to apply the amounts received under such draw request, first, to any amounts required to be deposited in the First Tier Debt Service Fund on such date, including any Shortfall Amount,

second, to any amounts required to be deposited in the Second Tier Debt Service Fund on such date, including any Shortfall Amount, third, to any amounts required to be deposited in the Project Budget Account of the Operating Fund on such date, including any Shortfall Amount, fourth, to any amounts required to be deposited in the Project Budget Account of the Major Maintenance Fund on such date, including any Shortfall Amount, and fifth, to any amounts required to be deposited in the Project Budget Account of the Capital Expenditures Fund on such date, including any Shortfall Amount.

(a) Payment of arbitrage rebate in accordance with the provisions contained under the caption "*Payment of Rebate*";

(b) to the First Tier Debt Service Fund, in the amounts specified under the caption "*First Tier Debt Service Fund*";

(c) to the Second Tier Debt Service Fund, in the amounts specified under the caption "*Second Tier Debt Service Fund*";

(d) to the Project Budget Account of the Operating Fund, in the amounts specified under the caption "*Operating Fund — Project Budget Amounts*";

(e) to the Project Budget Account of the Major Maintenance Fund, in the amounts specified under the caption "*Major Maintenance Fund — Project Budget Amounts*";

(f) to the Project Budget Account of the Capital Expenditures Fund, in the amounts specified under the caption "*Capital Expenditures Fund — Project Budget Amounts*";

(g) To the Third Tier Debt Service Fund, in the amounts specified under the caption "*Third Tier Debt Service Fund*";

(h) to the Annual Operating Budget Account of the Operating Fund, in the amounts specified under the caption "*Operating Fund — Annual Operating Budget Amounts*";

(i) to the Rate Stabilization Fund, in the amount specified under the caption "*Rate Stabilization Fund*";

(j) to the Annual Operating Budget Account of the Major Maintenance Fund, in the amounts specified under the caption "*Major Maintenance Fund — Annual Operating Budget Amounts*";

(k) to the Annual Operating Budget Account of the Capital Expenditures Fund, in the amounts specified under the caption "*Capital Expenditures Fund — Annual Operating Budget Amounts*";

(l) to the Major Maintenance Reserve Fund, in an amount specified under the caption "*Major Maintenance Reserve Fund*";

(m) to the Capital Expenditures Reserve Fund, in the amount specified under the caption "*Capital Expenditures Reserve Fund*"; and

(n) to the Current Year Revenue Account of the General Fund, the remainder.

Payment of Rebate. The Authority covenants in the SPS Trust Agreement to calculate and to pay directly to the government of the United States of America all amounts due for payment of "arbitrage rebate" under Section 148(a) of the Code with respect to any Obligations. The Authority may also direct the Trustee to pay arbitrage rebate from amounts held in any fund under the SPS Trust Agreement for any Obligations if (a) required under any amendments to Section 148(a) of the Code or (b) the Authority otherwise determines that the payment of arbitrage rebate is necessary or appropriate.

First Tier Debt Service Fund. From the proceeds of the Bonds, on the Closing Date the Trustee is required to deposit into the First Tier Capitalized Interest Account the amount of $63,177,659, which represents interest on the Bonds from the date of delivery thereof to October 1, 2013 (including interest earnings on the funds deposited to the First Tier Capitalized Interest Account). On each Transfer Date, after first having made or provided for the payments specified under the caption " **— Payment of Rebate**," the Trustee is required to

withdraw from the Revenue Fund and deposit to the (a) First Tier Interest Account an amount equal to one-sixth of the interest coming due on the First Tier Obligations on the next succeeding March 1 and September 1 and all amounts due as to interest on the Bonds on the Transfer Date for any preceding calendar month which have not otherwise been credited to the First Tier Interest Account prior to such Transfer Date, (b) First Tier Principal Account an amount equal to one-twelfth of the principal coming due on the First Tier Obligations on the next succeeding September 1 and all amounts due as to Principal of the Bonds on such Transfer Date for any preceding calendar month which have not otherwise been credited to the First Tier Principal Account prior to such Transfer Date (c) First Tier Principal Account an amount equal to any other amounts outstanding with respect to the First Tier Obligations as of such date or anticipated to become due and payable before the next Transfer Date; *provided, however*, that credit is required to be given with respect to any such deposits for the amount of any available investment income from investments on deposit in the First Tier Interest Account or the First Tier Principal Account, as applicable; *provided, further*, that so long as accrued investment income or capitalized interest are available in the First Tier Capitalized Interest Account of the First Tier Debt Service Fund for payment of interest on a series of First Tier Obligations, such money will first be transferred from the First Tier Capitalized Interest Account to the First Tier Interest Account of the First Tier Debt Service Fund before any transfers from the Revenue Fund are made.

The money in the First Tier Interest Account and First Tier Principal Account is required to be held by the Trustee in trust for the benefit of the First Tier Obligations, to the extent the foregoing are payable from such accounts, and, to said extent and pending application, will be subject to a lien and charge in favor of the Owners of the First Tier Obligations until paid out or transferred as described herein. The Trustee is required to withdraw from the First Tier Interest Account and the First Tier Principal Account from time to time and set aside sufficient money for paying the interest on and the principal of the First Tier Obligations as they become due, except to the extent such interest, principal or other amounts are payable from a fund or account other than the First Tier Debt Service Fund as may be provided in any Supplemental Agreement.

If at the time the Trustee is required to make a deposit into the First Tier Debt Service Fund from the Revenue Fund the money therein is insufficient for such purpose, or if on the fourth Business Day prior to the date interest on and/or the principal of the First Tier Obligations becomes due the money therein is insufficient for such payments, the Trustee is required to withdraw the amount of such deficiency from the money on deposit in the following funds or accounts and transfer the same to the First Tier Debt Service Fund in the following order of priority to the extent that funds are available therein: the Revenue Fund, the Current Year Revenue Account of the General Fund, the General Account of the General Fund, the Capital Expenditures Reserve Fund, the Major Maintenance Reserve Fund, the Annual Operating Budget Account of the Capital Expenditures Fund, the Annual Operating Budget Account of the Major Maintenance Fund, the Rate Stabilization Fund, the Annual Operating Budget Account of the Operating Fund and, only upon the occurrence and continuance of an Event of Default, the Project Budget Account of the Capital Expenditures Fund. If, after making such transfers, on the fourth Business Day prior to the date interest on and/or the principal of the First Tier Obligations becomes due, the money in the First Tier Debt Service Fund is still insufficient the Trustee is required to make a draw under the TELA by submitting a draw request in an amount sufficient to satisfy any such shortfall, to the extent that funds are available thereunder. Amounts drawn under the TELA for the foregoing purpose as described in this section are required to be deposited by the Trustee directly to the First Tier Debt Service Fund for application as described herein.

The Trustee and the Authority may create additional accounts in the First Tier Debt Service Fund pursuant to a Supplemental Agreement, which Supplemental Agreement is subject to the approval of the TIFIA Lender and TxDOT. Further, Additional First Tier Obligations may have different payment terms than are specified herein.

Second Tier Debt Service Fund. On each Transfer Date, after first having made or provided for the payments, deposits and transfers specified under the captions "*Payment of Rebate*" and "*First Tier Debt Service Fund*," the Trustee is required to withdraw from the Revenue Fund and deposit to the (a) Second Tier Interest Account an amount equal to one-sixth of the interest coming due on the Second Tier Obligations on the next succeeding March 1 and September 1 and all amounts due as to interest on the Second Tier Obligations on the Transfer Date for any preceding calendar month which have not otherwise been credited to the Second Tier Interest Account prior to such Transfer Date, (b) Second Tier Principal Account an amount equal to one-sixth of

the principal coming due on the Second Tier Obligations on the next succeeding March 1 and September 1, an amount equal to the Principal of any Second Tier Payment Obligations due and payable as of such date or anticipated to become due and payable before the next Transfer Date and all amounts due as to Principal on the Second Tier Obligations or Second Tier Payment Obligations due and payable in any preceding calendar month which have not otherwise been credited to the Second Tier Principal Account prior to such Transfer Date; *provided, however*, that credit is required to be given with respect to any such deposits for the amount of any available investment income from investments on deposit in the Second Tier Interest Account or the Second Tier Principal Account, as applicable.

The money in the Second Tier Principal Account and the Second Tier Interest Account is required to be held by the Trustee in trust for the benefit of the Second Tier Obligations, to the extent the foregoing are payable from such accounts, and, to said extent and pending application, will be subject to a lien and charge in favor of the Owners of the Second Tier Obligations until paid out or transferred as described herein. The Trustee is required to withdraw from the Second Tier Interest Account and the Second Tier Principal Account from time to time and set aside sufficient money for paying the interest on and the Principal of the Second Tier Obligations as the same become due, except to the extent such interest, principal or other amounts are payable from a fund or account other than the Second Tier Debt Service Fund as may be provided in any Supplemental Agreement.

If at the time the Trustee is required to make a deposit into the Second Tier Debt Service Fund from the Revenue Fund the money therein is insufficient for such purpose or if on the fourth Business Day prior to the date interest on and/or the principal of the Second Tier Obligations become due the money therein remains insufficient for such payments, the Trustee is required to withdraw the amount of such deficiency from the money on deposit in the following funds or accounts and transfer the same to the Second Tier Debt Service Fund in the following order of priority to the extent that funds are available therein: the Revenue Fund, the Current Year Revenue Account of the General Fund, the General Account of the General Fund, the Capital Expenditures Reserve Fund, the Major Maintenance Reserve Fund, the Annual Operating Budget Account of the Capital Expenditures Fund, the Annual Operating Budget Account of the Major Maintenance Fund, the Rate Stabilization Fund, the Annual Operating Budget Account of the Operating Fund and, only upon the occurrence and continuance of an Event of Default, the Project Budget Account of the Capital Expenditures Fund. If, after making such transfers, on the fourth Business Day prior to the date interest on and/or the Principal of the Second Tier Obligations becomes due the money in the Second Tier Debt Service Fund is still insufficient, the Trustee is required to make a draw under the TELA by submitting a draw request in an amount sufficient to satisfy any such shortfall, to the extent that funds are available thereunder; *provided that*, the Trustee may not include in any such draw request interest calculated at the Default Rate (as defined in the TIFIA Loan Agreement) due and owing on the TIFIA Note in an amount in excess of the interest calculated at the stated interest rate on the Second Tier Obligations as set forth in the TIFIA Loan Agreement. Amounts drawn under the TELA for the foregoing purpose as described herein are required to be deposited by the Trustee directly to the Second Tier Debt Service Fund for application as described herein.

The Trustee and the Authority may create additional accounts in the Second Tier Debt Service Fund pursuant to a Supplemental Agreement, which Supplemental Agreement is subject to the approval of the TIFIA Lender and TxDOT. Furthermore, Additional Second Tier Obligations may have different payment terms than are specified herein.

Operating Fund — Project Budget Amounts. On each Transfer Date, after first having made or provided for the payments, deposits and transfers specified under the captions "*Payment of Rebate*," "*First Tier Debt Service Fund*," and "*Second Tier Debt Service Fund*," the Trustee is required to transfer from the Revenue Fund to the credit of the Project Budget Account of the Operating Fund, on written request of the Authority, an amount which a Board Representative certifies is required to make the total amount in the Project Budget Account of the Operating Fund equal to the lesser of (i) one-sixth (1/6) of the amount of the total Operating Expenses scheduled for the then current fiscal year in the Project Budget, and (ii) one-sixth (1/6) of the amount of the total Operating Expenses scheduled for the then current fiscal year in the then current Annual Operating Budget. If amounts on deposit in the Revenue Fund are insufficient to make such transfer, the Trustee is required to transfer amounts held in the following funds in the following order of priority in an amount sufficient to satisfy any such shortfall to the extent that funds are available therein: the Current Year Revenue Account of the General Fund, the General Account of the General Fund, the Capital Expenditures Reserve Fund, the Major Maintenance Reserve Fund, the

Annual Operating Budget Account of the Capital Expenditures Fund, the Annual Operating Budget Account of the Major Maintenance Fund, the Rate Stabilization Fund, the Annual Operating Budget Account of the Operating Fund, and, only upon the occurrence and continuance of an Event of Default, the Project Budget Account of the Capital Expenditures Fund. If there remains a shortfall, the Trustee is required to make a draw under the TELA by submitting a draw request in an amount sufficient to satisfy any such shortfall, to the extent that funds are available thereunder. Amounts drawn under the TELA for the foregoing purpose described in this section are required to be deposited by the Trustee directly to the Project Budget Account of the Operating Fund.

At the written direction of the Authority, the Trustee is required to disburse funds to the Authority or its designee from the Operating Fund for the payment of Operating Expenses in accordance with the Annual Operating Budget, and the funds from the Operating Fund may be used for no other purpose; *provided that*, the Authority covenants that in no event may Revenues be used to pay for Operating Expenses relating to the operation of the Project at standards higher than the Project Agreement Standards. The Trustee is required to disburse funds to pay the costs of Operating Expenses first from the Project Budget Account of the Operating Fund and then, to the extent amounts in such account are insufficient, from the Annual Operating Budget Account of the Operating Fund, *provided, however*, that the Authority may not instruct the Trustee to, and the Trustee may not, withdraw from the Operating Fund for payment of Operating Expenses in any fiscal year an aggregate amount in excess of the total amount of Operating Expenses provided for in the Annual Operating Budget for such Fiscal Year. In directing disbursements from the Operating Fund, the Authority will be deemed to be certifying that obligations in the stated amounts have been or will be incurred by the Authority and that each item thereof was or will be properly incurred as an Operating Expense and will be due and payable no later than 30 days after the Authority directs the Trustee to disburse funds for the payment of such obligation, and has not been paid previously. With each disbursement direction for payment of amounts out of the Operating Fund, the Authority is required to either (i) certify to the Trustee that the Annual Operating Budget on file with the Trustee for the then current fiscal year has not been amended or supplemented, or (ii) file with the Trustee any amendment or supplement to such Annual Operating Budget.

During an O&M Step-In, the Trustee is required to disburse funds to TxDOT or its designee from the Operating Fund (first from the Project Budget Account of the Operating Fund and then, to the extent amounts in such account are insufficient after making the transfers from the other funds and accounts as provided in the first paragraph herein and the second paragraph under the caption " — *Operating Fund — Annual Operating Budget Amounts*," from the Annual Operating Budget Account of the Operating Fund) upon written request of TxDOT to pay Operating Expenses pursuant to, and in accordance with, the TELA, *provided that* (i) disbursements are made for payment of Operating Expenses in accordance with (A) the provisions described under this caption (and, with respect to amounts from the Annual Operating Budget Account of the Operating Fund, under the caption " — *Operating Fund — Annual Operating Budget Amounts*"), (B) the priorities of any transfers required pursuant to the captions " — *First Tier Debt Service Fund*" and " — *Second Tier Debt Service Fund*" and (C) the Annual Operating Budget, and (ii) such Operating Expenses have not been the subject of prior transfers out of the Funds and Accounts. Subject to the preceding sentence, should such Operating Expenses amount to more than the total available amount in the Operating Fund (after transfers to the Operating Fund from the other Funds and Accounts pursuant to the first paragraph of this caption and the second paragraph under the caption " — *Operating Fund — Annual Operating Budget Amounts*") at the time of the request for disbursement and TxDOT pays for such excess costs with funds that are not part of the Trust Estate, then the Trustee is required to pay such excess amount to TxDOT upon written request of TxDOT from any future deposits to the Operating Fund not needed to pay current Operating Expenses at the time.

Major Maintenance Fund — Project Budget Amounts. On each Transfer Date, after first having made or provided for the payments, deposits and transfers specified under the captions " — *Payment of Rebate*," " — *First Tier Debt Service Fund*," " — *Second Tier Debt Service Fund*," and " — *Operating Fund — Project Budget Amounts*," the Trustee is required, to the extent transfers from the Major Maintenance Reserve Fund pursuant to the provisions under the caption " — *Major Maintenance Reserve Fund*" are insufficient for such purpose, to transfer from the Revenue Fund to the credit of the Project Budget Account of the Major Maintenance Fund an amount equal to the lesser of (i) one-twelfth (1/12) of the amount of the total Major Maintenance Expenses scheduled for the then current fiscal year in the Project Budget, and (ii) one-twelfth (1/12) of the amount of the total Major Maintenance Expenses scheduled for the then current fiscal year in the then current Annual Operating

Budget. If amounts on deposit in the Revenue Fund are insufficient to make such transfer, the Trustee is required to transfer amounts held in the following funds in the following order of priority in an amount sufficient to satisfy any such shortfall to the extent that funds are available therein: the Current Year Revenue Account of the General Fund, the General Account of the General Fund, the Capital Expenditures Reserve Fund, the Annual Operating Budget Account of the Capital Expenditures Fund, the Annual Operating Budget Account of the Major Maintenance Fund, the Rate Stabilization Fund, the Annual Operating Budget Account of the Operating Fund and, only upon the occurrence and continuance of an Event of Default, the Project Budget Account of the Capital Expenditures Fund. If there remains a shortfall, the Trustee is required to make a draw under the TELA by submitting a draw request in an amount sufficient to satisfy any such shortfall, to the extent that funds are available thereunder. Amounts drawn under the TELA for the foregoing purpose described herein are required to be deposited by the Trustee directly to the Major Maintenance Fund.

At the written direction of the Authority, the Trustee is required to disburse funds to the Authority or its designee from the Major Maintenance Fund for the payment of Major Maintenance Expenses of the Project in accordance with the Annual Operating Budget, and the funds from the Major Maintenance Fund may be used for no other purpose; *provided that*, the Authority covenants that in no event will Revenues be used to pay for Major Maintenance Expenses relating to the maintenance of the Project at standards higher than the Project Agreement Standards. The Trustee is required to disburse funds to pay the costs of Major Maintenance Expenses first from the Project Budget Account of the Major Maintenance Fund and then, to the extent amounts in such account are insufficient, from the Annual Operating Budget Account of the Major Maintenance Fund; *provided, however*, that the Authority will not instruct the Trustee to, and the Trustee may not withdraw from the Major Maintenance Fund for payment of Major Maintenance Expenses in any fiscal year an aggregate amount in excess of the total amount of Major Maintenance Expenses provided for in the Annual Operating Budget for such fiscal year. In directing disbursements from the Major Maintenance Fund, the Authority will be deemed to be certifying that obligations in the stated amounts have been or will be incurred by the Authority and that each item thereof was or will be properly incurred as a Major Maintenance Expense and will be due and payable no later than 30 days after the Authority directs the Trustee to disburse funds for the payment of such obligation, and has not been paid previously. With each disbursement direction for payment of amounts out of the Major Maintenance Fund, the Authority is required to either (i) certify to the Trustee that the Annual Operating Budget on file with the Trustee for the then current fiscal year has not been amended or supplemented, or (ii) file with the Trustee any amendment or supplement to such Annual Operating Budget.

During an O&M Step-In, the Trustee is required to disburse funds to TxDOT or its designee from the Major Maintenance Fund (first from the Project Budget Account of the Major Maintenance Fund and then, to the extent amounts in such account are insufficient after making the transfers from the other funds and accounts as provided in the first paragraph of this caption and under the caption " — *Major Maintenance Fund — Annual Operating Budget Amounts*," from the Annual Operating Budget Account of the Major Maintenance Fund) upon written request of TxDOT to pay Major Maintenance Expenses pursuant to, and in accordance with, the TELA, *provided that* (i) disbursements are made for payment of Major Maintenance Expenses in accordance with (A) the provisions described under this caption (and, with respect to amounts from the Annual Operating Budget Account of the Major Maintenance Fund, the caption " — *Major Maintenance Fund — Annual Operating Budget Amounts*"), (B) the priorities of any transfers required pursuant to the captions " — *First Tier Debt Service Fund*," " — *Second Tier Debt Service Fund*," and " — *Operating Fund — Project Budget Amounts*," and (C) the Annual Operating Budget, and (ii) such Major Maintenance Expenses have not been the subject of prior transfers out of the funds and accounts. Subject to the preceding sentence, should such Major Maintenance Expenses amount to more than the total available amount in the Major Maintenance Fund (after transfers to the Major Maintenance Fund from the other Funds and Accounts pursuant to the first paragraph of this caption and the caption " — *Major Maintenance Fund — Annual Operating Budget Amounts*") at the time of the request for disbursement and TxDOT pays for such excess costs with funds that are not part of the Trust Estate, then the Trustee is required to pay such excess amount to TxDOT upon written request of TxDOT from any future deposits to the Major Maintenance Fund not needed to pay current Major Maintenance Expenses at the time.

Capital Expenditures Fund — Project Budget Amounts. On each Transfer Date, after first having made or provided for the deposits specified under the captions " — *Payment of Rebate*," " — *First Tier Debt Service Fund*," " — *Second Tier Debt Service Fund*," " — *Operating Fund — Project Budget Amounts*," and " — *Major Maintenance Fund — Project Budget Amounts*," the Trustee is required, to the extent funds are not available in the Construction Fund for payment of Project Capacity Improvements Capital Expenditures for the month after the Transfer Date, and to the extent transfers from the Capital Expenditures Reserve Fund pursuant to the provisions under the caption " — *Capital Expenditures Reserve Fund*" are insufficient for such purpose, but only if no Event of Default has occurred and is continuing in accordance with the third paragraph contained under this caption, to transfer from the Revenue Fund to the credit of the Project Budget Account of the Capital Expenditures Fund an amount equal to the lesser of (i) the Project Capacity Improvements Capital Expenditures budgeted in the Project Budget for such month, and (ii) the Project Capacity Improvements Capital Expenditures budgeted in the current fiscal year's Annual Operating Budget for such month. If amounts on deposit in the Revenue Fund are insufficient to make such transfer, the Trustee is required to transfer amounts held in the following funds in the following order of priority in an amount sufficient to satisfy any such shortfall to the extent that funds are available therein, but only if no Event of Default has occurred and is continuing in accordance with the third paragraph contained under this caption: the Current Year Revenue Account of the General Fund, the General Account of the General Fund, the Major Maintenance Reserve Fund, the Annual Operating Budget Account of the Capital Expenditures Fund, the Annual Operating Budget Account of the Major Maintenance Fund, the Rate Stabilization Fund and the Annual Operating Budget Account of the Operating Fund. If there remains a shortfall, the Trustee may, at the direction of the Authority, make a draw under the TELA by submitting a draw request in an amount sufficient to satisfy any such shortfall, to the extent that funds are available thereunder, *provided that* the Trustee will not be entitled to submit a Draw Request to pay any such shortfall so long as the Trustee is prevented from transferring, disbursing or applying funds in the Project Budget Account of the Capital Expenditures Fund as described in the third paragraph of this caption. Amounts drawn under the TELA for the foregoing purpose described herein are required to be deposited by the Trustee directly to the Capital Expenditures Fund.

At the written direction of the Authority, but only if no Event of Default under the SPS Trust Agreement has occurred and is continuing, the Trustee is required to disburse funds to the Authority or its designee from the Capital Expenditures Fund for the payment of Project Capacity Improvements Capital Expenditures in accordance with the Annual Operating Budget, and the funds from the Capital Expenditures Fund may be used for no other purpose. The Trustee is required to disburse funds to pay the costs of Project Capacity Improvements Capital Expenditures first from funds available in the Construction Fund for payment of such Project Capacity Improvements Capital Expenditures, next from the Project Budget Account of the Capital Expenditures Fund if such amounts are available for such purpose in accordance with this caption and then, to the extent amounts in such account are insufficient, from the Annual Operating Budget Account of the Capital Expenditures Fund if such amounts are available for such purpose in accordance with the caption " — *Capital Expenditures Fund — Annual Operating Budget Amounts*," *provided, however*, that the Authority may not instruct the Trustee to, and the Trustee may not, withdraw from the Capital Expenditures Fund for payment of Capital Expenditures in any fiscal year an aggregate amount in excess of the total amount of Capital Expenditures provided for in the Annual Operating Budget for such fiscal year. In directing disbursements from the Capital Expenditures Fund, the Authority will be deemed to be certifying that obligations in the stated amounts have been or will be incurred by the Authority and that each item thereof was or will be properly incurred as a Project Capacity Improvements Capital Expenditures and will be due and payable no later than 30 days after the Authority directs the Trustee to disburse funds for the payment of such obligation and has not been paid previously; *provided* in no event may the Authority direct the Trustee to use Revenues to pay for Project Capacity Improvements to the extent they exceed the Project Agreement Standards. With each disbursement direction for payment of amounts out of the Capital Expenditures Fund, the Authority is required to either (i) certify to the Trustee that the Annual Operating Budget on file with the Trustee for the then current fiscal year has not been amended or supplemented, or (ii) file with the Trustee any amendment or supplement to such Annual Operating Budget.

Notwithstanding the foregoing, if the Trustee is notified as to the occurrence and continuance of an Event of Default under the SPS Trust Agreement by (i) the Controlling Creditor for any Event of Default other than a TIFIA Loan Agreement Default or (ii) the TIFIA Lender with respect to any TIFIA Loan Agreement Default (or any of the Controlling Creditor and the TIFIA Lender if the Event of Default is both a TIFIA Loan Agreement

Default and an Event of Default under the SPS Trust Agreement other than an Event of Default caused by receipt by the Trustee of a written notice from the TIFIA Lender of the occurrence and continuance of a TIFIA Loan Agreement Default), then the Trustee may not transfer, disburse or apply funds from the Project Budget Account of the Capital Expenditures Fund in accordance with the direction of the Authority as provided in the foregoing paragraphs until such time that written notice is provided to the Trustee by the Controlling Creditor for any Event of Default other than a TIFIA Loan Agreement Default or the TIFIA Lender with respect to any TIFIA Loan Agreement Default (or both the Controlling Creditor and the TIFIA Lender if the Event of Default is both a TIFIA Loan Agreement Default and an Event of Default under the SPS Trust Agreement other than an Event of Default caused by receipt by the Trustee of a written notice from the TIFIA Lender of the occurrence and continuance of a TIFIA Loan Agreement Default) that such Event of Default has been waived or cured to its satisfaction or that the Trustee otherwise may release funds from the Project Budget Account of the Capital Expenditures Fund for the payment of any part or all of the Project Capacity Improvements Capital Expenditures that would have been payable in accordance with the preceding paragraphs had there been no such Event of Default; *provided, however*, that during the continuance of such Event of Default, amounts on deposit in the Project Budget Account of the Capital Expenditures Fund are required to be transferred by the Trustee on the Transfer Date for the following purposes in the following order of priority:

(1) to the First Tier Debt Service Fund to cure any deficiency therein;

(2) to the Second Tier Debt Service Fund to cure any deficiency therein;

(3) to the Project Budget Account of the Operating Fund to cure any deficiency therein; and

(4) to the Project Budget Account of the Major Maintenance Fund to cure any deficiency therein.

During a Construction Step-In, if amounts on deposit in the Construction Fund and the BANs Construction Fund are insufficient to satisfy the disbursements permitted to TxDOT pursuant to the caption " — *Construction Fund and BANs Construction Fund — Construction Step-In*" and the amounts in the General Fund transferred in accordance with the penultimate paragraph of the caption " — *General Fund*" are insufficient to satisfy such disbursements, the Trustee is required to transfer amounts held in the Capital Expenditures Fund (first from the Project Budget Account of the Capital Expenditures Fund, and then, to the extent amounts in such account are insufficient after making the transfers from the other funds and accounts as provided in the first paragraph of this caption (without regard to the existence of any Event of Default under the SPS Trust Agreement) and the second paragraph of the caption " — *Capital Expenditures Fund — Annual Operating Budget Amounts*" (without regard to the existence of any Event of Default under the SPS Trust Agreement) from the Annual Operating Budget Account of the Capital Expenditures Fund) to TxDOT in an amount sufficient to satisfy any such shortfall. Such transfer may be made only if all of the conditions and requirements for disbursements pursuant to the caption " — *Construction Fund and BANs Construction Fund — Construction Step-In*" are satisfied as if such disbursements were payments from the Construction Fund or the BANs Construction Fund in accordance therewith. If at the time that TxDOT delivers a request to the Trustee pursuant to the caption " — *Construction Fund and BANs Construction Fund — Construction Step-In*," the documented Costs of the Project for which disbursement is sought by TxDOT amount to more than the total available in the Construction Fund and BANs Construction Fund, the General Fund and the Capital Expenditures Fund (after transfer of all available amounts in the Capital Expenditures Reserve Fund) collectively at the time of the request for disbursement and TxDOT pays for such excess costs with funds that are not part of the Trust Estate, then the Trustee is required to transfer to TxDOT at its written request such excess amount from any future deposits into the Capital Expenditures Fund (to the extent that deposits to the General Fund are unavailable for such purpose), subject to the limitations described under the caption " — *Funds and Accounts — Construction Fund and BANs Construction Fund*."

During an O&M Step-In, the Trustee is required to disburse funds to TxDOT or its designee from the Capital Expenditures Fund (first from the Project Budget Account of the Capital Expenditures Fund and then, to the extent amounts in such account are insufficient after making the transfers from the other funds and accounts as provided in the first paragraph of this caption and the second paragraph of the caption " — *Capital Expenditures Fund — Annual Operating Budget Amounts*," from the Annual Operating Budget Account of the Capital Expenditures Fund) upon written request of TxDOT to pay Operating Expenses and Major Maintenance Expenses pursuant to, and in accordance with, the TELA, *provided that* (i) funds in the Operating Fund and the Major

Maintenance Fund are insufficient for such purposes in accordance with the last paragraph of the captions " — *Operating Fund — Project Budget Amounts*" and " — *Major Maintenance Fund — Project Budget Amounts*," respectively, (ii) disbursements are made for payment of such expenses in accordance with (A) the provisions of this caption (and, with respect to amounts from the Annual Operating Budget Account of the Capital Expenditures Fund, the caption " — *Capital Expenditures Fund — Project Budget Amounts*"), (B) the priorities of any transfers required pursuant to the captions " — *First Tier Debt Service Fund*," " — *Second Tier Debt Service Fund*," " — *Operating Fund — Project Budget Amounts*" and " — *Major Maintenance Fund — Project Budget Amounts*" and (C) the Annual Operating Budget, and (iii) such expenses have not been the subject of prior transfers out of the Funds and Accounts. Subject to the preceding sentence, should such expenses amount to more than the total available amount in the Capital Expenditures Fund (after transfers to the Capital Expenditures Fund from the other Funds and Accounts pursuant to the first paragraph of this caption and the caption " — *Capital Expenditures — Annual Operating Budget Amounts*") at the time of the request for disbursement and TxDOT pays for such excess costs with funds that are not part of the Trust Estate, then the Trustee is required to pay such excess amount to TxDOT upon written request of TxDOT from any future deposits to the Capital Expenditures Fund not needed to pay current Capital Expenditures at the time.

Third Tier Debt Service Fund. On each Transfer Date, and provided no Third Tier Subordination Event (as defined in **APPENDIX E**) has occurred and is continuing, after first having made or provided for the payments, deposits and transfers specified under the captions " — *Payment of Rebate*," " — *First Tier Debt Service Fund*," " — *Second Tier Debt Service Fund*," " — *Operating Fund — Project Budget Amounts*," " — *Major Maintenance Fund — Project Budget Amounts*" and " — *Capital Expenditures Fund — Project Budget Amounts*," but subject to the provisions of the SPS Trust Agreement relating to a Third Tier Subordination Event, the Trustee is required to transfer from the Revenue Fund to the Third Tier Interest Account of the Third Tier Debt Service Fund (i) an amount equal to the interest coming due on the Toll Equity Note on the first Business Day of the next succeeding calendar month, and (ii) all amounts due as to interest on the Toll Equity Note on the Transfer Date for any preceding calendar month which have not otherwise been credited to the Third Tier Interest Account prior to such Transfer Date, except as to interest that has been compounded pursuant to the terms of the Toll Equity Note.

On each Transfer Date, and subject to the provisions of the SPS Trust Agreement relating to a Third Tier Subordination Event (as defined in **APPENDIX E**), the Trustee is required to transfer from the Revenue Fund, to the extent of funds available therein, for deposit into the Third Tier Principal Account, (i) an amount equal to the Outstanding Principal amount of the Toll Equity Note, and (ii) all amounts due as to Principal of any Third Tier Payment Obligations due and payable under the TELA as of such date or anticipated to become due and payable before the next Transfer Date. If the amounts available in the Revenue Fund are insufficient to deposit all amounts set forth in **clauses (i)** and **(ii)** above into the Third Tier Principal Account, the Trustee is required to apply the available funds first to pay the Outstanding Principal amount of the Toll Equity Note, and second to pay Third Tier Payment Obligations due and payable under the TELA.

On the first Business Day of each month, and subject to the provisions of the SPS Trust Agreement relating to a Third Tier Subordination Event (as defined in **APPENDIX E**), the Trustee is required to transfer to TxDOT money on deposit in the Third Tier Interest Account to pay interest on the Toll Equity Note and money on deposit in the Third Tier Principal Account to pay the Principal of the Toll Equity Note. The Trustee is required to transfer to TxDOT money on deposit in the Third Tier Principal Account to pay the Principal of the Third Tier Payment Obligations under the TELA on the date or dates such amounts are due and payable.

The money in the Third Tier Principal Account and the Third Tier Interest Account is required to be held by the Trustee in trust for the benefit of the Third Tier Obligations, to the extent the foregoing are payable from such accounts, and, to said extent and pending application, will be subject to a lien and charge in favor of the Owners of the Third Tier Obligations until withdrawn to pay principal of and interest on the Third Tier Obligations. Subject to the provisions of the SPS Trust Agreement relating to a Third Tier Subordination Event (as defined in **APPENDIX E**), there is required to be withdrawn from the Third Tier Interest Account and the Third Tier Principal Account from time to time sufficient money for paying the interest on and the principal of the Third Tier Obligations as the same become due.

If at the time the Trustee is required to make a withdrawal from the Third Tier Debt Service Fund the money therein is insufficient for such purpose, the Trustee, subject to the provisions of the SPS Trust Agreement relating to a Third Tier Subordination Event (as defined in **APPENDIX E**), is required to withdraw the amount of such deficiency from the money on deposit in the following funds or accounts and transfer the same to the Third Tier Debt Service Fund in the following order of priority to the extent that funds are available therein: the Current Year Revenue Account of the General Fund, the General Account of the General Fund, the Capital Expenditures Reserve Fund, the Major Maintenance Reserve Fund, the Annual Operating Budget Account of the Capital Expenditures Fund, the Annual Operating Budget Account of the Major Maintenance Fund, the Rate Stabilization Fund and the Annual Operating Budget Account of the Operating Fund.

Additional Third Tier Obligations may have different payment terms than are specified herein.

Operating Fund — Annual Operating Budget Amounts. On each Transfer Date, after first having made or provided for the payments, deposits and transfers specified under the captions " *— Payment of Rebate*," " *— First Tier Debt Service Fund*," " *— Second Tier Debt Service Fund*," " *— Operating Fund — Project Budget Amounts*," " *— Major Maintenance Fund — Project Budget Amounts*," " *— Capital Expenditures Fund — Project Budget Amounts*," and " *— Third Tier Debt Service Fund*," the Trustee is required to transfer from the Revenue Fund to the credit of the Annual Operating Budget Account of the Operating Fund, on written request of the Authority, an amount which a Board Representative certifies is required to make the total amount in the Annual Operating Budget Account of the Operating Fund equal to one-sixth (1/6) of an amount equal to the excess, if any, of the amount reflected in the current fiscal year's Annual Operating Budget for Operating Expenses for such fiscal year over the amount reflected in the Project Budget for Operating Expenses for such fiscal year and money in this account is required to be used as provided under the caption " *— Operating Fund — Project Budget Amounts*;" *provided* the Authority covenants that in no event may Revenues be used to pay for Operating Expenses relating to the operation of the Project at standards higher than the Project Agreement Standards.

If amounts on deposit in the Revenue Fund are insufficient to make such transfer, the Trustee is required to transfer amounts held in the following funds in the following order of priority in an amount sufficient to satisfy any such shortfall to the extent that funds are available therein: the Current Year Revenue Account of the General Fund, the General Account of the General Fund, the Capital Expenditures Reserve Fund, the Major Maintenance Reserve Fund, the Annual Operating Budget Account of the Capital Expenditures Fund, and the Annual Operating Budget Account of the Major Maintenance Fund. The Authority covenants that if, after transferring amounts as specified in the preceding sentence, actual Operating Expenses in any month are either (i) in excess of amounts on deposit in the Operating Fund and in excess of the amount contained in the Project Budget for Operating Expenses for such month or (ii) in excess of the amount required to operate the Project according to the Project Agreement Standards, it will cause an amount sufficient to make up any such shortfall to be transferred to the Operating Fund from other lawfully available funds of the Authority, but in no event from the Rate Stabilization Fund or any other account in the Trust Estate.

Rate Stabilization Fund. The Authority is required to deposit to the Rate Stabilization Fund on the Closing Date $65,376,911 from the proceeds of the issuance of the Series 2011B Notes. If the SWP/CTP is undertaken, the Authority will be required to deposit, from proceeds of Additional Obligations issued in connection with the SWP/CTP or from funds that are not part of the Trust Estate, an amount necessary to cause the Rate Stabilization Fund to be increased, if and to the extent necessary, so that the Rate Stabilization Fund will contain an amount equal to the Rate Stabilization Fund Requirement as of such date. Thereafter, and after first having made or provided for the deposits specified under the captions " *— Payment of Rebate*," " *— First Tier Debt Service Fund*," " *— Second Tier Debt Service Fund*," " *— Operating Fund — Project Budget Amounts*," " *— Major Maintenance Fund — Project Budget Amounts*," " *— Capital Expenditures Fund — Project Budget Amounts*," " *— Third Tier Debt Service Fund*," and " *— Operating Fund — Annual Operating Budget Amounts*," the Trustee is required to transfer from the Revenue Fund to the credit of the Rate Stabilization Fund amounts sufficient to accumulate an amount equal to the Rate Stabilization Fund Requirement, or to restore the balance in the Rate Stabilization Fund to an amount equal to the Rate Stabilization Fund Requirement. The Rate Stabilization Fund Requirement is an amount equal to the greater of (a) $65,376,911, or such other amount established pursuant to the TELA as amended or supplemented, and (b) 100% of the Maximum Available Annual Amount for the fiscal year following the fiscal year in which the calculation is made, *provided, however,* that in

no event may the Rate Stabilization Fund Requirement be in excess of the maximum principal and interest coming due on First Tier and Second Tier Obligations in any future fiscal year.

Amounts on deposit in the Rate Stabilization Fund are required to be transferred by the Trustee to (a) the First Tier Debt Service Fund or the Second Tier Debt Service Fund to cure a deficiency therein, (b) the Project Budget Account of the Operating Fund in any month to cure a deficiency in the amount to be deposited therein pursuant to the provisions described under the caption " — *Operating Fund — Project Budget Amounts*," (c) the Project Budget Account of the Major Maintenance Fund in any month to cure a deficiency in the amount to be deposited therein pursuant to the provisions described under the caption " — *Major Maintenance Fund — Project Budget Amounts*," (d) the Project Budget Account of the Capital Expenditures Fund in any month to cure a deficiency in the amount to be deposited therein pursuant to the provisions described under the caption " — *Capital Expenditures Fund — Project Budget Amounts*," unless an Event of Default has occurred and is continuing in accordance with the last paragraph under the caption " — *Capital Expenditures Fund — Project Budget Amounts*," (e) the Third Tier Debt Service Fund to cure any deficiency therein, or (f) to be applied to the redemption or defeasance of any First Tier Obligations, Second Tier Obligations and Third Tier Obligations (to the extent such Obligations are outstanding) in the event of an optional redemption of 100% of the First Tier Obligations, Second Tier Obligations and the Third Tier Obligations. If the amounts on deposit in the Rate Stabilization Fund exceed the Rate Stabilization Fund Requirement, the Trustee is required to transfer such excess to the Revenue Fund.

Major Maintenance Fund — Annual Operating Budget Amounts. On each Transfer Date, after first having made or provided for the payments, deposits and transfers specified under the captions " — *Payment of Rebate*," " — *First Tier Debt Service Fund*," " — *Second Tier Debt Service Fund*," " — *Operating Fund — Project Budget Amounts*," " — *Major Maintenance Fund — Project Budget Amounts*," " — *Capital Expenditures Fund — Project Budget Amounts*," " — *Third Tier Debt Service Fund*," " — *Operating Fund — Annual Operating Budget Amounts*," and " — *Rate Stabilization Fund*," the Trustee is required, to the extent transfers from the Major Maintenance Reserve Fund pursuant to the provisions under the caption " — *Major Maintenance Reserve Fund*" are insufficient for such purpose, to transfer from the Revenue Fund to the credit of the Annual Operating Budget Account of the Major Maintenance Fund an amount equal to the excess, if any, of one-twelfth (1/12) of the amount reflected in the current fiscal year's Annual Operating Budget for Major Maintenance Expenses for such fiscal year over one-twelfth (1/12) of the amount reflected in the Project Budget for Major Maintenance Expenses for such fiscal year and money in this account is required to be used as provided under the caption "*Major Maintenance Fund — Project Budget Amounts*;" *provided* the Authority covenants that in no event may Revenues be used to pay for Major Maintenance Expenses relating to the maintenance of the Project at standards higher than Project Agreement Standards. If amounts on deposit in the Revenue Fund are insufficient to make such transfer, the Trustee is required to transfer amounts held in the following funds in the following order of priority in an amount sufficient to satisfy any such shortfall to the extent that funds are available therein: the Current Year Revenue Account of the General Fund, the General Account of the General Fund, the Capital Expenditures Reserve Fund and the Annual Operating Budget Account of the Capital Expenditures Fund. The Authority covenants that if, after transferring the amounts as specified in the preceding sentence, actual Major Maintenance Expenses in any month are in excess of amounts on deposit in the Major Maintenance Fund and in excess of the amount contained in the Project Budget for Major Maintenance Expenses for such month it will cause an amount sufficient to make up any such shortfall to be transferred to the Major Maintenance Fund from other lawfully available funds of the Authority, but in no event from the Rate Stabilization Fund or any other account in the Trust Estate.

Capital Expenditures Fund — Annual Operating Budget Amounts. On each Transfer Date, after first having made or provided for the payments, deposits and transfers specified under the captions " — *Payment of Rebate*," " — *First Tier Debt Service Fund*," " — *Second Tier Debt Service Fund*," " — *Operating Fund — Project Budget Amounts*," " — *Major Maintenance Fund — Project Budget Amounts*," " — *Capital Expenditures Fund — Project Budget Amounts*," " — *Third Tier Debt Service Fund*," " — *Operating Fund — Annual Operating Budget Amounts*," " — *Rate Stabilization Fund*," and " — *Major Maintenance Fund — Annual Operating Budget Amounts*," the Trustee is required, to the extent funds are not available in the Construction Fund for payment of Project Capacity Improvements Capital Expenditures for the month after the Transfer Date, and to the extent transfers from the Capital Expenditures Reserve Fund pursuant to the provisions under the caption "*Capital*

*Expenditures Reserve Fund*" are insufficient for such purpose, but only if no Event of Default under the SPS Trust Agreement has occurred and is continuing in accordance with the last paragraph of this caption, to transfer from the Revenue Fund to the credit of the Annual Operating Budget Account of the Capital Expenditures Fund an amount equal to the excess, if any, of the amount reflected in the current fiscal year's Annual Operating Budget for Project Capacity Improvements Capital Expenditures for such month over the amount reflected in the Project Budget for Project Capacity Improvements Capital Expenditures for such month and money in such account is required to be used as provided under the caption " — *Capital Expenditures Fund — Project Budget Amounts*;" *provided* the Authority covenants that in no event may Revenues be used to pay for Project Capacity Improvements Capital Expenditures relating to the Project at standards higher than the Project Agreement Standards. If amounts on deposit in the Revenue Fund are insufficient to make such transfer and unless an Event of Default has occurred and is continuing in accordance with the last paragraph of this caption, the Trustee is required to transfer amounts held in the following funds in the following order of priority in an amount sufficient to satisfy any such shortfall to the extent that funds are available therein: the Current Year Revenue Account of the General Fund, the General Account of the General Fund and the Major Maintenance Reserve Fund. The Authority covenants that if, after transferring the amounts as specified in the preceding sentence, actual Project Capacity Improvements Capital Expenditures in any month are in excess of amounts on deposit in the Capital Expenditures Fund and in excess of the amount contained in the Project Budget for Project Capacity Improvements Capital Expenditures for such month, it will cause an amount sufficient to make up any such shortfall to be transferred to the Capital Expenditures Fund from other lawfully available funds of the Authority, but in no event from the Rate Stabilization Fund or any other account in the Trust Estate.

Notwithstanding the foregoing paragraph, if the Trustee is given written notice as to the occurrence and continuance of an Event of Default by (i) the Controlling Creditor for any Event of Default other than a TIFIA Loan Agreement Default or (ii) the TIFIA Lender with respect to any TIFIA Loan Agreement Default (or any of the Controlling Creditor and the TIFIA Lender if the Event of Default is both a TIFIA Loan Agreement Default and an Event of Default under the SPS Trust Agreement other than an Event of Default caused by receipt by the Trustee of a written notice from the TIFIA Lender of the occurrence and continuance of a TIFIA Loan Agreement Default), then the Trustee may not transfer funds from other accounts into the Annual Operating Budget Account of the Capital Expenditures Fund for any shortfalls as provided in the preceding paragraph or transfer, disburse or apply funds from the Annual Operating Budget Account of the Capital Expenditures Fund in accordance with the direction of the Authority as provided in the foregoing paragraph until such time that written notice is provided to the Trustee by the Controlling Creditor for any Event of Default other than a TIFIA Loan Agreement Default or the TIFIA Lender with respect to any TIFIA Loan Agreement Default (or both the Controlling Creditor and the TIFIA Lender if the Event of Default is both a TIFIA Loan Agreement Default and an Event of Default under the SPS Trust Agreement other than an Event of Default caused by receipt by the Trustee of a written notice from the TIFIA Lender of the occurrence and continuance of a TIFIA Loan Agreement Default) that such Event of Default has been waived or cured to its satisfaction or that the Trustee otherwise may release funds from the Annual Operating Budget Account of the Capital Expenditures Fund for the payment of any part or all of the Capital Expenditures that would have been payable in accordance with the preceding paragraphs had there been no such Event of Default; *provided, however*, that during the continuance of such Event of Default, amounts on deposit in the Project Budget Account of the Capital Expenditures Fund are required to be transferred by the Trustee on the Transfer Date for the following purposes in the following order of priority:

(1) to the First Tier Debt Service Fund to cure any deficiency therein;

(2) to the Second Tier Debt Service Fund to cure any deficiency therein;

(3) to the Project Budget Account of the Operating Fund to cure any deficiency therein; and

(4) to the Project Budget Account of the Major Maintenance Fund to cure any deficiency therein.

Major Maintenance Reserve Fund. On each Transfer Date, after first having made or provided for the payments, deposits and transfers specified under the captions " — *Payment of Rebate*," " — *First Tier Debt Service Fund*," " — *Second Tier Debt Service Fund*," " — *Operating Fund — Project Budget Amounts*," " — *Major Maintenance Fund — Project Budget Amounts*," " — *Capital Expenditures Fund — Project Budget Amounts*," " — *Third Tier Debt Service Fund*," " — *Operating Fund — Annual Operating Budget Amounts*," " — *Rate Stabilization Fund*," " — *Major Maintenance Fund — Annual Operating Budget Amounts*," and " — *Capital*

*Expenditures Fund — Annual Operating Budget Amounts*," the Trustee is required to transfer from the Revenue Fund to the Major Maintenance Reserve Fund an amount sufficient to cause the balance in the Major Maintenance Reserve Fund to be equal to the Major Maintenance Reserve Requirement.

Amounts on deposit in the Major Maintenance Reserve Fund are required to be transferred by the Trustee on each Transfer Date in the following order of priority:

(1) to the First Tier Debt Service Fund to cure any deficiency therein;

(2) to the Second Tier Debt Service Fund to cure any deficiency therein;

(3) to the Project Budget Account of the Operating Fund in any month to cure deficiencies in the amounts to be deposited therein pursuant to the provisions described under the captions " — *Operating Fund — Project Budget Amounts*;"

(4) to the Project Budget Account of the Major Maintenance Fund each month an amount equal to the lesser of (i) one-twelfth (1/12) of the amount of the total Major Maintenance Expenses scheduled for the then current fiscal year in the Project Budget, and (ii) one-twelfth (1/12) of the amount of the total Major Maintenance Expenses scheduled for the then current fiscal year in the then current Annual Operating Budget;

(5) to the Project Budget Account of the Capital Expenditures Fund in any month to cure deficiencies in the amounts to be deposited therein pursuant to the provisions described under the captions " — *Capital Expenditures Fund — Project Budget Amounts*;"

(6) to the Third Tier Debt Service Fund to cure any deficiency therein;

(7) to the Annual Operating Budget Account of the Operating Fund in any month to cure deficiencies in the amounts to be deposited therein pursuant to the provisions described under the captions " — *Operating Fund — Annual Operating Budget Amounts*;"

(8) to the Annual Operating Budget Account of the Major Maintenance Fund each month an amount equal to the excess, if any, of one-twelfth (1/12) of the total amount reflected in the Annual Operating Budget for Major Maintenance Expenses for such fiscal year over one-twelfth (1/12) of the total amount reflected in the Project Budget for Major Maintenance Expenses for such fiscal year; and

(9) to the Annual Operating Budget Account of the Capital Expenditures Fund in any month to cure deficiencies in the amounts to be deposited therein pursuant to the provisions described under the caption " — *Capital Expenditures Fund — Annual Operating Budget Amounts*."

If the amounts on deposit in the Major Maintenance Reserve Fund exceed the amounts required to be held therein, the Trustee is required to transfer such excess to the Revenue Fund.

Capital Expenditures Reserve Fund. On each Transfer Date, after first having made or provided for the payments, deposits and transfers specified under the captions " — *Payment of Rebate*," " — *First Tier Debt Service Fund*," " — *Second Tier Debt Service Fund*," " — *Operating Fund — Project Budget Amounts*," " — *Major Maintenance Fund — Project Budget Amounts*," " — *Capital Expenditures Fund — Project Budget Amounts*," " — *Third Tier Debt Service Fund*," " — *Operating Fund — Annual Operating Budget Amounts*," " — *Rate Stabilization Fund*," " — *Major Maintenance Fund — Annual Operating Budget Amounts*," " — *Capital Expenditures Fund — Annual Operating Budget Amounts*," and " — *Major Maintenance Reserve Fund*," the Trustee is required to transfer from the Revenue Fund to the Capital Expenditures Reserve Fund an amount sufficient to cause the balance in the Capital Expenditures Reserve Fund to be equal to the Capital Expenditures Reserve Requirement. The Capital Expenditures Reserve Requirement is (a) for years 1 through 9 after the date of delivery of the Obligations, an amount equal to (i) the product of (w) the total amount of the capital cost of the Project Capacity Improvements in year 9 as shown in the Financial Model divided by 9 times (x) the number of years after the date of delivery of the Obligations (with each partial year deemed to be a whole year), less (ii) the aggregate amount of funds transferred from the Capital Expenditures Reserve Fund to the Capital Expenditures Fund to pay costs of the Project Capacity Improvements scheduled in year 9, and (b) for years 10 through 20 after

the date of delivery of the Obligations, an amount equal (i) to the product of (y) the total amount of the capital cost of the Project Capacity Improvements in year 20 as shown in the Financial Model divided by 11 times (z) the number of years after the 9th anniversary of the date of delivery of the Obligations (with each partial year deemed to be a whole year), less (ii) the aggregate amount of funds transferred from the Capital Expenditures Reserve Fund to the Capital Expenditures Fund to pay costs of the Project Capacity Improvements scheduled in year 20, *provided, however*, that, if the most recent Financial Model delivered after the date of delivery of the Obligations shows expenditures of the capital costs of Project Capacity Improvements in years other than in the years 9 and 20 after the date of issuance of the Obligations as described above, the definition of Capital Expenditures Reserve Requirement will be deemed to be revised accordingly.

Amounts on deposit in the Capital Expenditures Reserve Fund are required to be transferred by the Trustee on each Transfer Date for the following purposes in the following order of priority:

(1) to the First Tier Debt Service Fund to cure any deficiency therein;

(2) to the Second Tier Debt Service Fund to cure any deficiency therein;

(3) to the Project Budget Account of the Operating Fund in any month to cure deficiencies in the amounts to be deposited therein pursuant to the provisions described under the caption " — *Operating Fund — Project Budget Amounts*;"

(4) to the Project Budget Account of the Major Maintenance Fund in any month to cure deficiencies in the amounts to be deposited therein pursuant to the provisions described under the caption " — *Major Maintenance Fund — Project Budget Amounts*;"

(5) to the Project Budget Account of the Capital Expenditures Fund each month an amount equal to the lesser of (i) the Project Capacity Improvement Capital Expenditures budgeted in the Project Budget for such month, and (ii) the Project Capacity Improvements Capital Expenditures budgeted in the current fiscal year's Annual Operating Budget for such month, subject to the provisions described under the caption " — *Capital Expenditures Fund — Project Budget Amounts;*" *provided that* during a Construction Step-In the amount to be transferred to the Project Budget Account of the Capital Expenditures Fund each month is required to be the amount requested by TxDOT to pay Costs of the Project pursuant to the penultimate paragraph under the caption " — *Capital Expenditures Fund — Project Budget Amounts;*"

(6) to the Third Tier Debt Service Fund to cure any deficiency therein;

(7) to the Annual Operating Budget Account of the Operating Fund in any month to cure deficiencies in the amounts to be deposited therein pursuant to the provisions described under the caption " — *Operating Fund — Annual Operating Budget Amounts*;"

(8) to the Annual Operating Budget Account of the Major Maintenance Fund in any month to cure deficiencies in the amounts to be deposited therein as described under the caption " — *Major Maintenance Fund — Annual Operating Budget Amounts;*" and

(9) to the Annual Operating Budget Account of the Capital Expenditures Fund in each month an amount equal to the excess, if any, of the amount reflected in the current fiscal year's Annual Operating Budget for Project Capacity Improvements Capital Expenditures for such month, subject to the provisions described under the caption " — *Capital Expenditures Fund — Annual Operating Budget Amounts.*"

If the amounts on deposit in the Capital Expenditures Reserve Fund exceed the amounts required to be held therein, the Trustee is required to transfer such excess to the Revenue Fund.

General Fund. On each Transfer Date, after first having made or provided for the payments, deposits and transfers specified under the captions " — *Payment of Rebate*," " — *First Tier Debt Service Fund*," " — *Second Tier Debt Service Fund*," " — *Operating Fund — Project Budget Amounts*," " — *Major Maintenance Fund — Project Budget Amounts*," " — *Capital Expenditures Fund — Project Budget Amounts*," " — *Third Tier Debt Service Fund*," " — *Operating Fund — Annual Operating Budget Amounts*," " — *Rate Stabilization Fund*," " —

*Major Maintenance Fund — Annual Operating Budget Amounts*," " — *Capital Expenditures Fund — Annual Operating Budget Amounts*," " — *Major Maintenance Reserve Fund*," and " — *Capital Expenditures Reserve Fund*" the Trustee is required to transfer from the Revenue Fund to the credit of the Current Year Revenue Account of the General Fund all remaining Revenues.

Prior to the TIFIA Note Prepayment Start Date, amounts on deposit in the Current Year Revenue Account are required to be transferred by the Trustee to the General Account on the same day such amounts are deposited in the Current Year Revenue Account.

On and after the TIFIA Note Prepayment Start Date, amounts on deposit in the Current Year Revenue Account are required to be transferred by the Trustee to (a) the First Tier Debt Service Fund or the Second Tier Debt Service Fund to cure any deficiency therein, (b) the Operating Fund, the Major Maintenance Fund, and the Capital Expenditures Fund in any month to cure deficiencies in the amounts to be deposited therein, all pursuant to and in the order specified under the captions " — *Operating Fund — Project Budget Amounts*," " — *Major Maintenance Fund — Project Budget Amounts*," " — *Capital Expenditures Fund — Project Budget Amounts*," " — *Operating Fund — Annual Operating Budget Amounts*," " — *Major Maintenance Fund — Annual Operating Budget Amounts*," and " — *Capital Expenditures Fund — Annual Operating Budget Amounts*," (c) subject to the provisions of the SPS Trust Agreement relating to the subordination of Third Tier Obligations, the Third Tier Debt Service Fund to cure any deficiency therein, (d) the Major Maintenance Reserve Fund to cure any deficiency therein, (e) the Capital Expenditures Reserve Fund to cure any deficiency therein, or (f) upon the direction of a Board Representative, the First Tier Debt Service Fund or the Second Tier Debt Service Fund, as applicable, to redeem or defease First Tier Obligations and Second Tier Obligations pro rata based on the Principal amount of the Outstanding First Tier Obligations and the Outstanding Second Tier Obligations.

On and after the TIFIA Note Prepayment Start Date, on the last Business Day of each fiscal year (the "*General Fund Transfer Date*"), the Trustee is required to transfer the funds in the Current Year Revenue Account for the following purposes and in the following order of priority:

(1) to the General Account in an amount sufficient to cause the balance of unencumbered funds in the General Account to equal the amount required to be paid to TxDOT on the first day of the following fiscal year as required pursuant to the TELA; and

(2) of the funds remaining in the Current Year Revenue Account after the transfer pursuant to **clause (1)** above, one-half to the General Account and one-half to the TIFIA Prepayment Account.

Amounts on deposit in the General Account are required to be transferred by the Trustee to (a) the First Tier Debt Service Fund or the Second Tier Debt Service Fund to cure any deficiency therein, (b) the Operating Fund, the Major Maintenance Fund, and the Capital Expenditures Fund in any month to cure deficiencies in the amounts to be deposited therein, all pursuant to and in the order specified under the captions " — *Operating Fund — Project Budget Amounts*," " — *Major Maintenance Fund — Project Budget Amounts*," " — *Capital Expenditures Fund — Project Budget Amounts*," " — *Operating Fund — Annual Operating Budget Amounts*," " — *Major Maintenance Fund — Annual Operating Budget Amounts*," and " — *Capital Expenditures Fund — Annual Operating Budget Amounts*," (c) subject to the provisions of the SPS Trust Agreement relating to the subordination of Third Tier Obligations, the Third Tier Debt Service Fund to cure any deficiency therein, (d) the Major Maintenance Reserve Fund to cure any deficiency therein, (e) the Capital Expenditures Reserve Fund to cure any deficiency therein, or (f) upon the direction of a Board Representative, the First Tier Debt Service Fund or the Second Tier Debt Service Fund to redeem or defease any First Tier Obligations or Second Tier Obligations.

On any date, whether prior to, on or after the TIFIA Note Prepayment Start Date, unless there is an occurrence and continuance of an Event of Default, amounts on deposit in the Current Year Revenue Account and the General Account may also be transferred by the Trustee to the Authority or its designee (a) to pay or secure bonds, notes or other obligations of the Authority issued to finance Costs of the Project other than Costs for the initial construction of the Project to the extent permitted by the TIFIA Lender, or (b) to pay or reimburse the Authority for Operating Expenses, Major Maintenance Expenses and Project Capacity Improvements Capital Expenditures under the current or any previous Annual Operating Budgets with respect to operating, maintaining or improving the Project to the Project Agreement Standards to the extent such payments were payable pursuant

to the terms of the SPS Trust Agreement but instead were paid by the Authority from funds available to it outside of the Trust Estate because of an insufficiency of funds available for such payments in the relevant Funds and Accounts at such time, but in no event will the Authority be reimbursed for expenses incurred in operating, maintaining or improving the Project to standards higher than Project Agreement Standards, *provided that* there are no amounts due and owing to TxDOT under the Toll Equity Loan, and that such Operating Expenses, Major Maintenance Expenses and Project Capacity Improvements Capital Expenditures are not the subject of a dispute between the Authority and TxDOT regarding compliance with the TELA requirements, or, if subject to such a dispute, that such dispute has been resolved but only to the extent and in the amount provided in favor of the Authority; *provided further*, that if the Trustee is notified as to the occurrence and continuance of an Event of Default by the Controlling Creditor for any Event of Default other than a TIFIA Loan Agreement Default or the TIFIA Lender with respect to any TIFIA Loan Agreement Default (or any of the Controlling Creditor and the TIFIA Lender if the Event of Default is both a TIFIA Loan Agreement Default and an Event of Default under the SPS Trust Agreement other than an Event of Default arising upon receipt by the Trustee of a written notice from the TIFIA Lender of the occurrence and continuance of a TIFIA Loan Agreement Default), then the Trustee may not so transfer, disburse or apply funds from the Current Year Revenue Account or the General Account in accordance with the direction of the Authority under this paragraph until such time that notice is provided to the Trustee by the Controlling Creditor for any Event of Default other than a TIFIA Loan Agreement Default or the TIFIA Lender with respect to any TIFIA Loan Agreement Default (or both the Controlling Creditor and the TIFIA Lender if the Event of Default is both a TIFIA Loan Agreement Default and an Event of Default under the SPS Trust Agreement other than an Event of Default arising upon receipt by the Trustee of a written notice from the TIFIA Lender of the occurrence and continuance of a TIFIA Loan Agreement Default) that such Event of Default has been waived or cured to its satisfaction or that the Trustee otherwise may release funds from the Current Year Revenue Account or the General Account for the purposes described in this paragraph had there been no such Event of Default.

Amounts on deposit in the TIFIA Prepayment Account are required to be transferred by the Trustee for prepayment of the TIFIA Note to the TIFIA Lender no later than the Business Day following the General Fund Transfer Date. The money in the TIFIA Prepayment Account is required to be held by the Trustee in trust for the exclusive benefit of the Owner of the TIFIA Note and will be subject to a lien and charge in favor of the TIFIA Lender exclusively.

During a Construction Step-In, if amounts on deposit in the Construction Fund and the BANs Construction Fund are insufficient to satisfy the disbursements permitted to TxDOT pursuant to the caption " — *Construction Fund and BANS Construction Fund — Construction Step-In*," the Trustee is required to transfer amounts held in the General Fund regardless of the existence of any Event of Default under the SPS Trust Agreement (whether in the Current Year Revenue Account or the General Account) to TxDOT in an amount sufficient to satisfy any such shortfall. Such transfer may be made only if all of the conditions and requirements for disbursements pursuant to the caption " — *Construction Fund and BANS Construction Fund — Construction Step-In*" are satisfied as if such disbursements were payments from the Construction Fund in accordance therewith. If at the time that TxDOT delivers a request to the Trustee pursuant to the caption " — *Construction Fund and BANS Construction Fund — Construction Step-In*" for which disbursement is sought by TxDOT, the documented Costs of the Project amount to more than the total available in the Construction Fund and BANs Construction Fund, the General Fund and the Capital Expenditures Fund (after transfer of all available amounts in the Capital Expenditures Reserve Fund) collectively at the time of the request for disbursement and TxDOT pays for such excess costs with funds that are not part of the Trust Estate, then the Trustee is required to transfer to TxDOT at its written request such excess amount from any future deposits into the General Fund, subject to the limitations described under the caption " — *Funds and Accounts — Construction Fund and BANs Construction Fund*."

During an O&M Step-In, the Trustee is required to disburse funds to TxDOT or its designee from the General Fund (first from the General Account of the General Fund and then, to the extent amounts in such account are insufficient, from the Current Year Revenue Account of the General Fund) upon written request of TxDOT to pay Operating Expenses and Major Maintenance Expenses pursuant to, and in accordance with, the TELA, *provided that* (i) funds in the Operating Fund, the Major Maintenance Fund and the Capital Expenditures Fund are insufficient for such purposes in accordance with the last paragraph of the captions " — *Operating Fund*

*— Project Budget Amounts*," " *— Major Maintenance Fund — Project Budget Amounts*," and " *— Capital Expenditures Fund — Project Budget Amounts*," respectively, (ii) disbursements are made for payment of such expenses in accordance with (A) the provisions of this caption, (B) the priorities of any transfers required pursuant to the captions " *— First Tier Debt Service Fund*," " *— Second Tier Debt Service Fund*," " *— Operating Fund — Project Budget Amounts*," " *— Major Maintenance Fund — Project Budget Amounts*," " *— Capital Expenditures Fund — Project Budget Amounts*," " *— Third Tier Debt Service Fund*," " *— Operating Fund — Annual Operating Budget Amounts*," " *— Rate Stabilization Fund*," " *— Major Maintenance Fund — Annual Operating Budget Amounts*," " *— Capital Expenditures Fund — Annual Operating Budget Amounts*," " *— Major Maintenance Reserve Fund*," and " *— Capital Expenditures Reserve Fund*" and (C) the Annual Operating Budget, and (iii) such expenses have not been the subject of prior transfers out of the Funds and Accounts. Subject to the preceding sentence, should such expenses amount to more than the total available amount in the Operating Fund, Major Maintenance Fund, Capital Expenditures Fund and General Fund collectively at the time of the request for disbursement and TxDOT pays for such excess costs with funds that are not part of the Trust Estate, then the Trustee is required to pay such excess amount to TxDOT upon written request of TxDOT from any future deposits to such Funds not needed to pay current Operating Expenses, Major Maintenance Expenses and Capital Expenditures at the time.

Commencing on the Net Revenue Share Commencement Date (as defined in the PGBT WE Project Agreement), amounts on deposit in the General Account and Current Year Revenue Account of the General Fund are required to be transferred by the Trustee at the written direction of the Authority to TxDOT to satisfy any Net Share Amount (as defined in the PGBT WE Project Agreement) due TxDOT under the Project Agreement.

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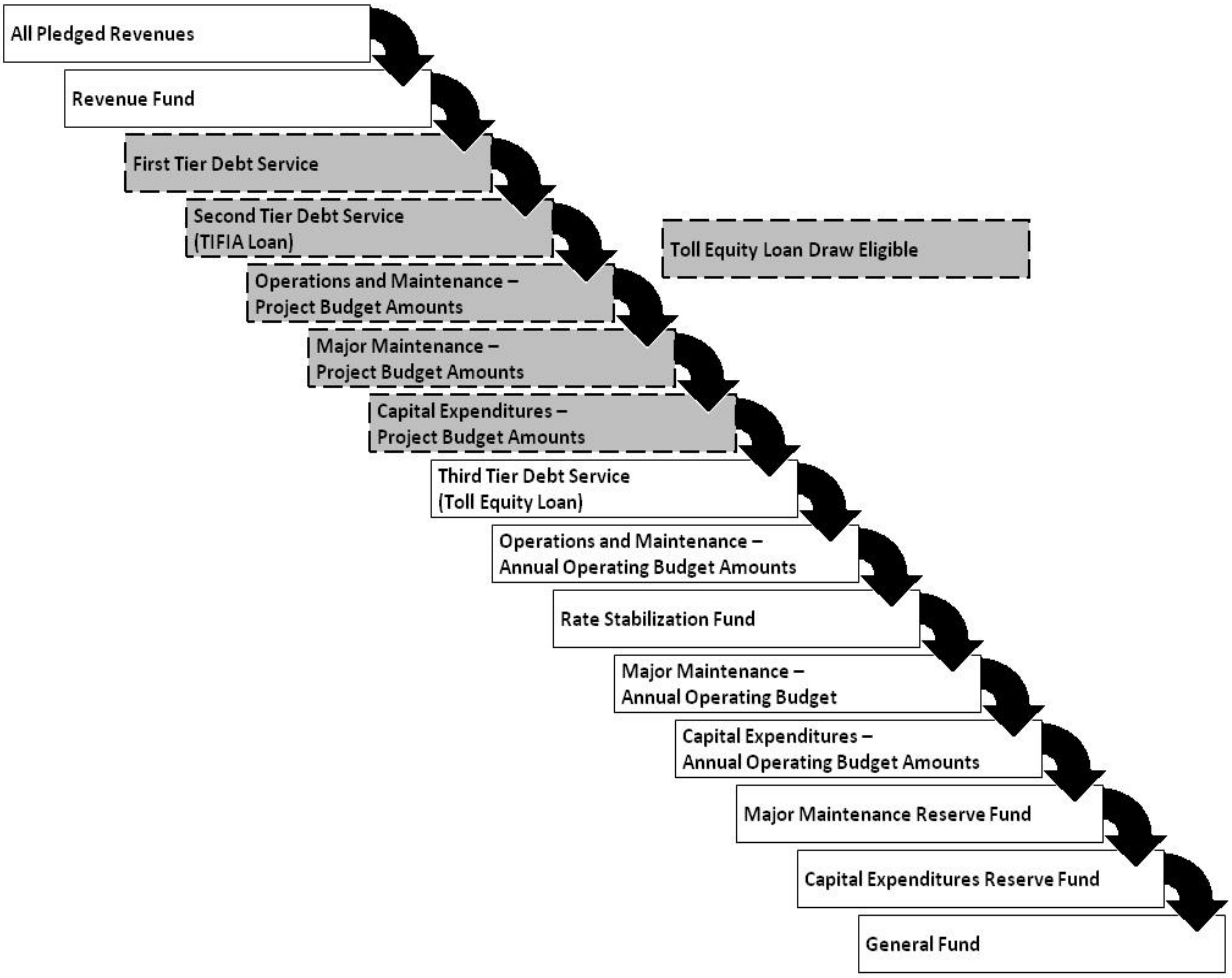
The graph set forth below generally describes the flow of funds:




Construction Fund and BANs Construction Fund

(a) Accounts; Deposits to the Construction Fund and BANs Construction Fund. The Authority is required to deposit to the Construction Fund the amounts specified in each Supplemental Agreement. In addition, on the date of issuance of the Obligations, the Authority is required to further deposit to the CIF Construction Account of the Construction Fund approximately $72.5 million to pay Costs of the Project. On the date of issuance of the Notes, the Authority is required to deposit proceeds from such issuance to the BANs Construction Fund in the amount of approximately $129.4 million to pay Costs of the Project.

(b) Application of the Construction Fund and BANs Construction Fund; Lien. Subject to the other provisions of the SPS Trust Agreement, the money credited to the Construction Fund and BANs Construction Fund (including all obligations held as investments thereof and the proceeds of such investments) will be applied to Costs (defined below) of the Project, including the cost of improvements, extensions, enlargements, or additions to the Project (*provided, however*, that money credited to the BANs Construction Fund may be applied to Eligible Project Costs only). Pending such application, money and investments held in the Construction Fund, but not the BANs Construction Fund, will be part of the Trust Estate until paid out or transferred as described herein. **The BANs Construction Fund secures only the Notes and does not secure the Bonds.**

(c) Payments from Construction Fund and BANs Construction Fund. Payment of the Cost of the Project is required to be made from the accounts of the Construction Fund and BANs Construction Fund. All payments from the Construction Fund will be subject to the provisions and restrictions

described herein, and the Authority covenants that it will not cause or permit to be paid from the Construction Fund any sums except in accordance with such provisions and restrictions, *provided, however*, that, at the option of the Authority, during the period of construction or completion of construction of the Project or of any expansion, enlargement or addition thereto, the Authority may direct the Trustee to transfer all or any amount of the (1) investment earnings held in the Series 2011 Construction Account of the Construction Fund and deposit the same to the credit of the First Tier Interest Account, and (2) investment earnings and other amounts held in the BANs Construction Fund or the BAN Capitalized Interest Account and deposit the same with the paying agent or escrow agent for the Notes to pay the interest on and principal of the Notes whether at maturity or prior redemption. The Trustee is required to account for all amounts at any time on hand in the Construction Fund attributable to all investment earnings, regardless of their source, and will, at the direction of the Authority, make the deposits required above to the extent of such investment earnings on hand at the time each such deposit is required to be made. If such investment earnings are not sufficient to supplement the applicable Interest Account in an amount required to enable the Trustee to pay from the applicable Interest Account the interest coming due on the Obligations on any applicable interest payment date therefor, then the Trustee, upon the direction of the Authority, is required to use the corpus of the related account of the Construction Fund (original Obligation proceeds) to the extent directed by the Authority to provide the required supplement to the related Interest Account.

(d) Items of Cost. The term "Cost" or " Cost of the Project " when used with respect to the Special Projects System for purposes of expenditure of amounts on deposit in the Construction Fund or the BANs Construction Fund will mean and include all costs related to the Project and any expansion, enlargement or addition thereto, and, without intending thereby to limit or restrict any such definition, will include the following:

(i) "project costs" as defined in Chapter 1371, Texas Government Code;

(ii) obligations incurred for labor and to contractors, builders and materialmen in connection with the construction of the Project or any part thereof, and obligations incurred for machinery and equipment to be utilized in connection with the Project;

(iii) payments to owners and others, for real property, or interests therein, or for options or other property or contractual rights;

(iv) all expenses of every kind or character incurred in the acquisition of real property, including all costs and expenses of whatever kind in connection with the exercise of the power of condemnation, and including the cost of title searches and reports, abstracts of title, title certificates and opinions, title guarantees, title insurance policies, appraisals, negotiations and surveys;

(v) the amount of any damages or claimed damages incident to or consequent upon the construction of the Project; also the cost of any litigation and amounts paid by court order or upon settlement of any litigation or of any claim (although not litigated) of any kind during construction or of any claim arising during or out of or related to construction of the Project;

(vi) as to toll collection equipment, it is recognized that some manufacturers of such equipment will not sell such equipment outright, and that some manufacturers will sell it; but that it will not be known, until bids are received by the Authority for the acquisition of such equipment, which manufacturer will offer the most advantageous terms to the Authority. The acquisition of toll collection equipment is determined and declared to be a capital expenditure, and a proper "Cost" under the SPS Trust Agreement. The SPS Trust Agreement also provides that if, in the discretion of the Authority, it will be to the advantage of the Authority to do so, the Authority may enter into lease-purchase or lease-rental agreements for the acquisition of such equipment. In such event the Authority is required to so advise the Trustee, and the Trustee is required to set aside and retain the amounts required for the payments under such agreements in the Construction

Fund, and is required to make such payments as so required, upon requisitions as provided for in the SPS Trust Agreement. Any such payments will constitute proper items of "cost" for all purposes;

(vii) the cost of any necessary indemnity and surety bonds, the cost of all fidelity bonds, the fees and expenses of the Trustee, and premiums on all insurance deemed necessary and advisable by the Authority, until one year after the completion of construction thereof;

(viii) the cost of borings and other preliminary investigations to determine foundation or other conditions, all fees, costs, and expenses necessary or incident to determining the feasibility and practicability of constructing the Project, and all fees, costs, and expenses of engineers and others for making traffic studies, surveys, and estimates, and all fees, costs, and expenses of engineering services, plans, specifications, surveys, and estimates of cost and revenues, and all costs of supervising construction, as well as for the performance of all other duties of engineers in relation to the construction of the Project or the issuance of Obligations therefor;

(ix) the cost of preparing and issuing Obligations (from the Construction Fund only), including refunding Obligations (from the Construction Fund only), and all legal, accounting and other professional expenses and fees and financing charges in connection with any Obligations (from the Construction Fund only) and/or the Project, and expenses of administration properly chargeable to the construction of the Project, including salaries and all payments and deductions as provided by law;

(x) the cost of restoring, repairing and placing in its original condition, as nearly as practicable, all public or private property damaged or destroyed in the construction of the Project, or the amount paid by the Authority as compensation for such damage or destruction, and all costs lawfully incurred or damages lawfully payable, with respect to the restoration, relocation, removal, reconstruction or duplication of property or facilities in connection with or made necessary or caused by the construction of the Project, and the cost of building facilities to connect land severed by the Project or severance damages paid in lieu of such facilities in connection with the Project;

(xi) any obligation or expense heretofore or hereafter incurred by the Authority in connection with any of the foregoing items of cost, and the reimbursement of any obligations or expenses incurred in connection with any of the foregoing items of cost;

(xii) utility relocations, buildings and other structures, fencing, landscaping, illumination, communication systems, and safety devices in connection with the Project; and

(xiii) all other items of cost and expense not elsewhere specified, incident to the construction and equipping of the Project, the financing thereof and the costs of placing the Project in operation, including all costs as defined under the term "Cost" in the Turnpike Act.

*provided, however*, that the proceeds of the Notes held in the BANs Construction Account may only be applied to Eligible Project Costs.

(e) Special Requirements Relating to Condemnation. Whenever it will be necessary to acquire by condemnation any real property or other property, as provided in the Turnpike Act, payment of compensation for such property or deposit of money to secure such payment is required to be made by the Trustee under the provisions of this **clause (e)** in order that the Authority may either (i) take possession thereof prior to the completion of condemnation proceedings or (ii) take title thereto upon completion of condemnation proceedings. The Trustee is required to withdraw from the Construction Fund or the BANs Construction Fund (but only if such payments constitute Eligible Project Costs) and deposit with the court in which the proceedings for condemnation are pending, or pay to an owner or owners if so required by the court's order, an amount equal to the amount necessary so to be paid or deposited, upon receipt by the Trustee of the following documents:

(1) a requisition, signed by at least two Board Representatives for such purpose, requesting withdrawal and stating the amount thereof;

(2) a statement signed by the Project Delivery Office or the Consulting Engineers, certifying that in their opinion the acquisition of such property is necessary in connection with the construction, operation or maintenance of the Project; and

(3) a statement signed by counsel for the Authority stating the amount of compensation necessary to be paid or stating the amount necessary to be deposited with the court.

Similar withdrawals and deposits are required to be made by the Trustee with respect to any such condemnation case pending before such court in the event additional amounts will be necessary to be paid or to be deposited, upon receipt by the Trustee of a requisition of the Authority, signed as required by **clause (1)** of this subsection, requesting such withdrawal, stating the amount thereof and having attached thereto a statement signed by counsel for the Authority stating the amount of compensation necessary to be paid or stating an amount necessary to be deposited with the court.

(f) Payments from Construction Fund and the BANs Construction Fund; Requisitions and Certificates. Payments from the Construction Fund, except the payments and withdrawals which the Trustee is authorized to make under the provisions of **clauses (e)**, **(g)**, **(h)** and **(k)** herein, are required to be made in accordance with the provisions described herein. Before any such payment may be made the Authority is required to file with the Trustee:

(i) a requisition, signed by at least two Board Representatives of the Authority designated by resolution of the Authority for such purpose, stating in respect of each payment to be made:

(1) the item number of the payment;

(2) the name of the person to whom payment is to be made;

(3) the amount to be paid from each account of the Construction Fund or the BANs Construction Fund;

(4) the purpose for which the payment is to be made;

(5) that obligations in the stated amounts have been incurred by the Authority and that each item thereof is a proper charge against the Construction Fund or the BANs Construction Fund, as applicable, and has not been paid, *provided, however*, that certification to this effect will not be required with respect to any item for the payment for any real property;

(6) that there has not been filed with or served upon the Authority legal notice of any lien, right to lien, attachment or other claim, which is valid in the opinion of counsel for the Authority, and affects the right to receive payment of any of the money payable to any of the persons, firms or corporations named in such requisition, which has not been released or will not be released simultaneously with such payment;

(7) that such requisition contains no item representing payment on account of any retained percentages which the Authority is at the date of such certificate entitled to retain; *provided, however*, that certification to this effect will not be required with respect to any item for the payment for any real property; and

(8) that no payment default exists under the SPS Trust Agreement and that no other default exists under the SPS Trust Agreement which has not been disclosed to the Trustee, and the Authority will use its best efforts to cure any such default if it exists;

(ii) with respect to any item for payment for real property, the additional statements set forth in **clause (h)** below;

(iii) with respect to all items payable on account of all obligations incurred for construction or engineering work and for acquisition of materials, equipment or supplies (other than for administrative office purposes) and for labor hired by the Authority to do construction work, and with respect to all items of payment to be made in reimbursing utility or railroad companies or others for obligations incurred by them pursuant to agreement with the Authority, a statement signed by the Project Delivery Office or Consulting Engineers and attached to or made a part of such requisition, certifying that each such obligation has been properly incurred for purposes of constructing and completing the Project and is then due and unpaid, that such obligation is a proper charge against the Construction Fund or the BANs Construction Fund, as applicable, and that, insofar as such obligation was incurred for work, materials, equipment or supplies, such work was actually performed, or such materials, equipment or supplies were actually installed, or delivered at the site of the work for that purpose, or delivered for storage or fabrication at a place or places approved by the Project Delivery Office or Consulting Engineers; and

(iv) a certification that any payments from the BANs Construction Fund will be applied solely to pay Eligible Project Costs in accordance with the requisition requirements and other terms and conditions of the TIFIA Loan Agreement. The Authority is required to submit requisitions and such supporting documentation as required by the TIFIA Loan Agreement in order to assure that such proceeds, together with other available funds, will be available to pay such costs as the same are required to be funded.

Upon receipt of each such requisition and accompanying certificates the Trustee will pay each such item from the Construction Fund or the BANs Construction Fund, as applicable, or will advance funds to the Authority for the payment thereof.

In the event the proceeds of any advance is in excess of the amount required for the purpose for which any requisition was made, such excess is required to be returned to the Trustee for the credit of the Construction Fund or the BANs Construction Fund, as applicable.

(g) Reimbursements for Payment from Revolving Fund. The Trustee is required, from time to time, to make payments to the Authority from the Construction Fund or the BANs Construction Fund as reimbursements for payments previously made by the Authority from a revolving fund created by the Authority for the purpose of paying such items of Cost of the Project as in the opinion of the Authority cannot be conveniently paid as otherwise provided in the SPS Trust Agreement. Before any such payment may be made, the Authority is required to file with the Trustee:

(i) a requisition, signed by at least two Board Representatives of the Authority designated by resolution of the Authority for such purpose, stating in respect of each payment to be made: (1) the item number of the payment; (2) the name of the person to whom payment was made out of the revolving fund; (3) the amount to be paid from each account of the Construction Fund or from the BANs Construction Fund; (4) the purpose for which the payment was made out of the revolving fund; (5) that obligations in the stated amounts have been incurred and paid by the Authority and that each item thereof is a proper charge against the Construction Fund or the BANs Construction Fund, as applicable, and has not previously been paid out of the Construction Fund or the BANs Construction Fund, *provided, however*, that certification to this effect will not be required with respect to any item for the payment for any real property; (6) that there has not been filed with or served upon the Authority legal notice of any lien, right to lien, attachment or other claim, which is valid in the opinion of counsel for the Authority, and affects the right to receive payment of any of the money paid to any of the persons, firms or corporations named in such requisition, which was not released prior to such payment or was not released simultaneously with such payment; (7) that such requisition contains no item representing payment on account of any retained percentages which the Authority is at the date of such certificate entitled to retain; *provided, however*, that certification to this effect will not be required with respect to any item for the payment for any real property; and (8) that no payment default exists under the SPS Trust Agreement and that no other default exists under the SPS Trust

Agreement which has not been disclosed to the Trustee, and the Authority will use its best efforts to cure any such default if it exists;

(ii) with respect to all items payable on account of all obligations incurred for construction or engineering work and for acquisition of materials, equipment or supplies (other than for administrative office purposes) and for labor hired by the Authority to do construction work, and with respect to all items of payment to be made in reimbursing utility or railroad companies or others for obligations incurred by them pursuant to agreement with the Authority, a statement signed by the Project Delivery Office or Consulting Engineers and attached to and made a part of such requisition, certifying that each such obligation has been properly incurred for purposes of constructing and completing the Project and was at the time of payment by the Authority then due and unpaid, that such obligation is a proper charge against the Construction Fund or BANs Construction Fund, as applicable, and that, insofar as such obligation was incurred for work, materials, equipment or supplies, such work was actually performed, or such materials, equipment or supplies were actually installed, or delivered at the site of the work for that purpose, or delivered for storage or fabrication at a place or places approved by the Project Delivery Office or Consulting Engineers; and

(iii) a certification that any payments from the BANs Construction Fund will be applied solely to pay Eligible Project Costs in accordance with the requisition requirements and other terms and conditions of the TIFIA Loan Agreement. The Authority is required to submit requisitions and such supporting documentation as required by the TIFIA Loan Agreement in order to assure that such proceeds, together with other available funds, will be available to pay such costs as the same are required to be funded.

If any item in such requisition is for reimbursement on account of the payment for any real property, such requisition is also required to have attached thereto the documents required by **clause (h)** below, and if any such payment is for reimbursement on account of payment, or securing payment by deposit, of compensation in any condemnation case, the requisition is also required to be accompanied by the documents referred to in **clause (e)** above. In making such reimbursements the Trustee may rely conclusively upon such requisitions and accompanying certificates.

(h) Requisitions for Payment for Real Property. If any requisition under **clause (f)** above contains any item for payment for real property for temporary or permanent use of the Authority, the Authority is required to attach to or make a part of such requisition, in addition to the applicable certificates mentioned in **clause (f)** above:

(i) a statement signed by the Project Delivery Office or Consulting Engineers certifying that in their opinion the acquisition of such property is necessary or advisable in connection with the construction or operation of the Project; and

(ii) either (1) an opinion signed by counsel for the Authority that at the time of making such payment the Authority has or will have good title to, or an easement in or over, said real property sufficient for the purposes of the Project, and free from all liens and encumbrances except liens or encumbrances which, in the opinion of said counsel, do not have a materially adverse effect upon the Authority's right to use said real property for the purposes intended or which have been or will be adequately guarded against by a bond or contract of indemnity, guaranty, or insurance; or (2) a statement by counsel for the Authority that such title has been or will be insured by a title insurance company satisfactory to such counsel, guaranteeing good title in the authority free and clear of all liens and encumbrances other than those which in the opinion of said counsel do not have a materially adverse effect upon the Authority's right to use said real property for the purpose intended; or (3) if any payment requested by a requisition be a payment for an option to purchase, a quitclaim deed, a lease, or release, or on a contract to purchase, or is otherwise for the acquisition of a right or interest in lands which is less than a fee simple or perpetual easement, or if such payment be part payment for any such purpose, the written approval of counsel for the Authority of the acquisition of such lesser right or interest.

Whenever in connection with the purchase of any real property it is necessary or desirable either (1) to withhold from the purchase price a portion thereof to be applied to pay any tax, assessment, or other claim which is or may be a lien on said real property or (2) later to pay any such tax, assessment, or other claim which is or may be, or but for any law exempting real property from taxation would be, a lien on any real property, a payment or payments for which have previously been requisitioned and made pursuant to the prior provisions contained herein, such tax, assessment, or claim is required to be paid by the Trustee to such person as is designated in a further requisition (meeting the specifications of **clause (f)** above), accompanied by the approval of such payment by counsel for the Authority. Each such requisition is required to identify the real property with respect to which such payment is to be made. If the amount of any such tax, assessment, or other lien has been withheld from the purchase price of any real property, and if after payment thereof there remains any balance due on the purchase price (including damages), requisition for the payment of such balance, and payment thereof, is required to be made in the same manner as provided in the preceding sentences of this paragraph.

(i) Trustee to Retain Requisitions. All requisitions, certificates and opinions received by the Trustee, as required as conditions of payment from the Construction Fund and the BANs Construction Fund, may be relied upon conclusively by and are required to be retained in the possession of the Trustee for a period of the later of seven (7) years after the date of the final payment from the Construction Fund or the BANs Construction Fund, as applicable, or the date upon which the Obligations to which such payments relate are no longer Outstanding, subject at all reasonable times to the inspection of the Authority, the Project Delivery Office and the Consulting Engineers, and their agents and representatives.

(j) Progress Reports; Audits during Construction; Certificate Upon Opening. The Authority covenants that, at least once in every six-month period during the construction of any portion of the Project which it finances in whole or in part with Obligations, it will cause the Consulting Engineers to prepare a progress report in connection with the acquisition of real property for the Project, and a progress report in connection with such construction, including their then current estimates of:

(i) the date on which the Project or portion thereof will be opened for traffic, unless the Project or portion thereof has been opened for traffic prior to the date of such report,

(ii) the date on which the construction of the Project or portion thereof will be completed,

(iii) the cost of the Project or portion thereof but excluding any Obligation discount and the interest during construction and for one year after completion of construction, and

(iv) the amount of funds required each six (6) months during the remaining estimated period of construction to meet the aforesaid cost of the Project or portion thereof exclusive of funds provided for construction contingencies, and accompanied by a progress schedule for such construction, and further including, as to construction, comparisons between the actual times elapsed and the actual costs, and the original estimates of such times and costs. Copies of such progress reports are required to be filed with the Trustee and with the Authority and to be provided to the TIFIA Lender.

(k) Certificates and Opinions after Completion; Disposition of Balances. When the construction of the Project has been completed, which fact is required to be evidenced to the Trustee by a certificate stating the date of such completion, signed by a Board Representative and approved by the Project Delivery Office or Consulting Engineers, accompanied by an opinion of counsel for the Authority stating that the Authority has acquired title or easements, or has acquired the right of possession by condemnation proceedings which may still be pending, in the name of the Authority to the right-of-way for the project free from all liens or encumbrances except liens, encumbrances or other defects of title which, in the opinion of such counsel, do not have a materially adverse effect upon the Authority's right to use such right-of-way for the purposes intended or which have been adequately guarded against by a bond or other form of indemnity, guaranty or insurance, in which opinion such counsel may rely on title insurance policies of companies satisfactory to such counsel as evidence of title when such policies are obtained, and accompanied by a certificate of the Project Delivery Office or Consulting Engineers stating the amount, if any, required in their opinion for the payment of any remaining part of the Cost of the

Project out of the Construction Fund or the BANs Construction Fund, (A) the balance in the Construction Fund in excess of the amount, if any, stated in such certificate, is required to be (1) if in the CIF Construction Account, be transferred to the Authority and used for any lawful purpose, and (2) if in the Series 2011 Construction Account, at the written direction of the Authority, be retained in such fund and be used to pay for Capital Expenditures including the Project Capacity Improvements, unless such use is not permitted under applicable federal tax laws or regulations, in which case such amounts are required to be used by the Trustee to redeem, defease or purchase and cancel Outstanding First Tier Obligations or Second Tier Obligations as directed by the Authority, and (B) the balance in the BANs Construction Fund in excess of the amount, if any, stated in such certificate, is required, at the written direction of the Authority, to be used to redeem, defease, prepay or purchase and cancel the outstanding Notes.

Thereafter, if at any time there is filed with the Trustee a certificate signed by a Board Representative and approved by the Project Delivery Office or Consulting Engineers stating that the cost of the Project has been fully paid, the balance in the accounts of Construction Fund and BANs Construction Fund are required to be disposed of as provided above.

(l) Additional Construction Funds. If the Trustee and the Authority enter into a Supplemental Agreement in connection with the issuance of Additional Obligations to finance the SWP/CTP, the Trustee and the Authority may create such additional accounts within the Construction Fund or additional Construction Funds pursuant to such Supplemental Agreement as they deem necessary or appropriate, subject to TxDOT's right to review and approve any such Supplemental Agreement.

(m) Construction Step-In. During a Construction Step-In, the Trustee is required to disburse funds to TxDOT or its designee from the Construction Fund and the BANs Construction Fund upon written request of TxDOT to pay Costs of the Project in accordance with **Section 6.02(e)** of the TELA and the requirements of **clauses (b)** and **(d)** above, and **(n)** and **(o)** below (the "*TxDOT Requisition Requirements*"). If TxDOT incurs Costs of the Project, including Construction Step-In Evaluation Costs, in connection with the exercise of its Construction Step-In rights and the Trustee does not have sufficient amounts in the Construction Fund and the BANs Construction Fund to pay TxDOT's Requisition Requirements for such Costs of the Project at the time of the submission of such request, the Trustee is required to use any amounts held in the General Account of the General Fund, the Current Year Revenue Account of the General Fund and the Capital Expenditures Fund, in that order of priority, to pay the TxDOT Requisition Requirements for such Costs of the Project; *provided, however*, that if there are still insufficient amounts to pay such TxDOT Requisition Requirements for such Costs of the Project (including Construction Step-In Evaluation Costs), at the time it is submitted to the Trustee, TxDOT will be entitled to reimbursement for such Costs of the Project from any future deposits to the General Account of the General Fund, the Current Year Revenue Account of the General Fund, and the Capital Expenditures Fund, in that order of priority, *provided, further*, that in no event will TxDOT be entitled to be paid or reimbursed by the Trustee out of any fund or account under the SPS Trust Agreement other than the Construction Fund or the BANs Construction Fund (x) for Costs of the Project, other than Construction Step-In Evaluation Costs, that are not actually incurred by TxDOT or exceed the Construction Step-In Construction Costs Limit in the aggregate for all Construction Step-In events for the PGBT WE Project or the SWP/CT Project, as applicable, or (y) for Construction Step-In Evaluation Costs that are not actually incurred by TxDOT or exceed the Construction Step-In Evaluation Costs Limit in the aggregate for all Construction Step-In events for the PGBT WE Project or the SWP/CT Project, as applicable. All such disbursements shall be subject to the provisions and restrictions set forth in the TxDOT Requisition Requirements.

(n) Disbursements to TxDOT During Construction Step-In. During a Construction Step-In, the Trustee is required to disburse money on deposit in the Construction Fund, the BANs Construction Fund, the General Account of the General Fund, the Current Year Revenue Account of the General Fund or the Capital Expenditures Fund, as applicable, to pay or as reimbursement for payment of Costs of the Project within two Business Days after receipt by the Trustee of written requisition requests of TxDOT, signed by a TxDOT Representative, TxDOT's general engineering consultant, if utilized by TxDOT, and, in the event the disbursement involves the acquisition or condemnation of real property, Counsel to TxDOT.

Upon receipt of each requisition, the Trustee is required, as directed by TxDOT, to transfer from the Construction Fund, the BANs Construction Fund, the General Account of the General Fund, the Current Year Revenue Account of the General Fund or the Capital Expenditures Fund, as applicable, funds equal to the total of the amounts to be paid as set forth in such requisition and TxDOT covenants to apply such funds to the payment of Costs of the Project as described in the requisition. If for any reason TxDOT should decide prior to release of payment by the Trustee of any item not to pay such item, the TxDOT Representative is required to give notice, confirmed in writing, of such decision to the Trustee and the Trustee may not make such payment.

(o) TxDOT Progress Reports. TxDOT covenants that at least quarterly during a Construction Step-In, it will prepare (or cause TxDOT's general engineering consultant if utilized by TxDOT during a Construction Step-In to prepare) a progress report in connection with construction of the Project including current projections with respect to:

(i) the date on which the Project will be opened for traffic, unless the Project has been opened for traffic prior to the date of such report;

(ii) the date on which the construction of such Project will be completed;

(iii) the Cost of the Project excluding bond discount and capitalized interest during construction and for one year thereafter; and

(iv) the amount of funds required each six months during the remaining estimated period of construction to pay the Costs of the Project exclusive of funds provided for construction contingencies, and accompanied by a progress schedule for such construction, and further including, as to construction, comparisons between the actual times elapsed and the actual costs, and the original estimates of such times and costs.

Copies of such progress reports are required to be filed with the Trustee and the TIFIA Lender.

*Outstanding Obligations*

The Bonds, the TIFIA Loan and the Toll Equity Loan will be the only long-term obligations outstanding under the SPS Trust Agreement and secured by the Revenues of the Special Projects System. Such obligations are not secured by revenue of the NTTA System.

*Rate Covenant*

Maintain Rates. The Authority has covenanted in the SPS Trust Agreement to maintain Cash Flows for each fiscal year commencing with the fiscal year ending August 31, 2014 in an amount not less than 1.00 times the Debt Service Requirements of all Outstanding First Tier Obligations and Second Tier Obligations. Cash Flows include payments made pursuant to the TELA for such fiscal year and Operating Expenses will be the Operating Expenses reflected in the Annual Operating Budget. Major Maintenance Expenses and Capital Expenditures are not deducted from Revenues in determining Cash Flows.

Failure to Comply. If during any fiscal year such Cash Flows (including payments made pursuant to the TELA) are less than the amount contemplated above for such fiscal year, the Authority will, before the 15th day of March of the following fiscal year, request the Traffic Engineers to make and file their recommendations with the Authority and the Trustee as to a revision in the Toll Rate Schedule then in effect, in order to cause the raising and production of Revenues in a manner which will enable the Authority to produce at the earliest feasible time Cash Flows in at least the amounts contemplated above for the current fiscal year. Copies of such request and of the recommendations of the Traffic Engineers, if any, are required to be filed by the Authority with the Trustee and the TIFIA Lender. The Authority has covenanted to promptly and carefully consider such recommendations, and, within sixty days after receipt of such recommendations, either (1) place into effect any Toll Rate Schedule as recommended by the Traffic Engineers, or (2) place into effect any alternative Toll Rate Schedule which, in the opinion of the Board, will enable it to comply with its covenants described herein. The Authority is required to advise the Trustee and the TIFIA Lender of the actions taken by the Authority with respect to the recommendations of the Traffic Engineers .

No Event of Default. If the Authority complies with all recommendations of the Traffic Engineers (or such independent engineer or engineering firm or corporation as hereinafter provided for) with respect to Toll Rate Schedules, it will not constitute an Event of Default under the SPS Trust Agreement if there is a deficiency in any fiscal year or years between the Cash Flows for such fiscal year or years and the amount required to be produced for such fiscal year or years. However, in the event of any such deficiency, and regardless of any recommendations of the Traffic Engineers or others, or compliance therewith by the Authority, the Trustee, may, and the Trustee is required, upon the written request of the Owners of 25% in principal amount of the Obligations Outstanding and upon being indemnified to its satisfaction, to institute and prosecute in a court of competent jurisdiction an appropriate action to compel the Authority to comply with its covenant herein to adopt and keep in effect a Toll Rate Schedule which will raise and produce during the current fiscal year an amount of Cash Flows as required above for such fiscal year, or to comply with any other covenant described under this caption. The Authority covenants that it will comply with any final order, decree, or judgment entered in any such proceeding, or any modification thereof.

Failure of Traffic Engineers. If the Authority requests that the Traffic Engineers provide their recommendations as described herein, and the Traffic Engineers fail to file with the Authority and with the Trustee such recommendations in writing within 120 days after such request, the Authority is required to forthwith designate and appoint an independent engineer or engineering firm or corporation having a nationwide and favorable reputation for skill and experience in such work, in lieu of the Traffic Engineers, to make the necessary survey and study and to make the required recommendations as to the aforesaid revision, which recommendations are required to be reported in writing to the Authority and to the Trustee on or before the 1st day of October of said year. Such recommendations will for all purposes be considered to be the equivalent of and a substitute for the recommendations of the Traffic Engineers hereinabove mentioned.

Compliance with TELA. So long as the Authority is in compliance with the rate covenants in the TELA (which generally contains a more stringent rate covenant than that contained in the SPS Trust Agreement), the Authority will be deemed to be in compliance with the rate covenant described herein.

*Additional Obligations under the SPS Trust Agreement*

Additional First Tier Obligations. (a) Except as otherwise provided under the caption " — *Obligations for Project Capacity Improvements*" below, the Authority will not issue or incur any other Obligation under the SPS Trust Agreement having a lien on the Trust Estate on parity with the Outstanding First Tier Obligations except for Additional First Tier Obligations issued as described herein.

(b) To the extent and in the manner described herein, the Authority reserves and has the right and power to issue or incur, at one time or from time to time, Additional First Tier Obligations which, when issued, will be secured by and payable from a lien on and pledge of the Trust Estate equally and ratably with, and in the same manner and to the same extent as the then Outstanding First Tier Obligations, and will be payable from and secured by the First Tier Debt Service Fund and will be in all respects of equal dignity and on a parity with any then Outstanding First Tier Obligations.

(c) Additional First Tier Obligations may be issued for the purpose of (i) financing the acquisition, development, design, construction, equipping, operation or maintenance of all or any portion of the SWP/CTP (ii) the refunding of any Outstanding First Tier Obligations or Second Tier Obligations and/or the interest thereon or (iii) the refunding of the Notes and the interest thereon. All Additional First Tier Obligations are required to bear interest at a rate or rates fixed through maturity.

(d) Upon their authorization by resolution of the Authority, the Additional First Tier Obligations of a Series issued as described hereunder is required to be issued and delivered to the purchasers or Owners thereof, but before, or concurrently with, the issuance and delivery of said Obligations to such purchasers or Owners there is required to have been filed with the Trustee the following:

(i) A copy, certified by the Secretary of the Board, of the resolution or resolutions of the Authority (1) authorizing the execution and delivery of a Supplemental Agreement establishing or providing for the establishment of, among other things, the date, rate or rates of interest on, interest payment dates, Stated Maturity dates and redemption provisions of such Additional First Tier Obligations, (2) authorizing the incurrence, issuance, sale, execution and

delivery of the Additional First Tier Obligations, and (3) for Additional First Tier Obligations issued pursuant to **clause (c)(i)** above, designating the addition of all or a portion of the SWP/CTP to the Special Projects System;

(ii) An original executed counterpart of the Supplemental Agreement and a board representative's certificate, if any;

(iii) A request and authorization of the Authority, signed by a Board Representative, to the Trustee to authenticate and deliver the Additional First Tier Obligations to such person named therein upon such conditions as are set forth in the request and authorization, including, if applicable, confirmation of payment to the Trustee for the account of the Authority of a specified sum (which may include directions as to the disposition of such sum of money);

(iv) A certificate of the Authority, signed by a Board Representative, that the Authority is not in default under the SPS Trust Agreement or, upon the issuance of such Additional First Tier Obligations, any existing default will be cured, and evidence satisfactory to the Trustee that, upon issuance of the Additional First Tier Obligations, amounts will be deposited in the funds under the SPS Trust Agreement adequate for the necessary balances therein after issuance of the Additional First Tier Obligations (including any amount necessary to satisfy the Capital Expenditures Reserve Requirement, the Major Maintenance Reserve Requirement and the Rate Stabilization Fund Requirement);

(v) An original executed counterpart of any amendment or supplement to the TELA providing for any necessary or related increases in the Rate Stabilization Fund Requirement, Maximum Available Aggregate Amount, the Maximum Available Annual Amount for each fiscal year and the Project Budget for each fiscal year;

(vi) A certificate of the Authority, signed by a Board Representative, demonstrating with reasonable detail that the Debt Service Requirements of the Additional First Tier Obligations proposed to be issued and all then Outstanding First Tier Obligations and Second Tier Obligations (excluding Obligations to be refunded) for the current fiscal year and in each fiscal year thereafter is less than or equal to the Maximum Available Annual Amount for each such fiscal year as set forth in the TELA (as may have been amended or supplemented);

(vii) An opinion or opinions of bond counsel to the effect that (1) all conditions precedent under the SPS Trust Agreement to the issuance of the Additional First Tier Obligations have been fulfilled, and (2) each of the Supplemental Agreement and the Additional First Tier Obligations has been duly authorized, executed and delivered and is a valid, binding and enforceable obligation of the Authority, subject to bankruptcy, equitable principles and other standard legal opinion exceptions;

(viii) An opinion or opinions of general counsel of TxDOT and Counsel to the Authority to the effect that each amendment or supplement to the TELA described in **clause (v)** above has been duly authorized, executed and delivered and is valid, binding and enforceable obligation of the TxDOT and the Authority, respectively, subject to bankruptcy, equitable principle and other standard legal opinion exceptions;

(ix) Evidence of the written consent required of the TIFIA Lender in accordance with the TIFIA Loan Agreement; and

(x) Such further documents, money and securities and other conditions as are required by the provisions of the Supplemental Agreement.

Additional Second Tier Obligations. The Authority reserves the right to issue or incur Additional Second Tier Obligations secured by and payable from a lien on and pledge of the Trust Estate equally and ratably with, and in the same manner and to the same extent as the then Outstanding Second Tier Obligations, and payable from and secured by the Second Tier Debt Service Fund and in all respects of equal dignity and on a parity with any then Outstanding Second Tier Obligations. Except to the extent specifically set forth in the SPS Trust Agreement or in a Supplemental Agreement authorizing Second Tier Obligations, the provisions described under

the caption " — *Additional First Tier Obligations*" will govern and apply to Second Tier Obligations and, as so applied, each time that "First Tier Obligations" is stated in such caption, it should be read as "Second Tier Obligations" other than with respect to the first reference to "First Tier Obligations" in **clause (c)(ii)** under the caption " — *Additional First Tier Obligations*" and the second reference to "First Tier Obligations" in **clause (d)(vi)** under the caption " — *Additional First Tier Obligations.*"

Obligations to Refund Notes. The Authority may, without complying with the provisions of **clauses (d)(iv)**, **(v)** and **(viii)** under caption " — *Additional First Tier Obligations*," issue or incur Additional First Tier Obligations or Additional Second Tier Obligations for the purpose of refunding the Notes on or before their respective maturity dates if the Debt Service Requirements for such Additional First Tier Obligations or the Additional Second Tier Obligations in each fiscal year are less than the Debt Service Requirements for the TIFIA Loan in each fiscal year.

Obligations for Project Capacity Improvements. The Authority may issue or incur Additional First Tier Obligations or Second Tier Obligations under the SPS Trust Agreement to finance Project Capacity Improvements in an aggregate amount not to exceed approximately $53.3 million plus an amount sufficient to pay the costs of issuance of such Obligations. The requirements of **clause (d)** contained under the caption " — *Additional First Tier Obligations*" will apply to the issuance of Additional First Tier Obligations or Additional Second Tier Obligations under the provisions described under this caption. If Additional Second Tier Obligations are so issued or incurred, each time that "First Tier Obligations" is stated in the above referenced provisions, they are required to be read as "Second Tier Obligations" other than with respect to the second reference to "First Tier Obligations" in **clause (d)(vi)** under the caption " — *Additional First Tier Obligations.*"

Third Tier Obligations. The Authority reserves the right to amend or supplement the Toll Equity Note or issue or incur additional Third Tier Debt Obligations to evidence the Toll Equity Loan in connection with any amendments or supplements to the TELA authorized pursuant to the SPS Trust Agreement. The Toll Equity Note as so amended or supplemented and any such additional Third Tier Debt Obligations, when issued or incurred, will be secured by and payable from a lien on and pledge of the Trust Estate equally and ratably with, and in the same manner and to the same extent as the Outstanding Third Tier Obligations, and will be payable from and secured by the Third Tier Debt Service Fund and will be in all respects of equal dignity and on a parity with any then Outstanding Third Tier Obligations.

***Special Rights of TxDOT***

**Generally, TxDOT (as described under this caption, the "*Controlling Creditor*") is entitled (i) upon the occurrence and continuance of any Event of Default, to exercise, control and direct the enforcement of all rights and remedies under the SPS Trust Agreement granted to the Owners of Obligations entitled to the benefit of the TELA or the Trustee for the benefit of the Owners under the SPS Trust Agreement and direct the Trustee to take any actions in connection therewith, and (ii) to grant any consent, direction or approval or take any action expressly permitted by or required under the SPS Trust Agreement to be granted or taken by the Owners of Obligations, except with respect to certain Unanimous Voting Matters, any Third Tier Subordination Event and any such consents, directions, approvals or actions specifically granted to or permitted to be taken by the TIFIA Lender under the SPS Trust Agreement (but not those generally granted to or permitted to be taken by the TIFIA Lender as an Owner of Obligations).**

**Notwithstanding the foregoing, upon the occurrence and continuance of a Third Tier Subordination Event (as defined in APPENDIX E), all rights and powers of the Controlling Creditor pursuant to the SPS Trust Agreement are required to be exercised by the Owners of not less than a majority in Principal amount of the First Tier Obligations then outstanding and the Owners of not less than a majority in Principal amount of the Second Tier Obligations then outstanding (the "*Required Creditors*") (and the Required Creditors will then be deemed to be the Controlling Creditor for all purposes necessary to give effect to the foregoing), subject to the rights, remedies and actions expressly permitted by or required under the SPS Trust Agreement to be exercised or taken by the Owners of Obligations (or any percentage thereof) separate and apart from the Required Creditors.**

**Nothing in the foregoing or elsewhere in the SPS Trust Agreement will be construed to (i) limit or preclude the exercise of any rights or remedies (in each case subject to the terms and conditions of the Direct Agreement) reserved by (A) TxDOT in the TELA and (B) the TIFIA Lender in the TIFIA Loan Agreement or (ii) permit TxDOT to waive or modify any limitation or conditions (A) to which it may be subject under the SPS Trust Agreement as Controlling Creditor or as an Owner of Third Tier Obligations, (B) with respect to payments or reimbursements to TxDOT relating to a Construction Step-In or an O&M Step-In, as described under the captions " — *Funds and Accounts — Construction Fund and BANS Construction Fund — Construction Step-In*," " — *Funds and Accounts — Operating Fund — Project Budget Amounts*," " — *Funds and Accounts — Major Maintenance Fund — Project Budget Amounts*," " — *Funds and Accounts — Capital Expenditures Fund — Project Budget Amounts*," and " — *Funds and Accounts — General Fund*," or (C) relating to Draw Requests or relating to the flow of funds and priorities and limitations in relation thereto set forth in the SPS Trust Agreement.**

**Security and Sources of Payment for the Notes**

*General*

**The Notes are not secured by revenues of the Special Projects System or the NTTA System or any funds and accounts held by the Trustee under the SPS Trust Agreement other than the BANs Construction Fund. The Notes are not entitled to the benefit of the TELA.** The Authority has granted a lien on and pledge of (i) the money from the TIFIA Loan disbursements (described herein) made to the Authority to refinance or retire the Notes and the money from the sale of any refunding bonds or such other bonds, notes or obligations issued in accordance with the requirements and limitations of the SPS Trust Agreement, the TELA and the TIFIA Loan Agreement, to refinance or retire the Notes and (ii) any proceeds of the Notes on deposit in the BANs Construction Fund held by the Trustee under the SPS Trust Agreement. The Notes are payable solely from money from the TIFIA Loan disbursements made to the Authority to retire the Notes, money from the sale of refunding bonds or other bonds, notes or obligations issued to retire the Notes and/or amounts on deposit in the BANs Construction Fund. The Authority expects that the Notes will be paid from amounts available under the TIFIA Loan described herein.

EXCEPT AS SPECIFIED IN THE PRECEDING PARAGRAPH, NONE OF THE STATE OF TEXAS, THE AUTHORITY, THE NTTA SYSTEM, THE SPECIAL PROJECTS SYSTEM NOR ANY OTHER AGENCY OR POLITICAL SUBDIVISION OF THE STATE OF TEXAS IS OBLIGATED TO PAY THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE NOTES. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OF TEXAS, NOR ANY OTHER AGENCY OR POLITICAL SUBDIVISION OF THE STATE OF TEXAS IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE NOTES. THE AUTHORITY HAS NO TAXING POWER.

*Certain Covenants*

Covenant to Issue Refunding Bonds. If the proceeds of the TIFIA Loan, together with other available amounts, are inadequate to refinance or retire the Notes, the Authority is required, in good faith, to endeavor to sell a sufficient principal amount of refunding bonds, in order to have funds available, together with other money available therefor, to pay the Notes and the interest thereon, as the same become due.

Compliance with Laws. The Authority covenants, and has agreed to require its contractors and subcontractors, to abide by all applicable federal and state laws in all material respects.

Compliance with TIFIA Loan Agreement. So long as any Notes remain outstanding, the Authority covenants to use all reasonable efforts to comply with the terms and conditions of the TIFIA Loan Agreement.

Eligible Project Costs; Use of TIFIA Loan. The Authority covenants to use proceeds of the Notes solely to finance "Eligible Project Costs" as defined by the TIFIA Loan Agreement. The Authority covenants that as of any date the aggregate amount of (i) unexpended proceeds of the Notes, including interest thereon, on deposit in the BANs Construction Fund, and (ii) the amount that Authority may request for disbursements under the TIFIA Loan Agreement to refinance the Notes, will never be less than the outstanding principal amount of the Notes.

*The Transportation Infrastructure Finance and Innovation Act Loan*

The Authority has entered into a loan agreement with the United States Department of Transportation acting by and through the Federal Highway Administrator (the "*TIFIA Lender*") in order to obtain a loan in the amount of approximately $418.4 million (the "*TIFIA Loan*") under the Transportation Infrastructure Finance and Innovation Act. The Authority may draw upon the TIFIA Loan to refund the Notes.

Any disbursement by the TIFIA Lender of the TIFIA Loan to pay or reimburse the Authority for Eligible Project Costs, including any disbursement to reimburse Eligible Project Costs for the purpose of paying or defeasing the Notes, may be made no later than the earlier of (i) one year after the date of substantial completion of PGBT WE and (ii) September 30, 2016.

The Authority must satisfy certain requirements and conditions to draw funds under the TIFIA Loan Agreement. Specifically, (a) the proceeds of all disbursements of the TIFIA Loan may be used only to pay or to reimburse the Authority for Eligible Project Costs incurred by the Authority in connection with PGBT WE, (b) such disbursements will be made pursuant to a requisition made by the Authority in the form set forth in the TIFIA Loan Agreement and approved by the TIFIA Lender, which form must includes statements to the effect that (i) certain of the representations and warranties contained in the TIFIA Loan Agreement are true and correct on and as of the date of the draw, and (ii) the Authority is in compliance with all of the terms and conditions of the TIFIA Loan Agreement and there is not an existing default under the TIFIA Loan Agreement. The Authority must also provide monthly statements to the TIFIA Lender which include (a) the amount of Eligible Project Costs financed from the proceeds of the Notes for the preceding month, (b) supporting documentation to verify that such proceeds were expended for Eligible Project Costs, and (c) a certificate from the Authority's authorized representative that (i) the proceeds were expended for Eligible Project Costs, and (ii) there does not currently exist a default under the TIFIA Loan Agreement or if there does currently exist a default, all the actions that the Authority is taking to remedy such default.

In addition to the foregoing, each of the following conditions precedent must be satisfied or waived in writing by the TIFIA Lender in its sole discretion: (a) the Authority has certified as to the absence of debarment or suspension or voluntary exclusion from participation in Government contracts, procurement and other matters and has provided to the TIFIA Lender a certificate to that effect in the form attached to the TIFIA Loan Agreement, (b) the Authority has delivered to the TIFIA Lender satisfactory evidence of compliance for PGBT WE with the requirements of the National Environmental Policy Act of 1969 (42 U.S.C. § 4321 *et seq.*), (c) the Authority has provided to the TIFIA Lender's satisfaction evidence that PGBT WE has been included in the approved transportation plan and program of TxDOT and the metropolitan transportation plan developed by the North Central Texas Council of Governments, and has received the express written approval of the Texas Transportation Commission, (d) the Authority has demonstrated to the TIFIA Lender's satisfaction that it has all Governmental Approvals necessary to commence construction, (e) the Authority has paid, or has made arrangements satisfactory to the TIFIA Lender to pay to the TIFIA Lender the fees and expenses of the TIFIA Lender's counsel and financial advisor and any auditors or other consultants employed by the TIFIA Lender for the purposes of the TIFIA Loan Agreement, (f) the Authority has delivered to the TIFIA Lender's satisfaction the Base Case Financial Model, the Base Case Financial Plan, the most recent Financial Plan and a certificate demonstrating that the projected Revenues will be sufficient to meet the Loan Amortization Schedule and to meet the Rate Covenant, (g) the Authority has submitted any agreements or other documentation (including an escrow agreement), each in form and substance satisfactory to the TIFIA Lender, for the consummation of the refunding of the Notes for which any disbursement of the TIFIA Loan shall be made in accordance with the TIFIA Loan Agreement, and (h) the Authority has delivered such other agreements, documents, instruments, opinions and other items required by the TIFIA Lender, all in form and substance satisfactory to the TIFIA Lender, including, but not limited to, evidence that required reserves have been funded and evidence that all other PGBT WE funding requirements have been met (including evidence of the achievement and consummation of the Closing and any other related transactions required to close prior to execution or effectiveness of the TIFIA Loan Agreement).

The TIFIA Lender is entitled to withhold approval of any pending or subsequent requests for the disbursement of TIFIA Loan proceeds if (a) a default under the TIFIA Loan Agreement has occurred and is continuing, (b) certain of the representations and warranties contained in the TIFIA Loan Agreement are not true

and correct on the date of disbursement; or (c) the Authority (i) fails to pay any principal or interest on the TIFIA Loan when the same is due and payable, (ii) applies TIFIA Loan proceeds for purposes other than payment of, or reimbursement for, Eligible Project Costs which have been the subject of an approved disbursement request under the TIFIA Loan Agreement, (iii) knowingly takes any action, or omits to take any action, amounting to fraud or violation of any applicable federal or local criminal law, in connection with the transactions contemplated by the TIFIA Loan Agreement, (iv) fails to construct PGBT WE in a manner consistent with plans, specifications, engineering reports or facilities plans previously submitted and approved by the TIFIA Lender, or with good engineering practices, where such failure prevents or materially impairs PGBT WE from fulfilling its intended purpose, or prevents or materially impairs the ability of the TIFIA Lender to monitor compliance by the Authority with applicable federal or local law pertaining to PGBT WE, or with the terms and conditions of the TIFIA Loan Agreement, (v) fails to observe or comply with any applicable federal or local law, or any term or condition of the TIFIA Loan Agreement; or (vi) fails to deliver documentation evidencing Eligible Project Costs claimed for disbursement at the times and in the manner specified by the TIFIA Loan Agreement and such failure continues for a period of more than thirty (30) days following written notice from the TIFIA Lender to the Authority.

As described above, the TIFIA Lender is not required to fund the TIFIA Loan if a default has occurred and is continuing. An event of default exists under the TIFIA Loan Agreement if:

(a) the Authority fails to pay any of the principal amount of or interest on the TIFIA Loan or any other obligation under the TIFIA Loan Agreement or the TIFIA Note, when and as the payment thereof is due under the TIFIA Loan Agreement or the TIFIA Note (a "*Payment Default*"); or

(b) the Authority fails to observe or perform any covenant, agreement or obligation of the Authority under the TIFIA Loan Agreement or the TIFIA Note (other than in the case of any Payment Default), and such failure is not cured within 30 days after receipt by the Authority from the TIFIA Lender of written notice thereof; *provided, however*, that if such failure is capable of cure but cannot be cured within such 30-day period, then no event of default will be deemed to have occurred or be continuing under this **clause (b)** if and so long as within such 30-day period the Authority will commence actions reasonably designed to cure such failure and will diligently pursue such actions until such failure is cured, provided such failure is cured within 180 days; or

(c) if (i) the Authority fails to reasonably prosecute the work relating to PGBT WE or (ii) the Authority fails to complete PGBT WE by the later of (A) October 11, 2013, or (B) the completion date set forth in the Construction Schedule (as the same may be amended from time to time with concurrence of the TIFIA Lender) provided to the TIFIA Lender, and after receipt of written notice to that effect from the TIFIA Lender, in all such cases the Authority fails to demonstrate to the TIFIA Lender's reasonable satisfaction that it is proceeding with the construction of PGBT WE with due diligence toward Substantial Completion by the date specified in the Construction Schedule (as may be amended from time to time) (a "*Development Default*"), then the TIFIA Lender after the delivery of written notice of a Development Default may (A) suspend the disbursement of TIFIA Loan proceeds under the TIFIA Loan Agreement, and (B) pursue such other remedies as provided in the TIFIA Loan Agreement. Subject to certain exceptions, if so requested in connection with a Development Default, the Authority is required to immediately repay any unexpended TIFIA Loan proceeds previously disbursed to the Authority, or

(d) any of the representations, warranties or certifications of the Authority made in or delivered pursuant to the TIFIA Loan Agreement or the TIFIA Note have been false or misleading in any material respect when made; or

(e) any acceleration occurs of any indebtedness of the Authority in an aggregate principal amount equal to or greater than $5,000,000 (inflated annually by CPI) ("*Other Material Indebtedness*"), or any such Other Material Indebtedness is not paid in full upon the final maturity thereof; or

(f) with respect to any Financing Document (other than the TIFIA Loan Agreement or the TIFIA Note) or the TIGER Grant Agreement, the Authority defaults in the timely performance of any covenant, agreement or obligation under any such document (except with respect to certain defaults) or any such document is terminated prior to its scheduled expiration or any of the representations, warranties or certifications of the Authority made in or delivered pursuant to any such document prove to be false or misleading in any material respect, (and, with respect to Master Custodial Account Agreement and the obligations of the Authority under the

TELA and the Toll Equity Note, such default, termination or breach could reasonably be expected to have a Material Adverse Effect) and the Authority fails to cure such default or to obtain an effective written waiver thereof, or to obtain an effective revocation of such termination (as the case may be), within 30 days after receipt of written notice thereof from the TIFIA Lender or the Trustee (whichever is earlier); *provided, however*, that if such cure or waiver or revocation (as the case may be) cannot be obtained within such 30-day period, then no Event of Default will be deemed to have occurred or be continuing under this **clause (f)** if and so long as within such 30-day period the Authority commences actions reasonably designed to obtain a cure or waiver of such default or a revocation of such termination (as the case may be) and diligently pursues such actions until such cure or waiver or revocation is obtained, provided such failure is cured or effectively waived, or such effective revocation has been obtained (as the case may be) within 180 days; or

(g) any failure by the Authority to pay (whether at scheduled maturity or otherwise) any of its obligations under the Financing Documents, other than a Payment Default, within five (5) days after receiving written notice that the same have become due and payable, or

(h) one or more judgments for the payment of money in an aggregate amount in excess of $10,000,000 (inflated annually by CPI) is rendered against the Authority and the same remains undischarged for a period of 30 consecutive days during which execution is not effectively stayed, or any action is legally taken by a judgment creditor to attach or levy upon any assets of the Authority to enforce any such judgment; or

(i) any non-monetary judgment or order is rendered against the Authority or any of its respective assets that could reasonably be expected to have a Material Adverse Effect, and there has elapsed a period of 60 consecutive days during which a stay of enforcement of such judgment or order, by reason of a pending appeal or otherwise, shall not be in effect; or

(j) any material provision of any Financing Document to which the Authority is a party after delivery thereof is expressly repudiated by the Authority or any other party thereto or ceases to be valid and binding on or enforceable against the Authority or any other party thereto (other than upon full performance or in connection with the expiration thereof in accordance with its terms); or

(k) the Authority fails to maintain its existence as a body corporate and politic and public instrumentality under the laws of the State of Texas; or

(l) a Non-Appropriation Event has occurred; *provided, however*, that no Event of Default will be deemed to have occurred and be continuing under this **clause (l)** if each of the following conditions are met on or before the 90th day from which the TIFIA Lender has notified the Authority as to the existence of a Non-Appropriation Event: (A) the Authority has proposed a course of action to address such event that is in all respects satisfactory to the TIFIA Lender in its sole discretion and that provides the TIFIA Lender satisfactory assurances in its sole discretion that the Authority will be able to continue to satisfy its Obligations under the TIFIA Loan Agreement, and the Authority enters into all agreements or instruments as the TIFIA Lender may require to carry out such course of action and assurances, (B) the Authority has continued to satisfy all of its obligations under the TIFIA Loan Agreement and (C) no other Default or Event of Default has occurred and is continuing; or

(m) a Bankruptcy Related Event has occurred; or

(n) the Authority abandons PGBT WE; or

(o) TxDOT fails to observe or perform any covenant, agreement or obligation of TxDOT under the Direct Agreement or fails to make an advance of any funds as requested pursuant to the terms of the TELA for any reason or otherwise fails to observe or perform its covenants or obligations under the TELA, *provided, however*, that if a failure of TxDOT to make an advance as requested by the Trustee in a Draw Request is due solely to the occurrence and continuance of a Non-Appropriation Event, no Event of Default will be deemed to have occurred and be continuing in certain specified circumstances; or

(p) operation of PGBT WE ceases for a continuous period of not less than 180 days unless such cessation of operations occurs by reason of an Uncontrollable Force.

Whenever any default under the TIFIA Loan Agreement has occurred and is continuing, the TIFIA Lender may suspend all of its obligations under the TIFIA Loan Agreement with respect to the disbursements of any undisbursed amounts of the TIFIA Loan in its sole discretion. Whenever any event of default under the TIFIA Loan Agreement has occurred and is continuing, the TIFIA Lender may suspend or continue to suspend all of its obligations under the TIFIA Loan Agreement with respect to the disbursement of any undisbursed amounts of the TIFIA Loan in its sole discretion; *provided, however*, that the TIFIA Lender will have the right to terminate all of its obligations under the TIFIA Loan Agreement with respect to the disbursement of any undisbursed amounts of the TIFIA Loan in its sole discretion upon providing the Authority with thirty (30) days' advance written notice of its intention to so terminate if the Authority fails to cure such event of default within such 30-day period, it being understood that such notice may be given in the notice provided by the TIFIA Lender notifying the Authority of such event of default and such 30-day period will run concurrently with any applicable cure period for such event of default; *provided, further*, that upon the occurrence of a Bankruptcy Related Event, all obligations of the TIFIA Lender under the TIFIA Loan Agreement with respect to the disbursement of any undisbursed amounts of the TIFIA Loan will immediately and automatically be deemed terminated.

See "**RISK FACTORS — Conditions to Drawing on the TIFIA Loan**" and "**—Failure to Refinance the Notes at Maturity**."

The TIFIA Loan will be issued and secured as a Second Tier Obligation under the SPS Trust Agreement and will be subordinate to the Bonds, except as provided below.

Upon the occurrence and during the continuance of any Bankruptcy Related Event of the Authority, the TIFIA Note will automatically and without action on the part of the TIFIA Lender or any other person immediately become and be of equal rank and in parity with the First Tier Obligations and will be entitled to all rights of an Owner of First Tier Obligations (including, without limitation, the right of payment pro rata with other First Tier Obligations pursuant to the SPS Trust Agreement). Upon such event, the money and investments held in the Second Tier Debt Service Fund allocable to the payment of the TIFIA Note are required to be transferred by the Trustee to the First Tier Debt Service Fund.

As used herein, the term Bankruptcy Related Event means (a) an involuntary proceeding is commenced or an involuntary petition is filed seeking (i) if applicable, liquidation, receivership, reorganization or other relief in respect of the Authority or any of its debts, or of a substantial part of the assets of the Authority, under any Insolvency Law, or (ii) the appointment of a receiver, trustee, liquidator, custodian, sequestrator, conservator or similar official for the Authority or for a substantial part of the assets of the Authority, and, in any case referred to in the foregoing **clauses (i)** and **(ii)**, such proceeding or petition continues undismissed for 60 days or an order or decree approving or ordering any of the foregoing is entered; or (b) the Authority (i) applies for or consents to the appointment of a receiver, trustee, liquidator, custodian, sequestrator, conservator, or similar official for the Authority or for a substantial part of the assets of the Project or the Authority, or (ii) becomes unable to pay its debts generally as they become due, or (iii) makes a general assignment for the benefit of creditors, or (iv) is adjudicated a bankrupt or insolvent, or (v) commences a voluntary case under any insolvency law or files a voluntary petition seeking liquidation, reorganization, an arrangement with creditors or an order for relief or otherwise seeking to take advantage of any insolvency law or admits the material allegations of a petition filed against the Authority in any proceeding referred to in the foregoing clauses of this definition, or (vi) takes any action for the purpose of effecting any of the foregoing. See "**APPENDIX H — TIFIA LOAN AGREEMENT (EXCLUDING APPENDICES)**" for additional information regarding the TIFIA Loan.

*The BANs Construction Fund*

Under the Note Resolution, the Authority is required to establish a fund, to be known as the "*BANs Construction Fund*," and within such fund, the "*BAN Capitalized Interest Account*." From the proceeds of the Notes, on the Closing Date the Authority will deposit $23,533,665 into the BAN Capitalized Interest Account, which amount represents interest on the Notes from the date of delivery thereof to their maturity (including interest earnings on the funds deposited to the BAN Capitalized Interest Account). The BANs Construction Fund is required to be held by the Trustee under the SPS Trust Agreement. Money deposited in the BANs Construction Fund is required to remain therein until from time to time expended to pay for costs of the project, and may not be used for any other purposes whatsoever, except to pay the principal of and interest on the Notes as the same

becomes due and payable whether at maturity or prior redemption, and pending such expenditure, money in the BANs Construction Fund may be invested at the direction of the Board Representative or the designee thereof in investments authorized under state law. Money on deposit in the BANs Capitalized Interest Account is to be used to pay interest on the Notes when due. Any income received from such investments is required to be deposited, as received, into the BANs Construction Fund.

The proceeds of the sale of any Notes (net of all expenses and costs of sale and issuance) are required to be deposited in the BANs Construction Fund and used solely for the purposes for which the Notes are being issued. See " **— Security and Sources of Payment for the Bonds — Funds and Accounts — Construction Fund and BANS Construction Fund**" for the procedures the Authority is required to follow to spend proceeds of the Notes held in the BANs Construction Fund and for additional information relating to the BANs Construction Fund.

## RISK FACTORS

The following is a discussion of certain risk factors that should be considered in evaluating an investment in the Obligations. This discussion does not purport to be either comprehensive or definitive. The order in which risks are presented is not intended to reflect either the likelihood that a particular event will occur or the relative significance of such an event. Moreover, there are other risks associated with an investment in the Obligations in addition to those set forth herein.

### General

The financial forecasts in this Official Statement are based generally upon certain assumptions and projections as to estimated revenues and Operating Expenses. See "**THE TRAFFIC AND REVENUE STUDY**" in **APPENDIX A**. Inevitably, some underlying assumptions and projections used to develop the forecasts will not be realized, and unanticipated events and circumstances may occur. Therefore, the actual results achieved during the forecast periods will vary from the forecasts, and such differences may be material.

### Forward-Looking Statements

The statements contained in this Official Statement, and in other information provided by the Authority, that are not purely historical, are forward-looking statements, including statements regarding the Authority's expectations, hopes, intentions or strategies regarding the future and the projections in the traffic and revenue study. All forward-looking statements included in this Official Statement are based on information available to the Authority on the date hereof, and the Authority assumes no obligation to update any such forward-looking statements.

The forward-looking statements herein are necessarily based on various assumptions and estimates that are inherently subject to numerous risks and uncertainties, including risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in social, economic, business, industry, market, legal and regulatory circumstances and conditions and actions taken or omitted to be taken by third parties, including customers, suppliers, business partners and competitors, and legislative, judicial and other governmental authorities and officials. Assumptions related to the foregoing involve judgments with respect to, among other things, future economic, competitive and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and, therefore, there can be no assurance that the forward-looking statements included in this Official Statement will prove to be accurate.

### Conditions Affecting Advances by TxDOT; TxDOT Obligations Subject to Appropriation

*Conditions Affecting Revenues Available for TxDOT Obligations.* Subject to certain conditions and limitations with respect to the amounts requested by the Trustee and the purpose of the draw, if toll revenues on PGBT WE fall short of expectations and there are inadequate balances in the funds and accounts established under the SPS Trust Agreement, TxDOT is required to make advances to the Trustee under the TELA. The TELA does not specify a particular source of funds for making advances, but TxDOT has stated its current intention is to make payments from the State Highway Fund, which is subject to appropriation by the State Legislature.

The revenues deposited into the State Highway Fund are comprised for the most part of federal transportation program funds (or reimbursements from federal funds) and State motor fuel taxes and State motor vehicle registration fees, which may fluctuate based on, among other things, the condition of the State and national economic conditions, population growth, income and employment levels, levels of tourism, weather conditions, environmental regulation (including adverse impacts resulting from designation of large population centers within the State as non-attainment areas that do not meet federal Clean Air Act standards), fuel prices, road conditions, the availability of alternate modes of transportation and the development of alternative fuel vehicles and more fuel efficient vehicles. There can be no assurance that downturns in any of the numerous factors affecting these revenues will not significantly affect the future level of revenues available in the State Highway Fund. See "**APPENDIX B — THE TEXAS DEPARTMENT OF TRANSPORTATION AND THE STATE HIGHWAY FUND**."

**TxDOT Obligations Funded Partially With Federal Funds Subject to Reauthorization and Congressional Appropriation**

TxDOT's obligation to advance funds under the TELA is expected to be paid from the State Highway Fund, which is funded in part from federal funds. Therefore, TxDOT's obligation to make payments pursuant to the terms of the TELA is subject in part to the availability of and appropriation by Congress of funds to the Federal Highway Administration to provide money to TxDOT that may be used in part to discharge TxDOT's obligations pursuant to the TELA.

There can be no assurances that there will not be future federal rescission of funds or other changes in law, regulation, or policy, or the availability of revenues at the federal level which may materially adversely affect the future availability of federal transportation program funds. For more information on the State Highway Fund, see "**APPENDIX B — THE TEXAS DEPARTMENT OF TRANSPORTATION AND THE STATE HIGHWAY FUND**."

**Ability of TxDOT to Meet Funding Obligations**

**TxDOT currently intends to make advances pursuant to the terms of the TELA from the State Highway Fund, and such payment obligation is subject to appropriation by the State Legislature of sufficient revenues from the State Highway Fund to make advances under the TELA.** The State Highway Fund is the general source for a substantial portion of funding for the state highway system, TxDOT, and the administration of State laws relating to traffic and safety on public roads. TxDOT may elect to pay amounts owed pursuant to the TELA from other lawfully available funds. However, any such election by TxDOT would not affect the nature of TxDOT's obligations, which would continue to be subject to appropriation of such funds by the State Legislature.

As described in **APPENDIX B**, TxDOT's primary source of funds is the State Highway Fund. The State Highway Fund receives constitutionally dedicated funds from a variety of sources including, without limitation, federal transportation funds from the Federal Highway Trust Fund ("*HTF*") (funded through federal excise taxes), state motor fuel taxes, state motor vehicle registration fees and state motor lubricants taxes. The level of such taxes and fees, and therefore the level of funds available to TxDOT, is subject to fluctuations based on a variety of factors, including general economic conditions, specific economic, competitive, or regulatory conditions affecting commercial enterprises that rely on motor vehicle transportation, and potential redirection of such taxes and fees to other purposes pursuant to changes in state of federal law or regulation.

Further, though constitutionally dedicated to the construction, maintenance and operation of the state highway system, all money available to TxDOT to satisfy its commitments and covenants remains subject to appropriation and could be apportioned by the legislature in a manner that would make them unavailable for advances under the TELA. Any failure of the legislature to timely appropriate sufficient funds for such purposes, or the imposition by the legislature of any significant restrictions on TxDOT's ability to transfer other appropriations to such purposes, could result in insufficient funds being available to TxDOT for it to satisfy such commitments and covenants.

Federal transportation funds are currently made available to the state by the federal government. Briefly, the Federal-Aid Highway Program ("*FAHP*") is an "umbrella" term that encompasses most of the federal programs providing highway funds to the states. The Federal Highway Administration ("*FHWA*") is the federal

agency within the TIFIA Lender responsible for administering the FAHP. The FAHP is financed from the transportation user-related revenues deposited in the HTF. Federal government funding for infrastructure projects is usually accomplished through highway authorization bills, which establish funding over a multi-year period. The most recent highway authorization legislation, SAFETEA-LU, was extended from December 31, 2010 to March 4, 2011 by the Continuing Appropriation and Surface Transportation Act, 2011 and extended again until September 30, 2011. The primary source of revenues in the HTF is derived from the federal excise taxes on motor fuels, including certain alternative fuels. The HTF is a dedicated federal fund with revenues dedicated for reimbursement of expenditures by the states, including Texas, for costs of eligible transportation projects, including highway projects and was created as a user-supported fund intended to finance highways with taxes paid by users of highways. State law currently provides that federal funds appropriated for public road construction in the State of Texas may only be spent by and under the supervision of TxDOT. Such funds are deposited to the credit of the State Highway Fund. Federal transportation program funds received and deposited to the State Highway Fund in fiscal year 2010 represented approximately $1.87 billion or 33% of State Highway revenue which was a decrease from fiscal year 2009 when $2.67 billion or 41% of State Highway revenue was from federal transportation program funds.

Deposits of such taxes into the HTF must periodically be reauthorized by Congress. Historically, the HTF and its constituent taxes have been authorized to operate for limited periods of time. Though recent federal surface transportation legislation has extended this authorization through September 30, 2011, there occasionally have been revenue shortfalls and periods in which the previous authorizing legislation had expired and the future legislation had yet to be enacted. In such circumstances, the federal government, including Congress, have found ways to avoid disruptions to state highway programs and have been able to maintain the flow of federal revenues to states in each instance, however no representation can be made regarding the likelihood of extension of such federal funding after September 30, 2011. Failure to replenish the HTF expeditiously may have an adverse impact on TxDOT. Various proposals are being considered to address the HTF's current anticipated shortfall, including an increase in fuel taxes, a variety of new taxes and other funding sources for the HTF. There can be no assurance that any of these proposals will be enacted by Congress. If federal legislation is enacted to extend such federal funding beyond September 30, 2011, it is possible that funding appropriations may be revised, and federal funding for infrastructure projects may be reduced which may impact the funding available to TxDOT.

If federal highway authorization legislation is enacted to extend federal funding beyond September 30, 2011, such funding legislation will be subject to possible federal rescission of funds. Federal rescission reduces the amount of federal funds provided by an appropriations or authorization act that has already become law. Similar to an appropriation or authorization act, a rescission must be passed by both chambers of the U.S. Congress and signed into law by the President. In most instances, a rescission is used to provide funding for a new or emergency legislative priority without increasing federal spending government-wide or by a particular agency. Another common scenario is to accommodate for budget shortfalls caused by federal revenue predictions that are discovered to be too high after a spending bill is passed into law. Rescissions are generally targeted at unobligated apportionments. Prior federal highway authorization legislation has been periodically subject to rescission, including reductions to funding under SAFETEA-LU in each of the years 2005 through 2009. Any rescission of any future federal highway authorization legislation could reduce federal funds ultimately deposited into the State Highway Fund.

**Risk of Delay in Phase 4 of the PGBT WE**

If Phase 4 of PGBT WE is delayed or is not opened, the aggregate amount of the Eligible Costs may be in an amount less than the principal of and interest on the Bonds and the TIFIA Note. As a result, draws under the TELA will be limited to the aggregate amounts of Eligible Costs, which may be insufficient to enable draws on the TELA to pay the principal of and interest on the Bonds and the TIFIA Note, if and when requested because the amounts requested would exceed the TxDOT Exposure Limitations.

**Risk Factors relating to the NTTA System**

Under the TELA and the Trust Agreement, the Authority has the obligation to provide legally available funds to cover, to the extent toll revenues from the Special Projects System are insufficient to cover such costs, Capital Expenditures, Operating Expenses and Major Maintenance Expenses that exceed the amounts set forth in the Project Budget. The TELA also requires the Authority to provide legally available funds to cover Project

Costs that exceed the amounts set forth in the Project Budget. It is likely that the source of such funds would be from revenues generated by the NTTA System. The following risk factors could affect the ability of the NTTA System to generate sufficient revenues to cover Project Costs, Capital Expenditures, Operating Expenses and Major Maintenance Expenses, if necessary.

*Rising Interest Rate Risk and other Market Disruptions*. Substantially increased interest rates could adversely impact the ability of the Authority to remarket or refund certain bonds issued pursuant to the NTTA System Trust Agreement on their respective mandatory tender dates. If the Authority is unable to remarket or refund such bonds on their mandatory tender dates, the interest rate on such bonds will increase to a rate of 12% per annum, which could have a material adverse effect on the Authority. Further, the failure to obtain replacement credit facilities and liquidity facilities with respect to the Series 2009D Bonds issued under the NTTA System Trust Agreement could require the Authority to refinance the Series 2009D Bonds at substantially higher interest rates. Additionally, the failure to renew or procure new letters of credit relating to the Series 2009D Bonds could accelerate the maturity of the Series 2009D Bonds.

The credit markets experience substantial disruption from time to time. There can be no assurance as to the timing of any disruption or the extent of any recovery that may be made by the credit markets. The Authority's capital plans include raising additional funds through bond financings for various projects, including PGBT EE and the SRT, projects that are a part of the NTTA System. If the Authority is unable to access the credit markets as a result of any such disruption, it is likely to have to delay the completion of certain projects until such time as the capital markets rebound. The effect of such delays could result in increased costs for such projects and a delay in the receipt of revenues for such projects.

*Collateral Posting Requirements Under Certain Swap Agreements*. The Authority entered into interest rate exchange agreements relating to the Series 2005C Bonds issued under the NTTA System Trust Agreement, which interest rate exchange agreements were insured by FGIC. Pursuant to the interest rate exchange agreement with JPMorgan Chase Bank, N.A. ("*JPM*"), successor to Bear Stearns Financial Products Inc., if FGIC's rating is below "A-" by S&P or "A3" by Moody's and the Authority's First Tier Bonds are rated below "A-" by S&P or "A3" by Moody's, the Authority will be obligated to post collateral in an amount equal to the swap termination payment amount owed by the Authority to JPM. The collateral posting requirement could have a negative impact on the Authority's liquidity position. While FGIC's rating has been downgraded below "A-" by S&P and "A3" by Moody's, the Authority's ratings on its First Tier Bonds are "A2" by Moody's and "A-" by S&P and so the Authority has no obligation to post collateral at this time.

*Swap Transaction Risks*. The Authority entered into interest rate swap transactions (the "*Swap Transactions*") under the NTTA System Trust Agreement with a collective outstanding notional amount of approximately $178,290,000 pursuant to ISDA Master Agreements dated and effective as of August 20, 2004 (the "*ISDA Master Agreements*") with Citibank N.A., New York and JPM (the "*Swap Providers*"). The Authority may enter into additional interest rate exchange agreements. The Authority is exposed to basis risk under the Swap Transactions as the variable rate received under the ISDA Master Agreements will not perfectly match the variable rate paid on the variable rate bonds intended to be hedged by such Swap Transactions.

Each of the ISDA Master Agreements may be terminated by the Authority if the respective counterparty does not maintain a credit rating of least "Baa3" by Moody's or "BBB-" by S&P. As of the date hereof, the Swap Providers respective ratings by Moody's and S&P are as follows: Citibank N.A., New York, "A1"/"A+" and JPM, "Aa1"/"AA-."

Under certain credit related circumstances, the Authority or the respective Swap Providers may terminate their respective obligations under the ISDA Master Agreements, and such termination may result in the payment of a settlement amount by the Authority or the respective Swap Provider to the other party. The amount of any termination would be determined at the time of the termination of the ISDA Master Agreements. If the Authority were to become obligated to make a termination payment under an ISDA Master Agreement, such obligation could be material in the period in which the amount is required to be paid. See " — *Rising Interest Rate Risk and other Market Disruptions*."

In addition to the foregoing, under the Swap Transaction with JPM, the Authority may be obligated to post collateral to secure its exposure in the event such Swap Transaction is terminated. However, so long as the

swap insurer for such Swap Transaction maintains a rating on its claims paying ability of at least "A-" from S&P and a financial strength rating of at least "A3" from Moody's or the Authority maintains a rating on its outstanding First Tier Bonds of at least "A3" by Moody's and at least "A-" by S&P, the Authority will have no obligation to post collateral. While the rating of FGIC, the swap insurer, is below "A-" by S&P and below "A3" by Moody's, the Authority's ratings on its First Tier Bonds are "A2" by Moody's and "A-" by S&P and so the Authority has no obligation to post collateral at this time.

*Additional Obligations*. The Authority may enter into additional hedging arrangements or issue additional bonds entitled to the benefit of the NTTA System Trust Agreement. The execution of such hedging arrangements and the issuance of such additional bonds could adversely affect the ability of the Authority to pay Project Costs, Capital Expenditures, Operating Expenses and Major Maintenance Expenses that exceed the Project Budget.

*Risks Relating to Build America Bonds*. The Authority has previously issued certain of its bonds under the NTTA System Trust Agreement as "Build America Bonds." The Authority has elected to receive a subsidy payment from United States Treasury equal to 35% of the taxable interest the Authority pays on such bonds. In order to receive the subsidy, the Authority is required to make certain filings with the Internal Revenue Service. If the Authority fails to make the required filings, it will not be eligible to receive the subsidy payments. Additionally, the proceeds of "Build America Bonds" have a number of limitations on their use. If the Authority were to use the proceeds of such bonds for expenditures other than capital expenditures, reasonably required reserve funds, and costs of issuance such bonds would not be eligible for the subsidy payments or as an offset against amounts owed by the Authority to the federal government. It is also possible that the subsidy payments could be reduced or eliminated as a result of a change in law. Any reduction or loss of the subsidy payments could have a material adverse effect on the Authority and its ability to pay Project Costs, Capital Expenditures, Operating Expenses and Major Maintenance Expenses that exceed the Project Budget. Finally, the federal government is entitled to offset any amounts owed to it by the Authority with the subsidy payments. Any such offset by the federal government could have a material adverse effect on the Authority and its ability to pay Project Costs, Capital Expenditures, Operating Expenses and Major Maintenance Expenses that exceed the Project Budget.

**Costs of Construction of Toll Facilities**

In projects of the magnitude of the toll facilities developed and operated by the Authority, there is a possibility of time delays and cost increases resulting from (i) design and construction problems and resulting change orders, (ii) environmental litigation or environmental administrative matters, (iii) the unavailability or cost of acquiring right-of-way, (iv) archeological, historic and unidentified subsurface conditions, (v) utility relocation problems, (vi) hazardous materials, (vii) force majeure events, (viii) litigation, or (ix) inflation. As a result, there can be no assurance that the costs of completion for the Authority's toll facilities will not exceed current estimates, or that the completion of such projects will not be delayed beyond the scheduled completion date. Variations in cost estimates and delays in construction could be material.

There is also a possibility of insolvency or bankruptcy of the contractors during construction. While the contractors will be required to provide a performance bond and a payment bond, there can be no assurance that such bonds will be sufficient to assure timely completion of the Authority's toll facilities. Moreover, if a default occurs under a construction contract by the contractor, there is a possibility of litigation between the Authority and the providers of the performance bonds and payment bonds and/or the contractor, which could further delay construction and the opening of the Authority's toll facilities. Any such delays and/or cost overruns could result in the delay or reduction in the collection of revenues and an increase in costs, thereby making it more difficult for the Authority to generate sufficient revenues to pay principal of and interest on the Obligations.

Notwithstanding the foregoing, it should be noted that the ability to make draws under the TELA is not conditioned upon the completion of the PGBT WE. However, TxDOT's obligation to advance funds is limited to Eligible Costs, and other conditions and limitations. See "**SECURITY AND SOURCES OF PAYMENT FOR THE OBLIGATIONS — Security and Source of Payment for the Bonds — Toll Equity Loan Agreement**." See " **— Risk of Delay in Phase 4 of the PGBT WE**."

**Traffic and Revenue Reports**

The revenue forecasts in the traffic and revenue studies are based upon certain assumptions set forth or incorporated therein. See "**THE TRAFFIC AND REVENUE STUDY**" in **APPENDIX A**. The traffic and revenue study is not a guarantee of any future events or trends and the forecasts therein are subject to future economic and social conditions and demographic developments that cannot be predicted with certainty. Further, the estimates and assumptions in the traffic and revenue study are inherently subject to significant economic and competitive uncertainties and contingencies, many of which are beyond the control of the Authority. Failure to achieve or realize any of the assumptions listed in the traffic and revenue study may have a materially adverse effect upon the Revenues actually realized from the Special Projects System.

**Operating Risks**

The ability of the Authority's toll facilities to generate revenues in amounts sufficient to pay debt service on the obligations of the Authority when due will be subject to the risks inherent in the establishment of any new toll facility. The ability to repay the obligations of the Authority issued pursuant to each of its trust agreements will be dependent on the volume of traffic that utilizes the Authority's toll facilities and the ability of the Authority and its computer systems to accurately process data. Revenues to be generated through such use will be influenced by numerous factors, including, among other things, the ability to manage toll evasion; the ability to control expenses; the availability of adequately-trained personnel; population, employment and income trends within the region; the congestion on alternative freeways, highways, and streets; time savings experienced by motorists utilizing the toll facilities; the toll rates; the availability and price of fuel; and the construction of new or improved competitive roadways or other transit facilities. Notwithstanding the foregoing, TxDOT will remain obligated to advance funds under the TELA as described herein. However, TxDOT's obligation to advance funds is limited to Eligible Costs, and other conditions and limitations. See "**SECURITY AND SOURCES OF PAYMENT FOR THE OBLIGATIONS — Security and Source of Payment for the Bonds — Toll Equity Loan Agreement**."

**Ability to Maintain or Raise Rates**

The Authority may need to raise toll rates in the future to support its debt service requirements. Although the traffic and revenue study for both the Special Projects System and the NTTA System suggests there is an ability to raise rates, the effect of such increased rates is unknown at this time. It is possible that the increase in rates could result in reduced usage of the toll facilities, resulting in decreased revenues. Additionally, after raising rates, substantial political pressure could result in hesitance to raise rates further if needed. Such risk is mitigated as a result of automatic increases to toll rates every two years, absent action by the Authority. Notwithstanding the foregoing, TxDOT will remain obligated to advance funds under the TELA as described herein. However, TxDOT's obligation to advance funds is limited to Eligible Costs, and other conditions and limitations. See "**SECURITY AND SOURCES OF PAYMENT FOR THE OBLIGATIONS — Security and Source of Payment for the Bonds — Toll Equity Loan Agreement**."

**Maintenance Costs**

Successful operation of the Authority's toll facilities will require timely and complete maintenance and replacement of components of such facilities. No assurance can be given that sufficient funds will be available to maintain the toll facilities adequately over the long term. Any significant deterioration in the toll facilities may result in increased operating costs and in reduced usage, as well as temporary lane closures, and may adversely affect the amount of funds available to pay debt service on the Authority's obligations under the respective trust agreements. Notwithstanding the foregoing, TxDOT will remain obligated to advance funds under the TELA as described herein. However, TxDOT's obligation to advance funds is limited to Eligible Costs, and other conditions and limitations. See "**SECURITY AND SOURCES OF PAYMENT FOR THE OBLIGATIONS — Security and Source of Payment for the Bonds — Toll Equity Loan Agreement**."

**Motor Fuel Prices and Taxes**

There is no assurance that motor fuel will remain in adequate supply or that motor fuel prices and federal and State motor fuel taxes will not increase. Increases in motor fuel prices could negatively impact the revenues of the Authority. Additionally, if motor fuel prices increase, it could have a material adverse effect on the

economy of the north central Texas region and the revenues of the Authority. Notwithstanding the foregoing, TxDOT will remain obligated to advance funds under the TELA as described herein. However, TxDOT's obligation to advance funds is limited to Eligible Costs, and other conditions and limitations. See "**SECURITY AND SOURCES OF PAYMENT FOR THE OBLIGATIONS — Security and Source of Payment for the Bonds — Toll Equity Loan Agreement**."

**Limitation and Enforceability of Remedies**

*Limitation of Remedies under the SPS Trust Agreement and the Note Resolution*.

The remedies available to Owners of the Obligations upon an event of default under the SPS Trust Agreement or the Note Resolution, as applicable, are limited to the seeking of specific performance in a writ of mandamus or other suit, action or proceeding compelling and requiring the Authority and its officers to observe and perform any covenant, condition or obligation prescribed in the SPS Trust Agreement or the Note Resolution, as applicable. In no event will Owners have the right to have the maturity of the Obligations accelerated as a remedy in the event of a default by the Authority. The enforcement of the remedy of mandamus may be difficult and time consuming. No assurance can be given that a mandamus or other legal action to enforce a default under the SPS Trust Agreement or the Note Resolution, as applicable, would be successful.

Under current State law the Authority may waive sovereign immunity from suit or liability for the purpose of adjudicating a claim to enforce an obligation issued or incurred (including credit agreements entered into) under Chapter 1371 of the Texas Government Code or for damages for breach of such obligation. THE AUTHORITY HAS NOT AGREED TO WAIVE SOVEREIGN IMMUNITY UNDER THE SPS TRUST AGREEMENT OR THE NOTE RESOLUTION. However, State courts have held that mandamus proceedings such as those discussed in the preceding paragraph are not prohibited by sovereign immunity. See "**SUMMARY OF CERTAIN PROVISIONS OF THE SPS TRUST AGREEMENT**" in **APPENDIX E**.

*Enforceability of Remedies*.

The remedies available under the SPS Trust Agreement and the Note Resolution are in many respects dependent upon regulatory and judicial actions that are often subject to discretion and delay. Under existing law, such remedies may not be readily available. In addition, enforcement of such remedies (i) may be subject to general principles of equity which may permit the exercise of judicial discretion, (ii) are subject to the exercise in the future by the State and its agencies and political subdivisions of the police power inherent in the sovereignty of the State, (iii) are subject, in part, to the provisions of the United States Bankruptcy Act and other applicable bankruptcy, insolvency, reorganization, moratorium or similar laws relating to or affecting the enforcement of creditors' rights generally, now or hereafter in effect, and (iv) are subject to the exercise by the United States of the powers delegated to it by the federal Constitution. The various legal opinions to be delivered concurrently with the delivery of the Obligations will be qualified to the extent that the enforceability of certain legal rights related to the Obligations is subject to limitations imposed by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally and by equitable remedies and proceedings generally.

*Enforceability of Remedies Against TxDOT under the TELA.* Each party to the TELA may avail itself of any remedy existing at law or in equity, such remedies to be cumulative. TxDOT has not waived sovereign immunity from suit or liability with respect to the TELA and therefore, the Authority or the Trustee may be prevented from bringing a suit against TxDOT to adjudicate a claim to enforce TxDOT's obligations under the TELA or for damages for breach of the TELA. However, State courts have held that mandamus proceedings against a governmental unit, such as TxDOT, are not prohibited by sovereign immunity.

In addition, State law may be interpreted to allow the State to impair the obligations of contracts such as the TELA in a valid exercise of the State's inherent police powers. Assuming the application of such law, there can be no assurances given as to the enforceability of TxDOT's obligations to make advances which might impair or impede any current or future appropriation from the State Highway Fund for the Department of Public Safety. See "**RISK FACTORS — Conditions Affecting Advances by TxDOT; TxDOT Obligations Subject to Appropriation**."

**Clean Air Act Non-Attainment and Conformity Risk; NEPA Environmental Litigation Risk**

The air quality provisions of the Clean Air Act, 42 U.S.C. §7401 *et seq*., as amended ("*CAA*"), and the transportation planning provisions of Title 23 and Title 49 of the United States Code, are intended to ensure that integrated transportation and air quality planning occur in those areas designated by the United States Environmental Protection Agency ("*EPA*") as non-attainment areas.

The CAA requires the EPA to set National Ambient Air Quality Standards ("*NAAQS*") for widespread pollutants from numerous and diverse sources considered harmful to public health and the environment. The CAA establishes two types of National Air Quality Standards: Primary Standards set limits to protect public health, including the health of "sensitive" populations; Secondary Standards set limits to protect public welfare, including protection against visibility impairment, damage to animals, crops, vegetation, and buildings. The CAA requires periodic review of the science upon which the standards are based and the standards themselves. NAAQS have been set for pollutants: Ozone, Carbon Monoxide, Particulate Matter, Sulfur Dioxide, Nitrogen Oxides, and Lead. An area in which one or more of the six regulated pollutants exceeds the NAAQS is designated as a "non-attainment" area, based on the area's failure to attain compliance with NAAQS for any particular pollutant. On April 15, 2004, EPA designated a nine-county area as non-attainment under the 8-hour NAAQS for ozone which became effective June 15, 2004. The nine-county area includes Collin, Dallas, Denton, Ellis, Johnson, Kaufman, Parker, Rockwall and Tarrant Counties ("*DFW Non-Attainment Area*"). On January 6, 2010, EPA proposed changing the 8-hour ozone standard. Currently, EPA is expected to make a final decision on whether to change the 8-hour ozone standard by the end of July, 2011. What effect, if any, the proposed change to the 8-hour standard will have on the DFW Non-Attainment Area cannot be determined at this time.

Transportation projects, including those of the Authority, must comply with and conform to the CAA. Although the area is currently designated non-attainment for ozone under the 8-hour NAAQS standard, voluntary pollution reduction efforts made in the area have kept the Area's transportation projects, including the Authority's projects, in compliance and conformity with the CAA.

Should the DFW Non-Attainment Area fail to achieve attainment, or should the DFW Non-Attainment Area fail to satisfy the then effective CAA State Implementation Plan ("*SIP*") (for non-attainment or otherwise), or for any other reason should a lapse in conformity with the Clean Air Act occur, the DFW Non-Attainment Area may be subjected to sanctions pursuant to Section 179 of the CAA. Under such circumstances, the Texas Commission on Environmental Quality would be required under the CAA to submit to EPA a new SIP under the CAA for the area. Due to the complexity of the non-attainment/conformity analysis, the status of EPA's implementation of its 8-hour standard, and the incomplete information surrounding any SIP requirements for areas designated non-attainment under the 8-hour standard, the exact nature of sanctions or any potential SIP for the DFW Non-Attainment Area is currently unknown. Nevertheless, it is possible that all or some of the transportation control measures available as sanctions under the CAA may be imposed. The CAA also provides for mandatory sanctions, including the suspension of highway funding, should the State fail to submit a proper SIP, or associated submissions, fail to revise or implement a SIP, or fail to comply with an existing SIP. Subject to certain exceptions, if the DFW Non-Attainment Area falls out of conformity and the mandatory highway funding suspension sanction is implemented, the Secretary of Transportation may be prohibited from approving or awarding transportation projects or grants within the area failing to conform to the CAA.

The Authority's existing toll facilities should not be directly affected by a lapse in conformity or non-attainment sanctions. The Mobility 2030: The Metropolitan Transportation Plan (the "*MTP*") was approved by the RTC in 2007 and received a favorable air quality conformity determination from the U.S. Department of Transportation. The MTP was amended in 2009 (the "*MTP 2009 Amendment*") and was approved by the RTC on April 9, 2009. As a result of the MTP 2009 Amendment, a new air quality conformity analysis was performed. A favorable air quality conformity determination based upon the 2009 amendment was received from the U.S. Department of Transportation in August 2009. The Authority's toll facilities are included in the MTP and the MTP 2009 Amendment. On March 10, 2011, the RTC adopted a new mobility plan — Mobility 2035. The new plan was developed utilizing the most recent regional demographic projections. Final federal approval of the new plan is not expected until June 2011.

It is possible that non-attainment, a lapse in conformity under the CAA, or other environmental issues may result in litigation involving injunctive or other relief that could give rise to delays in the construction or operation of PGBT WE, the SRT and/or the PGBT EE. Litigation under the National Environmental Policy Act or other state or federal environmental laws may also result in injunctive or other relief and the possibility of delay in construction or operation of PGBT WE, the SRT and/or the PGBT EE.

**Additional Obligations**

The Authority may issue additional bonds under the SPS Trust Agreement in the case of the development and construction of the SWP/CTP; *provided, however*, that for bonds to be issued under the SPS Trust Agreement, the TELA must be amended to provide for additional coverage for such bonds. Issuance of such additional bonds could adversely affect the ability of the Authority to repay the Obligations.

**Effect of Bankruptcy on the TELA and the TIFIA Loan Agreement**

If the Authority were to enter into bankruptcy, it is possible that the TELA and, prior to advancement of all loan amounts thereunder, the TIFIA Loan Agreement could be rejected as executory contracts for the lending of money. In such a case, the TELA would no longer be available for the advancement of funds for the payment of the Bonds and the Owners of the Bonds could look only to the revenues of the Special Projects System for the repayment of the Bonds. Also, if the TIFIA Loan Agreement was rejected, it would no longer be available to repay the Notes. In such a case, Owners of the Notes would be able to look only to the Authority's ability to issue refunding bonds to repay the Notes (which could be significantly adversely affected by the bankruptcy filing).

**Conditions to Drawing on the TIFIA Loan**

The Authority expects to draw funds under the TIFIA Loan Agreement to repay the Notes. If the Authority is in default under the terms of the TIFIA Loan Agreement, the TIFIA Lender may suspend its obligations to advance funds. In such a case, the Authority would have insufficient funds to pay the Notes at maturity and the Owners of the Notes would be able to look only to the Authority's ability to issue refunding bonds to repay the Notes.

**Failure to Refinance the Notes at Maturity**

The Authority expects to draw funds under the TIFIA Loan Agreement to repay the Notes. If the Authority is unable to draw under the TIFIA Loan Agreement, or issue other bonds, notes or obligations to repay the Notes, the Authority will have insufficient funds to pay the Notes at maturity.

**Pending Legislation**

The Texas Legislature is currently in session for its 82nd Regular Session, which ends on May 30, 2011. While in session, the Texas Legislature may consider bills which could have a direct impact on the Authority and its operations. The Authority makes no representations or predictions concerning the substance or affect of any legislation that may be proposed and ultimately passed in the Regular Session or special session that may convene after the end of the Regular Session, or how any such legislation would affect the financial condition of the Authority or its operations. In particular, there are certain bills that have been filed that could require the Authority to reduce the administrative fees it charges to toll road violators. In addition, see "**APPENDIX B — THE TEXAS DEPARTMENT OF TRANSPORTATION AND THE STATE HIGHWAY FUND"** for a description of certain legislation that could adversely affect TxDOT, including sunset review.

## LITIGATION

**The Authority**

On the date of delivery of the Obligations to the Underwriters, the Authority will execute and deliver a certificate to the Underwriters to the effect that no litigation of any nature has been filed or is pending as of such date seeking to restrain or enjoin the issuance or delivery of the Obligations or which would affect the provisions made for their payment or security, or in any manner questions the validity of the Obligations.

As of the date of this Official Statement, the Authority is not a party to any litigation or other proceeding pending or, to its knowledge, threatened, in any court, agency, or other administrative body (either state or

federal) which, if decided adversely to the Authority, could have a material adverse effect on the financial condition of the Authority.

Notwithstanding the foregoing, the Authority has become a defendant in a class-action lawsuit alleging that (a) the Authority has exceeded its legal authority in assessing administrative fees to toll road violators, and (b) the method pursuant to which administrative fees are collected is not permitted pursuant to statute. The Authority believes that the lawsuit is without merit. Regardless, if the plaintiffs were to succeed on all counts in the litigation, the Authority believes that the maximum damages would be less than $20 million. In addition, the Internal Revenue Service ("*IRS*") recently notified the Authority that it was auditing the Authority's $825,000,000 North Texas Tollway Authority System First Tier Taxable Current Interest Bonds, Series 2009B (Build America Bonds — Direct Payment). The letter from the IRS notifying the Authority that such bonds were selected for examination stated that "[a]t this time, we have no reason to believe your debt issuance fails to comply with any of the applicable tax requirements." The Authority intends to cooperate with the IRS with respect to the audit.

The Authority recently discovered that a limited number of employees in its information technology group may have undertaken a scheme to misappropriate the Authority's funds by creating fraudulent refunds of toll revenues. While the Authority has not yet conducted a complete investigation of the matter, it has reported it to local police and hired a computer forensic firm. In addition, the Authority is conducting its own internal investigation to determine the full extent of the losses. Based upon its initial investigation, the Authority believes that the maximum loss, assuming no recovery, is less than $300,000.

**The Texas Department of Transportation**

On the date of delivery of the Bonds to the Underwriters, TxDOT will execute and deliver a certificate to the Underwriters to the effect that no litigation or proceeding is pending against TxDOT of which TxDOT has notice and, to the best of its knowledge, no such litigation or proceeding is threatened in any court or administrative body, nor is there a basis for litigation, which would contest the due authorization, execution, delivery or enforceability of (a) the TELA, or (b) TxDOT's continuing disclosure obligation or attempt to limit, enjoin, or otherwise restrict or prevent TxDOT from performing its obligations thereunder, including its obligation to advance funds to the Authority under the TELA. As of the date of this Official Statement, no action, suit or proceeding or investigation at law or in equity before or by any court, public board, or public body pending, or, to its knowledge, threatened against or affecting TxDOT relating to the execution, delivery, and performance by TxDOT of the TELA or the continuing disclosure agreement, or that could have a material adverse effect on the financial condition of the TXDOT or TxDOT's ability to advance funds under the TELA.

## TAX MATTERS

**Federal Income Tax Treatment for the Bonds**

*Opinion.* On the date of initial delivery of the Bonds, Co-Bond Counsel will render an opinion with respect to the Bonds that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof (*"Existing Law"*), (i) for federal income tax purposes interest on the Bonds will be excludable from the "gross income" of the holders thereof and (ii) the Bonds will not be treated as "specified private activity bonds" the interest on which would be included as an alternative minimum tax preference item under Section 57(a)(5) of the Code. Except as stated above, Co-Bond Counsel will not express an opinion as to any other federal, state or local tax consequences of the purchase, ownership or disposition of the Bonds. See **APPENDIX J** for the form of Co-Bond Counsel Opinion relating to the Bonds.

In rendering their opinion, Co-Bond Counsel will rely upon (a) certain information and representations of the Authority, including information and representations contained in the Authority's federal tax certificate, and (b) covenants of the Authority contained in the Bond Resolution relating to certain matters, including arbitrage and the use of the proceeds of the Bonds and the property financed therewith. Failure by the Authority to observe the aforementioned representations or covenants could cause the interest on the Bonds to become taxable retroactively to the date of issuance.

The Code and the regulations promulgated thereunder contain a number of requirements that must be satisfied subsequent to the issuance of the Bonds in order for interest on the Bonds to be, and to remain,

excludable from gross income for federal income tax purposes. Failure to comply with such requirements may cause interest on the Bonds to be included in gross income retroactively to the date of issuance of the Bonds. The opinions of Co-Bond Counsel are conditioned on compliance by the Authority with such requirements, and Co-Bond Counsel has not been retained to monitor compliance with these requirements subsequent to the issuance of the Bonds.

Co-Bond Counsel's opinion represents their legal judgment based upon their review of Existing Law and reliance on the aforementioned information, representations and covenants. Co-Bond Counsel's opinion is not a guarantee of a result. Existing Law is subject to change by the Congress and to subsequent judicial and administrative interpretation by the courts and the United States Department of the Treasury. There can be no assurance that Existing Law or the interpretation thereof will not be changed in a manner which would adversely affect the tax treatment of the purchase, ownership or disposition of the Bonds.

A ruling was not sought from the Internal Revenue Service (the "*IRS*") by the Authority with respect to the Bonds or property financed with the proceeds of the Bonds. No assurances can be given as to whether or not the IRS will commence an audit of the Bonds, or as to whether the IRS would agree with the opinion of Co-Bond Counsel. If an audit is commenced, under current procedures the IRS is likely to treat the Authority as the taxpayer and the Bondholders may have no right to participate in such procedure. No additional interest will be paid upon any determination of taxability.

*Federal Income Tax Accounting Treatment of Original Issue Discount.* The initial public offering price to be paid for one or more maturities of the Bonds may be less than the principal amount thereof or one or more periods for the payment of interest on the Bonds may not be equal to the accrual period or be in excess of one year (the "*Original Issue Discount Bonds*"). In such event, the difference between (i) the "stated redemption price at maturity" of each Original Issue Discount Bond, and (ii) the initial offering price to the public of such Original Issue Discount Bond would constitute original issue discount. The "stated redemption price at maturity" means the sum of all payments to be made on the Bonds less the amount of all periodic interest payments. Periodic interest payments are payments which are made during equal accrual periods (or during any unequal period if it is the initial or final period) and which are made during accrual periods which do not exceed one year.

Under Existing Law, any owner who has purchased such Original Issue Discount Bond in the initial public offering is entitled to exclude from gross income (as defined in section 61 of the Code) an amount of income with respect to such Original Issue Discount Bond equal to that portion of the amount of such original issue discount allocable to the accrual period. For a discussion of certain collateral federal tax consequences, see discussion set forth below.

In the event of the redemption, sale or other taxable disposition of such Original Issue Discount Bond prior to Stated Maturity, however, the amount realized by such owner in excess of the basis of such Original Issue Discount Bond in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Original Issue Discount Bond was held by such initial owner) is includable in gross income.

Under Existing Law, the original issue discount on each Original Issue Discount Bond is accrued daily to the Stated Maturity thereof (in amounts calculated as described below for each six-month period ending on the date before the semiannual anniversary dates of the date of the Bonds and ratably within each such six-month period) and the accrued amount is added to an initial owner's basis for such Original Issue Discount Bond for purposes of determining the amount of gain or loss recognized by such owner upon the redemption, sale or other disposition thereof. The amount to be added to basis for each accrual period is equal to (a) the sum of the issue price and the amount of original issue discount accrued in prior periods multiplied by the yield to Stated Maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) less (b) the amounts payable as current interest during such accrual period on such Original Issue Discount Bond.

The federal income tax consequences of the purchase, ownership, redemption, sale or other disposition of Original Issue Discount Bonds which are not purchased in the initial offering at the initial offering price may be determined according to rules which differ from those described above. All owners of Original Issue Discount Bonds should consult their own tax advisors with respect to the determination for federal, state and local income

tax purposes of the treatment of interest accrued upon redemption, sale or other disposition of such Original Issue Discount Bonds and with respect to the federal, state, local and foreign tax consequences of the purchase, ownership, redemption, sale or other disposition of such Original Issue Discount Bonds.

*Collateral Federal Income Tax Consequences.* The following discussion is a summary of certain collateral federal income tax consequences resulting from the purchase, ownership or disposition of the Bonds. This discussion is based on Existing Law, which is subject to change or modification, retroactively.

The following discussion is applicable to investors, other than those who are subject to special provisions of the Code, such as financial institutions, property and casualty insurance companies, life insurance companies, individual recipients of Social Security or Railroad Retirement benefits, individuals allowed an earned income credit, certain S corporations with accumulated earnings and profits and excess passive investment income, foreign corporations subject to the branch profits tax, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase tax-exempt obligations.

THE DISCUSSION CONTAINED HEREIN MAY NOT BE EXHAUSTIVE. INVESTORS, INCLUDING THOSE WHO ARE SUBJECT TO SPECIAL PROVISIONS OF THE CODE, SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX TREATMENT WHICH MAY BE ANTICIPATED TO RESULT FROM THE PURCHASE, OWNERSHIP AND DISPOSITION OF TAX-EXEMPT OBLIGATIONS BEFORE DETERMINING WHETHER TO PURCHASE THE BONDS.

Interest on the Bonds will be includable as an adjustment for "adjusted current earnings" to calculate the alternative maximum tax imposed on corporations by Section 55 of the Code. Section 55 of the Code imposes a tax equal to 20 percent for corporations, or 26 percent for noncorporate taxpayers (28 percent for taxable income exceeding $175,000), of the taxpayer's "alternative minimum taxable income," if the amount of such alternative minimum tax is greater than the taxpayer's regular income tax for the taxable year.

Under section 6012 of the Code, holders of tax-exempt obligations, such as the Bonds, may be required to disclose interest received or accrued during each taxable year on their returns of federal income taxation.

Section 1276 of the Code provides for ordinary income tax treatment of gain recognized upon the disposition of a tax-exempt obligation, such as the Bonds, if such obligation was acquired at a "market discount" and if the fixed maturity of such obligation is equal to, or exceeds, one year from the date of issue. Such treatment applies to "market discount bonds" to the extent such gain does not exceed the accrued market discount of such bonds, although for this purpose, a de minimis amount of market interest is ignored. A "market discount bond" is one which is acquired by the holder at a purchase price which is less than the stated redemption price at maturity or, in the case of a bond issued at an original issue discount, the "revised issue price" (i.e., the issue price plus accrued original issue discount). The "accrued market discount" is the amount which bears the same ratio to the market discount as the number of days during which the holder holds the bond bears to the number of days between the acquisition date and the final maturity date.

**Federal Income Tax Treatment for the Notes**

THE FOLLOWING DISCUSSION, WHICH WAS WRITTEN TO SUPPORT THE PROMOTION OR MARKETING OF THE SALE OF THE NOTES, IS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED BY ANY TAXPAYER, TO AVOID PENALTIES THAT MIGHT BE IMPOSED ON THE TAXPAYER IN CONNECTION WITH THE MATTERS DISCUSSED THEREIN.

*General*

The following discussion is a summary of certain expected material federal income tax consequences of the purchase, ownership and disposition of the Notes and is based on the Code, the regulations promulgated thereunder, published rulings and pronouncements of the IRS and court decisions currently in effect. There can be no assurance that the IRS will not take a contrary view, and no ruling from the IRS, has been, or is expected to be, sought on the issues discussed herein. Any subsequent changes or interpretations may apply retroactively and could affect the opinion and summary of federal income tax consequences discussed herein. See **APPENDIX J** for the form of Co-Bond Counsel Opinion relating to the Notes.

The following discussion is not a complete analysis or description of all potential U.S. federal tax considerations that may be relevant to, or of the actual tax effect that any of the matters described herein will have on, particular holders of the Notes and does not address U.S. federal gift or estate tax or the alternative minimum tax, state, local or other tax consequences. This summary does not address special classes of taxpayers (such as partnerships, or other pass-thru entities treated as a partnerships for U.S. federal income tax purposes, S corporations, mutual funds, insurance companies, financial institutions, small business investment companies, regulated investment companies, real estate investment trusts, grantor trusts, former citizens of the U.S., broker-dealers, traders in securities and tax-exempt organizations, taxpayers who may be subject to personal holding company provisions of the Code) that are subject to special treatment under U.S. federal income tax laws, or persons that hold Notes as a hedge against, or that are hedged against, currency risk or that are part of hedge, straddle, conversion or other integrated transaction, or persons whose functional currency is not the U.S. dollar. This summary is further limited to investors who will hold the Notes as "capital assets" (generally, property held for investment) within the meaning of Section 1221 of the Code.

THIS SUMMARY IS INCLUDED HEREIN FOR GENERAL INFORMATION ONLY AND DOES NOT DISCUSS ALL ASPECTS OF THE U.S. FEDERAL INCOME TAXATION THAT MAY BE RELEVANT TO A PARTICULAR HOLDER OF NOTES IN LIGHT OF THE HOLDER'S PARTICULAR CIRCUMSTANCES AND INCOME TAX SITUATION. PROSPECTIVE HOLDERS OF THE NOTES SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX TREATMENT WHICH MAY BE ANTICIPATED TO RESULT FROM THE PURCHASE, OWNERSHIP AND DISPOSITION OF THE NOTES BEFORE DETERMINING WHETHER TO PURCHASE NOTES.

As used herein, the term "*U.S. Holder*" means a beneficial owner of a Note who or which is: (i) an individual citizen or resident of the United States, (ii) a corporation or partnership created or organized under the laws of the United States or any political subdivision thereof or therein, (iii) an estate, the income of which is subject to U.S. federal income tax regardless of the source; or (iv) a trust, if (a) a court within the U.S. is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust, or (b) the trust validly elects to be treated as a U.S. person for U.S. federal income tax purposes. As used herein, the term "*Non-U.S. Holder*" means a beneficial owner of a Note that is not a U.S. Holder.

*Certain U.S. Federal Income Tax Consequences to U.S. Holders.*

Periodic Interest Payments and Original Issue Discount. On the date of issue of the Notes, Co-Bond Counsel will render an opinion under Existing Law that the Notes are not obligations described in section 103(a) of the Code. Accordingly, the stated interest paid on the Notes or original issue discount, if any, accruing on the Notes will be includable in "gross income" within the meaning of Section 61 of the Code of each owner thereof and be subject to federal income taxation when received or accrued, depending upon the tax accounting method applicable to such owner.

Disposition of Notes. An owner will recognize gain or loss on the redemption, sale, exchange or other disposition of a Note equal to the difference between the redemption or sale price (exclusive of any amount paid for accrued interest) and the owner's tax basis in the Notes. Generally, a U.S. Holder's tax basis in the Notes will be the owner's initial cost, increased by income reported by such U.S. Holder, including original issue discount and market discount income, and reduced, but not below zero, by any amortized premium. Any gain or loss generally will be a capital gain or loss and either will be long-term or short-term depending on whether the Notes has been held for more than one year.

Defeasance of the Notes. Defeasance of any Note may result in a reissuance thereof for U.S. federal income tax purposes, in which event a U.S. Holder will recognize taxable gain or loss as described above.

*Certain U.S. Federal Income Tax Consequences to Non-U.S. Holders.*

A Non-U.S. Holder that is not subject to U.S. federal income tax as a result of any direct or indirect connection to the U.S. in addition to its ownership of a Note, will not be subject to U.S. federal income or withholding tax in respect of a Note, *provided that* such Non-U.S. Holder complies, to the extent necessary, with identification requirements including delivery of a signed statement under penalties of perjury, certifying that such Non-U.S. Holder is not a U.S. person and providing the name and address of such Non-U.S. Holder. Absent

such exemption, payments of interest, including any amounts paid or accrued in respect of accrued original issue discount, may be subject to withholding taxes, subject to reduction under any applicable tax treaty. Non-U.S. Holders are urged to consult their own tax advisors regarding the ownership, sale or other disposition of a Note.

The foregoing rules will not apply to exempt a U.S. shareholder of a controlled foreign corporation from taxation on the U.S. shareholder's allocable portion of the interest income received by the controlled foreign corporation.

*Information Reporting and Backup Withholding*.

Subject to certain exceptions, information reports describing interest income, including original issue discount, with respect to the Notes will be sent to each registered holder and to the IRS. Payments of interest and principal may be subject to backup withholding under Section 3406 of the Code if a recipient of the payments fails to furnish to the payor such owner's social security number or other taxpayer identification number ("*TIN*"), furnishes an incorrect TIN, or otherwise fails to establish an exemption from the backup withholding tax. Any amounts so withheld would be allowed as a credit against the recipient's federal income tax. Special rules apply to partnerships, estates and trusts, and in certain circumstances, and in respect of Non-U.S. Holders, certifications as to foreign status and other matters may be required to be provided by partners and beneficiaries thereof.

The tax discussion above relating to the Notes was written to support the promotion or marketing of the Notes. This discussion was not intended or written to be used and cannot be used, for the purpose of avoiding federal taxpayer penalties. A taxpayer should seek advice based on the taxpayer's particular circumstances from an independent tax advisor. The notice set forth in this paragraph is intended to comply with the provisions of section 10.35 of the United States Treasury publication Circular 230.

**State, Local, and Foreign Taxes for Obligations**

Investors should consult their own tax advisors concerning the tax implications of the purchase, ownership, or disposition of the Obligations under applicable state or local laws. Foreign investors should also consult their own tax advisors regarding the tax consequences unique to investors who are not United States persons.

## UNDERWRITING

The Underwriters for the Obligations have agreed, subject to certain customary conditions to delivery, to purchase the Obligations from the Authority at the price of $1,504,959,679.14 reflective of par plus a net original issue premium of $1,480,254.20 and less an underwriters' discount of $6,164,024.71.

The Underwriters for the Obligations will be obligated to purchase all of the Obligations if any such Obligations are purchased. The Obligations may be offered and sold to certain dealers and others at prices lower than the initial public offering price set forth on pages (i) through (v) of this Official Statement, and such public offering prices may be changed, from time to time, by the Underwriters therefor. The Underwriters for the Obligations may provide other services and products to the Authority for which they may be entitled to receive additional compensation.

Citigroup Inc. and Morgan Stanley, the respective parent companies of Citigroup Global Markets Inc. and Morgan Stanley & Co. Incorporated, and each an underwriter of the Obligations, have entered into a retail brokerage joint venture. As part of the joint venture each of Citigroup Global Markets Inc. and Morgan Stanley & Co. Incorporated will distribute municipal securities to retail investors through the financial advisor network of a new broker-dealer, Morgan Stanley Smith Barney LLC. This distribution arrangement became effective on June 1, 2009. As part of this arrangement, each of Citigroup Global Markets Inc. and Morgan Stanley & Co. Incorporated will compensate Morgan Stanley Smith Barney LLC. for its selling efforts in connection with their respective allocations of Obligations.

Loop Capital Markets LLC, an Underwriter of the Obligations, has entered into an agreement (the "*Distribution Agreement*") with UBS Financial Services Inc. ("*UBSFS*") for the retail distribution of certain municipal securities offerings at the original issue prices. Pursuant to the Distribution Agreement (if applicable

for this transaction), UBSFS will purchase the Obligations at the original price less a negotiated portion of the selling concession applicable to any Obligations UBSFS sells.

## RATINGS

The Bonds have received a rating of "AA" from Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC business ("*S&P*") and a rating of "AA–" from Fitch, Inc. ("*Fitch*") . The Notes have received a rating of "SP-1+" from S&P and a rating of "F1+" from Fitch. The ratings on the Bonds are based in part on TxDOT's obligation to advance funds pursuant to the TELA. The ratings on the Notes are based in part on the availability of the TIFIA Loan to refund the Notes. An explanation of the significance of the ratings may be obtained from S&P and Fitch. The ratings reflect only the views of S&P and Fitch at the time the ratings were given, and the Authority makes no representation as to the appropriateness of the ratings. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by S&P or Fitch, if in the judgment of S&P or Fitch, circumstances so warrant. Any such downward revision or withdrawal of the ratings may have an adverse effect on the market price of the Obligations.

In connection with the development of the transaction documents and structure for the Obligations, the Authority had discussions with another rating agency about the proposed credit structure and other terms and conditions for the Obligations for the purpose of obtaining an indicative rating. Those discussions did not include final and full information about the Obligations and the Authority terminated its discussions with such rating agency and made the determination to proceed with obtaining a single rating on the Obligations.

## LEGAL MATTERS

Legal matters incident to the authorization, issuance and sale of the Obligations are subject to approval of legality by the Attorney General of the State, of certain legal matters by McCall, Parkhurst & Horton L.L.P., Dallas, Texas, and of Mahomes Bolden & Warren PC, Dallas, Texas, Co-Bond Counsel to the Authority. Attached hereto, as **APPENDIX J**, are the form of opinions that Co-Bond Counsel will render in connection with the issuance of the Obligations. The legal opinions will accompany the Obligations deposited with DTC or will be printed on the Obligations in the event of the discontinuance of the Book–Entry Only System. The payment of legal fees to Co-Bond Counsel in connection with the issuance of the Obligations is contingent on the sale and delivery of the Obligations. Certain legal matters will be passed upon for the Authority by Locke Lord Bissell & Liddell LLP, Dallas, Texas, Outside General Counsel for the Authority. Certain legal matters will be passed upon for the Underwriters by Andrews Kurth LLP, Houston, Texas, and West & Associates L.L.P., Dallas, Texas, Co-Counsel for the Underwriters. The payment of legal fees to Co-Counsel for the Underwriters in connection with the issuance of the Obligations is contingent on the sale and delivery of the Obligations. In connection with the issuance of the Obligations, Co-Bond Counsel have been engaged by, and only represent, the Authority.

## INDEPENDENT AUDITOR

The financial statements of the Authority, as of December 31, 2009, and for the year then ended, included in **APPENDIX C-1** to this Official Statement, have been audited by Crowe Horwath LLP, independent auditors, as stated in their report appearing in **APPENDIX C-1**. The audit report refers to certain supplementary information that is not a required part of the basic financial statements, some of which is unaudited.

Crowe Horwath LLP has not been engaged to perform and has not performed, since the date of its report included in **APPENDIX C-1**, any procedures on the financial statements addressed in that report.

## PROFESSIONAL ENGINEERS

The reports of Wilbur Smith Associates and HNTB Corporation incorporated by reference herein have been included in this Official Statement in reliance on their expertise as professional engineers. Such firms have consented to the inclusion of their reports in this Official Statement.

## FINANCIAL ADVISORS

RBC Capital Markets, LLC is acting as Financial Advisor to the Authority and TKG & Associates is acting as Co-Financial Advisor. RBC Capital Markets, LLC and TKG & Associates, in their respective capacities, have not verified and do not assume any responsibility for the information, covenants, and representations contained in any of the legal documents with respect to the federal income tax status of the Obligations, or the possible impact of any present, pending, or future actions taken by any legislative or judicial bodies. The Financial Advisor may also receive a fee for conducting a competitive bidding process regarding the investment of certain proceeds of the Obligations.

## LEGAL INVESTMENTS IN TEXAS

Section 1201.041 of the Public Security Procedures Act (Chapter 1201, Texas Government Code) provides that the Obligations are negotiable instruments governed by Chapter 8, Texas Business and Commerce Code, and are legal and authorized investments for insurance companies, fiduciaries, and trustees, and for the sinking funds of municipalities or other political subdivisions or public agencies of the State. With respect to investment in the Obligations by municipalities or other political subdivisions or public agencies of the State, the Public Funds Investment Act, Chapter 2256, Texas Government Code, requires that the Obligations be assigned a rating of at least "A" or its equivalent as to investment quality by a national rating agency. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Obligations are legal investments for state banks, savings banks, trust companies with at least $1 million of capital, and savings and loan associations. The Obligations are eligible to secure deposits of any public funds of the State or a political subdivision of the State to the extent of the lesser of the face value of the Obligations or the market value of the Obligations. No review by the Authority has been made of the laws in other states to determine whether the Obligations are legal investments for various institutions in those states.

The Authority makes no representation that the Obligations will be acceptable to banks, savings and loan associations or public entities for investment purposes or to secure deposits of public funds. The Authority has made no investigation of other laws, regulations or investment criteria that might apply to or otherwise limit the availability of the Obligations for investment or collateral purposes. Prospective purchasers are urged to carefully evaluate the investment quality of the Obligations and as to the acceptability of the Obligations for investment or collateral purposes.

## CONTINUING DISCLOSURE OF INFORMATION

### The Authority

In the SPS Trust Agreement and in the Note Resolution the Authority has made the following agreement for the benefit of the holders and beneficial owners of the Obligations. The Authority is required to observe the agreements for so long as it remains obligated to advance funds to pay the Obligations. Under the agreements, the Authority will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified material events, to the MSRB. This information will be available from the MSRB.

*Annual Reports*

The Authority will provide certain updated financial information and operating data to the MSRB. The information to be updated includes (i) all quantitative financial information and operating data with respect to the Authority and the NTTA System of the general type included in this Official Statement under the headings "**PRO FORMA DEBT SERVICE REQUIREMENTS**," "**ESTIMATED TOLL REVENUES, EXPENSES, OTHER INCOME, AND ESTIMATED DEBT SERVICE COVERAGE**," "**SECURITY AND SOURCES OF PAYMENT FOR THE OBLIGATIONS — Security and Sources of Payment for the Bonds — Toll Equity Loan Agreement — Maximum Available Annual Amount and Aggregate Amount of Eligible Costs**," "**THE NTTA SYSTEM — Excerpts From The Management's Discussion and Analysis of Results of Operations**" in **APPENDIX A**, "**OTHER FINANCIAL INFORMATION — Historical Traffic and Net Revenues**," and "**— Historical Debt Service Coverage**" in **APPENDIX A**, and "**PGBT WE TOLL RATE SCHEDULES**" in **APPENDIX D**, (ii) a copy of the progress reports required under the SPS Trust Agreement, (iii) the annual

financial statements in **APPENDIX C-1** and (iv) the annual financial statements of the Authority relating to the Special Projects System. The Authority will update and provide this information within six months after the end of each fiscal year for the NTTA System and the Special Projects System, as applicable. The Authority will provide the updated information to the MSRB.

The Authority may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by Rule 15c2-12 (the "*Rule*") of the Securities Exchange Commission. The updated information will include audited financial statements, if the Authority commissions an audit and it is complete by the required time. If audited financial statements are not available by the required time, the Authority will provide unaudited statements by the required time and will provide audited financial statements when and if the audit report becomes available. Any such financial statements will be prepared in accordance with generally accepted accounting principles or such other accounting principles as the Authority may be required to employ from time to time pursuant to state law or regulation.

The current fiscal year end for the Special Projects System is August 31. Accordingly, it must provide updated information by the last day of February in each year, unless the Authority changes its fiscal year. If the Authority changes its fiscal year, it will notify the MSRB.

*Event Notices*

The Authority will also provide timely notices of certain events to the MSRB. The Authority will provide notice of any of the following events with respect to the Obligations in a timely manner (but not in excess of ten business days after the occurrence of the event): (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions or the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEC) or other material notices or determinations with respect to the tax-exempt status of the Bonds, or other events affecting the tax-exempt status of the Bonds; (7) modifications to rights of holders of the Obligations, if material; (8) calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Obligations, if material; (11) ratings changes; (12) bankruptcy, insolvency, receivership or similar event of the Authority; (13) the consummation of a merger, consolidation, or acquisition involving the Authority or the sale of all or substantially all of the assets of the Authority, other than in the ordinary course of business, the entry into a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and (14) the appointment of a successor or additional trustee or the change of the name of a trustee, if material. In addition, the Authority will provide timely notice of any failure by the Authority to provide information, data, or financial statements in accordance with its agreement described above under " — *Annual Reports*." The Authority will provide each notice described in this paragraph to the MSRB.

*Availability of Information from the MSRB*

The Authority has agreed to provide the foregoing information only to the MSRB. The information will be available to Bondholders through the MSRB's internet website at www.emma.msrb.org.

*Limitations and Amendments*

The Authority has agreed to update information and to provide notices of material events only as described above. The Authority has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The Authority makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell the Obligations at any future date. The Authority disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although holders of Obligations may seek a writ of mandamus to compel the Authority to comply with its agreement.

The Authority may amend, supplement, or repeal its continuing disclosure agreements to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity,

nature, status, or type of operations of the Authority, but only if (i) the agreement, as amended, would have permitted an underwriter to purchase or sell Obligations in the primary offering described herein in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances and (ii) either (a) the holders of a majority in aggregate principal amount of the outstanding Bonds or Notes, as applicable, consent, to the agreement or (b) any person unaffiliated with the Authority (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interest of the holders and beneficial owners of the Bonds or Notes, as applicable. The Authority may also amend or repeal its continuing disclosure agreements if the SEC amends or repeals the application provisions of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling the Obligations in the primary offering of the Obligations.

*Compliance with Prior Undertakings*

During the last five years, the Authority has complied materially with all continuing disclosure agreements made by it in accordance with the Rule.

**The Texas Department of Transportation**

In the Continuing Disclosure Undertaking (the "*Undertaking*"), TxDOT has made the following agreement for the benefit of the holders and beneficial owners of the Bonds. TxDOT is required to observe the Undertaking for so long as it remains obligated to make advances under the TELA. Pursuant to the Undertaking, TxDOT will be obligated to provide certain updated financial information and operating data annually to the MSRB.

*Annual Reports*

TxDOT will provide certain updated financial information and operating data to the MSRB annually. The information to be updated includes all quantitative financial information and operating data with respect to TxDOT of the general type described in (i) Tables 1 through 10 in **APPENDIX B — "THE TEXAS DEPARTMENT OF TRANSPORTATION AND THE STATE HIGHWAY FUND"** and (ii) **APPENDIX C-3 — "UNAUDITED ANNUAL FINANCIAL REPORT OF THE TEXAS DEPARTMENT OF TRANSPORTATION FOR FISCAL YEAR ENDED AUGUST 31, 2010**." TxDOT will update and provide this information within six months after the end of each fiscal year. TxDOT will provide the updated information to the MSRB.

TxDOT reserves the right to commission an audit of the financial statements of TxDOT referenced in **APPENDIX B** and/or in **APPENDIX C-3** and, if so, TxDOT will provide such audited financial statements if such audit is completed within the period of which they must be provided. However, TxDOT does not intend to commission any audit of TxDOT's financial statements. In the event that TxDOT does elect to commission an audit of TxDOT's financial statements, TxDOT will provide such audited financial statements for the applicable fiscal years to the MSRB when and if such audit report on such statements becomes available. Any such financial statements will be prepared in accordance with generally accepted accounting principles or such other accounting principles as TxDOT may be required to employ from time to time pursuant to state law or regulation.

TxDOT may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by Rule 15c2-12 (the "*Rule*") of the Securities Exchange Commission.

TxDOT will notify the MSRB, in an electronic format as prescribed by the MSRB, in a timely manner, of any failure by TxDOT to provide financial information or operating data as described above by the times required.

TxDOT has also agreed to notify the MSRB, in an electronic format as prescribed by the MSRB, in a timely manner, after the sale by TxDOT of bonds or other obligations that are secured in whole or in part by the State Highway Fund, of any final official statement issued in connection with the offering and sale of such bonds or other obligations.

TxDOT's current fiscal year end is August 31. Accordingly, it must provide updated information by February 28 in each year, unless TxDOT changes its fiscal year. If TxDOT changes its fiscal year, it will notify the MSRB of the change.

*Availability of Information*

TxDOT has agreed to provide the foregoing information only to the MSRB. This information will be available free of charge from the MSRB via the EMMA system at www.emma.msrb.org.

*Limitations and Amendments*

The provisions of the Undertaking are for the sole benefit of the holders and beneficial owners of the Bonds, and nothing in the Undertaking, express or implied, will give any benefit or any legal or equitable right, remedy, or claim hereunder to any other person. TxDOT undertakes to provide only the financial information, operating data, financial statements, and notices which it has expressly agreed to provide pursuant to the Undertaking and does not undertake to provide any other information that may be relevant or material to a complete presentation of TxDOT's financial results, condition, or prospects or undertake to update any information provided in accordance with the Undertaking or otherwise, except as expressly provided in the Undertaking. TxDOT does not make any representation or warranty concerning such information or its usefulness to a decision to invest in or sell Bonds at any future date.

Under no circumstances will TxDOT be liable to the holder or beneficial owner of any Bonds or any other person, in contract or tort, for damages resulting in whole or in part from any breach by TxDOT, whether negligent or without fault on its part, of any covenant specified in the Undertaking, but every right and remedy of any holder or beneficial owner of any Bonds, in contract or tort, for or on account of any such breach will be limited to an action for mandamus or specific performance.

Should the Rule be amended to obligate TxDOT to make filings with or provide notices to entities other than the MSRB, TxDOT has agreed to undertake such obligation with respect to the Bonds in accordance with the Rule as amended.

The provisions of the Undertaking may be amended by TxDOT from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of TxDOT, but only if (1) the Undertaking, as so amended, would have permitted an Underwriter to purchase or sell Bonds in a primary offering of such Bonds in compliance with the Rule, taking into account any amendments or interpretations of the Rule since such offering as well as such changed circumstances and (2) either (a) the holders of a majority in aggregate principal amount of the outstanding Bonds consent to such amendment or (b) a person that is unaffiliated with TxDOT (such as nationally recognized bond counsel) determines that such amendment will not materially impair the interest of the holders and beneficial owners of the Bonds. If TxDOT so amends the provisions of the Undertaking, it is required to include with any amended financial information or operating data next provided in accordance with the Undertaking an explanation, in narrative form, of the reason for the amendment and of the impact of any change in the type of financial information or operating data so provided. TxDOT may also amend or repeal the Undertaking if the SEC amends or repeals the applicable provision of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, and TxDOT also may amend the provisions of the Undertaking in its discretion in any other manner or circumstance, but in either case only if and to the extent that the provisions of this sentence would not prevent an Underwriter from lawfully purchasing or selling the Bonds in a primary offering of the Bonds.

*Compliance with Prior Undertakings*

During the last five years, TxDOT has complied in all material respects with its continuing disclosure agreements to which it is a party in accordance with the Rule.

## OTHER MATTERS

The financial data and other information contained herein have been obtained from the Authority's records, financial statements, and other sources that are believed to be reliable. There is no guarantee that any of the assumptions or estimates contained herein will be realized. All of the summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information. Reference is made to original documents in all respects. Copies may be obtained from the Authority.

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# APPENDIX A

# THE NORTH TEXAS TOLLWAY AUTHORITY AND THE SPECIAL PROJECTS SYSTEM

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# THE NORTH TEXAS TOLLWAY AUTHORITY

## INTRODUCTION AND OVERSIGHT

### Introduction

The North Texas Tollway Authority (the "*Authority*") is a regional tollway authority governed by Chapter 366 of the Texas Transportation Code (the "*Authority Act*") and a political subdivision of the State of Texas currently serving Collin, Dallas, Denton, and Tarrant Counties (the "*Member Counties*"). It came into existence on September 1, 1997 as the successor to the Texas Turnpike Authority (the "*TTA*"), an agency of the State of Texas that was created in 1953 and abolished in 1997. At that time, all obligations of the TTA related to the system of toll roads operated by the TTA were assumed by the Authority. Also, the Authority assumed ownership of the system of toll roads then in existence (as then in existence and subsequently expanded, the "*NTTA System*"). The revenues of the NTTA System are not pledged to the payment of the Special Projects System Revenue Bonds, Series 2011 (the "*Series 2011 Bonds*") or the Taxable Bond Anticipation Notes, Series 2011 (the "*Series 2011 Notes*" and, together with the Series 2011 Bonds, the "*Obligations*").

The Authority subsequently decided to create a separate system of toll roads known as the Special Projects System. The Special Projects System will initially consist only of an 11.5-mile tollway between SH 183 south to IH 20 in Dallas County and designated as the President George Bush Turnpike Western Extension (State Highway 161) ("*PGBT WE*"). However, the Authority expects to undertake the development and construction of a 27.6 mile tollway between IH 30 near the Central Business District in the City of Fort Worth and US 67 in Cleburne designated as the Southwest Parkway/Chisholm Trail Project ("*SWP/CTP*"). It is expected that SWP/CTP will also become part of the Special Projects System.

The Authority's Board has adopted a mission statement which provides that the mission of the Authority is to enhance mobility through responsible and innovative tolling solutions.

The Authority Act authorizes the Authority to acquire, construct, maintain, repair, and operate turnpike projects such as those included in the NTTA System and the Special Projects System at such locations within its jurisdiction as may be determined by the Authority and to issue bonds and other obligations, for the purpose of paying all or any part of the cost of a turnpike project.

### Counties' Oversight

Under the Authority Act, the Authority must issue, in each even-numbered year, a strategic plan for its operations covering the Authority's next five fiscal years. The strategic plan must contain information of the type specified by the commissioners' courts of the Member Counties.

Not later than March 31 of each year, the Authority must file with the commissioners' court of each Member County a written report describing all turnpike revenue bond issuances anticipated by the Authority during the coming year, the financial condition of the Authority, project schedules for all Authority projects, and the status of the Authority's performance under its most recent strategic plan. At the invitation of the commissioners' court of a Member County, representatives of the Board and the executive director of the Authority will present the report to the commissioners and answer questions and receive comments from the commissioners.

Not later than the 90th day before the date of issuance of revenue bonds by the Authority, the Authority must notify each Member County's commissioners' court of any planned bond issue. The Authority notified the Member Counties of the issuance of the Series 2011 Bonds on October 12, 2010. Such notification remains effective through December 31, 2011.

## GOVERNMENT AND MANAGEMENT

### The Board of Directors

The Authority is governed by a nine member appointed Board. One of the directors, who must be from a county outside the Authority but adjacent to one of the Member Counties, is appointed by the Governor of Texas. The commissioners' court of each Member County appoints two directors to the Board. See "**Authority Board, Administration, and Consultants and Advisors**" in the forepart to this Official Statement for current Board membership by Member County, the Board members' length of service, principal occupations, and the dates of expiration of their terms of office. Directors serve staggered two-year terms and may be reappointed to the Board. Upon the expiration of a director's stated term, the director remains in office until reappointed or his or her successor has been appointed and assumes the office.

If a County adjacent to a Member County petitions to join the Authority, and the Board approves that petition, the Board will be enlarged by one seat, to be filled by appointment of the county commissioners of the petitioning County.

The Board appoints an executive director who is responsible for day-to-day operations of the Authority, including general management and hiring and termination of employees, as well as other duties described in the Authority's bylaws.

### Key Staff Members

Set forth below are biographies of certain key staff members of the Authority:

*ALLEN CLEMSON, Executive Director since June 2009*. As Executive Director, Mr. Clemson is responsible for the oversight of the operations of the Authority and acting as a liaison to key stakeholders within the region. Mr. Clemson served as county administrator for Dallas County, Texas from 1985-2009. His responsibilities for Dallas County, a political subdivision with almost 2.5 million residents, included managing an $800 million budget and 7,000 employees. Mr. Clemson's key responsibilities included governmental affairs, planning, economic development, and financial oversight. As the highest ranking, non-elected official, he was responsible for planning, organizing, developing and implementing actions and directives for the Dallas County Commissioners Court.

Mr. Clemson worked on many projects during his 24 years as County Administrator, including the oversight and direction of major transportation and facility construction projects totaling more than $1.6 billion, the creation of financial policies, including a capital improvement financing plan that enabled the county to fund tens of millions of dollars of major capital projects annually without long-term debt, the coordination of large scale IT application selection and installation, including enterprise resource planning, comprehensive justice system and traffic management, the co-development of an employee benefit cooperative which joined a variety of public entities, including the Authority, to provide employee health benefits at a reduced cost, and oversight of the outsourcing and privatization of several governmental programs.

Mr. Clemson most recently served as special assistant to the vice chancellor and president designate of the University of North Texas Dallas Campus ("*UNT-Dallas*") where he oversaw finance and administration and assisted with UNT-Dallas's transition to an independent university in the University of North Texas System.

Mr. Clemson is a native of North Texas and earned his Bachelor's degree in Business Administration from the University of North Texas.

*JANICE D. DAVIS, Chief Financial Officer since July 2008*. As Chief Financial Officer, Ms. Davis is responsible for debt issuance, banking, financial management and trustee, bondholder and broker relations, as well as oversight of the Finance Department.

Prior to joining the Authority, Ms. Davis served for four years with the City of Atlanta as Chief Financial Officer and for four years as Secretary of Financial Oversight/Director of Finance for the City of Philadelphia. She has over 30 years of experience in a wide range of accounting, procurement, pension, financial service and budget areas.

Ms. Davis earned her Bachelor of Science degree in Accounting at the University of New Orleans. She has served as a member of the Municipal Securities Rulemaking Board and was a fellow of the Robert Wood Johnson Urban Health Initiative.

Ms. Davis is a licensed Certified Public Accountant in Louisiana and Texas. She is a member of the AICPA, the Texas Society of CPAs, Government Finance Officers Association and the Association of Government Accountants. Ms. Davis is also a Certified Government Financial Manager.

*MAGDALENA M. KOVATS, CPA, CIA, Internal Audit Director since March 2008*. Ms. Kovats has served as the Internal Audit Director for the Authority since March 2008. Ms. Kovats has over eighteen years of prior audit experience. As Internal Audit Director, Ms. Kovats is responsible for planning and performing audits and business process reviews to improve the relevance, reliability, control and timeliness of information being reported to executive management of the Authority. Ms. Kovats is expected to manage the external auditor's audit process and to interact with all levels of management. In addition, Ms. Kovats is responsible for operational, compliance, special projects, and internal control reviews and recommendations for best practices. Ms. Kovats reports to the Finance and Audit Committee of the Board.

Prior to joining the Authority, Ms. Kovats worked for public companies and professional services firms in similar internal audit capacities. Most recently, she was the director of internal audit for Friedman's Inc. where she established the company's internal audit department from the ground up. Ms. Kovats also has been a subject matter expert on internal audit issues such as Sarbanes-Oxley and has provided extensive training both internally and externally.

Ms. Kovats graduated from the University of North Texas ("*UNT*") with a Bachelor of Science and Master of Science in Accounting and is a committee member of the Dallas Chapter of the Institute of Internal Auditors and chair of the UNT Internal Audit Advisory Board.

*GERALD E. CARRIGAN, P.E., Assistant Executive Director of Project Delivery since December 2008*. In the role of Assistant Executive Director of Project Delivery, Mr. Carrigan is responsible for administering the effective and efficient operation of the project delivery process for the Authority through the oversight of assigned traffic corridors. Additionally, he is responsible for defining strategies and accomplishing goals and objectives relating to the development and delivery of projects.

Mr. Carrigan offers more than 25 years of professional experience in the field of infrastructure program management, engineering, and construction management. Throughout his career, Mr. Carrigan has been involved in the development and implementation of major capital improvement programs for state, county, and municipal agencies. His expertise spans the full spectrum of projects ranging from major interstate and expressway corridor improvements to local maintenance projects. Mr. Carrigan is experienced in all phases of program delivery including the development of short and long range capital infrastructure programs, long and short range planning, project development and the NEPA federal-aid approval process, project management, design, right-of-way acquisition, environmental permitting, utility coordination, construction contract administration, and construction inspection.

Mr. Carrigan earned his Bachelor's degree in civil engineering from Southern Illinois University, and he received his Master's degree in public administration from the University of South Florida. A Registered Professional Engineer, Mr. Carrigan holds memberships and affiliations with several professional associations.

*CLAYTON HOWE, Assistant Executive Director of Operations since September 2007*. As Assistant Executive Director of Operations, Mr. Howe is responsible for the oversight and maintenance of the NTTA System, including planning, organizing, budgeting, and administering programs, projects and departments for the Authority in order to ensure quality of and adherence to work. He is also responsible for directing the operating departments of the Authority and overseeing assigned departments to define strategies and tactics to accomplish goals and objectives.

Specifically, Mr. Howe's role consists of operational responsibility for the activities and the strategic planning in the areas of the customer service center, maintenance, system and incident management and the information technology departments. Mr. Howe joined the Authority in 2002 as the Assistant Director of the Maintenance Department focusing on the initial implementation of the Asset Management program. In 2003, Mr.

Howe became the Assistant Director of the Toll Programs and Services Department to oversee the implementation of the Customer Service Center initiative. In 2004 he became the Director of Toll Programs and Services, responsible for the operational activities and the strategic planning in the areas of the Command Center, Vault Collection and Processing, DPS support, Loss Prevention and the Customer Service Center. In 2006, Mr. Howe became the Director of Customer Programs and Services and was tasked with the development of service offerings to include customer experience management and fiscal accountability. Mr. Howe currently serves as the Chair of the Team Texas Interoperability Technical Task Force supporting the development of the initial business requirements and technical standards.

Mr. Howe graduated with a degree in Plant Engineering from Texas State Technical College in Waco, Texas.

*KIMBERLY B. TOLBERT, Assistant Executive Director of Administrative Services since March 2008*. As the Assistant Executive Director of Administrative Services, Ms. Tolbert is responsible for overseeing activities of the Communications, Human Resources and Business Diversity departments. Prior to joining the Authority, Ms. Tolbert served as assistant director, finance and administration for the city of Dallas from 2004 through 2008. Her duties included managing the fiscal affairs of the aviation department, including budget development and implementation, revenue generation, collection, reconciliation and reporting, concession management and contract compliance.

Ms. Tolbert also held the position of assistant to the city manager for the city of Dallas from 1998 through 2004, where she managed the daily operations of the City's Managers Office and the Mayor/City Council Office. From 1996 to 1998 she was the Economic Development Coordinator for the City of Denton. Ms. Tolbert has extensive experience in project management and overseeing financial and administrative activities of multiple public agencies.

Ms. Tolbert attended the University of North Texas in Denton, Texas. She holds a Bachelor of Arts degree in Political Science and a Master of Public Administration degree from UNT. She is the immediate past chair of the Master of Public Administration Alumni Advisory Board at the University of North Texas and a member of the National Forum for Black Public Administrators.

*EVERETT RAY ZIES, Controller since September 2008*. As Controller, Mr. Zies is the second-in-command for the Finance Department. The Finance Department is responsible for the accounting for the Authority's financial resources, the preparation and monitoring of the annual budget, preparation of the comprehensive annual financial report and cash and debt management.

Mr. Zies has spent the majority of his 30+ year career in government, most recently serving as Controller for the City of Atlanta, Georgia. In addition, he has served as the Assistant Director of Finance for the City of Philadelphia, Chief Financial Officer for the Dallas Independent School District, Deputy Director of Finance and Budget for the Dallas Fort Worth International Airport, Deputy Director of General Accounting for the City of Houston Controller, Director of Finance for the City of Seguin, Texas and the County Auditor for Guadalupe County, Texas. Mr. Zies started out his career as an auditor for the Texas Alcoholic Beverage Commission.

Mr. Zies, a native Texan, received his Bachelor of Business Administration degree in Accounting from Southwestern University in Georgetown, Texas. He is a Certified Public Accountant and a Certified Government Financial Manager. He is a member of the American Institute of Public Accountants, the Texas Society of CPAs, the Government Finance Officers Association and the Association of Governmental Accountants.

*RUBY FRANKLIN, Secretary to the Board since February 2008*. Ms. Franklin previously served as Secretary to the Board from June 1999 to September 2006. Ms. Franklin has twelve years of prior experience in municipal government; ten as an assistant to the City Manager, Mayor and City Council for the City of Longview, and two years as an assistant to the Director of Development Services and the Plan Commission for the City of Richardson. Ms. Franklin attended Kilgore Junior College.

## THE AUTHORITY

### Operational Experience

The Authority and its predecessor have operated toll roads in the North Texas region for more than 50 years. The Authority currently operates and maintains the NTTA System (described below) and will operate and maintain the Special Projects System (described below). To administer the NTTA System and the Special Projects System, the Authority has 647 employees (with the authority to increase the number of employees to 717) involved in maintenance, customer service, administration, project delivery, finance, human resources, government affairs, information technology, legal, communications and marketing, loss prevention, internal audit and business diversity.

The Authority uses a Regional Integrated Toll Enhancements ("*RITE*") System, an integrated software, hardware, and management system for toll collection that enables the Authority to manage its roadways and operations through automated revenue audit and reconciliation, consolidated reporting, violation-loss recovery, customer account management, and system and operation management and maintenance. All of the roadways use an all electronic toll collection system ("*All-ETC*"), including Automatic Vehicle Identification ("*AVI*") and video tolling. The primary method is AVI, where a vehicle is recognized and tolls are collected through communications with a TollTag transponder or other transponder that is interoperable with the TollTag system. With video tolling, an image of the vehicle's license plate is captured in the lane and used to identify the vehicle's owner for invoicing.

The variance between traffic using the facility and tolls actually collected is an issue for all modern toll systems that seek to maximize "throughput" on existing facilities by increasing reliance on electronic toll collection and express lanes. Using a calculation that takes into account violation invoices, images in process for collection and violation administration fees collected, the violation percentages for the NTTA System for 2008, 2009 and 2010 were 6.88%, 3.58%, and 5.55%, respectively. In 2009, in order to reduce leakage rates, management installed additional cameras on the roadways, improved picture quality image due to enhanced maintenance and pursued more aggressive collection practices.

### The NTTA System

The NTTA System is currently comprised of (a) the Dallas North Tollway (the "*DNT*"), a limited access expressway of approximately 31 miles in length passing through or along the cities of Dallas, Highland Park, University Park, Addison, Farmers Branch, Plano and Frisco, (b) the Addison Airport Toll Tunnel (the "*AATT*"), a two-lane tunnel of approximately 1,600 feet in length that provides an east-west route between the DNT and IH-35E by crossing under the Addison Airport, (c) the President George Bush Turnpike (the "*PGBT*"), a limited access expressway of approximately 30 miles in length that passes through seven cities and three counties and that runs from West Belt Line Road in Irving to SH 78 in Garland, (d) the President George Bush Turnpike Eastern Extension (the "*PGBT EE*"), an extension of the PGBT of approximately 9.9 miles in length from SH 78 east and south to IH 30 which will pass through the cities of Dallas, Garland, Sachse, and Rowlett in eastern Dallas County, will include a one-mile bridge over Dallas' Lake Ray Hubbard and is expected to be completed in December 2011, (e) the Mountain Creek Lake Bridge (the "*MCLB*"), an approximately 2.0 mile east-west crossing of Mountain Creek Lake between the Oak Cliff section of Dallas and the City of Grand Prairie in southwestern Dallas County, (f) the Lewisville Lake Toll Bridge (the "*LLTB*"), a 1.7 mile main bridge and a 0.3 mile flowage easement bridge that provides an east-west route over Lewisville Lake in southern Denton County, and (g) the Sam Rayburn Tollway (subject to the reversionary interest of the Texas Department of Transportation on September 1, 2058) (the "*SRT*"), a limited access expressway and related frontage roads in Collin, Dallas and Denton Counties extending approximately 26 miles, from State Highway 121 Business in Denton County to U.S. 75 in Collin County that is anticipated to be substantially complete by January 2012. The average daily transactions on the NTTA System were approximately 1,348,841 in fiscal year 2010 and the NTTA System included approximately 660 lane miles as of December 31, 2010. **The revenues of the NTTA System are not pledged to the payment of the Obligations.**

**Existing NTTA System Obligations**

The Authority has approximately $7.2 billion of outstanding obligations under the NTTA System Trust Agreement. In addition to the obligations described above, the NTTA System Trust Agreement secures the payment obligations of the Authority under (i) certain interest rate exchange agreements, (ii) certain letter of credit and reimbursement agreements and (iii) certain insurance agreements. Additionally, the Authority has pledged certain revenues on deposit in the Capital Improvement Fund established pursuant to the NTTA System Trust Agreement to the payment of a $135 million loan from TxDOT and $400 million of subordinate lien bonds issued by the Authority. Such obligations are not secured by revenues of the Special Projects System.

**Future NTTA System Obligations**

In the five year period following the issuance of the Series 2011 Obligations, the Authority expects to issue approximately $150 million of first tier bonds under the NTTA System Trust Agreement (excluding refunding bonds). The proceeds of such first tier bonds are expected to be used primarily to finance the completion of construction of the SRT and PGBT EE and for other projects of the Authority.

In addition, the Authority anticipates spending an additional $186 million over the next four years for roadway bottleneck improvements, roadway capacity improvements and roadway widening, all or a portion of which may be financed with the issuance of additional bonds under the NTTA System Trust Agreement.

Finally, the Authority expects to refinance approximately $699 million of put bonds coming due over the next five years. The financings relating to the NTTA System described in this paragraph are expected to be secured by the NTTA System revenues, and may not be secured or payable from Special Projects System revenues or amounts held by the Trustee so long as the Toll Equity Loan remains outstanding.

## THE SPECIAL PROJECTS SYSTEM

**The Special Projects System**

The Special Projects System will initially consist of only PGBT WE. See the inside cover page of this Official Statement for a map showing the location of PGBT WE. PGBT WE extends the existing Texas Department of Transportation ("*TxDOT*") section of SH 161 south of the current terminus by approximately 11.5 miles, from SH 183 south to IH 20 in Dallas County. PGBT WE has been under study for several years and has received the environmental clearances necessary to construct the project as a toll road. TxDOT has acquired all right-of-way (except for potential easements in Phase 4 that are the responsibility of the design-builder) and has constructed various sections of the project. PGBT WE is being built in four phases. Phase 1, which generally consists of the SH 183/PGBT WE interchange and the frontage roads from Carrier Parkway (north of IH 30) south to IH 20 is complete and is open to traffic. Phases 2 and 3 are being jointly constructed by TxDOT and the Authority and generally consist of the frontage roads and main lanes (including two major bridges over floodplains) from SH 183 south to just north of IH 30. Phase 2 is complete and is open to traffic. The Authority portion of Phase 2 involving the installation of the seven initial ramp toll gantries and the northbound main lane toll gantry is also complete. The TxDOT portion of Phase 3 was substantially complete in April 2010. The Authority's Phase 3 main lane and one additional ramp toll gantry are currently under construction with substantial completion expected in mid-2011. Phase 4 generally consists of the main lanes from just north of IH 30 south to IH 20 (including a multi-track Union Pacific railroad bridge over PGBT WE), and the IH 30/PGBT WE and IH 20/PGBT WE interchanges, with the main lanes and high volume interchange direct connect ramps scheduled to be substantially complete in October 2012.

PGBT WE will be operated exclusively as All-ETC, including AVI and video tolling.

On April 20, 2008, and pursuant to an "Agreement Regarding a Negotiated Value for State Highway 161" (the "*NV Agreement*"), the Authority and TxDOT established a negotiated value for the project as well as the terms and conditions for the development, construction and operation of the project by the Authority.

Under the NV Agreement, the negotiated value of PGBT WE is $1.1 billion consisting of (a) payment by the Authority of a payment of $458 million to TxDOT (the "*Acquisition Payment*") and (b) the obligation of the Authority to build Phase 4 of PGBT WE and the toll gantries of Phases 2 and 3. The expected cost of the

Authority's construction obligations will be approximately $546.6 million (excluding approximately $53.3 million for future lane expansions), which reflects all construction bids to date. The Authority assumes all risk for construction cost increases for the portions of PGBT WE it is required to build. This risk is mitigated through the use of a design-build contract for Phase 4 which shifts most of the risk from the Authority to the contractor.

The Authority has exercised the option to construct the Union Pacific railroad bridge over PGBT WE as a part of the Phase 4 design-build contract. The Authority will be responsible for construction costs of the railroad bridge up to $22.6 million. TxDOT is responsible for the construction and engineering costs of the railroad bridge in excess of $22.6 million.

PGBT WE averaged approximately 17,051 toll transactions per day in 2009 (August through December) and 26,399 toll transactions per day in calendar year 2010.

Based on a proposal subsequently provided by TxDOT, on or about October 15, 2008, the Authority exercised its option under SB 792 to undertake delivery of PGBT WE. On July 30, 2009, the Authority entered into a project agreement with TxDOT for PGBT WE, as amended (the "*Project Agreement*"). See" - **The Project Agreement**" below for additional information regarding the Project Agreement.

**The Project Agreement**

*General*

The Project Agreement contains the representations, commitments and obligations of the Authority and TxDOT related to the development, financing, design, construction, operation and maintenance of the Project. TxDOT acknowledges its approval of and support for the financing, design, construction, operation and maintenance by the Authority of the Project as a turnpike project pursuant to the Authority Act. TxDOT agrees to take all actions reasonably requested by the Authority in furtherance of the purposes of the Project Agreement. Upon substantial completion of the work required for each Phase of the Project, and after completion of the required public hearing and approval by the Texas Transportation Commission and the Governor, TxDOT and the Authority intend that such Phase's main lanes and associated right-of-way, but not the frontage roads, will be removed from the state highway system and transferred to the Authority pursuant to a transfer agreement for the lease, sale or conveyance of a toll project; provided, that various interchanges and underpass and overpass structures will remain with TxDOT. TxDOT agrees not to use the various retained structures in a manner that would interfere with access to and egress from the Project or the safe and efficient operation of the Project. TxDOT agrees, to the extent legally able, to provide the Authority with all materials, items or information compiled by TxDOT related to the Project that is useful to or necessary for the Authority's completion of the Project.

*TxDOT Obligations*

TxDOT has acquired the right-of-way for each Phase of the Project. TxDOT has completed its construction obligations for the Project, consisting of the frontage roads, interchanges and main lanes for Phases 1, 2 and 3. TxDOT has received environmental clearance for Phases 1-4.

*Authority Design and Construction Obligations*

Except as described above, the Authority is responsible for the design and construction of all aspects of the Project, including utility relocation and adjustment, subject to review rights of TxDOT. The Authority will be required to make capacity improvements to the Project by January 1, 2020 and January 1, 2031 if certain minimum required levels of service are not maintained. In monitoring construction contractors performing labor and services with respect to the Project, the Authority is required at all times to remain in compliance with applicable state and federal laws.

*Project Schedule*

The Authority has covenanted to use its best efforts to construct and complete Phase 4 of the Project by September 1, 2012, subject only to delays caused by force majeure or acts or omissions of TxDOT.

*Operations and Maintenance*

The Authority has assumed full responsibility for the Project's operation and maintenance. The Authority is required to operate and maintain the Project in accordance with prescribed standards. Notwithstanding the foregoing, TxDOT will at all times remain responsible for handling requests and permitting for adjacent property access to the frontage roads and utility placement within the frontage roads, and for the repair, maintenance and operation of the traffic signal systems on the frontage roads.

*Upfront Concession Payments.*

The Authority is required to pay $458 million, plus interest on a portion of such amount, to TxDOT by April 15, 2011, which date is expected to be extended to May 13, 2011.

*Net Revenue and Capital Improvement Sharing*

Commencing on July 30, 2061, the Authority is required to pay to TxDOT 50% of the net revenue from the Project, and TxDOT and the Authority will equally share all capital improvement costs pertaining to the Project. Net revenue means all toll revenue received from the Project, less all operating expenses for the Project. The net revenue share and capital improvement costs will be determined on a calendar-year basis and any required payments must be paid within fifteen (15) days after the end of each calendar year.

*Toll Rates*

The Authority has covenanted to charge toll rates on the Project that do not exceed the maximum rates for each user classification as set forth in Exhibit J to the Project Agreement, unless the Authority determines that it is necessary to (a) preserve the financial condition of the Project (or if the Project is later made part of the NTTA System, the NTTA System), (b) comply with the provisions of any bonds, notes, trust agreements or other financial instruments or agreements secured by the revenues of the NTTA System, or (c) comply with law.

Set forth in **APPENDIX D** is a schedule showing the toll rates adopted by the Board for the period through June 30, 2013. Beginning July 1, 2013 and July 1 of every odd year thereafter, rates are scheduled to increase by 2.75% per annum.

*Authority Defaults*

The following constitute "Authority Defaults" under the Project Agreement:

(i) the Authority's failure to make any payment due TxDOT under the Project Agreement when due, and such failure is not cured within thirty (30) days after written notice from TxDOT; and

(ii) the Authority's failure to observe or perform any other covenant, agreement, term or condition required to be observed or performed by the Authority under the Project Agreement, and such failure is not cured within thirty (30) days after written notice from TxDOT, or if the failure is of such a nature that it cannot with diligence be completed within such time period and the Authority has commenced meaningful steps to cure promptly after receiving the default notice, such failure is not cured within an additional period of time, up to a maximum cure period of one hundred twenty (120) days, as is reasonably necessary to diligently effect cure.

*Remedies*

TxDOT is entitled to seek an action in mandamus against the Authority on account of the occurrence of an Authority Default. TxDOT is also entitled on account of the occurrence of an Authority Default involving any payment due TxDOT to recover from the Authority said unpaid amounts, plus interest thereon at the floating rate equal to the LIBOR in effect from time to time plus 200 basis points from and after the date such payment becomes due to TxDOT until paid.

*Dispute Resolution Procedures*

The Authority and TxDOT have agreed to set up a formalized process to resolve any issues that arise in connection with the Project Agreement. The process will include an issues resolution ladder to resolve questions at the appropriate organizational levels. Any questions that cannot be resolved by use of the issues resolution ladder will be referred to the Authority's Executive Director or his/her designee and TxDOT's Executive Director

or his/her designee to resolve. If a dispute is processed under the issues resolution ladder and not resolved, the Authority and TxDOT agree to use the procedures in the following sentences. The party making a claim may advance it in accordance with the statutes and administrative rules applicable on the date of the Project Agreement. The Authority and TxDOT agree to use any alternative dispute resolution procedure that is a part of the applicable claim procedure. The Authority and TxDOT shall satisfy the requirement for alternative dispute resolution by participating in non-binding arbitration, unless otherwise agreed to by the Authority and TxDOT. During the resolution of an issue the Authority and TxDOT agree not to hinder work under the Project Agreement and such work will proceed.

*Step-in Rights.*

If in the good faith judgment of TxDOT an unforeseen event affects the frontage roads of the Project that causes or could reasonably be expected to cause a material threat to the public safety, and if, after reasonable notice, the Authority is not then diligently taking steps to rectify or deal with such threat, then TxDOT has the right to take such action as may be reasonably necessary to rectify such threat and the Authority will bear the reasonable costs thereof.

**Possible Additions**

The Authority expects to undertake the development and construction of SWP/CTP, to add SWP/CTP to the Special Projects System, and to finance SWP/CTP with Additional Bonds issued pursuant to the Trust Agreement relating to the Special Projects System (the "*SPS Trust Agreement*"). See "**POSSIBLE ADDITIONS TO THE SPECIAL PROJECTS SYSTEM**" below.

## POSSIBLE ADDITIONS TO THE SPECIAL PROJECTS SYSTEM

SWP/CTP is expected to be financed as a part of the Special Projects System. The Southwest Parkway ("*SWP*") is a proposed tollway approximately 8.7 miles long between IH 30 near the Central Business District in the City of Fort Worth and Altamesa Boulevard/Dirks Road in the southwest region of Fort Worth. Regional plans extend SWP from Altamesa Boulevard/Dirks Road to US 67 in Cleburne, a distance of approximately 18.9 miles. The 18.9 mile extension, the northernmost 5.9 miles known as "*SWP (TxDOT)*" and the southernmost 13 miles known as the "*Chisholm Trail Parkway*" are subject to market valuation. Collectively, SWP, SWP (TxDOT) and the Chisholm Trail Parkway are referred to herein as the "*SWP/CTP*". The SWP has been environmentally cleared and no further environmental action need be taken with respect to the SWP. Design contracts for the SWP are at the 100% level. An inter-local agreement, outlining roles and responsibilities relative to cost participation, right of way acquisition, and construction obligations, among other things, for TxDOT, the City of Fort Worth, and the Authority was executed in November 2000. In addition, several amendments to this agreement define responsibilities for the development of a Nature and Character Plan for the SWP and various design and maintenance responsibilities. The Southwest Parkway Corridor Master Plan setting forth aesthetic design guidelines was approved by TxDOT, the Authority and the City of Fort Worth in October 2005. The development of a final funding agreement and a financing plan is ongoing. An investment grade traffic and revenue study and engineering report for SWP/CTP is also ongoing.

In October 2008, the Authority and TxDOT agreed to a term sheet which provides for the Authority to undertake the development of SWP/CTP, based on certain conditions. To support the delivery of SWP/CTP, the term sheet provides that (i) TxDOT and the Authority will waive the development of a market valuation for SWP (TxDOT) and the Chisholm Trail Parkway, (ii) TxDOT and the Authority will combine SWP, SWP (TxDOT) and Chisholm Trail Parkway, into a single project to be undertaken by the Authority, subject to the Authority establishing feasibility and potential phasing of development, (iii) the Authority commits to provide as the first contribution of equity to develop SWP/CTP an amount up to $400 million less the amount the Authority commits as an equity contribution to PGBT WE (described above), (iv) TxDOT is relieved of its contingent obligation to build two interchanges under the interlocal agreement between TxDOT, the Authority, and the City of Fort Worth concerning the development of the SWP, and (v) the approximately $250 million in planning funds previously identified for SWP/CTP by the Regional Transportation Council ("*RTC*") are not affected, but such funding is subject to the continued allocation of such funds by the RTC. In addition to the above terms, the RTC has committed $133.9 million in American Recovery and Reinvestment Act funds to SWP/CTP. The majority

amount of this funding obligation is specifically allocated to the IH 20/SH 183/SWP interchange being administered by TxDOT. Currently, the amount of the total estimated cost of SWP/CTP and the Authority's potential contribution are $1.434 billion and $901 million, respectively.

Pursuant to the term sheet, TxDOT and the Authority have agreed to cooperatively develop and evaluate strategies to support and accelerate the financial feasibility of SWP/CTP. On May 30, 2010, pursuant to a "Market Valuation Waiver Agreement for the SH 121 Toll Project" (the "*SWP/CTP Waiver Agreement*"), the Authority and TxDOT waived the requirement to develop a market valuation under SB 792 for SWP/CTP, agreed that no payment or commitment to construct additional transportation projects was required under SB 792, established certain terms and conditions for the operation of SWP/CTP, and agreed that the six month period under SB 792 in which the Authority has to exercise the option to undertake SWP/CTP began on the date of the SWP/CTP Waiver Agreement. On August 18, 2010, the Board exercised its option under SB 792 to develop, finance, construct and operate SWP/CTP. The Authority and TxDOT have entered into that certain Project Agreement Southwest Parkway/Chisholm Trail Project dated October 27, 2010 (the "*SWP/CTP Project Agreement*"), which contains the representations, commitments and obligations of the Authority and TxDOT related to the development, financing, design, construction, operation and maintenance of SWP/CTP and provides that the Authority will own SWP/CTP into perpetuity. Either the Authority or TxDOT may terminate the SWP/CTP Project Agreement if the Authority fails to (i) deliver to TxDOT an executed contract for the construction of SWP/CTP and otherwise explicitly commit to deliver SWP/CTP or (ii) secure the financing for the acquisition, construction, design, operation, and maintenance of SWP/CTP, in each case before two (2) years after the date on which all environmental requirements necessary for the development of SWP/CTP are secured and all legal challenges to development are concluded.

Although the Authority intends to undertake SWP/CTP, it will make its final decision only after acceptance of an investment-grade traffic and revenue study, other final engineering and financing reports, an analysis of impact on the Special Projects System, and a determination by rating agencies on the potential effect on the ratings on the outstanding bonds or bonds to be issued for the PGBT WE. The Authority will analyze various financing structures, including TIFIA loans or grants, toll equity backing, and other private and public funding options. A key factor in determining whether to undertake SWP/CTP will be the impact on the Authority's credit profile (including expected revenue contribution and ability to service its debt). As of January 31 2011, the Authority had spent approximately $97 million (net of reimbursements) on planning and development of SWP/CTP, the majority of which amount will not be reimbursed to the Authority if it elects not to undertake SWP/CTP. In addition, the Authority expects to incur approximately $137 million in additional expenditures on SWP/CTP relating to crossing the Davidson Yard railroad facility. If the Authority elects not to undertake SWP/CTP, TxDOT is required to reimburse the Authority (i) approximately $95 million if TxDOT does not undertake SWP or (ii) approximately $175 million if TxDOT undertakes SWP.

In support of the Authority's efforts to develop SWP/CTP, but subject to SWP/CTP being combined into the Special Projects System, TxDOT has agreed to make a toll equity loan available to the Authority in an amount equal to the costs of SWP/CTP relating to the (i) design and construction (including a commercially reasonable contingency amount) and (ii) operation and maintenance and major maintenance. If the Authority makes a final decision to undertake the development and construction of SWP/CTP, the Authority and TxDOT will execute a Supplement to Toll Equity Loan Agreement whereby the Maximum Available Aggregate Amount of the Toll Equity Loan available for PGBT WE will be increased to include the costs of SWP/CTP. The increased Maximum Available Aggregate Amount will represent the aggregate amount TxDOT may be required to advance to pay debt service on PGBT WE and SWP/CTP and to pay budgeted operating and maintenance expenses and major maintenance expenses. Likewise, the Maximum Available Annual Amount will also be increased to include at least the additional debt service and possibly up to the full projected toll revenue stream for SWP/CTP. Any bonds issued to finance SWP/CTP will be issued under the SPS Trust Agreement. The Authority will be obligated to fund any construction cost overruns on SWP/CTP. In addition, to the extent annual operating and maintenance expenses and major maintenance expenses relating to SWP/CTP either (i) exceed the budgeted amounts and are not paid out of Special Projects System revenues or (ii) result from the Authority exceeding prescribed standards, the Authority will be responsible for paying such amounts, with the source of payment likely being the Capital Improvement Fund.

## EXCERPTS FROM THE MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS

### General

The entire audited financial statements of the Authority as of and for the fiscal year ended December 31, 2009 are attached hereto as **APPENDIX C-1** and include a narrative discussion and analysis by management of the results of operations for the NTTA System. The preliminary and unaudited financial statements of the Authority for the twelve month period ended December 31, 2010 are attached hereto as **APPENDIX C-2**. Currently, the financial statements of the Authority primarily reflect the financial results resulting from the operation of the NTTA System, which does not include PGBT WE. **Investors are cautioned that (a) the revenues of the NTTA System are not pledged to the payment of the Series 2011 Bonds, (b) investors should not look to the financial information of the Authority contained herein as a source of repayment for the Series 2011 Bonds, (c) investors should look primarily to TxDOT's obligations under the TELA described in the forepart to this Official Statement as the primary source of repayment of the Series 2011 Bonds, and (d) investors should carefully analyze the *Investment Grade Traffic and Toll Revenue Study for PGBT WE* dated December 31, 2010 and the *Letter Update* dated March 9, 2011 prepared by Wilbur Smith Associates to evaluate the ability of PGBT WE to generate sufficient revenues to pay the Series 2011 Bonds in the event of a failure of TxDOT to comply with its obligations under the TELA.** Additionally, under the TELA, to the extent revenues of PGBT WE are insufficient, the Authority has the obligation to provide funds to cover Project Costs, Capital Expenditures, Operating Expenses and Major Maintenance Expenses that exceed the Project Budget. The foregoing and following financial information is provided so that investors might analyze the Authority's ability to cover any such shortfalls.

### Highlights for the Year Ended December 31, 2010 Based on Preliminary and Unaudited Information

- As of December 31, 2010, the Authority's total net assets decreased by $297.3 million (based on preliminary and unaudited information) from December 31, 2009. The decrease was mainly due to the issuance of $400,000,000 subordinated debt secured by the Capital Improvement Fund in support of PGBT WE and SWP/CTP which was partially offset by an increase in toll revenue of $97.8 million.
- $200,000,000 of the $400,000,000 subordinated debt was placed in escrow to be used as an upfront payment to TxDOT if PGBT WE is finally undertaken as a project by the Authority.
- Toll Revenues of $7.9 million for the portion of PGBT WE currently open which were collected in the year ended December 31, 2010 (based on preliminary and unaudited information) are maintained in a separate fund and are not included in the financial information described herein.
- Total transactions in the year ended December 31, 2010 (based on preliminary and unaudited information) were 484.1 million, an increase of 26.5 million or 5.8% over the year ended December 31, 2009.
- The Authority received a toll equity grant in the amount of $160.3 million from TxDOT for Right of Way acquisition and other costs related to the PGBT EE in 2007. An additional $26.9 million of the grant has been recognized as grant revenue for the year ended December 31, 2010 (based on preliminary and unaudited information).
- For the year ended December 31, 2010 (based on preliminary and unaudited information) toll revenues increased $97.8 million or 33.7% over the year ended December 31, 2009 in part as a result of a toll rate increase that went into effect in September 2009. In addition, traffic volumes of the Authority continue to increase with the continued expansion of the SRT and the opening of the LLTB.
- The Administration and Operations expenses for the year ended December 31, 2010 (based on preliminary and unaudited information) of $87.4 million were under budget by $14.8 million or 14.0% and are $3.5 million less than the year ended December 31, 2009.

**Summary of Operations**

Set forth below is a summary of operations of the NTTA System.

| Table A-1 | | | | |
|---|---|---|---|---|
| Net Assets (in millions of dollars) | | | | |
| | | Preliminary and Unaudited | | |
| | | 2010 | | 2009 |
| Current Assets | $ | 321.0 | $ | 149.0 |
| Current Restricted Assets | | 889.1 | | 1,157.4 |
| Noncurrent Assets | | | | |
| Restricted Investments | | 412.6 | | 524.0 |
| Other Assets | | 361.8 | | 239.0 |
| Capital Assets | | 6,167.8 | | 5,862.4 |
| Total Assets | | 8,152.3 | | 7,931.8 |
| Current Liabilities | | 61.5 | | 68.3 |
| Liabilities Payable from Restricted Assets | | 414.1 | | 314.2 |
| Long-Term debt | | 7,603.3 | | 7,178.6 |
| Total Liabilities | | 8,078.9 | | 7,561.1 |
| Net Assets: | | | | |
| Invested in Capital Assets, net of related debt | | (729.3) | | (633.3) |
| Restricted for Construction | | - | | 2.7 |
| Restricted for Debt Service | | 837.6 | | 969.1 |
| Restricted for Retiree Health Benefits | | 0.4 | | 0.4 |
| Unrestricted | | (35.3) | | 31.8 |
| Net assets | $ | 73.4 | $ | 370.7 |

The Authority's net assets indicate an unrestricted current ratio of 5.2 and 2.2 as of December 31, 2010 (based on preliminary and unaudited information) and December 31, 2009, respectively. Working capital was $259.5 million and $80.7 million as of December 31, 2010 (based on preliminary and unaudited information) and December 31, 2009, respectively. Total unrestricted current assets were $321.0 million as of December 31, 2010 (based on preliminary and unaudited information), compared to $149.0 million as of December 31, 2009. Total unrestricted and restricted current assets were $1,210.1 million as of December 31, 2010 (based on preliminary and unaudited information). Cash and investments of $1,160.3 million represent the largest component of current assets. The remaining $49.8 million is comprised of accrued interest receivable of $1.7 million, accounts receivable of $44.6 million, interproject/interagency receivables of $0.6 million and inventory and prepaid expenses of $2.9 million.

Total unrestricted current liabilities were $61.5 million as of December 31, 2010 (based on preliminary and unaudited information), including $7.3 million for accounts payable and retainage payable, $31.3 million of deferred revenue and $22.1 million for accrued liabilities, mainly accrued salaries and vacation liability and $0.8 million for TollTag Deposits.

| Table A-2 | | | | |
|---|---|---|---|---|
| Changes in Net Assets | | | | |
| (in millions of dollars) | | | | |
| | | Preliminary and Unaudited | | |
| REVENUES | | 2010 | | 2009 |
| Tolls | $ | 388.2 | $ | 290.4 |
| Other Revenues | | 30.5 | | 17.2 |
| Operating Revenues | | 418.7 | | 307.6 |
| Operating Expenses before depreciation | | 116.4 | | 126.4 |
| Income from operations before depreciation | | 302.3 | | 181.2 |
| Depreciation | | (4.6) | | (4.5) |
| Operating Income | | 297.7 | | 176.7 |
| Net Nonoperating Revenue (Expenses): | | | | |
| Interest Income | | 12.9 | | 11.8 |
| Grant Revenue | | 26.9 | | - |
| Interest Expense | | (377.1) | | (358.8) |
| Lease Amortization (Sam Rayburn Tollway) | | (68.0) | | (60.7) |
| SWAP Termination | | | | (6.1) |
| Other | | (3.3) | | (17.2) |
| Net Nonoperating Revenue (Expenses): | | (408.6) | | (431.0) |
| Capital Contributions | | - | | 59.6 |
| BAB's Subsidy | | | | 7.5 |
| Payment to other Agency | | (200.0) | | - |
| Change in Net Assets | | (310.9) | | (187.2) |
| Net Assets - Beginning of Year | | 370.7 | | 557.9 |
| Net Assets - Ending | $ | 59.8 | $ | 370.7 |

Total operating revenues were $418.7 million for the year ended December 31, 2010 (based on preliminary and unaudited information) and $307.6 million for the year ended December 31, 2009. Toll revenues were $388.2 million, a 33.7% increase over the year ended December 31, 2009 toll revenues of $290.4 million. Traffic on the NTTA System continues to grow, with average daily transactions of 1,348,481 for the year ended December 31, 2010 (based on preliminary and unaudited information) and 1,253,653 for the year ended December 31, 2009.

Total operating expenses before depreciation for the year ended December 31, 2010 (based on preliminary and unaudited information) were $116.4 million, representing a 7.0% decrease from the year ended December 31, 2009 operating expenses of $126.4 million (See Table A-2). Interest expense, inclusive of capitalized interest, for the year ended December 31, 2010 was $377.1 million (based on preliminary and unaudited information), an increase from the year ended December 31, 2009 of $358.8 million. This increase is due mainly to changes in debt service payments from year-to-year. Debt service coverage for the year ended December 31, 2010 (based on preliminary and unaudited information) and the year ended December 31, 2009 were 1.65 and 1.56 times, respectively. The NTTA System Trust Agreement and the Authority's Debt Policy both require bond principal and interest coverage of 1.35 times.

The Authority's overall financial position decreased as of December 31, 2010 (based on preliminary and unaudited information), as indicated by the $310.9 million decrease in net assets from December 31, 2009.

**Investments**

The Authority's investments at December 31, 2010 (based on preliminary and unaudited information) and December 31, 2009 were approximately $1.55 billion and $1.77 billion, respectively.

**Revenues by Type**

Gross revenues, excluding grant revenue of $26.9 million, for the year ended December 31, 2010 (based on preliminary and unaudited information) were $418.7 million, a 36.1% increase over the year ended December 31, 2009 gross revenues of $307.6 million. Toll revenues of $388.2 million account for 92.7% of total revenue. Interest income (excluding Construction Fund interest) was $12.8 million or 3.1%. Other revenue, mostly administrative and statement fees for collection of tolls from violators and interoperability fees, was $17.7 million, representing 4.2% of the total.

**Revenues Compared to Estimates**

The Authority's actual toll revenue for the year ended December 31, 2010 (based on preliminary and unaudited information) was 2.9% over the toll revenue estimated in July 2009 by the Authority's traffic and toll revenue engineer, Wilbur Smith Associates ("*WSA*").

Traffic on the NTTA System continues to grow with approximately 1,326,220 average daily transactions during the year ended December 31, 2010 (based on preliminary and unaudited information), up 5.8% from the 1,253,653 daily averages for the year ended December 31, 2009.

The increase in the toll revenue was largely attributed to:

- A toll rate increase implemented in September 2009.
- The increased growth of population in the North Texas counties (Dallas, Tarrant, Denton & Collin).
- A full year of operations for the SRT and the opening of the LLTB.

**Capital Assets**

The Authority's investment in capital assets includes land, buildings, right-of-way, roadway, bridges, equipment, and computer systems. Capital assets at December 31, 2010 (based on preliminary and unaudited information) were $6.2 billion, increasing from December 31, 2009 by approximately $333 million. This is due primarily to the construction of the SRT, the DNT Extension Phase 3, the PGBT EE, and the LLTB.

The Authority utilizes GASB No. 34, Modified Approach of reporting infrastructure assets. Each year a comprehensive assessment is conducted on all the Authority's infrastructure assets which affect the following fiscal year's maintenance budget. The Authority's Condition Index for 2010 is 8.9 versus the 8.0 goal.

The SRT will revert to TxDOT after the expiration of the 50 year period commencing when the Authority began collecting tolls on the SRT on its own behalf (September 2008). The Authority will depreciate the cost of the acquisition and the construction costs of the SRT over the term of the project agreement pursuant to which the Authority acquired the SRT utilizing the straight-line basis. The effect of depreciating the cost of the acquisition and the construction costs of the SRT will reduce the Authority's net revenues as reported on the general accepted accounting principles ("*GAAP*") basis. Since the depreciation will be a non-cash item, it will not impact the Authority's calculation of net revenues available per the NTTA System Trust Agreement.

**Budgetary Highlights**

The Authority adopts (on a non-GAAP basis) an annual budget in December of each year for the succeeding year for the Operations and Maintenance Fund. The budget is established in accordance with the provisions of the NTTA System Trust Agreement. The budget covers the operating expenses for each fiscal year (calendar year). For the year ended December 31, 2010 operating expenses were $87.4 million (based on preliminary and unaudited information) as compared to an operating budget of $102.2 million. The Authority expended 85.5% of the operating budget by December 31, 2010. The primary factors in this budget are the continued restructuring of the Authority's departments; the maintenance and operations of Segments 1, 2 and 3 of the SRT; the opening of the LLTB and the increased growth in the Customer Service, Maintenance, Information Technology, and Safety and Incidents Management areas. The Authority is also focusing on improvements in service delivery.

**Long-Term Debt**

As of December 31, 2010, the Authority's total bonded debt outstanding was $7.54 billion compared to approximately $7.02 billion as of December 31, 2009. This debt represents bonds secured solely by toll revenue. Additionally, part of the construction of the PGBT was funded with the proceeds from a loan in the amount of $135 million, made by TxDOT in 1995 pursuant to the Intermodal Surface Transportation Efficiency Act of 1991. Interest has been accruing since 2000 and annual payment began in fiscal year 2004. The outstanding principal balance on the ISTEA loan is approximately $142,857,298.

**Short-Term Debt**

The Authority maintains an approximately $200 million commercial paper program. $119.2 million of commercial paper was outstanding as of December 31, 2010 to finance the feasibility study, design, engineering costs and preliminary construction costs of SWP/CTP, SH 161, PGBT EE, Phase 4 of the DNT, LLTB and various other projects.

*[Remainder of page intentionally left blank]*

## OTHER FINANCIAL INFORMATION

### Historical Traffic and Net Revenues

The table set forth below shows the net revenues available for debt service of the NTTA System for the calendar years 2000 through 2009 and the year ended December 31, 2010 (based on preliminary and unaudited information).

| Year | Annual Revenue Vehicle Transactions[1] | Toll Revenue[1] | Investment and Other Earnings[1] | Current Expenses[1] | Net Revenues | Change in Net Revenues |
|---|---|---|---|---|---|---|
| 2000[a] | 192,168,272 | $ 93,901,576 | $13,204,505 | $ 22,754,720 | $ 84,351,361 | 28% |
| 2001[b] | 230,044,912 | 107,210,124 | 11,806,432 | 30,429,021 | 88,587,535 | 5% |
| 2002 | 285,494,321 | 137,945,439 | 8,732,847 | 37,964,567 | 108,713,719 | 23% |
| 2003 | 296,140,087 | 149,323,784 | 8,371,709 | 42,650,553 | 115,044,960 | 6% |
| 2004[c] | 315,031,754 | 160,695,030 | 10,046,907 | 47,680,750 | 123,061,187 | 7% |
| 2005[d] | 338,390,215 | 172,537,345 | 14,085,285 | 56,576,883 | 130,045,747 | 6% |
| 2006 | 370,696,171 | 191,434,120 | 18,259,576 | 61,421,158 | 148,272,538 | 14% |
| 2007[e] | 383,481,098 | 202,675,564 | 21,307,811[f] | 76,593,495 | 147,389,880 | (0.6%) |
| 2008[g] | 412,272,003 | 240,776,791 | 20,958,496[f] | 80,668,732 | 181,066,555 | 23% |
| 2009[h] | 455,546,197 | 290,404,547 | 31,253,175 | 90,934,772 | 230,722,950 | 27% |
| 2010[i] | 481,913,338 | 388,200,307 | 30,484,646 | 87,423,500 | 331,261,453 | 43% |

[a] PGBT Campbell Road to SH 78 opened in 2000.
[b] PGBT Midway Road to IH 35E, and IH 635 to Belt Line Road opened in 2001. Mountain Creek Lake Bridge was combined with the System in 2001.
[c] Sam Rayburn Tollway Interchange Extension opened in 2004.
[d] PGBT IH 35E to IH 635 opened in 2005.
[e] DNT Phase 3 opened in September 2007. Additionally, a toll rate increase occurred in September 2007.
[f] Includes balances from Feasibility Study Fund.
[g] The Authority commenced collecting tolls on its own behalf for Segments 1 and 2 of SRT on September 1, 2008.
[h] LLTB opened on August 1, 2009. Increase in speed-limits across various sections of the NTTA System was implemented starting late August 2009. System-wide increase of toll rates was implemented on September 1, 2009. SRT Segment 3 was opened in September 2009.
[i] Based on preliminary and unaudited financial statements for the twelve month period ended December 31, 2010. Segment 4 of SRT near U.S. 75 opened in late 2010.

[1] Source – **APPENDIX C-1** – Comprehensive Annual Financial Report of the North Texas Tollway Authority for the fiscal year ended December 31, 2009. Source for information for the twelve month period ended December 31, 2010 are the preliminary and unaudited records of the Authority.

*[Remainder of page intentionally left blank]*

**Historical Debt Service Coverage**

The table below sets forth the debt service coverage for all outstanding debt (including First Tier Bonds, Second Tier Bonds, Third Tier Bonds and the ISTEA Loan) of the Authority secured by revenues of the NTTA System for fiscal years 2006 through 2010 as calculated pursuant to the NTTA System Trust Agreement.

| Fiscal Year | Actual Coverage |
|---|---|
| 2006 | 1.77x |
| 2007 | 1.76x |
| 2008 | 1.50x |
| 2009 | 1.56x |
| 2010* | 1.65x |

*Based on the Authority's Preliminary and unaudited December 31, 2010 Monthly Financial Report

**Adjustments Between the Preliminary and Unaudited December 31, 2009 Monthly Financial Report and the 2009 Comprehensive Annual Financial Report**

There are adjustments that occur every year between the preliminary December 31st monthly financial report and the final audited comprehensive annual financial report that result from the year end closing process. For example, as an Enterprise Fund, expenses should be recognized in the year in which they are incurred. An accrual is made for expenses that come in after the end of the year, but are related to the previous year. As a result of the year end accruals for 2009, expenses for Administration, Operations, Reserve Maintenance and Capital Improvements increased by $9.5 million between the preliminary December 31, 2009 Monthly Financial Report and the 2009 Comprehensive Annual Financial Report. Also, as a result of the year end analysis of the Authority's accounts receivable related to ZipCash invoices, toll revenue decreased by $18.9 million, or 6.0%, between these same two reports. A change in the methodology used to record interest expense related to bonds resulted in an increase of $237.5 million in interest expense, as well as a corresponding decrease in capitalized costs and net assets. This change in methodology was a one-time adjustment, and will not occur in future years. However, the change in expenses and adjustments to toll revenue are re-occurring and could affect the amounts shown in the December 31, 2010 Preliminary and Unaudited Monthly Financial Report. Other minor adjustments could be made as a result of year end analysis, such as bank reconciliations.

During 2010, the Authority purchased and implemented software that will allow it to calculate amortization on bond premium and discount at the CUSIP number. Previously, amortization on bond premium and discount was calculated at the bond issue level only. The Authority recommended to its outside auditors, and the outside auditors agreed, that the Authority treat the one-time adjustment as a change in accounting estimate and include the change in estimate as a part of the Authority's current non-operating operations. The difference between the amounts previously included in the general ledger and amount calculated by CUSIP number resulted in a decrease of approximately $7.2 million in amortization expense for the fiscal year ending December 31, 2010, across all bond issues.

**Pension Plans and Other Post-Employment Benefits**

Upon its creation, the Authority became a participant in the Texas County and District Retirement System (the "*TCDRS*"), a non-profit public trust fund that provides pension, disability and death benefits to eligible employees of its participants. The Authority's employees are required to become members at the time of their employment, unless the individual is ineligible for one of the reasons specified by the TCDRS such as part-time or temporary employees. TCDRS covers eligible employees of Texas counties, districts, and political subdivisions who elect to participate and are approved by the TCDRS Board.

The Authority has also adopted the North Texas Tollway Authority 401(k) Plan (the "*Authority Plan*") as a successor qualified cash or deferred arrangement to the Texa$aver 401(k) Plan in which the TTA was a

participant. A favorable determination letter has been issued by the Internal Revenue Service with respect to the Authority Plan. Each Authority employee is eligible to participate in the Authority Plan.

The Authority requires mandatory participation in both the TCDRS and the Authority Plan by all eligible employees. For more detailed information concerning the TCDRS and the Authority Plan, see Note (6) of **APPENDIX C-1**.

The Authority's other post employment benefits ("*OPEB*") liability is required by Statement No. 45 of the Governmental Accounting Standard Board ("*GASB*") to be recorded in fiscal year 2009. In fiscal year 2005, a consulting actuary provided a baseline valuation report giving the Authority's potential reportable OPEB liability, measured as of January 1, 2005. The baseline estimated results as of January 1, 2005 showed an Actuarial Accrued Liability ("*AAL*") of $4,284,942 and an Annual Required Contribution ("*ARC*") of $860,864. The ARC is $677,788 of normal cost and $183,076 of amortization of the AAL over 30 years. The Authority has started addressing this liability by recording OPEB accrued liabilities of $5,196,519 through fiscal year 2009. See Note (8) of **APPENDIX C-1** for additional information on OPEB.

## THE TRAFFIC AND REVENUE STUDY

### Background

In December 2010, Wilbur Smith Associates ("*WSA*"), the Traffic Engineers for the Authority, completed the Investment Grade Traffic and Toll Revenue Study for PGBT WE (the "*Report*") to estimate traffic and toll revenue for PGBT WE in Dallas County. The study evaluated the traffic and revenue potential of PGBT WE between IH 20 and SH 183. The facility was assumed to be opened to traffic in phases, with the last phase opening in October 2012.

The study was conducted at an investment grade level and is considered suitable for use in project financing. See "**RISK FACTORS – Forward-Looking Statements**."

### The Report

The Report utilized the North Central Texas Council of Governments ("*NCTCOG*") 2030 Mobility Plan: 2009 Amendment. The demographics datasets from the NCTCOG Mobility 2030 Plan: 2009 Amendment were updated based on the independent economic reviews that were performed along the existing NTTA System corridors, the SWP/CTP corridor, the Trinity Parkway corridor and along the PGBT WE corridor by Insight Research Corporation ("*IRC*"), Research and Demographic Solutions ("*RDS*") and Weinstein, Clower and Associates ("*WCA*"). The traffic and revenue estimates on PGBT WE were calculated by using the trip tables that were generated using these updated demographics datasets.

The study effort in preparing the Report involved the following key elements:

- **Data Collection Program** – The Report relied heavily on data collected by TxDOT and provided to the Authority. The data collected by TxDOT included traffic counts at specific locations around the PGBT WE corridor, speed and delay runs on the potential competing routes, an origin/destination survey and a stated preference survey. Additional traffic counts and speed and delay data were also taken as part of this study. With this data, WSA evaluated the traffic trends and the travel time characteristics along the PGBT WE corridor. Results from the stated preference survey were used to estimate values of time for the PGBT WE corridor and were subsequently used in the traffic and revenue estimates.

- **Corridor Growth Analysis** – Using the approved demographics included by NCTCOG in the Mobility 2030 Plan: 2009 Amendment, WSA evaluated the socioeconomic conditions along the PGBT WE corridor as described in the Report. This included a review of the historical population and employment growth trends, as well as the future growth projections of these two major socioeconomic characteristics along the PGBT WE corridor. A summary of the independent economic reviews performed by IRC and WCA along the PGBT WE corridor is also presented in the Report. Reports detailing the results of the IRC and WCA reviews are presented in the Report.

- **Traffic and Toll Revenue Forecasts** – WSA developed the traffic and revenue forecasts between 2011 and 2061 for PGBT WE, as detailed in the Report. The traffic and toll revenue forecasts were made

based on the revised-lag demographics trip tables, which were developed based on the independent economic reviews that were done along the existing NTTA System corridors and the PGBT WE corridor.

The toll sensitivity analyses for PGBT WE, as described in the Report, show that the current and planned toll charges on PGBT WE are below the theoretical revenue maximization points. This demonstrates that, if needed, there is considerable potential for revenue enhancement through toll increases above those assumed for traffic and revenue forecasting purposes.

The table below presents estimated annual transactions and annual toll revenue on PGBT WE. The annual transactions and annual revenue have been adjusted to reflect "ramp-up" during the first several years of operation. The annual transactions are expected to increase from 68.1 million in 2015 to 101.8 million in 2030 representing a 2.7% average annual growth between 2015 and 2030. Annual transactions are estimated to be 163.3 million in 2061, with an annual average growth rate of 1.5% between 2030 and 2061. Annual toll revenue is expected to be approximately $54.7 million in year 2015 and is expected to reach $127.5 million by 2030. This translates to an approximate 5.8% annual growth between 2015 and 2030. Annual revenue is anticipated to grow at an annual rate of 4.4% between 2030 and 2061, reaching $483.5 million in 2061.

*[Remainder of page intentionally left blank]*

**Estimated PGBT WE Transactions and Revenue**

| Calendar Year | Annual Transactions | Annual Revenue | Calendar Year | Annual Transactions | Annual Revenue |
|---|---|---|---|---|---|
| 2011 | 13,277,000 | $8,106,900 | 2037 | 127,435,500 | $197,326,100 |
| 2012 | 23,390,200 | $15,004,800 | 2038 | 129,092,100 | $205,296,300 |
| 2013 | 52,451,900 | $38,521,200 | 2039 | 130,770,400 | $213,525,600 |
| 2014 | 62,477,500 | $48,282,600 | 2040 | 132,470,000 | $222,203,900 |
| 2015 | 68,052,500 | $54,743,500 | 2041 | 133,794,900 | $230,307,800 |
| 2016 | 70,781,900 | $58,846,700 | 2042 | 135,133,000 | $238,846,800 |
| 2017 | 73,641,600 | $63,058,800 | 2043 | 136,484,500 | $248,149,800 |
| 2018 | 76,637,100 | $67,723,000 | 2044 | 137,849,300 | $258,000,800 |
| 2019 | 80,081,500 | $72,976,300 | 2045 | 139,227,700 | $267,466,900 |
| 2020 | 85,759,900 | $81,075,600 | 2046 | 140,620,000 | $277,545,700 |
| 2021 | 87,783,600 | $85,652,200 | 2047 | 142,026,100 | $288,185,900 |
| 2022 | 89,858,700 | $90,474,900 | 2048 | 143,446,500 | $299,411,500 |
| 2023 | 91,986,900 | $95,257,600 | 2049 | 144,880,900 | $310,006,500 |
| 2024 | 94,169,200 | $100,433,900 | 2050 | 146,329,800 | $321,246,900 |
| 2025 | 89,847,900 | $97,434,400 | 2051 | 147,792,800 | $333,345,800 |
| 2026 | 92,091,300 | $102,712,600 | 2052 | 149,270,800 | $346,188,100 |
| 2027 | 94,400,900 | $108,265,100 | 2053 | 150,763,500 | $359,201,400 |
| 2028 | 96,779,700 | $114,224,100 | 2054 | 152,271,400 | $372,958,000 |
| 2029 | 99,229,000 | $120,613,300 | 2055 | 153,793,900 | $387,019,700 |
| 2030 | 101,751,700 | $127,521,700 | 2056 | 155,331,600 | $401,898,100 |
| 2031 | 112,213,300 | $145,927,200 | 2057 | 156,885,000 | $416,709,700 |
| 2032 | 115,075,500 | $154,268,100 | 2058 | 158,454,000 | $432,515,500 |
| 2033 | 118,022,900 | $163,126,000 | 2059 | 160,038,600 | $449,026,900 |
| 2034 | 121,058,600 | $172,641,200 | 2060 | 161,638,800 | $466,470,100 |
| 2035 | 124,185,600 | $182,235,700 | 2061 | 163,255,300 | $483,499,700 |
| 2036 | 125,800,000 | $189,819,700 | | | |

The Report is incorporated by reference herein. See "**INCORPORATION BY REFERENCE**."

## The Letter Update

*Introduction*

On March 9, 2011, WSA completed a letter update (the "*Letter Update*") to the Report. The Letter Update identified new information that became available after the completion of the Report, including the following:

*Regional Mobility Plan and Demographics*. NCTCOG is in the process of developing new regional demographic forecasts and a new long range transportation plan, "*Mobility 2035*" (which was approved by the RTC on March 10, 2011). Additionally, air quality conformity determination of the Mobility 2035 plan is expected to be received from FHWA in late spring/summer 2011. The following are observations regarding the new Mobility 2035 plan and the new demographics:

- There are three major components in any metropolitan transportation plan:
  - Demographics (transportation demand)
  - Roadway and transit networks (transportation supply)
  - Algorithms used in the travel demand models that determine the trip generation rates, roadway/transit shares, traffic assignment, etc.

In the new Mobility 2035 plan, there are changes in the three components. In addition, the study area has doubled (10,000 square miles vs. 5,000 square miles).

- Greatly reduced fiscal capacity of the transportation system. There is expected to be a $44 billion reduction in funding in the new plan for transportation infrastructure, which is about a third of the funding in the Mobility 2030: 2009 Amendment. Most of the reduction in commitments in the Mobility 2035 plan is in roadway infrastructure.
- Slowing of the regional expansion and denser metro area than in previous forecasts.

- Due to the drastic reduction in the transportation infrastructure, there is an expectation of drastic increase in congestion in the future travel demand model years.
- Some planned transportation improvements near the PGBT WE that were assumed in the current long range transportation plan have been removed in the Mobility 2035 plan.

The current schedule of approval and release of the Mobility 2035 plan does not allow time for WSA to fully assess the combined traffic and revenue impacts of all the above changes related to the Mobility 2035 plan for the upcoming PGBT WE financing. However, the Report contains various stress tests related to the following parameter changes, which should give a reasonable range of the associated traffic and revenue risk:

- Severe demographic growth stagnation
- Use of the "official" NCTCOG demographics instead of "revised-lag" demographics
- Changes to short-term toll traffic ramp-up factors
- Changes to vehicle operating costs
- Changes to values of time, truck shares, proportion of weekend traffic and TollTag/ZipCash shares

WSA has no additional information regarding the new demographics and Mobility 2035 plan at this time that would necessitate revisions of the previous forecasts. WSA expects that the information needed to perform a full assessment will not be available for at least a few months.

*2010 United States Census*. In February 2011, the US Census Bureau released the 2010 population numbers. NCTCOG is expected to incorporate the 2010 Census information in the demographic updates that will be done later this year. Given that the travel demand model is composed of small geographic areas (traffic survey zones) and the 2010 census population has not yet been aggregated to this level, WSA is unable to incorporate the census information in the PGBT WE traffic and revenue forecasts at this time. However, the Report contains demographic growth stress tests to gauge the traffic and revenue risk.

*Inclement Weather in February 2011*. It should be noted that the inclement weather in early February 2011 also had a negative impact on the PGBT WE toll revenue by at least $60,000 in that month (based on unaudited data from the Authority). This drop in revenue is about 11% of the estimated PGBT WE revenue in February 2011. However, this represents 0.75% of the expected toll revenue from PGBT WE in calendar year 2011, meaning that there would be no material impact to the 2011 PGBT WE toll revenue due to the weather.

*Rising Gasoline Prices*. Gasoline prices in Texas have risen steadily over the past couple of months and are currently well above $3.50 per gallon. The continued turmoil in the Middle East and northern Africa is triggering concerns about the crude oil supply. Transactions on the NTTA System facilities seem to be relatively inelastic to gasoline price increases. However, sharp increases in gasoline price in mid-2008 combined with the recession produced some small noticeable impacts on NTTA System transactions at that time. National Public Finance Guarantee has noted in a toll road study that vehicle miles traveled is more closely correlated to Gross Domestic Product ("*GDP*") than to the price of gasoline.

If the current turmoil in the Middle East and North Africa results in higher gasoline prices, reduces consumer sentiment, and negatively impacts the growth in the GDP and employment, then there could be material impacts to the PGBT WE toll transactions and revenue. WSA believes it is premature to update the forecasts in response to this situation. It should be noted that the Report includes stress tests related to the increase in the vehicle operating cost, including the price of gasoline.

*Validity of The Report*

*Underlying Demographic Forecasts*. The underlying demographic forecasts used for the Report are based on the results of three independent economists previously retained by WSA to review and revise NCTCOG's 2003 official demographic forecasts. The Report utilized a "revised-lag" set of demographics encompassing revisions from prior analyses as well as employing a lagging effect of some of the projected population and employment growth due to the recent recession. While only limited new data is available at this

time, WSA believes that the new demographic forecasts from NCTCOG do not invalidate the traffic and revenue forecasts in the Report.

*Underlying Economic Climate*

- In September 2010 the National Bureau of Economic Research announced that the nation-wide recession that started in December 2007 ended in June 2009 and that recovery began in that month. Economic conditions appear to be improving after a noticeable stabilization in the latter part of 2009. The actual annualized percentage change in the national GDP was positive throughout 2010 and is forecasted to continue growing through the end of 2011.
- Texas continues to experience a relatively smaller impact from the recent recession and seems to be on a faster track for recovery than many other parts of the country. Within Texas, the Dallas-Fort Worth area remains one of the strongest regional economies continuing to show modest recovery in job growth.
- The Dallas-Fort Worth area is performing much better than the rest of the nation in terms of unemployment rates and employment growth. Signs that the Dallas-Fort Worth economy is under recovery have provided assurance that the lagging effect of the demographic growth assumed in the Report remains a valid assumption.

*Recent Traffic Patterns and Characteristics*. By October 2010 total monthly transactions on the PGBT WE had more than doubled since the main lanes were opened to traffic in August 2009. The actual transactions on PGBT WE exceeded WSA's February 2010 projections, although it is necessary to point out that a portion of the transaction growth was due to the early opening of Phase 3 in April 2010 as opposed to the assumed opening in January 2011.

*Conclusion*

The Letter Update concludes that "[b]ased upon a review of all pertinent assumptions supporting the . . . Report, it is WSA's opinion that the resulting [traffic and revenue] estimates are still valid. We have assessed, to the extent possible, the new information mentioned above and conclude that there should be no material impact to the . . . estimates included in the . . . Report. However, as noted above, a detailed analysis is needed to quantify the . . . impacts of the new Mobility 2035 plan and the demographic forecasts once the detailed datasets and models from NCTOG become available."

The Letter Update is incorporated by reference herein. See "**INCORPORATION BY REFERENCE.**"

## INCORPORATION BY REFERENCE

For additional information, the Report and the Letter Update, the Project Agreement, and the most recent engineering report prepared by HNTB Corporation for the PGBT WE (the "*Engineering Report*") have been filed with the Electronic Municipal Market Access System ("*EMMA*") maintained by the Municipal Securities Rulemaking Board (the "*MSRB*") and are incorporated by reference herein. In addition, the Authority's monthly financial statements filed with EMMA are incorporated by reference herein. The Report and the Letter Update, the Project Agreement, and the Engineering Report for PGBT WE are also available upon request made to the Authority or may be accessed on the Authority's website by accessing the following respective links:

http://www.ntta.org/NR/rdonlyres/DD6B6329-29E8-41D2-B5DA-B1781A6508B3/0/PGBTWEInvestmentGradeStudy_December_2010_1_of_2.pdf (Part 1 of the Report)

http://www.ntta.org/NR/rdonlyres/DAEEE3A4-B906-4B39-836A-4CBB4C7AAEFE/0/PGBTWEInvestmentGradeStudy_December_2010_2of2.pdf (Part 2 of the Report)

http://www.ntta.org/NR/rdonlyres/44123D3B-24DA-4173-81E7-CD98A48D6B50/0/PGBTWEUpdateLetter_MarchNEW.pdf (Letter Update)

http://www.ntta.org/NR/rdonlyres/3D0AD0E6-F1F4-4014-BFF2-58618E97E526/0/PGBT_WE_Project_Agreement_w_Amendments.pdf (Project Agreement)

http://www.ntta.org/NR/rdonlyres/50FC45C5-DEAA-4050-ACF1-7E252DCE6EAA/0/PGBTWESH161EngReport_v4_040711LR.pdf
(Engineering Report)

THE FOREGOING LINKS ARE NOT INCLUDED TO INCORPORATE BY REFERENCE, EITHER EXPRESSLY OR BY IMPLICATION, INTO THIS OFFICIAL STATEMENT ANY OTHER INFORMATION OR MATERIALS ON THE AUTHORITY'S WEBSITE. THE INFORMATION CONTAINED AT THE LINK LOCATIONS IS DATED AS OF THE DATE OF THE RESPECTIVE DOCUMENTS, AND THERE CAN BE NO ASSURANCE THAT SUCH INFORMATION WILL BE UPDATED IN THE FUTURE, AND THE AUTHORITY, ITS FINANCIAL ADVISORS AND THE UNDERWRITERS DISCLAIM ANY RESPONSIBILITY TO UPDATE SUCH INFORMATION. THE AUTHORITY, ITS FINANCIAL ADVISORS AND THE UNDERWRITERS DISCLAIM ANY RESPONSIBILITY AS TO THE ACCURACY OR COMPLETENESS OF THE CONTENT OF ANY MATERIAL CONTAINED ON ANY LINK TO OR CONTENT OR MATERIAL ON OTHER INTERNET SITES OR HYPERLINKS/URL REFERENCES ACCESSED THROUGH THE AUTHORITY'S WEBSITE. SEE "**RISK FACTORS – FORWARD LOOKING STATEMENTS**."

## INVESTMENT POLICY

Investment of the Authority's money is governed by State law (including the Texas Public Funds Investment Act), and the comprehensive investment policy and strategy statement adopted by the Board (the "*Investment Policy*").

The Authority is required by the Public Funds Investment Act to invest its money under written investment policies that (i) primarily emphasize safety of principal and liquidity; (ii) address investment diversification, yield, maturity, and the quality and capability of investment management; and (iii) include a list of authorized investments, maximum allowable stated maturity of any individual investment for pooled funds, the maximum dollar-weighted average maturity, methods to monitor the market price of investments, and a requirement for settlement of all transactions, except investment pool funds and mutual funds, on a delivery versus payment basis. For a discussion of the investments of the Authority, see "**APPENDIX C-1**."

The Chief Financial Officer has been appointed by the Board as the "Investment Officer" as required by the Public Funds Investment Act. No person may invest Authority funds without express written authority from the Board. The Authority's investments must be made "with judgment and care under circumstances then prevailing that persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived." At least quarterly the Investment Officer of the Authority must submit an investment report detailing: (i) the book value and market value of each investment at the beginning and end of the reporting period, (ii) if funds are pooled for investment purposes, the beginning market value of the pool portfolio, changes in the market value during the reporting period, the ending market value of the portfolio, and fully accrued interest for the reporting period, and (iii) compliance with the investment portfolio as it relates to the adopted investment strategy.

Additionally, (1) the Board must review annually its adopted policies and strategies; (2) any officers or employees involved in the investment process must refrain from personal business activity that could conflict with the proper execution of the investment program, or that could impair their ability to make impartial investment decisions; (3) a representative of a financial institution seeking to sell securities to the Authority must: (a) receive and review the Investment Policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude investment activities that are not authorized by the Investment Policy, and (c) deliver a written statement attesting to these requirements; (4) the Authority must perform an annual audit of the management controls on investments and adherence to the Investment Policy; and (5) the Investment Officer must attend investment training sessions at least every two years.

The Authority generally invests in direct obligations of the United States or its agencies and instrumentalities or repurchase agreements fully collateralized by obligations of the United States or its agencies or instrumentalities.

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# APPENDIX B

## THE TEXAS DEPARTMENT OF TRANSPORTATION AND THE STATE HIGHWAY FUND

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## THE TEXAS DEPARTMENT OF TRANSPORTATION AND THE STATE HIGHWAY FUND

### TxDOT

The Texas Department of Transportation ("*TxDOT*") is a public authority and body politic and corporate created in 1917 as the "Texas Highway Department" by an act of the Texas Legislature (the "*Legislature*") to administer federal funds for highway construction and maintenance. In 1975, the Legislature merged the Texas Highway Department with the "Texas Mass Transportation Commission" to form the "State Department of Highways and Public Transportation," and in 1991, the Legislature combined the State Department of Highways and Public Transportation, the Department of Aviation, and the Texas Motor Vehicle Commission to create TxDOT.

### The Commission

The Texas Transportation Commission (the "*Commission*") is TxDOT's policy-making body and is composed of five commissioners appointed by the Governor of the State (the "*Governor*") with the advice and consent of the Texas Senate. Commissioners serve overlapping six year terms. One member is designated by the Governor as the Chair and serves as the chief presiding officer of the Commission. A person is not eligible to be a member of the Commission if the person or the person's spouse is employed by or manages a business that is regulated by or regularly receives funds from TxDOT; directly or indirectly owns or controls more than a 10% interest in a business that is regulated by or receives funds from TxDOT; uses or receives a substantial amount of goods, services, or funds from TxDOT; or is registered, certified, or licensed by TxDOT.

The Legislature created the "State Highway Commission" on April 4, 1917, for the purpose of adopting and implementing a comprehensive system of state highways and promoting the construction of a state highway system by cooperation with counties or independently by the State Highway Commission. In 1975, the Legislature changed the name of the State Highway Commission to the "State Highway and Public Transportation Commission." In 1991, the Legislature changed the name again to the "Texas Transportation Commission," as it remains today.

### General Information Concerning TxDOT

The mission of TxDOT is to provide safe, effective, and efficient movement of people and goods, and TxDOT's vision is to be a progressive state transportation agency recognized and respected by the citizens of the State of Texas (the "*State*") for: (i) providing comfortable, safe, durable, cost-effective, environmentally-sensitive, and aesthetically appealing transportation systems that work together; (ii) ensuring a desirable workplace that creates a diverse team of all kinds of people and professions; (iii) using efficient and cost-effective work methods that encourage innovation and creativity; and (iv) promoting a higher quality of life through partnerships with the citizens of the State and all branches of government by being receptive, responsible, and cooperative.

TxDOT is charged with (i) developing and maintaining a statewide multimodal transportation network and (ii) other transportation-related duties. TxDOT 's operations can be divided into five major categories:

(1) **Plan It:** Includes all planning, design, right-of-way acquisition for highways and other modes of transportation, and transportation research that saves lives and money.

(2) **Build It:** Includes highway and bridge construction and airport improvements.

(3) **Use It:** Includes items like public transportation traffic safety and travel information.

(4) **Maintain It:** Includes the maintenance of roadways, bridges, airports, gulf waterways and ferry systems.

(5) **Manage It:** Includes central and regional administration, information resources and other support services.

TxDOT is headquartered in Austin, Texas, with 25 district offices, 4 regional offices and 26 divisions/offices located throughout the State. Each district is responsible for the planning, design, construction, maintenance, and operation of its area's transportation systems.

TxDOT is managed by an Executive Director, subject to and under the direction of the Commission.

*Sunset Review*

The Texas Sunset Act (Chapter 325, Texas Government Code)(the "*Sunset Act*") provides that virtually all agencies of the State, including TxDOT, are subject to periodic review by the Legislature and that each agency subject to sunset review will be abolished unless the Legislature specifically determines to continue its existence.

TxDOT is subject to such sunset at September 1, 2011. If legislation is not then in effect to continue the existence of TxDOT it will be abolished, although the Texas Sunset Act provides that TxDOT will remain in existence for an additional year (until September 1, 2012) for the sole purpose of concluding its business. Legislation has been introduced in both houses of the Legislature to continue the existence of TxDOT until the next periodic sunset review.

Pursuant to the Sunset Act, the Legislature specifically recognizes the State's continuing obligation to pay bonded indebtedness and all other obligations incurred by TxDOT. Accordingly, in the event that the current or a future sunset review results in TxDOT being abolished, the Governor would be required by law to designate an appropriate state agency to carry out covenants and perform the obligations of TxDOT. The designated agency would provide for payment of bonds and other public securities in accordance with the terms of such bonds and other public securities and would provide for payment and performance of all other obligations in accordance with their terms.

*TxDOT Organizational Review*

In 2009, pursuant to a recommendation from the Legislature, the Commission engaged Grant Thornton LLP ("*Grant Thornton*"), an independent accounting firm, to conduct a top-down management and organizational review of TxDOT. The final report was delivered to the Commission on May 26, 2010. Following receipt of this report, the Commission created the TxDOT Restructure Council to review and evaluate recommendations from the Grant Thornton report and other audits and reviews. On January 5, 2011, the TxDOT Restructure Council presented its final report of recommendations and priorities to the Commission including two new positions of Chief Administrative Officer and Chief Information Officer. These two new positions have been filled. Based on these recommendations the Commission has instructed TxDOT staff to identify outside consultants to assist in the reorganization process. Additional information regarding the TxDOT Restructure Council and its final report can be found at http://www.txdot.gov/about_us/modernization.htm. (This website address is included herein as an active textual reference only, and the information contained on (or accessed through) such website is not incorporated herein and should not be construed as part of this Appendix B.)

On January 24, 2011, Amadeo Saenz announced his retirement as Executive Director of TxDOT. Steven Simmons also announced his retirement as Deputy Executive Director of TxDOT. Mr. Saenz and Mr. Simmons retirements will take effect on August 31, 2011. The Commission's goal is to fill the Executive Director's position by August 31, 2011.

**The State Highway Fund**

*General*

The State Highway Fund is the general source for a substantial portion of funding for the State Highway System, TxDOT, and the administration of State laws relating to traffic and safety on public roads. The State Highway Fund receives revenue from a variety of sources, including, without limitation, certain federal transportation program funds received from the United States Department of Transportation ("*USDOT*"), State motor fuels tax funds, State motor vehicle registration funds, and State motor lubricants tax funds.

Pursuant to Article VIII, Section 7-a of the Texas Constitution, (i) 75% of the net revenues generated from the State motor fuels tax (net of enforcement, administrative and refund charges), (ii) the State tax on motor lubricants, and (iii) the net revenues generated from the State motor vehicle registration fees (net of collection charges and the portion of such fees that is reserved for counties within the State) are dedicated for acquiring rights-of-way; constructing, maintaining, and policing public roadways; and for the administration of laws pertaining to the supervision of traffic and safety on such roads. Also, pursuant to Article VIII, Section 7-b of the Texas Constitution, all revenues received from the federal government as reimbursement for State expenditures of funds that are themselves dedicated for acquiring rights-of-way and constructing, maintaining and policing public roadways are constitutionally dedicated and may be used only for those purposes.

The State Highway Fund is the general operating fund of TxDOT through which, generally, all revenues dedicated or appropriated to the purposes of TxDOT are deposited and all of TxDOT's administration, maintenance and operating expenses are paid. Certain expenses of the Texas Mobility Fund are also processed through the State Highway Fund, whereby the Texas Mobility Fund transfers amounts for such expenses to the State Highway Fund prior to such expenses being paid (except in situations where the Texas Mobility Fund is reimbursing the State Highway Fund for expenses incurred by the State Highway Fund). TxDOT's ongoing "pay as you go" construction program is also paid from the State Highway Fund. Such expenses include payroll, repairs and maintenance, costs of materials and supplies, professional fees or commitments, utilities, rent and lease payments and intergovernmental payments. To accomplish all of these purposes, money in the Fund is appropriated by the Legislature to TxDOT, the Texas Department of Public Safety (the "*DPS*") and certain other agencies of the State. For the 2010-2011 biennium, approximately 93.7% of the money appropriated from the Fund is appropriated for TxDOT uses.

The Legislature is currently evaluating alternatives for closing an approximately $27 billion revenue shortfall between estimated available general revenue funds and projected State expenditures necessary to maintain current levels of service as estimated by the State Comptroller. Alternatives being considered include delaying the distribution to the State Highway Fund of motor fuels taxes collected at the end of the fiscal year (potentially the last 2 months of revenue collections) until the beginning of the following fiscal year. If enabling legislation is passed, it is anticipated that commercial paper or other short term borrowing will be available to address this temporary cash flow shortfall to the State Highway Fund.

With the exception of certain dedicated and restricted funds held in special accounts or subaccounts in the State Highway Fund (collectively "*Restricted Revenues*"), amounts deposited into the State Highway Fund are pledged to secure payment of Senior Obligations (as defined under the caption "*State Highway Fund Obligations*") and such amounts may also be used to pay debt service on and other costs associated with certain subordinate obligations issued or incurred by the Commission or TxDOT including the State Highway 161 (PGBT WE) Toll Equity Loan Agreement (the "*TELA*"). See "Uses of the State Highway Fund", "State Highway Fund Obligations" and "SH161 Toll Equity Obligations."

Restricted Revenues include amounts held in the State Infrastructure Bank account established as an account in the State Highway Fund pursuant to Subchapter D of Chapter 222, Transportation Code, and amounts held in special accounts or subaccounts established pursuant to Section 228.012, Transportation Code, for payments received by TxDOT under comprehensive development agreements ("*CDA's*"), surplus revenues of toll projects or systems, and payments received under Section 228.0111(g)(2) and (i)(2) of the Transportation Code for the right to develop, finance, construct and operate toll projects. TxDOT has created subaccounts in the State Highway Fund in accordance with Section 228.012, Transportation Code, to hold payments received (i) under the State Highway 130 CDA for segments 5 and 6 totaling approximately $25 million and (ii) from the North Texas Tollway Authority for the right to develop, finance, design, construct, operate, and maintain the State Highway 121 toll project totaling $3.197 billion, pending distribution of such funds from time to time for their designated purposes.

Restricted Revenues are not available, and may not be used, to make advances under the TELA.

The unaudited TxDOT Financial Statements for fiscal year ended August 31, 2010, which are on file with the Municipal Securities Rulemaking Board ("*MSRB*") and can be examined using the Electronic Municipal Market Access system ("*EMMA*") of the MSRB, are included as Appendix C-3 of this Official Statement.

*Sources of Revenue in the State Highway Fund*

The following Tables 1, 2, 4, 6 and 7 are presented using a cash basis of accounting and will not reconcile to Appendix C-3 of this Official Statement, which is presented using a modified accrual basis of accounting.

The following table sets out the amount of total State Highway Fund Revenues, which are derived from each of the following sources for the fiscal years 2006 through 2010: State motor fuels tax, State motor vehicle registration fees, other State revenue sources, and reimbursements from federal funds.

**Table 1**
**State Highway Fund Revenues By Source[1]**
**(In Millions)**

| Fiscal Year | State Motor Fuels Tax | State Motor Vehicle Registration Fees | Other State Revenue Sources[2] | Reimbursements from Federal Funds | Total Revenues |
|---|---|---|---|---|---|
| 2006 | $ 2,194.2 | $ 932.7 | $ 527.5 | $ 3,139.5 | $ 6,793.9 |
| 2007 | 2,238.2 | 984.2 | 457.2 | 2,026.1[3] | 5,705.7 |
| 2008 | 2,275.9 | 1,024.1 | 463.9 | 2,727.6 | 6,491.5 |
| 2009 | 2,226.6 | 1,066.2 | 491.1 | 2,666.6 | 6,450.5 |
| 2010 | 2,227.0 | 1,111.3 | 511.4 | 1,873.7 | 5,723.4 |

(1) Presented on a cash basis of accounting.
(2) See Footnote 2 to Table 6 - "Other State Revenues Deposited to the State Highway Fund."
(3) Reflects a decrease from prior years primarily due to lower than expected reimbursements because of delays in project advancements and, to a lesser extent, the effects of decreased tapered match reimbursements from the federal government. For an explanation in the decline in reimbursements from federal funds, see "Sources of Revenue in the State Highway Fund - Federal Funds" herein.

State Motor Fuels Tax. The State currently levies a motor fuels tax of $0.20 per gallon on gasoline and diesel fuel, and $0.15 per gallon on liquefied natural gas. Sales of motor fuels for the exclusive use of the federal government or a public school district in the State are exempt, and sales of liquefied gas for the exclusive use of the federal government, local county government or a public school district in the State are exempt. The Comptroller retains 1% of the gross receipts for administration and enforcement, and after providing for refunds or non-highway use collections, distributes the remainder as hereinafter described. Pursuant to Article VIII, Section 7-a of the Texas Constitution, 75% of the net revenues generated from the State motor fuels tax (net of enforcement, administrative and refund charges) are deposited to the credit of the State Highway Fund and the remaining 25% of such revenues are deposited to the credit of the "Available School Fund" in support of the State's primary and secondary schools. The Comptroller also administers a minimum of $7.3 million annually to fund the county and road district highway fund. The following table sets out the amount of the State motor fuels tax deposited into the State Highway Fund for the fiscal years 2006 through 2010 and the approximate percentage of total State Highway Fund revenues for such years that constituted State motor fuels taxes.

**Table 2**
**State Motor Fuels Tax Revenues Deposited to the State Highway Fund[1]**
**(In Millions)**

| Year | Amount of Motor Fuels Tax Revenues Deposited | Percentage of Total Fund Revenues |
|---|---|---|
| 2006 | $ 2,194.2 | 32% |
| 2007 | 2,238.2 | 39% |
| 2008 | 2,275.9 | 35% |
| 2009 | 2,226.6 | 34% |
| 2010 | 2,227.0 | 39% |

(1) Presented using a cash basis of accounting.

The following table sets out the amount of the taxable gasoline and diesel fuel consumption in the State for the fiscal years 2006 through 2010.

**Table 3**
**Taxable Gasoline and Diesel Fuel Consumption in Texas**
**(In Millions of Gallons)**

| Fiscal Year | Gasoline | Diesel |
|---|---|---|
| 2006 | 11,300.8 | 3,658.2 |
| 2007 | 11,485.1 | 3,773.0 |
| 2008 | 11,589.1 | 3,922.2 |
| 2009 | 11,587.9 | 3,583.4 |
| 2010 | 11,700.0 | 3,494.3 |

State Motor Vehicle Registration Fees. The State currently charges motor vehicle registration fees under a number of statutory provisions. The Texas Department of Motor Vehicles ("*TxDMV*") shares motor vehicle registration responsibilities with county governments that assist with this function. Revenues from vehicle registrations are shared between the State Highway Fund and the counties. Table 4 below sets out the amount of such revenues deposited to the State Highway Fund for the fiscal years 2006 through 2010, the approximate percentage of total motor vehicle registration fee revenues represented by such amount, and the approximate percentage of total State Highway Fund revenues for such years that constituted motor vehicle registration fees.

**Table 4**
**State Motor Vehicle Registration Fees Deposited to the State Highway Fund[1]**
**(In Millions)**

| Fiscal Year | Amount of Motor Vehicle Registration Fees Deposited | Percentage of Total Motor Vehicle Registration Fees | Percentage of Total Fund Revenues |
|---|---|---|---|
| 2006 | $ 932.7 | 68% | 14% |
| 2007 | 984.2 | 69% | 17% |
| 2008 | 1,024.1 | 69% | 16% |
| 2009 | 1,066.2 | 71% | 17% |
| 2010 | 1,111.3 | 73% | 19% |

[1] Presented using a cash basis of accounting.

The following table sets out the number of vehicles registered in the State for the fiscal years 2006 through 2010.

**Table 5**
**Vehicles Registered in Texas**
**(In Thousands)**

| Fiscal Year | Number of Vehicles |
|---|---|
| 2006 | 20,084 |
| 2007 | 20,902 |
| 2008 | 21,171 |
| 2009 | 21,432 |
| 2010 | 21,570 |

Other State Revenue Sources. The State also generates or receives funds from a variety of sources that are deposited to the credit of the State Highway Fund. Such sources of funds include, without limitation, sales taxes on motor lubricants, funds from local governments that are participating in State highway projects, interest earnings on the dedicated funds deposited to the credit of the State Highway Fund, surplus equipment sales revenues, oversize and overweight trailer permit fees, vehicle title certificate fees, revenues from Texas Highways magazine, and other reimbursements received by TxDOT. With the exception of the sales tax on motor lubricants and interest earnings on dedicated motor fuel taxes, dedicated federal funds and dedicated vehicle registration fees, these other revenue sources are not dedicated or committed by constitutional provision to the State Highway Fund. The following table sets out the aggregate amount of funds generated from these sources and deposited to the State Highway Fund for fiscal years 2006 through 2010 and the approximate percentage of the total State Highway Fund revenues for such years generated from such sources.

**Table 6**
**Other State Revenues Deposited to the State Highway Fund[1]**
**(In Millions)**

| Fiscal Year | Amount Deposited[2] | Percentage of Total Fund Receipts |
|---|---|---|
| 2006 | $ 527.5[3] | 8% |
| 2007 | 457.2 | 8% |
| 2008 | 463.9 | 7% |
| 2009 | 491.1 | 8% |
| 2010 | 511.4 | 9% |

(1) Presented on a cash basis of accounting. Excludes loan repayments received by the State Infrastructure Bank

(2) Excludes approximately $1.115 billion, $1.84 billion, $1.28 billion, $646 million and $249 million in fiscal years 2006 through 2010, respectively, deposited into the State Highway Fund from the Texas Mobility Fund for payment to contractors. For administrative purposes, expenses of the Texas Mobility Fund are processed through the State Highway Fund, whereby the Texas Mobility Fund transfers amounts for such expenses to the State Highway Fund prior to such expenses being paid.

(3) Excludes $100 million received from Harris County Toll Road Authority as its local contribution for a construction project in fiscal year 2006.

Federal Funds. Federal transportation funds are currently made available to the State by the federal government. Briefly, the Federal-Aid Highway Program ("*FAHP*") is an "umbrella" term that encompasses most of the federal programs providing highway funds to the states. The Federal Highway Administration ("*FHWA*") is the federal agency within the USDOT responsible for administering the FAHP. The FAHP is financed from the transportation user-related revenues deposited in the Federal Highway Trust Fund ("*HTF*"). Federal government funding for infrastructure projects is usually accomplished through federal highway authorization legislation, which establishes funding over a multi-year period.

The FAHP is a reimbursement program. Funding under the FAHP is provided to states through a multi-step funding cycle that includes: (i) multi-year authorization by Congress of the funding for various highway programs; (ii) apportionment and allocation of funds to the states each federal fiscal year according to statutory formulas or, for some funding categories, through administrative action; (iii) obligation of funds, which is the federal government's legal commitment (or promise) to pay or reimburse states for the federal share of a project's eligible costs; (iv) appropriations by Congress specifying the amount of funds available for the year to liquidate obligations; (v) program implementation which covers the programming and authorization phases; and (vi) reimbursement by the federal government of the eligible project costs. As noted above, the FAHP, including the current federal highway authorization legislation, the "Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users" ("*SAFETEA-LU*"), is subject to federal rescission of funds enacted by federal law which reduces the amount of funds available under an existing appropriation or authorization act.

The primary source of revenues in the HTF is derived from federal excise taxes on motor fuels, including certain alternative fuels. The HTF is a dedicated federal fund with revenues dedicated for reimbursement of expenditures by the states, including Texas, for costs of eligible transportation projects, including highway projects, and was created as a user-supported fund intended to finance highways with taxes paid by users of highways.

Deposits of such taxes into the HTF must periodically be reauthorized by Congress. Historically, the HTF and its constituent taxes have been authorized to operate for limited periods of time. The most recent federal highway authorization legislation, SAFETEA-LU, was extended from December 31, 2010 to March 4, 2011 by the Continuing Appropriation and Surface Transportation Act, 2011 and extended again until September 30, 2011.

Though recent federal surface transportation legislation has extended this authorization through September 30, 2011, there occasionally have been revenue shortfalls and periods in which the authorizing legislation expired and subsequent authorizing legislation had yet to be enacted. In such circumstances, the federal government, including Congress, have found ways to avoid disruptions to state highway programs and have been able to maintain the flow of federal revenues to states in each instance, however TxDOT cannot provide any representation concerning the likelihood of extension of such federal funding beyond September 30, 2011.

Failure to replenish the HTF expeditiously and maintain the flow of federal revenues to states may have an adverse impact on TxDOT and Commission. Various proposals are being considered to address the HTF's current anticipated shortfall. In addition, funding appropriations may be revised and federal funding for infrastructure projects may be reduced which may impact the funding available to TxDOT for payment of its obligations, including obligations to the North Texas Tollway Authority (the "*Authority*") pursuant to the TELA.

If federal highway authorization legislation is enacted to extend SAFETEA-LU federal funding beyond September 30, 2011, such funding legislation will be subject to possible federal rescission of funds, which would have the effect of reducing the amount of federal funds provided by prior law. Prior federal highway authorization legislation has been periodically subject to rescission, including reductions to funding under SAFETEA-LU in each of the years 2005 through 2009.

State law currently provides that federal funds appropriated for public road construction in the State may only be spent by and under the supervision of TxDOT. Such funds are deposited to the credit of the State Highway Fund. Federal transportation program funds received and deposited to the State Highway Fund in fiscal year 2010 represented approximately $1.87 billion (or 33% of State Highway Fund revenue) which was a decrease from fiscal year 2009 when $2.67 billion (or 41% of State Highway Fund revenue) was received from federal transportation program funds. TxDOT forecasts that approximately $2.73 billion will be deposited to the State Highway Fund in fiscal year 2011, representing 41% of total State Highway Fund revenues. Federal transportation program funds received and deposited to the State Highway Fund for the fiscal years 2006 through 2010, and the portion of the total State Highway Fund represented by receipt of federal funds, are shown in the following table.

**Table 7**
**Reimbursements from Federal Funds[1]**
**(In Millions)**

| Fiscal Year | Amount Deposited | Percentage of Total Fund Receipts |
|---|---|---|
| 2006 | $ 3,139.5 | 46% |
| 2007 | 2,026.1[2] | 35% |
| 2008 | 2,727.6 | 42% |
| 2009 | 2,666.6 | 41% |
| 2010 | 1,873.7 | 33% |

(1) Presented on a cash basis of accounting. Includes certain federal aviation and transit reimbursement funds that are not constitutionally dedicated.

(2) Amount in fiscal year 2006 includes acceleration of certain projects due to utilization of accelerated federal reimbursements from TxDOT's application of federal "tapered match" reimbursement. As of fiscal year 2007, the accelerated federal "tapered match" reimbursements decreased significantly.

SAFETEA-LU's Equity Bonus Program generally guaranteed that no state's share of certain apportioned federal highway program funds would be less than 90.5% in federal fiscal years 2005 and 2006, and increase to 92% in federal fiscal years 2008 and 2009, of its attributed share of highway user tax revenue contributed to the Highway Account of the HTF. Despite the Equity Bonus Program, when all federal highway funding programs are included, the State is receiving approximately an 88% rate of return on its share of contributions to the Highway Account of

the HTF, making it a donor state. For federal fiscal year 2009, approximately $56.0 million in federal transit reimbursement funds, $70.9 million in federal aviation reimbursement funds and $37.6 million of federal traffic safety reimbursement funds were deposited to the credit of the Fund. Funds from the HTF support a variety of federal transportation programs that, for the purposes of this discussion, are grouped into four broad categories: (i) Guaranteed Highway Programs; (ii) Discretionary Highway Programs; (iii) Highway Safety Programs; and (iv) Transit Programs.

The distribution of funds using a formula provided in law is called an apportionment. Most federal-aid funds are distributed to states through apportionments. Each federal fiscal year, the FHWA has responsibility for apportioning authorized funding for the various highway programs among the states according to formulas established in the authorizing statute, currently SAFETEA-LU. When there are no formulas in law, the distributions of funds are termed "allocations" which may be made at any time during the federal fiscal year. In most cases, allocated funds are divided among states with qualifying projects applying general administrative criteria provided in the law. The annual apportionments to TxDOT under SAFETEA-LU were $2.76 billion in federal fiscal year 2006, $2.90 billion in federal fiscal year 2007, $3.01 billion in federal fiscal year 2008, $3.04 billion in federal fiscal year 2009 and $3.2 billion in federal fiscal year 2010. However, in federal fiscal years 2006 through 2010, there were nine separate federal rescissions of certain amounts appropriated under SAFETEA-LU in the approximate aggregate amounts of $3.8 billion, $4.3 billion, $3.2 billion, $11.9 billion and $2.2 billion, respectively. Texas' share of such rescissions was $305,094,345, $360,834,408, $257,989,173, $1.015 billion and $190,367,982 for federal fiscal years 2006 through 2010, respectively. In February 2010, Congress passed HR2847, which restored $8.7 billion of the authorization rescinded in 2009, including $742,240,415 of the State's share of such rescinded authorization.

The following table provides a history of the apportionments and allocations, as applicable, to the State for certain federal highway funding programs in the State from the federal fiscal years 2006 through 2010.

**Table 8**
**Federal Transportation Funds Apportioned and Allocated for Texas[1]**
**(In Millions)**

| Program | 2006 | 2007 | 2008 | 2009 | 2010 |
|---|---|---|---|---|---|
| Guaranteed Highway Programs | $ 2,590.5 | $ 2,976.5 | $ 2,953.0 | $ 3,15.09 | $ 3,134.5 |
| Discretionary Highway Programs | 4.9 | 0.4 | 3.3 | 1.3 | 6.1 |
| Highway Safety Programs | 23.8 | 163.8 | 146.9 | 157.9 | 161.7 |
| Transit Programs | 45.2 | 52.8 | 68.6 | 111.9 | 61.0 |
| TOTAL | $ 2,669.2 | $ 3,193.5 | $ 3,171.8 | $ 3,442.0 | $ 3,363.3 |

(1) Based upon data from USDOT. Years shown are federal fiscal years.

Obligation authority is the commitment (or promise) of the federal government to pay, through reimbursement to a state, the federal share of an approved project's eligible costs. This process is important to the states because it allows states to award contracts with assurance that the federal government will reimburse its share of incurred costs. Once an obligation is made, the federal government is to reimburse the states when bills or payments become due. However, Congress places a restriction or "ceiling" on the amount of federal assistance that may be obligated (promised) during a specified time period. The obligation limitation is the amount of authorized funding that Congress allows states to obligate in an individual year. This is a statutory budgetary control that does not affect the apportionment or allocation of funds. Rather, it controls the rate at which these funds can be used.

FHWA distributes obligation authority to states proportionately based on each state's share of apportioned and allocated revenues. During the federal fiscal year, states submit requests to FHWA to obligate funds, representing the federal share of specific projects. As a state obligates funds, its balance of obligation authority is reduced. A state's obligation authority (unlike its apportionments and allocations of authorized funding) must be used before the end of the federal fiscal year for which it is made available; if not, it will be distributed to other states to ensure that the total obligation limitation nationwide will be used. Although a ceiling on obligations restricts how much funding may be used in a federal fiscal year, the state has flexibility within the overall limitation

to mix and match the type of program funds it obligates, based on its individual needs, as long as it does not exceed the ceiling in total.

The following table provides a history of the obligation authority to the State for certain federal highway funding programs in the State from the federal fiscal years 2006 through 2010.

**Table 9**
**Federal Transportation Obligation Authority for Texas**
**(In Millions)**[1]

| Fiscal Year | Amount |
|---|---|
| 2006 | $ 2,542.9 |
| 2007 | 2,852.7 |
| 2008 | 2,897.0 |
| 2009 | 3,073.6 |
| 2010 | 3,116.3 |

[1] Excludes obligation authority for the State's Aviation and Transit Programs.

The amounts shown above in Table 8 - "Federal Transportation Funds Apportioned and Allocated for Texas" represent federal funds that have been "apportioned" or "allocated" to the State pursuant to federal legislation and the amounts shown above in Table 9 - "Federal Transportation Obligation Authority for Texas" represent federal funds that have been "obligated" to the State by the FHWA pursuant to federal legislation, but do not represent funds actually received by the State for any given period. For amounts of federal funds actually received by the State during fiscal years 2006 through 2010, see Table 7 – "Reimbursements from Federal Funds."

*Uses of the State Highway Fund*

General. Funds that are required to be used for public roadways by State or federal law and that are deposited to the credit of the State Highway Fund, may be used only (i) to improve the State Highway System, (ii) to mitigate adverse environmental effects that result directly from the construction or maintenance of a state highway by TxDOT or (iii) by DPS to police the State Highway System and administer State laws relating to traffic safety. Money in the Fund that is not so restricted may be used for any functions performed by TxDOT, including expenses relating to TxDOT's "pay as you go" construction program, payroll, repairs and maintenance expenses, costs of materials and supplies, professional fees or commitments, utilities, rents and lease payments and intergovernmental payments. Debt service on State Highway Fund revenue bonds and other obligations and financial commitments are also paid from the State Highway Fund. To accomplish these purposes, money in the State Highway Fund is appropriated by the Legislature to TxDOT, DPS, and certain other State agencies. See "The State Highway Fund - General" and "The State Highway Fund – State Highway Fund Obligations."

The following table sets out the appropriation of funds by the Legislature to TxDOT for the five most recent State biennia, including the current State biennium, and the approximate percentage of total appropriations from the State Highway Fund represented by such appropriations.

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**Table 10**
**Appropriations to TxDOT from the**
**State Highway Fund**
**(In Millions)**

| State Biennium | Amount Appropriated[1] | Percentage of Total Fund Appropriations |
|---|---|---|
| 2002-03 | $10,579.7 | 93.88% |
| 2004-05 | 10,960.3 | 91.85 |
| 2006-07 | 13,579.7 | 91.83 |
| 2008-09 | 17,089.3[2] | 92.07 |
| 2010-11 | 17,286.2[2] | 93.70 |

(1) Includes appropriations made to other State agencies (e.g., the Employees Retirement System of Texas) for the benefit of TxDOT.
(2) Includes bond proceeds.

Budget Process. TxDOT operates under a two-year budget cycle. In preparing its Legislative Appropriations Request ("*LAR*"), TxDOT relies upon its cash flow forecast for the State Highway Fund, which delineates current and future obligations of TxDOT and forecasts the monthly revenue, expenditure, lowest daily balance, and ending balance for the State Highway Fund. From the forecast, the amount of expenditures (appropriations) that can be handled by the State Highway Fund can be determined. After accounting for existing obligations, the Commission then allocates the projected available resources among the competing needs identified by the various TxDOT offices, including obligations under the TELA. Once these funding priorities have been determined, the data is entered into TxDOT's LAR and submitted to the Legislature for consideration in enacting the State appropriations bill. Once the appropriations bill takes effect, it is implemented as the State budget for the next two-year biennium, taking effect on the next September 1. The budget is law, though it is not codified and does not otherwise appear in Vernon's Texas Statutes, and State agencies are bound by it. The Legislative Budget Board and the State Auditor's Office are responsible for monitoring compliance.

Capital Projects and Proposed Debt Financings. As required by various State and federal laws, the funding priorities of the Commission are outlined in various transportation plans approved by the Commission and various metropolitan and rural planning organizations within the State. The Statewide Transportation Plan is a long-range plan outlining the transportation goals of the Commission over a 20-year period. From such plan, the Commission develops the Unified Transportation Program ("*UTP*") that covers transportation projects over a period which includes the current year plus 10 years. The UTP contains "Construct" transportation projects to be constructed over the next four years and for which funding is firm and "Develop" transportation projects to be developed over the following seven years and for which funding is yet to be determined. At the same time, the 25 metropolitan planning organizations and 25 rural planning organizations comprised of representatives of various local governmental entities in such regions each approve a three-year Transportation Improvement Program (the "*TIP*"). The TIPs approved by such local planning organizations are used to create the Statewide Transportation Improvement Plan (the "*STIP*") for projects to be constructed by the Commission over the next three year period as part of the "Construct" UTP projects. All projects funded by TxDOT and reimbursed by the FHWA must be included in the STIP.

The Commission has funded a greater number of highway projects, through its Strategic Priority Funds, by funding projects over a 15 to 20 year time frame (and committing the use of the Strategic Priority Funds over such longer period), thereby decreasing the annual cost by extending the period in which a project will be paid. The Commission has used a number of different financing mechanisms to implement this strategy, including pass-through toll agreements and toll equity agreements. The Commission is also accelerating development and construction of highways through the issuance of debt secured by and payable from the State Highway Fund, the Texas Mobility Fund and general revenues of the State.

The Commission intends to finance its continuing construction program through a number of methods. The Commission currently plans to issue up to a total aggregate principal amount of $1.4 billion of bonds or other public securities by August 31, 2012, as additional Senior Obligations (hereinafter defined). See "State Highway Fund -

State Highway Fund Obligations – Senior Obligations" below. The amount of such debt, when added to the previously issued Senior Obligations, would consume the current $6 billion aggregate limit imposed by Section 222.003, Texas Transportation Code (the "*State Highway Fund Revenue Bond Act*"). However, the Texas Legislature may amend the State Highway Fund Revenue Bond Act in the future to increase the limit imposed by the State Highway Fund Revenue Bond Act on the aggregate principal amount of Senior Obligations. The Commission also plans to issue State general obligation debt and debt payable from and secured by the Texas Mobility Fund to finance a portion of the Commission's capital program. In addition, the Commission plans to enter into certain agreements and commitments, including pass-through financing agreements, toll equity agreements and multi-year construction contracts and agreements, to finance, assist in the financing, or outright develop and construct, highway projects. See "State Highway Fund Obligations – Subordinate Obligations" and "State Highway Fund Obligations – Other State Highway Fund Obligations and Commitments."

*State Highway Fund Obligations*

Senior Obligations. Section 49-n of Article III, Texas Constitution, as approved by voters in the State in 2003 ("*Section 49-n*"), permits the Legislature to authorize the Commission to issue bonds and other public securities to fund State highway improvement projects payable from certain revenues deposited to the credit of the State Highway Fund. The State Highway Fund Revenue Bond Act was amended by the Legislature in 2007 to increase the maximum principal amount of bonds and other public securities, if any (collectively, "*Senior Obligations*"), that may be issued by the Commission pursuant to Section 49-n. The Commission is currently authorized to issue Senior Obligations in an aggregate principal amount not to exceed $6 billion (up from the previous maximum of $3 billion); provided that the Commission may not issue more than $1.5 billion aggregate principal amount of Senior Obligations in any year (increased in 2007 from the previous annual maximum of $1 billion). Further, the State Highway Fund Revenue Bond Act currently provides that Senior Obligations may not have a principal amount or terms that, at the time Senior Obligations are issued, are expected by the Commission to cause annual expenditures with respect to Senior Obligations to exceed 10% of the amount deposited to the credit of the State Highway Fund in the immediately preceding year.

Section 49-n does not restrict the authority of the Legislature to modify or remove the limitations on the issuance of Senior Obligations contained in the State Highway Fund Revenue Bond Act.

As of February 28, 2011, the Commission has issued $4.6 billion of Senior Obligations in the form of State Highway Fund Revenue Bonds, of which an aggregate principal amount of $4,187,655,000 was outstanding. Approximately, $1.4 billion of Senior Obligations remain authorized but unissued under current law.

Subordinate Obligations. The Texas Constitution (Article III, Section 49-m) and the Texas Transportation Code (Section 201.115) authorize the Commission to borrow money from any source to carry out the functions of TxDOT. A loan incurred pursuant to Section 201.115 may be in the form of an agreement, a note, a contract, or another form, as determined by the Commission. The term of a loan may not exceed two years, and the amount of a loan, combined with any other loans issued and outstanding pursuant to Section 201.115, may not exceed an amount that is two times the average monthly revenue deposited to the State Highway Fund for the 12 months preceding the month in which the loan is made. A loan incurred pursuant to Section 201.115 is payable from legislative appropriation of amounts on deposit in the State Highway Fund for that purpose.

In 2005, the Commission established a commercial paper program pursuant to Section 201.115 in the maximum authorized amount of $500 million. TxDOT intends to continue to utilize the commercial paper program from time to time to facilitate efficient cash management operations in the State Highway Fund in response to fluctuations in the cash balance of the State Highway Fund as a result of the cyclical nature and uncertain timing of deposits into and payments out of the State Highway Fund. As of February 28, 2011 no commercial paper notes (the "*Notes*") were outstanding.

Additionally, the Texas Transportation Code (Sections 201.961, et seq.) authorizes the Commission to issue highway tax and revenue anticipation notes ("*HTRANs*") if the Commission anticipates a temporary cash flow shortfall in the State Highway Fund during any fiscal year. The HTRANs are subject to the approval of the Cash Management Committee (consisting of the Governor, the Lieutenant Governor, the Speaker of the House and the Comptroller), which also approves cash flow borrowings for the State. HTRANs must mature during the fiscal

biennium in which they are issued, and HTRAN proceeds must be placed in a special fund in the State Treasury and transferred as necessary to the State Highway Fund to pay authorized expenditures. HTRANs and related credit agreements are payable from amounts on deposit in the State Highway Fund. To date, the Commission has not issued any such anticipation notes, and the Commission does not expect to issue HTRANs in 2011.

The obligation of TxDOT to pay debt service on the Notes and any other obligations incurred pursuant to Section 201.115 (or Section 201.961, et seq., relating to HTRANs) is (i) subordinate to the pledge of State Highway Fund revenues securing Senior Obligations and (ii) prior to the pecuniary obligations of the Commission and TxDOT in respect of other State Highway Fund obligations described below under "Other State Highway Fund Obligations and Commitments."

Other State Highway Fund Obligations and Commitments. In addition to Senior Obligations, the Notes and other subordinate obligations (described above), there are a number of obligations and commitments that the Commission and TxDOT have incurred or entered into including the TELA (and that the Commission and TxDOT may incur or enter into in the future) that are to be paid or are expected to be paid from the State Highway Fund. Some of these long-term obligations and commitments are described below.

*Toll Equity Obligations*

Section 222.101 of the Texas Transportation Code, as amended, authorizes TxDOT to spend money from any available source, including the State Highway Fund, for the construction, maintenance, and operation of toll facilities. Under Texas Transportation Code, Section 222.103, as amended ("*Section 222.103*"), and pursuant to the terms and conditions established by the Commission, TxDOT may participate in the acquisition, construction, maintenance, or operation of a toll facility with a public or private entity authorized by state law to construct or maintain a toll facility. Section 222.103 requires the Commission to recoup any money spent by TxDOT for the cost of a toll facility owned by a private entity. In contrast, Section 222.103 provides the Commission with the option of requiring repayment of any money spent by TxDOT for the cost of a publicly owned toll facility. Thus, moneys provided by TxDOT under Section 222.103 may be in the form of loans (to either public or private entities) or grants (to public entities only).

Current law limits the amount of money that TxDOT may grant each fiscal year under Section 222.103 to no more than the amount that, together with amounts granted for the preceding four fiscal years, results in an average annual expenditure of $2 billion. Toll equity loans under Section 222.103 are not included in the calculation of the limitation. The Commission anticipates entering into additional toll equity agreements in the future, and it is currently anticipated that all toll equity obligations will be funded from federal reimbursements, motor fuels and lubricant taxes and vehicle registration fees. All toll equity obligations are subject to the appropriation of lawfully available funds to make such payments; and, therefore, such payments are subordinate to Senior Obligations, which have a prior lien pledge of the revenues deposited into the State Highway Fund, and subordinate obligations (described above).

TxDOT currently has toll equity agreements or commitments for three types of projects: (i) TxDOT projects with outstanding debt in which the Commission has covenanted to provide toll equity; (ii) TxDOT projects with no outstanding debt; and (iii) projects of other public entities in which the commitment is by an agreement with such entity.

Currently, TxDOT has covenanted to provide toll equity for only one TxDOT project with outstanding debt which is in connection with the issuance of approximately $2.2 billion of revenue obligations by the Commission in August 2002 (the "*CTTS Obligations*") to finance a portion of the costs of planning, designing, engineering, developing and constructing the initial phase of the Central Texas Turnpike System (the "*CTTS Project*") in the greater Austin metropolitan area. The Commission covenanted with the owners of the CTTS Obligations to pay (i) up to $700,000,000 in construction costs of the CTTS Project, payable in monthly installments in each of the fiscal years 2004 through 2008, (ii) approximately $24,560,000 toward the cost of right-of-way and (iii) operation and maintenance costs to the extent necessary in conjunction with the CTTS Project. To date, approximately $662.6 million of the funding commitment for the CTTS Project has been disbursed from the State Highway Fund for capital, right-of-way, operations and maintenance costs. On April 12, 2007, based upon a certification of the Chief Financial Officer of TxDOT and the report of the general engineering consultant, TxDOT determined there were

sufficient funds on hand to complete the CTTS Project and suspended making further deposits to the CTTS Project from the State Highway Fund. TxDOT anticipates its contributions to on-going operations and maintenance expenses for the CTTS Project over the next three years of approximately $41 million per year.

As of December 31, 2010, toll equity grants and loans approved by the Commission totaled $761 million and $4,274 million, respectively, of which $348 million had been disbursed. TxDOT is obligated to disburse up to approximately $527 million pursuant to such toll equity agreements for the period FY2011 through FY2014.

The TELA, which was approved by the Commission in February 2010, authorizes a maximum aggregate loan amount of $4,093,677,822, see "SH161 Toll Equity Obligations". TxDOT anticipates entering into additional toll equity agreements in the future, and it is currently anticipated that all toll equity obligations will be funded from revenues deposited in the State Highway Fund. In addition, subject to certain approvals TxDOT may enter into an additional toll equity loan agreement with the Authority that supplements the TELA in order to support the Authority's delivery of the Southwest Parkway/Chisholm Trail Project. The maximum loan amount that may be authorized under this toll equity agreement is approximately $2,366,561,333.

*Pass-Through Financing Agreements*: Section 222.104 of the Texas Transportation Code, as amended ("*Section 222.104*") provides for the payment of a "Pass-Through Toll," a per vehicle fee or per vehicle mile fee determined by the number of vehicles using a highway, for specific purposes. First, pursuant to Section 222.104 and subject to Commission rules, TxDOT may enter into an agreement with a public or private entity that provides for the payment of Pass-Through Tolls ("*Pass-Through Financing*") to reimburse the public or private entity for expenditures made by the public or private entity for the design, development, financing, construction, maintenance or operation of a toll or non-toll facility on the State Highway System. Second, TxDOT may enter into an agreement with a private entity that provides for the payment of Pass-Through Tolls by the private entity to TxDOT as reimbursement for TxDOT expenditures for the design, development, financing, construction, maintenance or operation of a toll or non-toll facility on the State Highway System. TxDOT may use any available funds, including money on deposit within the State Highway Fund, for the purpose of making a Pass-Through Toll payment. It is currently anticipated that all Pass-Through Toll commitments will be paid from the State Highway Fund.

As of August 31, 2010 TxDOT had executed 22 Pass-Through Financings with terms ranging from four to 20 years and total pass-through reimbursements of approximately $1.7 billion with minimum annual reimbursements of approximately $74 million and a maximum aggregate annual reimbursement of approximately $157 million.

TxDOT has adopted an internal policy to limit its financial exposure with respect to Pass-Through Toll payments to an amount not exceeding $300 million Strategic Priority Funds per fiscal year, but this policy is subject to change by the Commission. Unless there is an insufficient number of proposals for projects to be developed under pass-through toll agreements, TxDOT is required to enter into pass-through toll agreements during this biennium in which the aggregate amount of reimbursements is not less than the amount required under agreements entered into during the previous biennium.

*SH161 Toll Equity Obligations*

The TELA, which was approved by the Commission in February 2010, authorizes a maximum aggregate loan amount of $4,093,677,822, payable as advances made from time to time on the terms and conditions set out in the TELA. Pursuant to the TELA, under certain circumstances, TxDOT will commit to provide funds to the Authority to pay for certain costs relating to the design, construction, operations, maintenance, major maintenance, capital expenditures and acquisition payment costs incurred or reasonably anticipated to be incurred by the Authority for the PGBT WE project.

The total amount available to the Authority under the TELA (the "*Maximum Available Aggregate Amount*") will be determined in advance of delivery of the Authority's Bonds described in the forepart of this Official Statement and, once established, may not be increased. Therefore, the maximum amount of money that can be paid by TxDOT to the Authority under the TELA is equal to the aggregate amount of costs that are authorized under Article 3, Section 52-b of the Texas Constitution and Section 222.103 of the Texas Transportation Code, i.e., the "Eligible Costs." Periodic advances under the TELA when combined with all previous advances are limited to an

amount not to exceed (i) the Maximum Available Aggregate Amount and (ii) the aggregate amount of Eligible Costs, taking into account all prior advances, as described in the TELA. The Maximum Available Aggregate Amount represents the aggregate amount of project costs that TxDOT may pay or reimburse under applicable law, and represents the aggregate amount of funds that TxDOT may be required to advance to the Trustee. In addition, draws in any year cannot exceed the Maximum Available Annual Amount for that period and if the total amount of periodic draws in any year is less than the Maximum Available Annual Amount, the difference will not be carried forward, and will not be available for future periodic draws. See "Plan of Finance - Prior, Contemporaneous and Subsequent Financing Plans relating to the Special Projects System" and "Security and Sources of Payment for the Series 2011 Obligations - Security and Sources of Payment for the SPS Obligations – Toll Equity Loan" in the forepart to this Official Statement for additional information concerning the TELA and the defined terms used in this paragraph.

The Authority has committed to structure debt service for the obligations supported by the TELA so that total debt service in each year and all budgeted costs for that year do not exceed 100% of the projected toll revenue stream for that year as set forth in the investment grade traffic and revenue study referred to in Appendix A and Risk Factors – "Traffic and Revenue Reports" in the Official Statement for the Bonds. Accordingly, while TxDOT does not expect that advances under the TELA will be necessary due to the expected strength of the project cash flows, if a loan advance is needed under the terms of the TELA, which includes a five-year forward looking rate covenant, TxDOT expects to have sufficient advance notice to ensure funds are available to make such advances. TxDOT has considerable budgetary flexibility to plan for expected draws well in advance of such draw requests including deferring, reducing or eliminating construction lettings for projects throughout the State and deferring or reducing the amount of planned Pass Through Financing commitments. Because TxDOT's budget does not provide appropriations for specific expenditures, TxDOT also has the flexibility to reprogram funds during each fiscal year in the biennium. As described above, TxDOT's annual obligations under the TELA are limited which provides greater certainty with respect to its ability to plan for future draws. The Maximum Available Annual Amounts represent on average approximately 1.24% of state revenues and 3.6% of uncommitted funds deposited to the State Highway Fund. Finally, if reductions in project lettings or reprogramming of funds are insufficient to make advances requested by the Trustee, TxDOT has up to $500 million of commercial paper capacity that may be used to make such advances (see "*State Highway Fund Obligations* – Subordinate Obligations").

**The payments by TxDOT pursuant to any toll equity loan agreement (including the TELA) will be subject to appropriation and such payments are subordinate to (i) Senior Obligations, which will have a prior lien on State Highway Fund revenues, and (ii) obligations issued or incurred pursuant to Section 201.115, Texas Transportation Code, including any Notes, or HTRANs.**

The following table shows the expected deposits to and uses of revenues in the State Highway Fund during the term of the TELA. The amount of uncommitted funds represents amounts that could be available in each year to make advances under the TELA if needed.

[*Remainder of page intentionally left blank*]

## Table 11

| | | | | Senior Obligations | Subordinate Obligations | | Current Commitments | | | Uncommitted | Contingent Obligations |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Fiscal Year | Forecasted State Revenues[1] | Forecasted Federal Revenues[1] | Total Forecasted SHF Revenues[1] | First Tier Debt Service[2] | Commercial Paper | Toll Equity and Pass-Through Obligations[3] | Payments to Other Agencies | Current Letting Cashflow Commitments[4] | Operations[5] | Uncommitted SHF Funds | TEL Max Available Annual Amount |
| 2011 | $3,864,877,721 | $2,720,991,364 | $6,585,869,085 | $290,232,778 | $65,519,750 | $179,214,303 | $994,899,413 | $2,140,945,841 | $2,388,170,524 | $526,886,476 | — |
| 2012 | 3,950,134,492 | 2,950,352,438 | 6,900,486,930 | 316,824,402 | — | 260,865,699 | 1,003,579,002 | 811,093,770 | 2,900,587,679 | 1,607,536,378 | — |
| 2013 | 3,984,461,906 | 2,933,789,489 | 6,918,251,395 | 433,716,833 | — | 409,168,955 | 978,456,005 | 451,736,811 | 2,770,241,696 | 1,874,931,095 | 7,210,874 |
| 2014 | 3,901,583,743 | 2,940,036,199 | 6,841,619,942 | 433,715,593 | — | 401,049,958 | 980,374,996 | 321,675,335 | 2,393,905,495 | 2,310,898,565 | 48,497,869 |
| 2015 | 3,983,412,495 | 3,035,130,412 | 7,018,542,907 | 433,715,668 | — | 352,411,772 | 982,083,004 | 429,448,057 | 2,446,993,372 | 2,373,891,034 | 54,186,241 |
| 2016 | 4,066,307,120 | 2,616,970,287 | 6,683,277,407 | 433,717,214 | — | 257,097,775 | 1,003,444,000 | 65,683,922 | 2,386,698,436 | 2,536,636,060 | 59,351,296 |
| 2017 | 4,144,705,013 | 2,623,421,818 | 6,768,126,831 | 433,717,296 | — | 334,360,015 | 1,005,612,998 | 6,924,288 | 2,390,812,234 | 2,596,700,000 | 62,216,287 |
| 2018 | 4,226,544,434 | 2,668,133,716 | 6,894,678,150 | 433,716,230 | — | 249,718,015 | 1,007,824,994 | 5,863,557 | 2,400,802,909 | 2,796,752,445 | 69,128,837 |
| 2019 | 4,309,882,172 | 2,687,014,441 | 6,996,896,613 | 433,717,230 | — | 240,072,015 | 1,010,082,003 | 4,188,694 | 2,378,713,814 | 2,930,122,857 | 69,354,189 |
| 2020 | 4,394,653,876 | 2,782,460,138 | 7,177,114,014 | 433,718,264 | — | 228,392,036 | 1,012,384,001 | 225,767 | 2,417,023,256 | 3,085,370,690 | 73,794,183 |
| 2021 | 4,481,654,876 | 2,949,886,335 | 7,431,541,211 | 433,715,696 | — | 170,552,063 | 1,014,731,998 | — | 2,492,767,638 | 3,319,773,816 | 75,663,809 |
| 2022 | 4,548,879,699 | 2,993,729,193 | 7,542,608,892 | 433,714,980 | — | 132,043,826 | 1,029,952,978 | — | 2,586,246,424 | 3,360,650,684 | 76,220,504 |
| 2023 | 4,617,112,895 | 3,038,229,694 | 7,655,342,589 | 433,714,730 | — | 95,299,777 | 1,045,402,273 | — | 2,683,230,665 | 3,397,695,144 | 84,739,456 |
| 2024 | 4,686,369,588 | 3,082,157,132 | 7,768,526,720 | 432,475,526 | — | 53,445,000 | 1,061,083,307 | — | 2,783,851,815 | 3,437,671,072 | 87,303,233 |
| 2025 | 4,756,665,132 | 3,125,461,378 | 7,882,126,510 | 430,934,564 | — | 25,226,000 | 1,076,999,556 | — | 2,888,246,258 | 3,460,720,131 | 91,659,700 |
| 2026 | 4,828,015,109 | 3,168,090,675 | 7,996,105,784 | 429,131,398 | — | 6,294,000 | 1,093,154,550 | — | 2,996,555,493 | 3,470,970,343 | 92,116,167 |
| 2027 | 4,900,435,335 | 3,209,998,382 | 8,110,433,717 | 428,505,063 | — | 150,308,000 | 1,109,551,868 | — | 3,108,926,324 | 3,313,142,462 | 95,136,411 |
| 2028 | 4,973,941,866 | 3,248,841,328 | 8,222,783,193 | 424,811,933 | — | 3,013,000 | 1,126,195,146 | — | 3,225,511,061 | 3,443,252,053 | 96,820,433 |
| 2029 | 5,048,550,993 | 3,282,587,985 | 8,331,138,978 | 419,135,423 | — | 1,334,000 | 1,143,088,073 | — | 3,346,467,726 | 3,421,113,756 | 99,999,336 |
| 2030 | 5,124,279,258 | 3,310,721,339 | 8,435,000,597 | 413,013,629 | — | — | 1,160,234,394 | — | 3,471,960,266 | 3,389,792,308 | 108,643,962 |
| 2031 | 5,201,143,447 | 3,332,947,598 | 8,534,091,045 | 406,684,750 | — | 7,699,000 | 1,177,637,910 | — | 3,602,158,776 | 3,339,910,609 | 119,403,097 |
| 2032 | 5,279,160,599 | 3,355,507,251 | 8,634,667,850 | 406,686,000 | — | — | 1,195,302,479 | — | 3,737,239,730 | 3,295,439,642 | 131,120,320 |
| 2033 | 5,358,348,008 | 3,378,405,299 | 8,736,753,307 | — | — | — | 1,213,232,016 | — | 3,877,386,220 | 3,646,135,071 | 135,765,767 |
| 2034 | 5,438,723,228 | 3,401,646,818 | 8,840,370,046 | — | — | — | 1,231,430,496 | — | 4,022,788,203 | 3,586,151,347 | 138,448,454 |
| 2035 | 5,520,304,077 | 3,425,236,959 | 8,945,541,036 | — | — | — | 1,249,901,954 | — | 4,173,642,760 | 3,521,996,321 | 153,289,552 |
| 2036 | 5,603,108,638 | 3,449,180,953 | 9,052,289,590 | — | — | — | 1,268,650,483 | — | 4,330,154,364 | 3,453,484,743 | 163,426,760 |
| 2037 | 5,687,155,267 | 3,473,484,106 | 9,160,639,373 | — | — | 149,104,000 | 1,287,680,240 | — | 4,492,535,153 | 3,231,319,980 | 163,426,760 |
| 2038 | 5,772,462,596 | 3,498,151,807 | 9,270,614,403 | — | — | — | 1,306,995,444 | — | 4,661,005,221 | 3,302,613,738 | 163,426,760 |
| 2039 | 5,859,049,535 | 3,523,189,523 | 9,382,239,058 | — | — | 848,000 | 1,326,600,375 | — | 4,835,792,917 | 3,218,997,766 | 163,426,760 |
| 2040 | 5,946,935,278 | 3,548,602,805 | 9,495,538,083 | — | — | — | 1,346,499,381 | — | 5,017,135,151 | 3,131,903,551 | 163,426,760 |
| 2041 | 6,036,139,307 | 3,574,397,286 | 9,610,536,594 | — | — | — | 1,366,696,872 | — | 5,205,277,719 | 3,038,562,003 | 129,018,014 |
| 2042 | 6,126,681,397 | 3,600,578,685 | 9,727,260,082 | — | — | — | 1,387,197,325 | — | 5,400,475,634 | 2,939,587,123 | 146,911,358 |
| 2043 | 6,218,581,618 | 3,627,152,804 | 9,845,734,422 | — | — | — | 1,408,005,285 | — | 5,602,993,470 | 2,834,735,667 | 169,628,386 |
| 2044 | 6,311,860,342 | 3,654,125,535 | 9,965,985,877 | — | — | — | 1,429,125,364 | — | 5,813,105,725 | 2,723,754,788 | 178,498,077 |
| 2045 | 6,406,538,247 | 3,681,502,857 | 10,088,041,105 | — | — | — | 1,450,562,244 | — | 6,031,097,190 | 2,606,381,670 | 181,444,618 |
| 2046 | 6,502,636,321 | 3,709,290,839 | 10,211,927,160 | — | — | — | 1,472,320,678 | — | 6,257,263,334 | 2,482,343,148 | 201,445,337 |
| 2047 | 6,600,175,866 | 3,737,495,641 | 10,337,671,507 | — | — | — | 1,494,405,488 | — | 6,491,910,709 | 2,351,355,309 | 239,528,255 |
| **Total** | **$188,661,471,495** | **$119,338,900,508** | **$308,000,372,003** | **$9,169,315,200** | **$65,519,750** | **$3,707,517,208** | **$43,451,378,593** | **$4,237,786,042** | **$138,009,675,361** | **$109,359,179,848** | **$4,093,677,822** |

[1] November 2010 Cash Forecast through 2021. Revenue growth assumed to be 1.5% annually thereafter.
[2] Assumes issuance of $6 billion State Highway Fund Revenue Bonds pursuant to current statutory authority.
[3] Includes obligations under existing Pass Through Financing Agreements, Pass Through Financing Agreements expected to be entered into during fiscal year 2011, and estimated toll equity payments including payments for the CTTS.
[4] These include payments from the SHF due to other agencies and payments to the Comptroller to fund TxDOT's retirement obligations for TxDOT employees.
[5] Current contracts for construction and maintenance.
[6] November 2010 Cash Forecast through 2021. Operating costs are inflated at 3.75% per annum thereafter.

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# APPENDIX C-1

## COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE NORTH TEXAS TOLLWAY AUTHORITY FOR THE FISCAL YEAR ENDED DECEMBER 31, 2009

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NORTH TEXAS TOLLWAY AUTHORITY

# NORTH TEXAS TOLLWAY AUTHORITY

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

**For the Fiscal Year Ended December 31, 2009**

**Allen Clemson**
**Executive Director**

**Janice D. Davis**
**Chief Financial Officer**

**NORTH TEXAS TOLLWAY AUTHORITY**
**Comprehensive Annual Financial Report**
**For the Year Ended December 31, 2009**

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# Introductory Section

NTTA®
NORTH TEXAS TOLLWAY AUTHORITY
5900 West Plano Parkway, Suite 100 • Plano, Texas 75026 • (214) 461-2000 • Fax (214) 528-4826 • www.ntta.org

June 8, 2010

Chairman Paul N. Wageman,
And the Board of Directors
North Texas Tollway Authority

The Finance Department of the North Texas Tollway Authority (the Authority or NTTA) is pleased to submit the Comprehensive Annual Financial Report (CAFR) for the year ended December 31, 2009 in compliance with Section 711 of the Amended and Restated Trust Agreement. The CAFR is intended to provide detailed information on the Authority's financial condition at December 31, 2009, including the North Texas Tollway System (the System), the Feasibility Study Fund and DFW Turnpike Transition Trust Fund. The System consists of the Dallas North Tollway (DNT), the President George Bush Turnpike (PGBT), Sam Rayburn Tollway, Previously State Highway 121, (SRT), the Mountain Creek Lake Bridge (MCLB), the Addison Airport Toll Tunnel (AATT) and the Lewisville Lake Toll Bridge (LLTB).

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements. Crowe Horwath LLP, Certified Public Accountants, has issued an unqualified opinion on the North Texas Tollway Authority's financial statements for the year ended December 31, 2009. This independent auditors' report is located at the front of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditors' report and provides a narrative introduction, overview and analysis of the basic financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it.

**Profile of the North Texas Tollway Authority**

The Turnpike Act of 1953 was passed by the legislature and signed into law by Governor Allan Shivers on June 9, 1953 creating the Texas Turnpike Authority for the purpose of building and managing an expressway between Dallas and Fort Worth. After the initial design was completed in December 1954, $58,000,000 of bonds were sold to construct the expressway called the Dallas Fort Worth Turnpike. The turnpike was dedicated on September 5, 1957 and by November 8, 1957 had already served one million patrons.

In 1962, the Dallas Central Business District Association petitioned the Turnpike Authority to investigate the feasibility of a turnpike linking the central business district with north central Dallas, In June 1965 bonds were sold and the Dallas North Tollway was in business. The first segment of the tollway from downtown to Mockingbird Lane opened to traffic on February 11. 1968 and the final segment, to Royal Lane was opened to traffic on June 30, 1968.

Senate Bill 194 mandated cessation of tolls on the Dallas Fort Worth Turnpike no later than December 31, 1977 and created a Trust Fund known as the Feasibility Study Trust Fund.

In 1997, the Texas Legislature created regional tollway authorities and the current North Texas Tollway Authority was born.

Senate Bill 792, passed in 2007 had a dramatic effect on the Authority by giving it the right of first refusal on any proposed toll road project in the North Texas area.

The Board is required by Section 505 of the Amended and Restated Trust Agreement to adopt a preliminary budget of Current Expenses and payments into the Reserve Maintenance Fund on or

before the 60th day prior to the end of each Fiscal Year. Copies of the preliminary budget must be filed with the Trustee and mailed to the consulting engineers. A final budget must be adopted by the first day of the next fiscal year.

The Authority experienced continued growth and transformation during 2009 with the continued expansion of the Sam Rayburn Tollway (SRT), continued construction of the President George Bush Turnpike Eastern Extension (PGBT) and the completion of the Lewisville Lake Toll Bridge. A one third year of operations for the SRT contributed to an increase in traffic despite unprecedented economic pressures. Toll revenues in 2009 were $290.4 million, representing an increase of 20.6% over 2008 revenues of $240.8 million. This increased revenue will allow the Authority to preserve current assets, fund capital improvement projects and invest in safety and technology to provide to our patrons world-class service.

The operations of the Authority are accounted for as an enterprise fund in accordance with United States generally accepted accounting principles (GAAP). Management takes responsibility for the accuracy of the data and the completeness and fairness of the presentation, including all disclosures. In keeping with that responsibility, these statements are presented on a consolidated basis and include the NTTA System, the Feasibility Study Fund, a revolving fund of the System, and the DFW Turnpike Transition Trust Fund. In prior years, separate, non-GAAP financial statements were prepared and audited for the Feasibility Study Fund and the DFW Turnpike Transition Trust Fund. Management confirms that the financial statements are presented fairly and in all material respects, represent the financial position of the NTTA as of December 31, 2009. Please refer to the Management's Discussion and Analysis (MD&A) on pages 9-18 of this report for a detailed discussion of the NTTA's financial performance.

**Economic Development**

While the current economic downturn has affected the Dallas Fort Worth area as it has the rest of the nation, the effects are not as deep as in many areas. The projected five year growth rate of 4.1% for this area will outpace the United States and many major metropolitan areas. Our region produces thirty percent of all the goods and services in Texas while encompassing over thirty percent of all the residents. The region is projected to capture thirty six percent of population and growth in Texas over the next five years. Dallas-Forth Worth continues to shine as one of the best places to do business. The Fortune 500 list shows 23 firms headquartered in our region, with AT&T announcing the relocation of their headquarters to Dallas from San Antonio.

**Relevant Financial Policies**

Section 501 of the Amended and Restated Trust Agreement mandates the Authority will keep in effect a Toll Rate Schedule which will raise and produce Net Revenues (Gross Revenues less Operating and Maintenance Expenses) sufficient to satisfy the greater of (1), (2) or (3)

(1) 1.35 times the scheduled Debt Service Requirements on all Outstanding First Tier Bonds for the Fiscal Year ; or
(2) 1.20 times the scheduled Debt Service Requirements on all Outstanding First Tier Bonds and all Outstanding Second Tier Bonds for the Fiscal Year; or
(3) 1.00 times the scheduled Debt Service Requirements on all Outstanding First Tier Bonds, all outstanding Second Tier Bonds, all Outstanding Third Tier Bonds and all other outstanding obligations of the Authority secured by Net Revenues for the Fiscal Year.

Coverage for all debt for 2009 was 1.56 times, well above the required levels.

**Awards and Acknowledgments**

The Government Finance Officer's Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the North Texas Tollway Authority for its Comprehensive Annual Financial Report for the fiscal year ended December 31, 2008.

We wish to thank all members of the Finance Department and all NTTA staff for their contributions to the production of the report. We are thankful for our Board of Director's support, direction, and for guiding the NTTA into a position to greatly benefit the region.

Respectfully submitted,

Janice D. Davis
Chief Financial Officer

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

# North Texas Tollway Authority

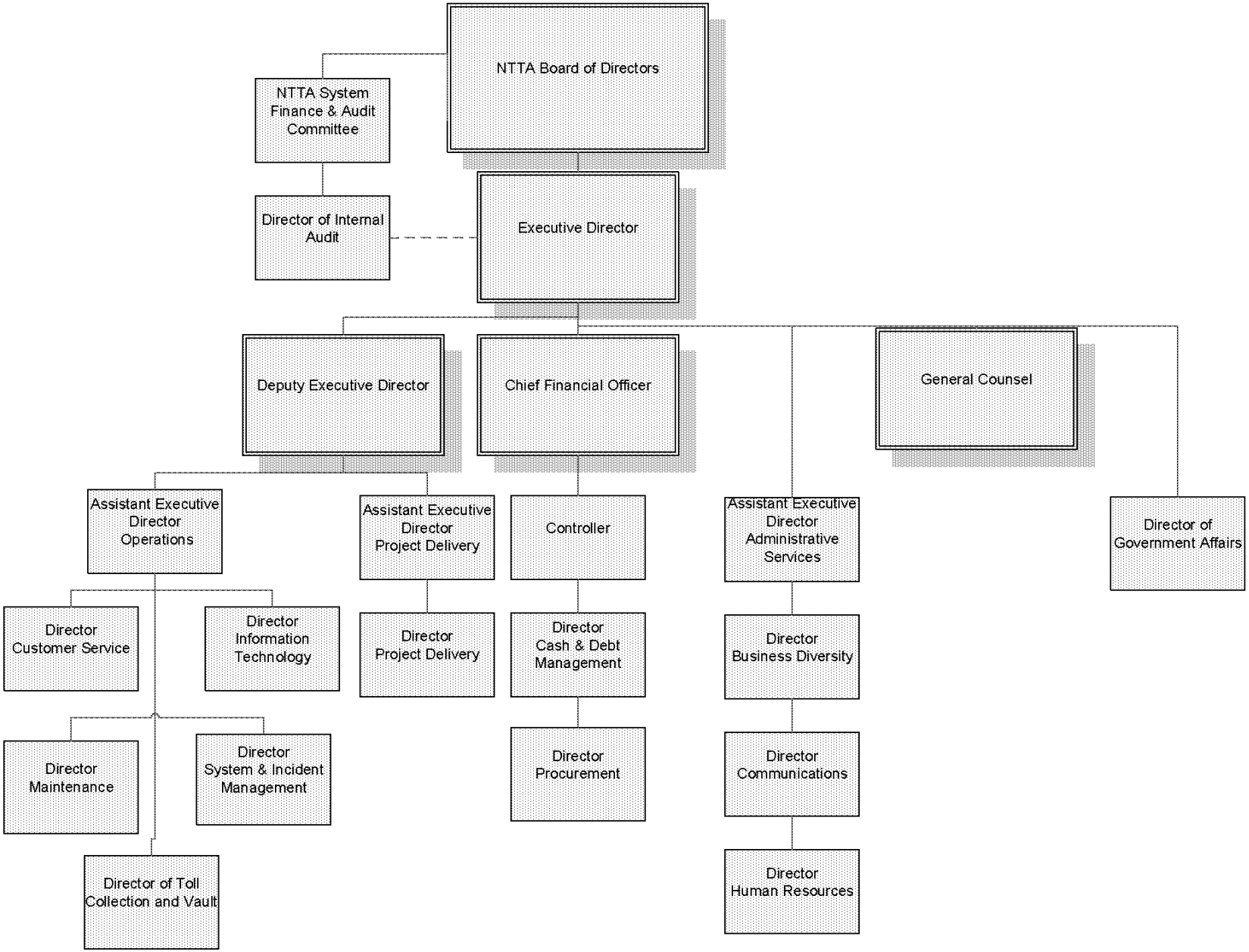
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2008

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

President

Executive Director

# North Texas Tollway Authority
# FY 2009 Organization Chart



**North Texas Tollway Authority**
**List of Officials**
**December 31, 2009**

**Board of Directors**

| | |
|---|---|
| **Paul N Wageman** | **Chair** |
| **Victor Vandergriff** | **Vice-Chair** |
| **Kenneth Barr** | **Director** |
| **Bob Day** | **Director** |
| **David R Denison** | **Director** |
| **Bill Moore** | **Director** |
| **Michael R. Nowels** | **Director** |
| **Robert K. Shepard** | **Director** |
| **Alan E. Sims** | **Director** |

**Officials**

| | |
|---|---|
| Allen Clemson | Executive Director |
| Magdalena Kovats | Director, Internal Audit |
| John Dahill | General Counsel |
| Janice D. Davis | Chief Financial Officer |
| Gerry Carrigan | Assistant Executive Director Project Delivery |
| Clayton Howe | Assistant Executive Director Operations |
| Kim Tolbert | Assistant Executive Director Administration |
| Nina Arias | Director, Human Resources |
| John Bannerman | Director, Customer Service |
| Anthony Coleman | Director, Business Diversity |
| Kim Jackson | Director, Communications |
| Marty Lege | Director, Systems and Incident Management |
| Elizabeth Mow | Director, Project Delivery |
| Dave Pounds | Director, Information Technology |
| Kiven Williams | Director, Toll Collection and Vault |
| J C Wood | Director, Maintenance |

# Financial Section

Crowe Horwath

Crowe Horwath LLP
Member Horwath International

# INDEPENDENT AUDITORS' REPORT

To the Board of Directors
North Texas Tollway Authority

We have audited the accompanying basic financial statements of the North Texas Tollway Authority (the Authority), as of and for the year ended December 31, 2009, as listed in the table of contents. These basic financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the North Texas Tollway Authority, as of December 31, 2009, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis, Modified Approach – Infrastructure Assets and schedules of funding progress are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and do not express an opinion on it.

Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as whole. The items listed in the introductory section, supplementary schedules 1 through 10 and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. Schedule 1 has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The items listed in the introductory section, schedules 2 through 10 and the statistical section have not been subjected to the audit procedures applied in the audit of the financial statements. Accordingly, we do not express an opinion on them.

Crowe Horwath LLP

Crowe Horwath LLP

Irving, Texas
June 8, 2010

**NORTH TEXAS TOLLWAY AUTHORITY**
Management's Discussion and Analysis
December 31, 2009

As Management of the North Texas Tollway Authority (Authority), we offer readers the statements for the Authority. These statements consist of the North Texas Tollway System (System), which consists of the Dallas North Tollway (DNT), the President George Bush Turnpike (PGBT), State Highway 121, renamed Sam Rayburn Tollway (SRT) in 2009, the Mountain Creek Lake Bridge (MCLB), the Addison Airport Toll Tunnel (AATT), and the Lewisville Lake Toll Bridge (LLTB), which makeup the enterprise fund of the Authority, as well as, the Feasibility Study Fund and the DFW Turnpike Transition Trust Fund.

We offer readers of these financial statements a narrative overview and analysis of the financial activities of the Authority for the year ended December 31, 2009. This discussion and analysis is designed to assist the reader in focusing on the significant financial issues and activities and to identify any significant changes in financial position. Please read it in conjunction with the financial statements, which immediately follow this section.

## Using This Annual Report

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Authority's financial statements, notes to the financial statements, and required supplementary information. The financial statements of the Authority report information using accounting methods consistent with reporting for an enterprise activity similar to those used by private sector companies.

**Statement of Net Assets:** This statement presents information on all of the Authority's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets are useful indicators of whether the Authority's financial position is improving or deteriorating.

**Statement of Revenues, Expenses and Changes in Net Assets:** This statement presents information showing the Authority's revenues, expenses, and how the net assets changed during the year.

**Statement of Cash Flows:** This statement presents information about the Authority's cash receipts and cash payments, or, in other words, the sources and uses of the Authority's cash and the change in cash balance during the fiscal year.

**Notes to the Financial Statements**: The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

**Other:** Certain required supplementary information is presented to disclose trend data on the Authority's infrastructure condition. Additionally, certain financial schedules are presented by Trust Accounts and in accordance with the Authority's Trust Agreement.

## Financial Results and Analysis

### 2009 Highlights

- The Authority's total net assets decreased by $187.2 million over FY 2008. This decrease is due mainly to continued expansion of the System and issuance of additional debt to support that expansion.
- Total transactions for FY 2009 were 457,583,343, an increase of 43,553,120 or 10.5% over FY 2008 transactions.

- Approximately 1,787,958 and 1,566,800 Toll Tags were in use at the end of FY 2009 and FY 2008, respectively.
- The Authority received a toll equity grant in the amount of $160.3 million from the Texas Department of Transportation (TxDOT) for Right of Way acquisition and other costs related to the PGBT Eastern Extension (PGBT EE) in 2007. An additional $28.2 million of the grant has been recognized as grant revenue for FY 2009 with the remaining $57.1 million shown as deferred revenue.
- Toll revenues increased $49.6 million or 20.6% over FY 2008 in part, as a result of a toll rate increase that went into effect in September 2009. In addition, traffic volumes of the Authority continue to increase with the continued expansion of Sam Rayburn Tollway and the opening of Lewisville Lake Toll Bridge.
- The Administration and Operations expenses of $ 90.9 million were under budget by 2.3% in FY 2009.

**Summary of Operations**

**Table A-1**
Net Assets (in millions of dollars)

| | 2009 | 2008 |
|---|---|---|
| Current Assets | $ 149.0 | $ 108.3 |
| Current Restricted Assets | 1,157.4 | 544.6 |
| Noncurrent Assets | | |
| Unrestricted Investments | - | 10.0 |
| Restricted Investments | 524.0 | 930.3 |
| Other Assets | 239.0 | 167.5 |
| Capital Assets | 5,862.4 | 5,501.5 |
| Total Assets | 7,931.8 | 7,262.2 |
| Current Liabilities | 68.3 | 56.5 |
| Liabilities Payable from Restricted Assets | 314.2 | 444.1 |
| Long-Term debt | 7,178.6 | 6,203.6 |
| Total Liabilities | 7,561.1 | 6,704.2 |
| Net Assets: | | |
| Invested in Capital Assets, net of related debt | (633.3) | 187.9 |
| Restricted for Construction | 2.7 | 289.1 |
| Restricted for Debt Service | 969.1 | 396.7 |
| Restricted for Retiree Health Benefits | 0.4 | 0.4 |
| Unrestricted | 31.8 | (316.2) |
| Net assets | $ 370.7 | $ 557.9 |

The Authority's net assets indicate an unrestricted current ratio of 2.2 and 1.9 for FY 2009 and FY 2008, respectively. Working capital was $80.7 million and $51.8 million in FY 2009 and FY 2008, respectively. Total unrestricted current assets were $149.0 million in FY 2009, compared to $108.3 million in FY 2008. Total unrestricted and restricted current assets were $1,306.4 million at the end of FY 2009. Cash and investments of $1,280.6 million represent the largest component of current assets. The remaining $25.8 million is comprised of accrued interest receivable of $4.4 million, accounts receivable of $18.6 million (See Note 9), inventory of $2.1 million, and prepaid expenses of $.7 million.

Total unrestricted current liabilities were $68.3 million at the end of FY 2009, including $25.1 million for accounts payable and retainage payable, $27.8 million of deferred revenue and $14.6 million for accrued liabilities, mainly accrued salaries and vacation liability and $.8 million for Tolltag Deposits.

**Table A-2**
Changes in Net Assets
(in millions of dollars)

| | 2009 | 2008 |
|---|---|---|
| REVENUES | | |
| Tolls | $ 290.4 | $ 240.7 |
| Other Revenues | 17.2 | 9.3 |
| Operating Revenues | 307.6 | 250.0 |
| Operating Expenses before depreciation | 126.4 | 137.5 |
| Income from operations before depreciation | 181.2 | 112.5 |
| Depreciation | (4.5) | (3.5) |
| Operating Income | 176.7 | 109.0 |
| Net Nonoperating Revenue (Expenses): | | |
| Interest Income | 11.8 | 75.0 |
| Interest Expense | (358.8) | (262.1) |
| Lease Amortization (Sam Rayburn Tollway) | (60.7) | (24.6) |
| SWAP Termination | (6.1) | (4.5) |
| Other | (17.2) | (27.9) |
| Net Nonoperating Revenue (Expenses): | (431.0) | (244.1) |
| Capital Contributions | 59.6 | 74.9 |
| BAB's Subsidy | 7.5 | - |
| Change in Net Assets | (187.2) | (60.2) |
| Net Assets - Beginning of Year | 557.9 | 618.1 |
| Net Assets - Ending | $ 370.7 | $ 557.9 |

Total operating revenues were $307.6 million for FY 2009 and $250.0 million for FY 2008 (see Table A-2). Toll revenues were $290.4 million, a 20.6% increase over FY 2008 toll revenues of $240.7 million. An estimated 83.1% was collected through Electronic Toll Collection (ETC) during FY 2009 in comparison to 84.5% in FY 2008. The decline in the percentage collected through ETC is due to the fact that initial TollTag penetration on SRT was low, as this road serviced customers who had not previously regularly traveled the System. Traffic on the System continues to grow, with average daily transactions of 1,253,653 and 1,131,230 in FY 2009 and FY 2008, respectively.

Total operating expenses before depreciation for FY 2009 were $126.4 million, representing an 8.1% decrease from FY 2008 operating expenses of $137.5 million (See Table A-2). Interest expense, inclusive of capitalized interest, for 2009 was $358.8 million, a 34.1% increase from FY 2008 of $262.1 million. Debt service coverage for FY 2009 and FY 2008 were 1.56 and 1.60 times, respectively. The Trust Agreement and the Authority's Debt Policy both require bond principal and interest coverage of 1.35.

The Authority's overall financial position decreased in FY 2009, as indicated by the $187.2 million decrease in net assets.

**Investments:** The Authority's investments at December 31, 2009 and 2008 were approximately $1.77 billion and $1.57 billion, respectively. Table A-3 chart below shows the types of authorized investments in the December 31, 2009 portfolio.

**Table A-3**

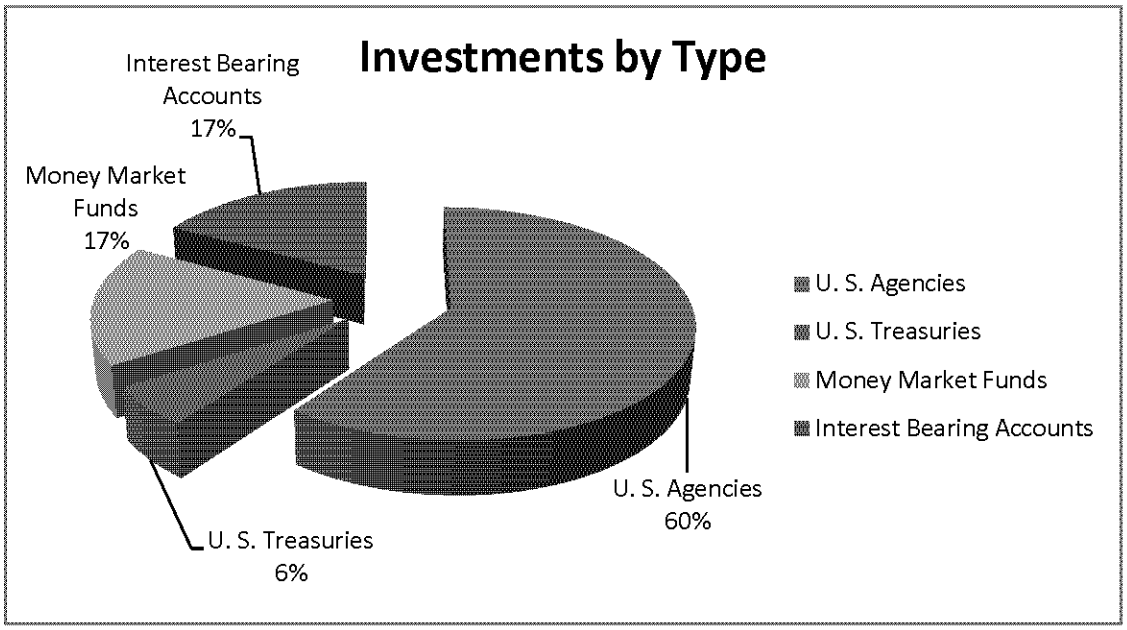
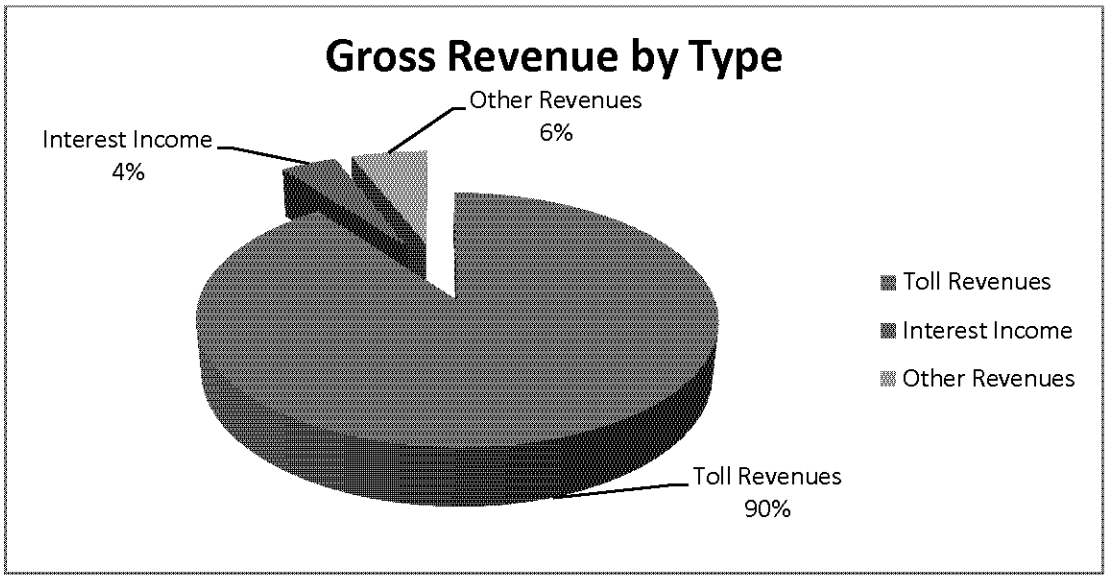


Table A-4 below shows NTTA's revenue in FY 2009 by revenue source type.

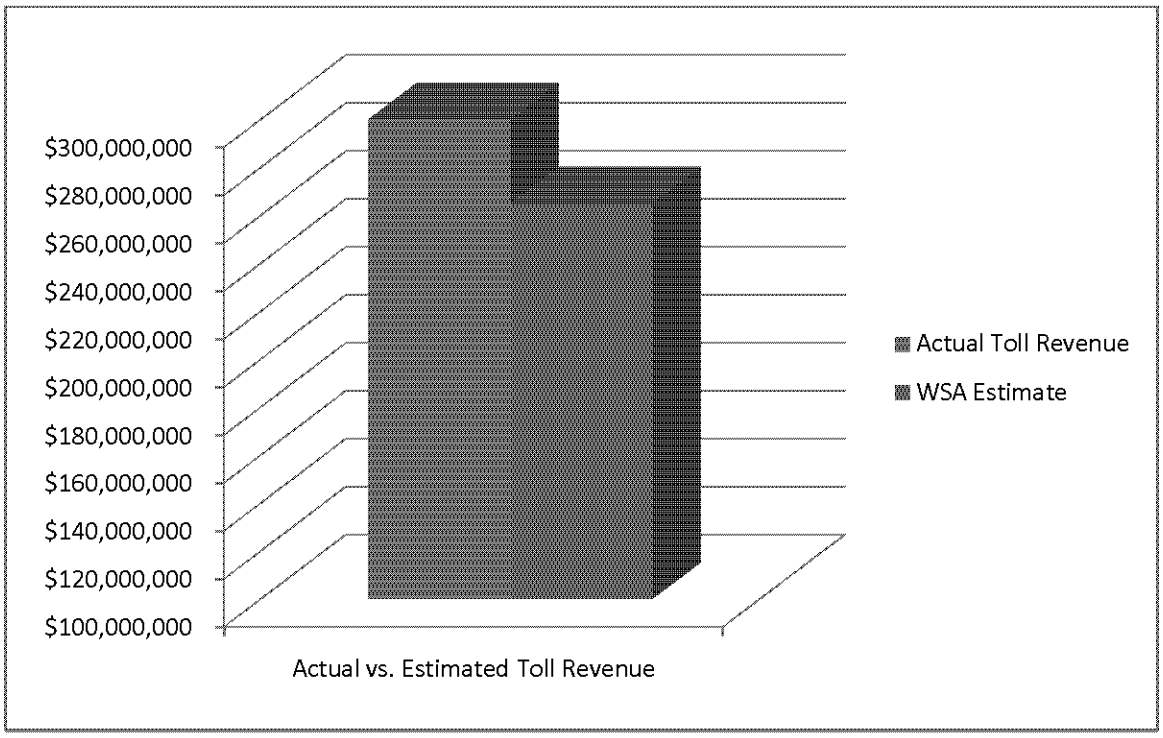
**Table A-4**




Gross revenues, excluding grant revenue of $59.6, for FY 2009 were $321.7 million, a 23.0% increase over FY 2008 gross revenues of $261.7 million. Toll revenues of $290.4 million account for 90.0% of total revenue. Interest income (excluding Construction Fund interest) was $14.1 million or 4.0%. Other revenue, mostly administrative and statement fees for collection of tolls from violators and interoperability fees, was $17.2 million, representing 6.0% of the total.

Table A-5 below shows the Authority's actual toll revenue for FY 2009 compared to the estimated toll revenue of the Authority's traffic and toll revenue engineer, Wilbur Smith Associates (WSA). Toll revenue was over WSA's estimates by 9.6%.

**Table A-5**




Traffic on the Authority continues to grow with approximately 1,253,653 average daily transactions in 2009, up 10.5% from the 1,131,230 daily averages in 2008.

The increases in the toll revenue were largely attributed to the:

- A toll rate increase implemented in September 2009.
- The increased growth of population in the North Texas counties (Dallas, Tarrant, Denton & Collin).
- A full year of operations for the Sam Rayburn Tollway and the opening of Lewisville Lake Toll Bridge

## Engineering Estimates

The annual estimates by the Authority's traffic and revenue engineer, Wilbur Smith & Associates (WSA), are displayed in comparison to the actual revenue for the years of 2002 through 2009 in Table A-6 below:

**Table A-6**
Actual vs. Estimated Revenue

| Year | Actual | Estimate | Variance |
|---|---|---|---|
| 2009 | $ 290,404,547 | $ 265,051,729 | $ 25,352,818 |
| 2008 | 240,776,791 | 262,346,900 | (21,570,109) |
| 2007 | 202,675,564 | 204,491,800 | (1,816,236) |
| 2006 | 191,434,120 | 197,052,500 | (5,618,380) |
| 2005 | 172,537,345 | 167,457,300 | 5,080,045 |
| 2004 | 160,695,030 | 151,482,500 | 9,212,530 |
| 2003 | 149,323,784 | 144,975,000 | 4,348,784 |
| 2002 | 137,945,439 | 126,955,000 | 10,990,439 |

The FY 2009 toll revenue of $ 290.4 million increased by 20.6% over FY 2008 actual amount of $ 240.8 million. During 2009, slowdown in the overall economy affected the actual revenues. The Authority's total revenues produced 1.56x debt coverage for 2009. Please see Table A-8 on page 17 on the Historical Debt Coverage.

**Capital Assets** – The Authority's investment in capital assets includes land, buildings, right-of-way, roadway, bridges, equipment, and computer systems. Capital assets at December 31, 2009 were $5.9 billion, increasing from FY 2008 by approximately $0.4 billion. This is due primarily to the construction of Sam Rayburn Tollway, the DNT Extension Phase 3, President George Bush Turnpike Eastern Extension, and Lewisville Lake Toll Bridge. For additional information on capital assets see Note (1) (g) and Note (4).

The Authority utilizes GASB No. 34, Modified Approach of reporting infrastructure assets. Each year a comprehensive assessment is conducted on all the Authority's infrastructure assets which affect the following fiscal year's maintenance budget. For additional information and results of the 2009 assessment, please see the Required Supplementary Information on pages 56 and 57 of this report. The Authority's Condition Index for 2009 is 9.0 versus the 8.0 goal.

The Sam Rayburn Tollway (SRT) will revert to Texas Department of Transportation after the expiration of the 50 year period commencing when the Authority began collecting tolls on the Project on its own behalf (September 2008). The Authority will depreciate the cost of the acquisition and the construction costs of the SRT over the term of the project agreement pursuant to which the Authority acquired the Project utilizing the straight-line basis. The effect of depreciating the cost of the acquisition and the construction costs of the SRT will reduce the Authority's net revenues as reported on the general accepted accounting principles (GAAP) basis. Since the depreciation will be a non-cash item, it will not impact the Authority's calculation of net revenues available per the Trust Agreement.

**Budgetary Highlights –** The Authority adopts (on a non-GAAP basis) an annual budget in December of each year for the succeeding year for the Operations and Maintenance Fund. The budget is established in accordance with the provisions of the Trust Agreement for the North Texas Tollway Authority Revenue Bonds. The budget covers the operating expenses for each fiscal year (calendar year). For FY 2009 operating expenses were $90.9 million against an operating budget of $93.1 million. The Authority expended 97.7% of the operating budget in 2009. The primary factors in this budget are the continued restructuring of the Authority's departments; the maintenance and operations of segments 1 and 2 of the SRT; the opening of Lewisville Lake Toll Bridget and the increased growth in the Customer Service, Maintenance, Information Technology, and Safety and Incidents Management areas. The Authority is also focusing on improvements in service delivery.

**Long-Term Debt –** At the end of FY 2009, the Authority's total bonded debt outstanding was $7.12 billion compared to approximately $6.15 billion in 2008 (See Table A-7). This debt represents bonds secured solely by toll revenue. For detailed information see Note (5) and schedule of revenue bonds outstanding as of December 31, 2009, on page 42.

**Table A-7**
Revenue Bonds Outstanding
As of FY 2009 and FY 2008

| Series | Amount Outstanding 2009 | Amount Outstanding 2008 |
|---|---|---|
| Series 1997 | $ 10,495,000 | $ 69,000,000 |
| Series 1997A | 44,685,000 | 105,070,000 |
| Series 1998 | 78,905,000 | 100,540,000 |
| Series 2003A | 225,000,000 | 225,000,000 |
| Series 2005A | - | 3,905,000 |
| Series 2005C | 178,310,000 | 340,260,000 |
| Series 2008A | 1,765,335,000 | 1,770,285,000 |
| Series 2008B | 234,085,000 | 237,395,000 |
| Series 2008C | 9,820,000 | 19,370,000 |
| Series 2008D | 443,022,911 | 417,826,981 |
| Series 2008E | 390,000,000 | 600,000,000 |
| Series 2008F | 1,000,000,000 | 1,000,000,000 |
| Series 2008G | - | 124,750,000 |
| Series 2008H | 409,040,000 | 410,726,909 |
| Series 2008I | 216,397,104 | 201,685,275 |
| Series 2008J | 100,000,000 | 100,000,000 |
| Series 2008K | 205,000,000 | 205,000,000 |
| Series 2008L | 220,000,000 | 220,000,000 |
| Series 2009A | 418,165,000 | - |
| Series 2009B | 825,000,000 | - |
| Series 2009C | 170,730,000 | - |
| Series 2009D | 178,400,000 | - |
| Revenue Bonds Outstanding | $ 7,122,390,015 | $ 6,150,814,165 |

Table A-8 sets forth debt service coverage for all Revenue Bonds outstanding for the years 2000 through 2009.

**Table A-8**
Historical Debt Coverage

| Year | Coverage |
|---|---|
| 2009 | 1.56x |
| 2008 | 1.60x |
| 2007 | 1.96x |
| 2006 | 1.98x |
| 2005 | 1.80x |
| 2004 | 2.00x |
| 2003 | 2.09x |
| 2002 | 2.08x |
| 2001 | 1.88x |
| 2000 | 2.22x |

Additionally, part of the construction of the PGBT was funded with the proceeds from a loan in the amount of $135 million, made by the Texas Department of Transportation in 1995 pursuant to the Intermodal Surface Transportation Efficiency Act of 1991. Interest has been accruing since 2000 and annual payment began in FY2004. The FY 2009 payment was $7.750 million with a due date of January 1, 2010. The amortization schedule for this loan can be found in Note (5) page 48.

On September 1, 2009, the Series 2005C bonds were converted to fixed rate bonds. The outstanding swaps remain legally tied to the Series 2005C Bonds, which have been remarketed to fixed rate. However, the Authority recognized the need for the swaps to be economically tied to variable rate bonds so that the swaps could function properly and generate a reasonable synthetic fixed rate. To that end, the Authority negotiated a letter of credit with JPMorgan and issued $178,400,000 Series 2009D variable rate bonds on November 5, 2009.

**Short-Term Debt -**The Authority maintains an approximately $200 million commercial paper program. $49.45 million of commercial paper was issued in 2009 to finance the feasibility study, design, engineering costs and preliminary construction costs of Southwest Parkway/Chisholm Trail, SH 161, PGBT Eastern Extension, Phase 4 of the Dallas North Tollway, Lewisville Lake Toll Bridge and various other projects. Approximately $133.95 million was retired during 2009. As of December 31, 2009 there was $5.2 million of outstanding notes under the commercial paper program.

## Contacting the NTTA's Financial Management

This financial report is designed to provide overview information to our bondholders, patrons, and other interested parties. Should you have questions about this report, please contact the North Texas Tollway Authority's Chief Financial Officer, 5900 W. Plano Parkway, Suite 100, Plano, Texas 75093.

NTTA

NORTH TEXAS TOLLWAY AUTHORITY

**NORTH TEXAS TOLLWAY AUTHORITY**

Statement of Net Assets

December 31, 2009

**Assets**

| | | |
|---|---|---|
| Current assets: | | |
| Cash and cash equivalents (note 3) | $ | 12,630,596 |
| Investments (note 3) | | 116,192,324 |
| Accrued interest receivable | | 53,423 |
| Accounts receivable (net of allowance for uncollectibles) (note 9) | | 17,284,951 |
| Inventory, at average cost | | 2,084,198 |
| Prepaid expenses | | 732,986 |
| Total current unrestricted assets | | 148,978,478 |
| Current restricted assets: | | |
| Restricted assets: | | |
| Restricted for construction: | | |
| Cash and cash equivalents (notes 3 and 5) | | 22,604,967 |
| Investments (notes 3 and 10) | | 590,766,765 |
| Accrued interest receivable | | 3,378,673 |
| Accounts receivable | | 1,399,537 |
| Restricted for debt service: | | |
| Investments (notes 3 and 5) | | 537,940,306 |
| Accrued interest receivable | | 919,487 |
| Restricted for pension benefits and other purposes: | | |
| Investments (notes 3 and 5) | | 430,958 |
| Accrued interest receivable | | 28 |
| Total current restricted assets | | 1,157,440,721 |
| Total current assets | | 1,306,419,199 |
| Noncurrent assets: | | |
| Investments restricted for construction (note 3) | | 18,800,250 |
| Investments restricted for debt service (note 3) | | 505,161,130 |
| Deferred financing costs | | 83,000,523 |
| Deferred feasibility study costs | | 156,023,404 |
| Capital assets (net of accumulated depreciation) (note 4) | | 5,862,415,577 |
| Total noncurrent assets | | 6,625,400,884 |
| **Total assets** | | **7,931,820,083** |

See accompanying notes to basic financial statements.

**NORTH TEXAS TOLLWAY AUTHORITY**

Statement of Net Assets

December 31, 2009

| | | |
|---|---|---|
| **Liabilities** | | |
| Current liabilities: | | |
| Accounts and retainage payable | $ | 25,064,534 |
| Accrued liabilities | | 14,583,998 |
| Deferred revenue | | 27,777,645 |
| Tolltag deposits | | 863,825 |
| Total current unrestricted liabilities | | 68,290,002 |
| Payable from restricted assets: | | |
| Construction-related payables: | | |
| Accounts payable (note 10) | | 32,504,554 |
| Retainage payable (note 10) | | 13,906,840 |
| Deferred grant revenue | | 57,111,114 |
| Debt service-related payables: | | |
| Accrued interest payable | | 172,908,501 |
| Accrued arbitrage rebate payable | | 15,766 |
| Commercial paper payable (note 5) | | 5,200,000 |
| Revenue bonds payable (note 5) | | 32,170,000 |
| Pension benefits and other related payables | | |
| Accounts payable (note 10) | | 423,937 |
| Total current liabilities payable from restricted assets | | 314,240,712 |
| Total current liabilities | | 382,530,714 |
| Noncurrent liabilities: | | |
| Other post-employment benefits (note 8) | | 5,196,519 |
| Texas Department of Transportation loan payable (note 5) | | 4,600,000 |
| Texas Department of Transportation ISTEA loan payable (note 5) | | 146,609,022 |
| Dallas North Tollway System revenue bonds payable, net of unamortized net deferred debit on refundings of $42,557,828 and bond discount (premium) costs of $25,450,092) (note 5) | | 7,022,212,095 |
| Total noncurrent liabilities | | 7,178,617,636 |
| **Total liabilities** | | **7,561,148,350** |
| **Net Assets** | | |
| Invested in capital assets, net of related debt | | (633,265,931) |
| Restricted: | | |
| Restricted for construction | | 2,656,000 |
| Restricted for debt service | | 969,069,134 |
| Restricted for pension benefits and other purposes | | 429,178 |
| Unrestricted | | 31,783,352 |
| **Total net assets** | **$** | **370,671,733** |

See accompanying notes to basic financial statements.

**NORTH TEXAS TOLLWAY AUTHORITY**

Statement of Revenues, Expenses, and Changes in Net Assets

Year ended December 31, 2009

| | | |
|---|---|---|
| Operating revenues: | | |
| Tolls | $ | 290,404,547 |
| Other | | 17,195,849 |
| Total operating revenues | | 307,600,396 |
| Operating expenses: | | |
| General | | |
| Administration | | 22,501,450 |
| Operations | | 68,433,322 |
| Preservation | | |
| Reserve maintenance | | 15,444,672 |
| Capital improvement | | 20,039,108 |
| Total operating expenses before depreciation | | 126,418,552 |
| Operating income before depreciation | | 181,181,844 |
| Depreciation | | 4,529,323 |
| **Operating income** | | **176,652,521** |
| Nonoperating revenues (expenses): | | |
| Interest earned on investments | | 25,219,356 |
| Net decrease in the fair value of investments | | (13,371,674) |
| Unallocated infrastructure depreciation | | (60,703,200) |
| Interest expense on revenue bonds | | (352,464,434) |
| Interest expense on short term notes (net of capitalized interest) | | (207,145) |
| Interest expense on loan | | (6,157,579) |
| Bond premium/discount amortization | | (1,659,281) |
| Bond issuance cost amortization | | (9,216,397) |
| Deferred amount on refunding amortization | | (8,911,969) |
| SWAP termination payment | | (6,081,700) |
| Other | | 2,565,331 |
| Net nonoperating revenues (expenses) | | (430,988,692) |
| Income (loss) before capital contributions | | (254,336,171) |
| Capital Grant Contributions | | 59,588,883 |
| BAB's Subsidy | | 7,489,870 |
| Change in net assets | | (187,257,418) |
| Beginning net assets | | 557,929,151 |
| **Ending net assets** | **$** | **370,671,733** |

See accompanying notes to basic financial statements.

**NORTH TEXAS TOLLWAY AUTHORITY**

Statement of Cash Flows

Year ended December 31, 2009

| | | |
|---|---|---|
| Cash flows from operating activities: | | |
| Receipts from customers and users | $ | 318,335,434 |
| Payments to contractors and suppliers | | (164,941,569) |
| Payments to employees | | (36,944,610) |
| Net cash provided by (used in) operating activities | | 116,449,255 |
| Cash flows from capital and related financing activities: | | |
| Acquisition and construction of capital assets (including capitalized interest costs) | | (406,210,953) |
| Issuance of commercial paper | | 44,250,000 |
| Grant proceeds | | 17,818,083 |
| Defeased commercial paper | | (43,000,000) |
| Principal paid on revenue bonds | | (34,110,000) |
| Interest paid on revenue bonds and other debt | | (284,178,561) |
| Net cash provided by (used in) capital and related financing activities | | (705,431,431) |
| Cash flows from investing activities: | | |
| Purchase of investments | | (1,231,351,318) |
| Proceeds from sales and maturities of investments | | 1,832,537,235 |
| Interest received | | 17,002,131 |
| Net cash provided by (used in) investing activities | | 618,188,048 |
| Net increase (decrease) in cash and cash equivalents | | 29,205,872 |
| Cash and cash equivalents, beginning of the year | | 6,029,691 |
| Cash and cash equivalents, end of the year | $ | 35,235,563 |
| Classified as: | | |
| Current assets | $ | 12,630,596 |
| Restricted assets | | 22,604,967 |
| Total | $ | 35,235,563 |
| Noncash financing, capital, and investing activities: | | |
| Reconciliation of operating income to net cash provided by operating activities: | | |
| Operating income | $ | 176,652,521 |
| Adjustments to reconcile operating income to net cash provided by operating activities: | | |
| Depreciation | | 4,529,323 |
| Changes in assets and liabilities: | | |
| Increase in accounts receivable | | (10,196,819) |
| Increase in inventories | | (197,497) |
| Increase in prepaid expenses | | (107,187) |
| Decrease in deferred revenue | | (7,740,712) |
| Decrease in accounts and retainage payable | | (57,622,617) |
| Increase in accrued liabilities | | 11,132,243 |
| Total adjustments | | (60,203,266) |
| Net cash provided by operating activities | $ | 116,449,255 |
| Noncash financing activities: | | |
| Decrease in fair value of investments | $ | (13,371,674) |

See accompanying notes to basic financial statements.

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NORTH TEXAS TOLLWAY AUTHORITY

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## (1) Nature of the Organization and Summary of Significant Accounting Policies

### *(a) Reporting Entity*

In June 1997, the Texas Legislature approved a bill to create the North Texas Tollway Authority (the Authority), a regional tollway authority under Chapter 366, Transportation Code. Effective September 1, 1997, the Authority became the successor agency to the Texas Turnpike Authority and succeeded to all assets, rights, liabilities, and other property of the Texas Turnpike Authority located in Collin, Dallas, Denton, and Tarrant Counties. The Authority also assumed and became liable for all duties and obligations related to the Texas Turnpike Authority at that time.

The Authority is a political subdivision of the State of Texas, authorized and empowered by the Regional Tollway Authority Act (the Act) to construct, maintain, repair, and operate turnpike projects at such locations within Collin, Dallas, Denton, and Tarrant Counties, as may be determined by the Authority. The Authority is further authorized to issue turnpike revenue bonds, payable solely from tolls and other revenue of the Authority, for the purpose of paying all or any part of the cost of a turnpike project. Under the provisions of the Act, these revenue bonds shall not be deemed to constitute a debt or a pledge of the faith and credit of the State of Texas or of any other political subdivision thereof.

The North Texas Tollway Authority System (the System) is the enterprise fund of the Authority. The System is a turnpike project of the Authority and consists of the Dallas North Tollway (the DNT), the Addison Airport Toll Tunnel (the AATT), the President George Bush Turnpike (the PGBT), the Mountain Creek Lake Bridge (the MCLB), Sam Rayburn Tollway (SRT), and the Lewisville Lake Toll Bridge (the LLTB).

In addition, Chapter 366 authorized the Feasibility Study Fund to be used only to pay the expenses of studying the cost and feasibility and any other expenses relating to:

1) The preparation and issuance of bonds for the acquisition and construction of a proposed turnpike project for the Authority;

2) The financing of the improvement, extension or expansion of an existing turnpike or Authority;

3) Private participation, as authorized by law, in the financing of a proposed turnpike project or Authority, the refinancing of an existing turnpike project or Authority or the improvement, extension or expansion of a turnpike project or Authority.

In addition, Senate Bill 194, which was subsequently replaced by Chapter 366, authorized the establishment of the Dallas-Fort Worth Turnpike Transition Trust Fund, a Fiduciary Fund, to account for the payment of transition costs and other obligations payable from funds of the Dallas-Fort Worth Turnpike at December 31, 1977, such as post-employment benefits.

While the Fiduciary Funds are normally presented separately in the financial statements, the DFW Turnpike Transition Trust Fund is shown as a part of the basic financial statements, since the Trust Fund is immaterial to the financial statements.

### (b) Basis of Accounting

The operations of the Authority, including the Feasibility Study Fund and the DFW Turnpike Transition Trust Fund, are accounted for as an enterprise fund on an accrual basis in order to recognize the flow of economic resources. Under this basis, revenues are recognized in the period in which they are earned, expenses are recognized in the period in which they are incurred, and all assets and liabilities associated with the operation of the Authority are included in the Statement of Net Assets. The assets of the Authority are stated at cost with the exception of certain investments, which are stated at fair value.

The Authority applies all applicable GASB pronouncements to the Authority, as well as all FASB Statements and Interpretations, APB Opinions and Accounting Research Bulletins issued on or before November 30, 1989, unless those statements conflict with or contradict GASB pronouncements.

The principal revenues of the Authority are toll revenues received from patrons. Operating expenses for the Authority include the costs of operating and maintaining the Authority and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The Trust Agreement also requires that certain funds and accounts be established and maintained. The Authority consolidates these Authority funds and accounts for the purpose of enterprise fund presentation in its external financial statements.

In accordance with House Bill 749, an act of the 72nd Legislature of Texas, the Authority may transfer an amount from a surplus fund (currently Capital Improvement Fund) established for a turnpike project to the North Texas Tollway Feasibility Study Fund (Feasibility Study Fund). However, the Authority may not transfer an amount that results in a balance in the surplus fund that is less than the minimum balance required in the trust agreement for that project, if any. Revenues are recognized when they are earned, expenses are recorded in the period in which they are incurred.

The costs of studies funded by the Feasibility Study Fund are deferred until such time as the feasibility of the project is determined. If the project is pursued, the Feasibility Study Fund is reimbursed for related study costs from the proceeds of the project's bond issue. However, the study costs associated with projects determined to be unfeasible are removed from the statement of assets and liabilities and written off to expense when approved by the Executive Director.

### (c) Budget

Operating budgets are adopted on a non-GAAP basis. The budget is established in accordance with the practices set forth in the provisions of the Trust Agreement for the Dallas North Tollway Authority Revenue Bonds, as interpreted by the Authority. These practices are similar to U.S. generally accepted accounting principles for an enterprise fund on an accrual basis except that depreciation and amortization of certain non-infrastructure capital assets and related acquisition and revenue bond issuance costs are not included as an operating expense or otherwise provided, and interest accrued for certain periods after official completion on certain of the Authority's bond issues is capitalized as allowed by the Trust Agreement and bond resolution, rather than being reflected as an expense. Otherwise, revenues are recognized when they are earned, expenses are recognized in the period in which they are incurred, and all assets and liabilities associated with the operation of the Authority are included in the statement of net assets in accordance with the Trust Agreement as described above.

Each year the Authority completes a review of its financial condition for the purpose of estimating whether the net revenues of the Authority for the year will meet its debt covenants. See additional information regarding legal compliance for budgets in Note (2).

### (d) Restricted Assets

Certain proceeds of the Revenue Bonds are restricted by applicable bond covenants for construction or restricted as reserves to ensure repayment of the bonds. Also, certain other assets are accumulated and restricted on a monthly basis in accordance with the Trust Agreement for the purpose of paying interest and

principal payments that are due on a semiannual and annual basis, respectively, and for the purpose of maintaining the reserve funds at the required levels. Payments from these restricted accounts are strictly governed by the Trust Agreement and can only be made in compliance with the Trust Agreement. Limited types of expenses may be funded from these accounts. Expenses that do not meet these requirements are funded from unrestricted accounts. The funds and accounts that have been established in accordance with the Trust Agreement are as follows:

- **Construction and Property Fund** – The Construction and Property Fund was created to account for that portion of the proceeds from the sale of the Authority Revenue Bonds, which were required to be deposited with the trustee in order to pay all costs of construction. There also may be deposited in the Construction and Property Fund any monies received from any other source for paying the cost of the Authority.
- **Revenue Fund** – The Revenue Fund was created to account for all revenues (all tolls, other revenues, and income) arising or derived by the Authority from the operation and ownership of the Authority. All revenues of this fund are distributed to other funds in accordance with the Trust Agreement.
- **Operation and Maintenance Fund** – The Operation and Maintenance Fund was created to account for and pay current operating expenses of the Authority.
- **Reserve Maintenance Fund** – The Reserve Maintenance Fund was created to account for those expenses of maintaining the Authority that do not recur on an annual or shorter basis. As defined in the Trust Agreement, such items include repairs, painting, renewals, and replacements necessary for safe or efficient operation of the Authority or to prevent loss of revenues, engineering expenses relating to the functions of the Authority, equipment, maintenance expenses, and operating expenses not occurring at annual or shorter periods.
- **Capital Improvement Fund** – The Capital Improvement Fund (CIF) was created to account for the cost of repairs, enlargements, extensions, resurfacing, additions, renewals, improvements, reconstruction and replacements, capital expenditures, engineering, and other expenses relating to the powers or functions of the Authority in connection with the Authority, or for any other purpose now or hereafter authorized by law. This CIF fund will also be combined with a revolving fund, called the Feasibility Study Fund to use only to pay the expenses of studying the cost and feasibility and any other expenses relating to; (1) the preparation and issuance of bonds for the acquisition and construction of a proposed turnpike project for the Authority; (2) the financing of the improvement, extension or expansion of an existing turnpike or Authority; (3) private participation, as authorized by law, in the financing of a proposed turnpike project or Authority, the refinancing of an existing turnpike project or Authority or the improvement, extension or expansion of a turnpike project or Authority.
- **Bond Interest Account** – The Bond Interest Account was created to account for the payment of the semiannual interest requirements of the revenue bonds.
- **Reserve Account** – The Reserve Account was created for the purpose of paying interest and principal of the bonds whenever and to the extent that the monies held for the credit of the Bond Interest Account and the Redemption Account shall be insufficient for such purpose. The required reserve is an amount equal to the average annual debt service requirements of all bonds outstanding. At December 31, 2009, according to staff calculations the Authority was in compliance with this requirement.
- **Redemption Account** – The Redemption Account was created to account for the payment of the annual principal requirements of the revenue bonds.
- **DFW Turnpike Transition Trust Fund –** The Trust Fund is used to fund post-employment healthcare benefits for retire employees of the Dallas-Fort Worth Turnpike. Currently, there are two (2) employees that meet these requirements.

### *(e) Cash, Cash Equivalents and Investments*

Cash includes amounts in demand deposits. Cash equivalents are amounts included in the overnight sweep of the commercial account. These deposits are fully collateralized or covered by federal deposit insurance. The Authority considers other money market funds to be investments. The carrying amount of the investments is fair value. The net change in fair value of investments is recorded on the Statement of Revenues, Expenses, and Changes in Net Assets and includes the unrealized and realized gains and losses on investments.

### *(f) Materials Inventory*

Inventories of road maintenance materials and supplies are valued at the lower of cost or market using the average cost method.

### *(g) Capital Assets*

All capital assets are stated at historical cost, except for donated assets, which are valued at the estimated fair value of the item at the date of its donation. This includes costs for infrastructure assets (right-of-way, highways, bridges, and highways and bridges substructures), toll equipment, buildings, land, toll facilities; other related costs, including software and property and equipment with a value greater than $5,000. Highways and bridges substructure includes road sub-base, grading, land clearing, embankments, and other related costs. Also included in capital assets are the costs of certain real estate for right-of-way requirements and administrative and legal expenses incurred during the construction period.

The costs to acquire additional capital assets, which replace existing assets or improve the efficiency of the Authority, are capitalized. Under the Authority's policy of accounting for infrastructure assets pursuant to the "preservation method of accounting" or "modified approach," property costs represent an historical accumulation of costs expended to acquire rights-of-way and to construct, improve, and place in operation the various projects and related facilities. These infrastructure assets are considered to be "indefinite lived assets" that is, the assets themselves will last indefinitely and are, therefore, not depreciated. Costs related to renewing and maintaining these assets are not capitalized, but instead are considered to be period costs and are included in preservation expense classified as part of reserve maintenance and capital improvement expenses. Additional charges to preservation expense occur whenever the condition of the infrastructure assets is determined to be at a level that is below the standards adopted by the Board of Directors of the Authority.

Depreciation is computed using a straight-line method over the following estimated useful lives:

| | |
|---|---|
| Machinery and Equipment | 3-10 years |
| Buildings | 20-50 years |
| Roadways | 50-60 years |

### *(h) Compensated Absences*

Vested or accumulated vacation leave is recorded as an expense and liability as the benefits accrue to employees. No liability is recorded for non-vesting accumulating rights to receive sick pay benefits.

### *(i) Retainage Payable*

Retainage payable represents amounts billed to the Authority by contractors for which payment is not due pursuant to retained percentage provision in construction contracts until substantial completion of performance by contractor and acceptance by the Authority.

### *(j) Deferred Amount on Refunding of Revenue Bonds*

Deferred amount on refunding of revenue bonds incurred on advance refunding of such bonds relates to the difference between the reacquisition price and the net carrying amount of the refunded bonds. The amount deferred is included as a reduction to revenue bonds payable and is amortized in a systematic and rational manner over the life of the refunded bonds or the life of the refunding bonds, whichever is shorter.

### *(k) Bond Discounts, Premiums, and Bond Issuance Costs*

Costs incurred in connection with the offering and sale of bonds for construction purposes are deferred and amortized using the bonds outstanding method, over the life of the bonds. Revenue bonds payable are reported net of unamortized bond discount or premium.

### *(l) Arbitrage Rebate Payable*

The Tax Reform Act of 1986 imposed additional restrictive regulations, reporting requirements, and arbitrage rebate liability on issuers of tax-exempt debt. This represents interest earnings on bond proceeds in excess of amounts allowed under the Act. This Act requires the remittance to the Internal Revenue Service (IRS) of 90% of the cumulative arbitrage rebate within 60 days of the end of each five-year reporting period following the issuance of governmental bonds. The Authority's cumulative arbitrage rebate liabilities for the year ended December 31, 2009 are $15,766.

### *(m) Estimates*

The preparation of financial statements in accordance with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

### *(n) New Accounting Pronouncements*

GASB Statement No. 51, Accounting and Financial Reporting for Intangible Assets ("GASB 51"), establishes accounting and financial reporting requirements for intangible assets to reduce these inconsistencies, thereby enhancing the comparability of the accounting and financial reporting of such assets among state and local governments. The Authority will make plans to implement GASB 51 in the fiscal year beginning January 1, 2010. This will have minimal impact on the Authority due to software costs already being included. Management is reviewing legal items to determine if any additional items should be capitalized.

GASB Statement No. 53, Accounting and Financial Reporting for Derivative Instruments ("GASB 53"), provides accounting and financial reporting guidance regarding recognition, measurement and disclosure of derivative instruments entered into by state and local governments. The Authority will make plans to implement GASB 53 in the fiscal year beginning January 1, 2010. The footnote disclosures will be updated to implement this statement.

## (2) Legal Compliance – Budgets

The Authority is required to prepare a preliminary budget of current expenses, deposits to the Reserve Maintenance Fund, and the purposes for which the monies held in the Reserve Maintenance Fund will be expended for the ensuing year. Copies of the preliminary budget must be filed with the bond trustee, and mailed to the consulting engineers, traffic engineers, principal underwriters, and all bondholders who have filed their names and addresses with the secretary and treasurer of the Authority 60 days prior to year-end. The Authority is required by the Trust Agreement to adopt a final budget for the Authority on or before December 31 prior to the beginning of the year. The budget is prepared at the Department level and is based upon the Trust Agreement.

The Authority may not expend any amount or incur any obligations for maintenance, repairs, and operations in excess of the total amount of the budgeted expenses in the Annual Budget unless the funding source is other than revenues received from the Authority. The Authority may expend additional monies from the Reserve Maintenance Fund in excess of the annual deposits. Budget amendments must be approved by the Board

Members of the Authority in a manner similar to the adoption of the annual budget. There were no occurrences of budget noncompliance in 2009.

Pursuant to the Trust Agreement, the Authority has agreed that it will at all times keep in effect a plan for toll collecting facilities and a schedule of rates of tolls, which will raise and produce net revenues during each fiscal year sufficient to satisfy the greatest of (1), (2), or (3) below:

1) 1.35 times the scheduled debt service requirements on all outstanding First Tier Bonds for the fiscal year: or

2) 1.20 times the scheduled debt service requirements on all outstanding First Tier Bonds and Second Tier Bonds for the fiscal year: or

3) 1.00 times the scheduled debt service requirements on all outstanding First Tier Bonds, Second Tier Bonds, Third Tier Bonds and all other obligations secured by net revenues for the fiscal year.

Coverage for 2009 debt was 1.56 times, well above the required levels.

| | | |
|---|---|---|
| GAAP basis operating income | $ | 176,652,521 |
| Non-construction fund interest income | | 14,057,326 |
| Gross income | | 190,709,847 |
| Add: | | |
| Depreciation | | 4,529,323 |
| Capital improvement fund expenses | | 20,039,108 |
| Reserve maintenance fund expenses | | 15,444,672 |
| Net revenues available for debt service | | 230,722,950 |
| Bond interest expense, net of amounts capitalized | | 116,060,986 |
| Scheduled principal amount due | | 32,170,000 |
| Calculated debt service requirement | $ | 148,230,986 |
| Coverage ratio | | 1.56 |

## (3) Deposits and Investments

The Authority's investment policy is in accordance with the laws of the State of Texas. The Authority may purchase investments as authorized by the Trust Agreement and as further authorized by the revised investment policy and strategy approved by the Board of Directors in October 2008. These investments include obligations of the United States or its agencies and instrumentalities; direct obligations of the State of Texas or its agencies and instrumentalities; collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; other obligations, the principal and interest of which are unconditionally guaranteed or insured by or backed by the full faith and credit of the State of Texas or the United States or their respective agencies and instrumentalities; obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent; certificates of deposit issued by a state or national bank; fully collateralized repurchase agreements; commercial paper with a stated maturity of 270 days or fewer from the date of its issuance; and no load money market mutual funds that have a dollar-weighted average stated maturity of 90 days or fewer and includes in its investment objectives the maintenance of a stable net asset value of $1 for each share.

The Authority does not invest in financial instruments other than those authorized by the investment policy, and does not invest in any state or local government investment pools.

The Authority reports all equity securities and debt instruments with readily determinable market values to be carried at fair value, with changes in fair value reflected in the Statements of Revenues, Expenses, and Changes in Net Assets.

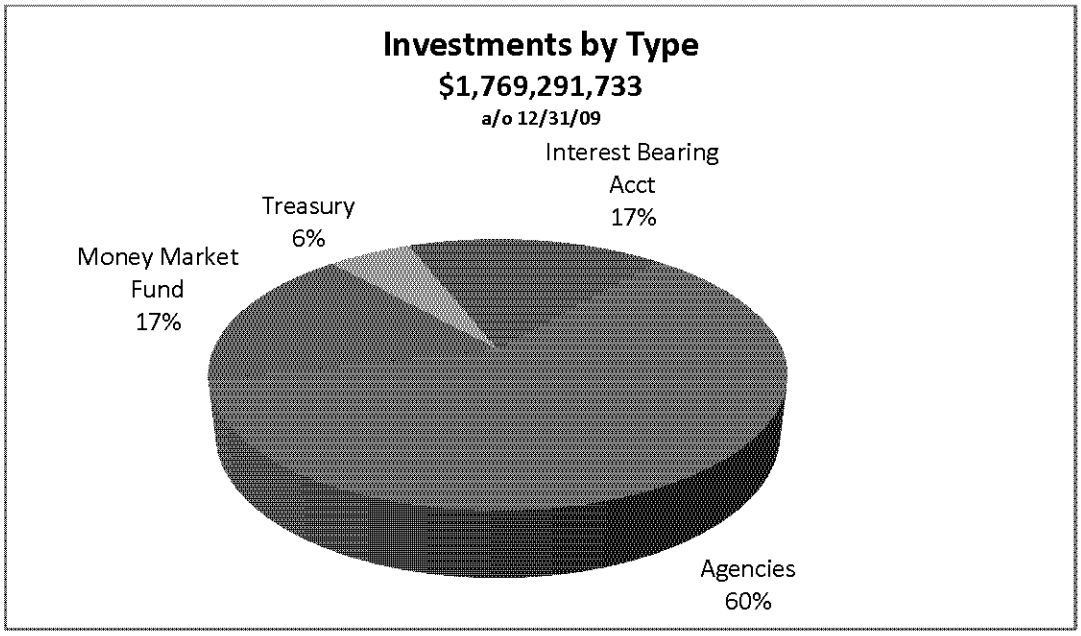
### *(a) Deposits*

The Authority's deposits were fully insured or collateralized at December 31, 2009. The carrying amount of the Authority's deposits were $35,235,563 and the respective bank balances totaled $41,653,326. As of December 31, 2009 the total bank balances were covered under the Temporary Liquidity Guarantee Program created by the Federal Depository Insurance Corporation (FDIC). The program provides full coverage of non-interest bearing deposit transaction accounts regardless of dollar amount.

### *(b) Investments*

As of December 31, 2009 the maturity values are as follows:

| | 2009 | | |
|---|---|---|---|
| | Maturity Value (in Yrs) | | |
| Description | Fair Value | Less Than 1 Yr | 1 Yr or More |
| U.S. Agencies: | | | |
| Federal Home Loan Bank | $ 326,990,040 | $ 187,205,795 | $ 139,784,245 |
| Federal National Mortgage Assn. | 489,525,173 | 207,809,811 | 281,715,362 |
| Federal Agricultural Mortgage Corporation | 16,893,280 | - | 16,893,280 |
| Federal Farm Credit Banks | 12,324,386 | 1,228,872 | 11,095,514 |
| Federal Home Loan Mortgage Corp | 221,463,376 | 148,136,948 | 73,326,428 |
| Total U. S Agencies | 1,067,196,255 | 544,381,426 | 522,814,829 |
| Money Market Funds | 300,914,119 | 300,914,119 | - |
| U.S. Treasuries | 98,480,388 | 97,333,837 | 1,146,551 |
| Interest Bearing Account | 302,700,971 | 302,700,971 | - |
| **Total Investments** | **$ 1,769,291,733** | **$ 1,245,330,353** | **$ 523,961,380** |




***(c)*** Interest Rate Risk

Investment portfolios are designed with the objective of attaining the best possible rate of return commensurate with the Authority's investment risk constraints and the cash flow characteristics of the portfolio. Return on investments, although important, is subordinate to the safety and liquidity objectives. In reflection with the Authority's investment report, the portfolio reflects the overall summary of the Authority's investment position. The weighted average yield-to-maturity of the portfolio for December 31, 2009 was 1.4878%, in comparison to 2.317% in 2008. The weighted average maturity in days was 302 days for 2009, compared to 506 days in 2008. Market value fluctuation of the overall portfolio is minimized by keeping the weighted average maturity low. Approximately 70% of the investment are maturing within one year and 30% are maturing one year or greater.

***(d)*** Credit Risk

Per the Investment Policy, the Authority may not enter into longer term investment agreements or other ongoing investment transactions with a final maturity or termination date of longer than six months with any financial institution that initially has a long term rating of less than "AA" by Standard & Poor's Ratings Group or "Aa2" by Moody's Investor Services. That means ratings of AA, AA+ for S&P and Aa2, Aa1 for Moody's are appropriate for the financial institution.

As of December 31, 2009, the Authority invested 17% in AAA rated money market funds, 17% in Interest Bearing Accounts, 6% in U.S. Treasuries and 60% in Agencies backed by the full faith and credit of the U.S. Government. Agencies are AAA rated by Moody's.

***(e) Concentration of Credit Risk***

It is the policy of the Authority to diversify its investment portfolios. Assets held in the particular funds shall be diversified to minimize the risk of loss resulting from over concentration of assets in a specific maturity, a specific issuer or a specific class of securities. As of December 31, 2009 Wells Fargo, and Federated, exceeded 5% of the total portfolio. This higher balance held with the Trustee was required for the debt service payment due January 1, 2010. More than 5% of the Authority's investments are in Federal Home Loan Banking, Federal National Mortgage Association, and Federal Home Loan Mortgage Corporation.

Cash and investments either restricted in accordance with bond provisions or accounted for per the Trust Agreements budget requirements are as follows:

| | | |
|---|---|---|
| Construction and Property Account | $ | 1,044,584,365 |
| Revenue Account | | 67,796,107 |
| Operations and Maintenance Account | | 3,047 |
| Reserve Maintenance Account | | 48,393,116 |
| Consolidated Capital Improvement Account | | 56 |
| Bond Interest Account | | 165,145,706 |
| Bond Reserve Account | | 410,768,378 |
| Bond Redemption Account | | 32,170,000 |
| DFW Turnpike Transition Trust Fund | | 430,958 |
| Total cash and investments | $ | 1,769,291,733 |

## (4) Capital Assets

Capital assets are summarized as follows:

Capital assets are summarized as follows:

| | January 1, 2009 | Additions | Deletions | December 31, 2009 |
|---|---|---|---|---|
| **Infrastructure network:** | | | | |
| ***Non-depreciable*** | | | | |
| Right-of-way | $ 221,212,099 | $ 25,983,547 | $ - | $ 247,195,646 |
| CIP | 1,401,741,060 | 162,190,898 | | 1,563,931,958 |
| Infrastructure - Other * | 408,158,855 | 32,082,953 | - | 440,241,808 |
| **Total non-depreciable infrastructure** | **2,031,112,014** | **220,257,398** | **-** | **2,251,369,412** |
| ***Depreciable*** | | | | |
| CIP * | 263,385,196 | 203,647,821 | - | 467,033,017 |
| Roadway | 3,197,211,448 | | | 3,197,211,448 |
| Less accumulated depreciation | (24,555,772) | (60,885,251) | - | (85,441,023) |
| **Total depreciable infrastructure** | **3,436,040,872** | **142,762,570** | **-** | **3,578,803,442** |
| ***Total Infrastructure network*** | **5,467,152,886** | **363,019,968** | **-** | **5,830,172,854** |
| **Property and Equipment** | | | | |
| Land | 7,360,255 | - | - | 7,360,255 |
| Buildings | 17,434,998 | - | - | 17,434,998 |
| Machinery and Equipment | 24,258,438 | 2,504,550 | (250,291) | 26,512,697 |
| Total property and equipment @ cost | 49,053,691 | 2,504,550 | (250,291) | 51,307,950 |
| Less accumulated depreciation | | | | |
| Buildings | (2,346,014) | (581,166) | - | (2,927,180) |
| Equipment | (12,371,941) | (3,948,157) | 182,051 | (16,138,047) |
| | (14,717,955) | (4,529,323) | 182,051 | (19,065,227) |
| ***Total Property and Equipment, net*** | 34,335,736 | (2,024,773) | (68,240) | 32,242,723 |
| **Total Capital Assets** | **$ 5,501,488,622** | **$ 360,995,195** | **$ (68,240)** | **$ 5,862,415,577** |

* Includes capitalized interest net of interest earnings.

Total bond interest cost incurred amounted to $337,876,823 during the year ended December 31, 2009, of which $23,627,786 was capitalized.

## (5) Revenue Bonds, Commercial Paper, and Loans Payable

### *Revenue Bonds*

The Authority has issued and refunded various Revenue Bond Series to construct the Authority and to fund reserves and expenses associated with the bond issues. The Authority follows the provisions of GASB No. 23, Accounting and Financial Reporting for Refunding of Debt Reported by Proprietary Activities (Statement No. 23). Under the provisions of Statement No. 23, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized over the life of the new debt or the life of the old debt (had it not been refunded), whichever is shorter, as an adjustment to the bond interest expense.

The following are descriptions of Revenue Bond Series currently outstanding as of December 31, 2009.

**Series 1997:** The Authority issued $129,270,000 in principal amount of Dallas North Tollway Authority Revenue Refunding Bonds, Series 1997 insured by Financial Guaranty Insurance Company ("FGIC"), dated January 1, 1996 with a forward delivery on October 8, 1997, for the purpose of refunding $123,945,000 of Series 1989 revenue bonds. Interest is payable on January 1 and July 1 of each year. Principal is payable on January 1 of each year. The issue included $78,665,000 of serial bonds, which began maturing on January 1, 1999 and bear interest rates ranging from 5.0% to 6.5%, and $50,605,000 of 5.5% term bonds due January 1, 2015. The Series 2009A Bonds refunded the maturities dated January 1, 2011 through January 1, 2015, leaving only the January 1, 2010 maturity outstanding of the Series 1997 Bonds.

The difference between the reacquisition price and the net carrying amount of the Series 1989 Bonds ($11,430,835) was deferred and is being amortized over the stated term of the Series 1997 Bonds. The deferred amount ending balance for the year ended December 31, 2009 was $0 because of the Series 2009A refunding of the Series 1997 Bonds.

**Series 1997A:** The Authority issued $129,005,000 in principal amount of Dallas North Tollway Authority Revenue Refunding bonds, Series 1997A insured by FGIC, on October 01, 1997, for the purpose of refunding a portion of the Dallas North Tollway Authority Revenue Bonds, Series 1989, dated July 1, 1989, and the outstanding Dallas North Tollway Authority Revenue Bonds, Series 1994, dated December 1, 1994. The amount of refunded principal related to the Series 1989 Bonds is $98,040,000 and the amount related to the Series 1994 Bonds is $22,575,000. Interest is payable on January 1 and July 1 of each year. Principal is payable on January 1. The issue included $67,685,000 of serial bonds which began maturing on January 1, 1998 and bear interest rates ranging from 4.0% to 5.375%, $56,655,000 of 5.0% term bonds due January 1, 2020, and $4,665,000 of 5.0% term bonds due January 1, 2023. The Series 2009A Bonds refunded the maturities dated January 1, 2011 through January 1, 2018 of the Series 1997A Bonds.

The difference between the reacquisition price and the net carrying amount of the Series 1989 Bonds and 1994 Bonds ($9,217,525) was deferred and is being amortized over the stated term of the Series 1997A Bonds. The deferred amount ending balance for the year ended December 31, 2009 was $1,475,458.

**Series 1998:** The Authority issued $100,660,000 North Texas Tollway Authority Dallas North Tollway Authority Revenue Bonds, Series 1998 on October 29, 1998. The bonds are insured by FGIC and were issued for the purpose of financing Segment V of the PGBT. Interest is payable on January 1 and July 1 of each year. Principal is payable on January 1 commencing January 1, 2008. The issue included $22,515,000 of serial bonds maturing from 2008-2018 with interest rates ranging from 4.10%-4.75%, $22,065,000 term bonds due January 1, 2022 with an interest rate of 4.75%, and $56,080,000 term bonds due January 1, 2029 with an interest rate of 4.75%. The Series 2009A Bonds refunded the maturities dated January 1, 2011 through January 1, 2018 of the Series 1998 Bonds.

**Series 2003A:** To fund a portion of the costs for Segments IV of the PGBT, finance improvements to the Authority and refund commercial paper notes, the Authority issued $225,000,000 Series 2003A North Texas Tollway Authority Dallas North Tollway Authority Revenue Bonds, insured by Ambac Assurance Corporation ("Ambac"), on May 28, 2003. The $54,405,000 of serial bonds and $170,595,000 of term bonds will mature beginning January 1, 2021 and bear an interest rate of 5.00%. The term bonds are subject to mandatory sinking fund redemptions beginning January 1, 2027. Interest is payable on January 1 and July 1 of each year. The Series

2003A Bonds are subject to redemption prior to maturity at the option of the Authority on January 1, 2013 or on any date thereafter at a price of par plus accrued interest to the date of redemption.

**Series 2005C:** The $341,670,000 North Texas Tollway Authority Dallas North Tollway Authority Variable Rate Revenue Bonds, Series 2005C, insured by FGIC, were issued December 15, 2005 for the purpose of refunding $332,425,000 Series 1995 Bonds. Interest initially accrues from the date of delivery at a Weekly Rate, but may be subsequently converted to bear interest at a Daily Rate, Flexible Rate, Monthly Rate, Quarterly Rate, Semi-Annual Rate, Multi-Annual Rate, or Fixed Rate. While bearing interest at a Weekly Rate, interest is payable on the first business day of each calendar month, and is calculated on the basis of actual days elapsed in a 365-day or 366-day year, as applicable. Upon a change to any of the other interest modes, the bonds will be subject to mandatory tender for purchase and remarketing with a maximum rate of twelve (12%) per annum. The bonds consisted of $341,670,000 term bonds due January 1, 2025. The bonds are subject to mandatory sinking fund redemption prior to maturity on January 1 of the years 2008-2025. In 2008, FGIC was downgraded below investment grade and remarketing of the bonds was not completely successful. The Series 2005C Bonds were remarketed on September 1, 2009 to a fixed rate series of bonds. $161,110,000 of Series 2005C Bonds were refunded by Series 2009A Bonds. The remaining amount of Series 2005C Bonds is $178,310,000 which consists of $109,515,000 serial bonds maturing on January 1, 2019 through January 1, 2023 that bear interest rates ranging from 5% to 6.25% and $68,795,000 term bonds due January 1, 2025 with an interest rate of 6%.

The difference between the reacquisition price and the net carrying amount of the Series 1995 Bonds ($14,207,535) was deferred and is being amortized over the stated term of the Series 2005C Refunding Bonds. This amount was adjusted due to the remarketing. The Authority obtained a present value loss of $13,637,745 in conjunction with the remarketing. The new difference between the reacquisition price and the net carrying amount on the 2005C bonds that were remarketed is ($8,025,086). This amount was deferred and is being amortized over the stated term of the Series 2005C Bonds. The deferred amount ending balance for the year ended December 31, 2009 was $7,831,333. Amortization of the deferred amount on the refunding was $193,753 for the year ended December 31, 2008. Outstanding principal on the Series 1995 Bonds in escrow is $26,695,000 as of December 31, 2009.

**Series 2008A:** The $1,770,285,000 North Texas Tollway Authority Revenue Refunding Bonds, Series 2008A were issued on April 3, 2008 for the purpose of refunding $58,760,000 of Series 2003C Tender Bonds, $71,000,000 of Series 2005B Bonds and $1,203,405,000 of the Bond Anticipation Notes that were issued in November 2007. Interest is payable January 1 and July 1, and principal is payable on January 1 of each year. The issue included $483,665,000 of serial bonds, which began maturing January 1, 2009 and bear interest rates ranging from 4.0% to 6.0%; $373,810,000 of 5.125% term bonds due January 1, 2028, which are insured by MBIA Insurance Corporation; $207,910,000 of 5.625% term bonds due January 1, 2033; $404,900,000 of 5.75% term bonds due January 1, 2040; and $300,000,000 5.75% term bonds due January 1, 2048.

The difference between the reacquisition price and the net carrying amount of the Series 2003C Bonds and the Series 2005B ($6,964,108) was deferred and is being amortized over the stated term of the Series 2008C Bonds. The deferred amount ending balance for the year ended December 31, 2009 was $4,598,780. Amortization of the deferred amount on the refunding was $1,405,759 for the year ended December 31, 2009.

**Series 2008B:** The Authority issued $237,395,000 in principal amount of North Texas Tollway Authority Revenue Refunding Bonds, Series 2008B on April 3, 2008 for the purpose of refunding $215,185,000 of Series 2005A Bonds. The issue includes $53,175,000 in serial bonds, which began maturing January 1, 2009 and bear interest rates ranging from 4.0% to 6.0%; $62,290,000 of 5.625% term bonds due January 1, 2033 and $121,930,000 of 5.75% term bonds due January 1, 2040. Interest is payable on January 1 and July 1.

The difference between the reacquisition price and the net carrying amount of the Series 2005A Bonds ($10,487,892) was deferred and is being amortized over the stated term of the Series 2005A Bonds. The deferred amount ending balance for the year ended December 31, 2009 was $9,634,093. Amortization of the deferred amount on the refunding was $387,676 for the year ended December 31, 2009. Outstanding principal on the Series 2005A Bonds in escrow is $215,185,000 on December 31, 2009.

**Series 2008C:** The $19,370,000 North Texas Tollway Authority Taxable Revenue Refunding Bonds, Series 2008C were issued on April 3, 2008 for the purpose of refunding $18,375,000 of Series 2003C Serial Bonds maturing January 1, 2009 and January 1, 2010. Interest is payable January 1 and July 1, and principal is payable on January 1 of each year. The issue includes serial bonds bearing interest at 4% to 4.25% maturing on January 1, 2009 and January 1, 2010.

The difference between the reacquisition price and the net carrying amount of the Series 2003C Bonds ($1,741,111) was deferred and is being amortized over the stated term of the Series 2008C Bonds. The deferred amount ending balance for the year ended December 31, 2009 was $-0-. Amortization of the deferred amount on the refunding was $1,476,989 for the year ended December 31, 2009.

**Series 2008D:** The $399,999,394 North Texas Tollway Authority Revenue Refunding Bonds, Series 2008D were issued on April 3, 2008 for the purpose of refunding $353,730,000 of the Bond Anticipation Notes that were issued in November 2007. These bonds were issued as Capital Appreciation Bonds, and the sum of the principal and accreted/compounded interest is payable only at maturity. The approximate Yield to Maturity is 5.90% to 5.97%. The maturity dates of the 2008D bonds are January 1, 2028 through January 1, 2038. These bonds are insured by the Assured Guaranty Corp.

**Series 2008E:** The $600,000,000 North Texas Tollway Authority Revenue Refunding Bonds, Series 2008E Put Bonds with an Initial Multiannual period, were issued on April 3, 2008 for the purpose of refunding $12,970,000 of Series 1997 Bonds and $465,755,000 of the Bond Anticipation Notes that were issued in November 2007. Interest accrues on the Series 2008E Bonds at the Initial Interest Rate, ranging from 5.0% to 5.75% and is payable January 1 and July 1. The Series 2008E Bonds were issued in subseries. These bonds are subject to mandatory tender on the following Mandatory Tender Dates: Subseries 2008E-1 on January 1, 2010, Subseries E-2 on January 1, 2012, and Subseries E-3 on January 1, 2016. On the Mandatory Tender Dates, the Series will be subject to mandatory tender for purchase. The Authority has agreed that the Bonds will be remarketed at the first date on or after the Mandatory Tender Date at which they can be sold in any interest rate mode and at a rate not exceeding 12.00% per annum. In the event they cannot be remarketed and purchased on the Mandatory Tender Date, the mandatory tender will be deemed to have been rescinded and the Series 2008E Bonds will bear interest at the rate of 12.00% per annum from the Mandatory Tender Date until purchased upon a subsequent remarketing. The Series 2009C and Series 2009D Bonds refunded the Subseries 2008E-1 prior to the Mandatory Tender Date.

The difference between the reacquisition price and the net carrying amount of the Series 1997 Bonds ($1,214,490) was deferred and is being amortized over the stated term of the Series 1997 Bonds. The deferred amount ending balance for the year ended December 31, 2009 was $440,706. Amortization of the deferred amount on the refunding was $366,383 for the year ended December 31, 2009.

**Series 2008F:** The Authority issued $1,000,000,000 North Texas Tollway Authority Second Tier Revenue Refunding Bonds, Series 2008F on July 30, 2008 for the purpose of refunding $739,150,000 of the Bond Anticipation Notes that were issued in November 2007. Interest is payable January 1 and July 1, and principal is payable on January 1. The issue consists of term bonds bearing interest from 5.75% to 6.125% with maturities on January 1, 2031, January 1, 2033 and January 1, 2038.

**Series 2008G:** The $124,750,000 North Texas Tollway Authority Revenue Refunding Bonds, Series 2008G Put Bonds with an Initial Multiannual period, were issued June 30, 2008 for the purpose of refunding $125,245,000 of Series 2003B Bonds. Interest accrues on the Series 2008G Bonds at the Initial Interest Rate of 5% and is payable January 1 and July 1 of each year, commencing January 1, 2009. The bonds are subject to mandatory tender on January 1, 2010. On the Mandatory Tender Date, the Series will be subject to mandatory tender for purchase. The Authority has agreed that the Bonds will be remarketed at the first date on or after the Mandatory Tender Date at which they can be sold in any interest rate mode and at a rate not exceeding 12.00% per annum. In the event they cannot be remarketed and purchased on the Mandatory Tender Date, the mandatory tender will be deemed to have been rescinded and the Series 2008G Bonds will bear interest at the rate of 12.00% per annum from the Mandatory Tender Date until purchased upon a subsequent remarketing. The Series 2009C Bonds refunded the Series 2008G bonds prior to the Mandatory Tender Date.

The difference between the reacquisition price and the net carrying amount of the Series 1997 Bonds $3,926,840 was deferred and is being amortized over the stated term of the Series 2008G Bonds. The deferred amount ending balance for the year ended December 31, 2009 was $-0- because the Series 2009C Bonds refunded the Series 2008G Bonds.

**Series 2008H:** On September 24, 2008, the Authority issued $409,040,000 of North Texas Tollway Authority Revenue Refunding Bonds, Series 2008H Put Bonds with an Initial Multiannual period for the purpose of refunding $324,870,000 of the Bond Anticipation Notes that were issued in November 2007. Interest accrues on the bonds at the Initial Interest Rate of 5% and is payable January 1 and July 1 of each year, commencing January 1, 2009. The Series 2008H Bonds were issued in subseries. The bonds are subject to a mandatory tender on the following Mandatory Tender Dates: Subseries 2008H-1 on January 1, 2011 and Subseries 2008H-2 on January 1, 2013. On the Mandatory Tender Dates, the bonds will be subject to mandatory tender for purchase. The Authority has agreed that the Bonds will be remarketed at the first date on or after the Mandatory Tender Date at which they can be sold in any interest rate mode and at a rate not exceeding 12.00% per annum. In the event they cannot be remarketed and purchased on the Mandatory Tender Date, the mandatory tender will be deemed to have been rescinded and the Series 2008H Bonds will bear interest at the rate of 12.00% per annum from the Mandatory Tender Date until purchased upon a subsequent remarketing.

**Series 2008I:** The Authority issued $199,998,366 of North Texas Tollway Authority Convertible Capital Appreciation Bonds Series 2008I on September 24, 2008 for the purpose of refunding $175,975,000 of the Bond Anticipation Notes that were issued in November 2007. The Approximate Yield to Maturity Date is 6.2% and 6.5%. Interest will accrete from the date of delivery and will compound semiannually on January 1 and July 1, commencing January 1, 2009. The Conversion Date is January 1, 2015; after this date, interest will accrue at a rate of 6.2% and 6.5% on the total amount of principal and the accreted/compounded interest thereon payable semiannually on January 1 and July 1, commencing July 1, 2015. Principal and accreted/compounded interest accreted prior to January 1, 2015 will come due on January 1, 2042 and January 1, 2043, or upon optional redemption. These bonds are insured by the Assured Guaranty Corp.

**Series 2008J:** The Authority issued $100,000,000 of North Texas Tollway Authority First Tier Revenue Bonds, Series 2008J on November 4, 2008 for the purpose of funding development and construction of components of the Authority, including the 121 Tollway, LLTB, and the PGBT Eastern Extension. These index floating rate mode bonds were delivered pursuant to a private placement with Banc of America Securities LLC. Under such mode, interest is based on a fixed spread above the "Securities Industry and Financial Markets Association Municipal Swap Index" ("SIFMA") announced weekly by Municipal Market Data. The interest rate is reset every Thursday at the SIFMA index for that week plus the fixed spread. Interest is paid to bondholders on the first business day of each month. For the first three years, the rate is set at SIFMA plus 2.5%, provided the Authority's credit ratings remain the same. The bonds mature on January 1, 2039 and may be redeemed at the option of the Authority prior to that date.

**Series 2008K:** The $205,000,000 North Texas Tollway Authority Revenue Refunding Bonds, Series 2008K were issued on November 4, 2008 for the purpose of refunding $56,135,000 of Bond Anticipation Notes that were issued in November 2007, and $95,300,000 of Commercial Paper Notes. Interest is payable January 1 and July 1 commencing January 1, 2009. The total consists two subseries of Series 2008K Bonds: $125,000,000 of 5.75% term bonds, Subseries 2008K-1, due January 1, 2038 and $80,000,000 of 6.00% term bonds, Subseries 2008K-2, due January 1, 2038. The Subseries 2008K-1 bonds are insured by Assured Guaranty Corp.

**Series 2008L:** On November 4, 2008 the Authority issued $220,000,000 of North Texas Tollway Authority Revenue Refunding Bonds, Series L Put Bonds with an Initial Multiannual period, for the purpose of refunding $168,225,000 of the Bond Anticipation Notes that were issued in November 2007. Interest accrues on the bonds at the Initial Interest Rate of 5.5% and 6.0% and is payable January 1 and July 1 of each year, commencing January 1, 2009. The bonds were issued in two subseries. The bonds are subject to mandatory tender on the following Mandatory Tender Dates: Subseries 2008L-1 on January 1, 2011 and Subseries 2008L-2 on January 1, 2013. On the Mandatory Tender Dates, the Series will be subject to mandatory tender for purchase. The Authority has agreed that the Bonds will be remarketed at the first date on or after the Mandatory Tender Date at which they can be sold in any interest rate mode and at a rate not exceeding 12.00% per annum. In the event they cannot be remarketed and purchased on the Mandatory Tender Date, the mandatory tender will be deemed

to have been rescinded and the Series 2008L Bonds will bear interest at the rate of 12.00% per annum from the Mandatory Tender Date until purchased upon a subsequent remarketing.

**Series 2009A:** The $418,165,000 North Texas Tollway Authority System Revenue Bonds, Series 2009A were issued on August 12, 2009 for the purpose of refunding $48,655,000 of Series 1997 bonds; refunding $59,105,000 of Series 1997A Bonds; refunding $21,210,000 of Series 1998 Bonds; refunding $161,110,000 of Series 2005C Bonds; and refunding $90,950,000 of Commercial Paper notes. Additionally, a deposit of $18,500,000 was made for Capital Improvement Projects from the Series 2009A proceeds. Interest is payable on January 1 and July 1, commencing January 1, 2010. The total consists of $44,740,000 Serial Bonds with maturities of January 1, 2011 through January 1, 2013 with interest rates ranging from 3% to 5%, and $373,425,000 Term Bonds with maturities on January 1, 2024, January 1, 2028 and January 1, 2039 and interest rates ranging from 6% to 6.25%.

Net proceeds of $292,507,177 were deposited into an irrevocable trust with an escrow agent to provide for future debt service payment on the refunded Series 1997 bonds, Series 1997A bonds, Series 1998 Bonds and Commercial Paper Notes. As a result, the Series 1997 bonds, a portion of the Series 1997A bonds, a portion of the Series 1998 Bonds, a portion of the Series 2005C bonds and the Commercial Paper notes then outstanding are considered to be defeased and the liability has been removed from the Statement of Net Assets. The Authority obtained a present value loss of $16,920,933.

The difference between the reacquisition price and the net carrying amount of the Bonds refunded by 2009A of ($12,613,456) was deferred and is being amortized over the stated term of the Series 1997 Bonds. The deferred amount ending balance for the year ended December 31, 2009 was $11,014,389. Amortization of the deferred amount on the refunding was $1,599,067 for the year ended December 31, 2009.

**Series 2009B:** The $825,000,000 North Texas Tollway Authority System Revenue Bonds, Series 2009B were issued on August 12, 2009 as Taxable Build America Bonds, ("BABs") for the purpose of funding construction for the Sam Rayburn Tollway project, the Lewisville Lake Toll Bridge project and the President George Bush Turnpike Eastern Extension project. Interest is payable on January 1 and July 1, commencing January 1, 2010. These bonds are entitled to a direct payment subsidy from the United States Treasury in an amount equal to 35% of the debt service due on each payment date. The Authority must request this subsidy prior to each interest payment date. The Series 2009B Bonds were issued as one term bond with a maturity of January 1, 2049 and an interest rate of 6.718%.

**Series 2009C:** On November 5, 2009, the Authority issued $170,730,000 of North Texas Tollway Authority Revenue Refunding Bonds, Series 2009C, for the purpose of refunding a portion of Series 2008E-1 and Series 2008G Bonds. Interest is payable on January 1 and July 1, commencing July 1, 2010. The bonds were issued as one Term Bond due January 1, 2044 at an interest rate of 5.25%.

Net proceeds of $166,408,750 were deposited into an irrevocable trust with an escrow agent to provide for future debt service payment on the refunded Series 2008E-1 bonds and the Series 2008G bonds. As a result, a portion of the Series 2008E-1 bonds and the Series 2008G bonds are considered to be defeased and the liability has been removed from the Statement of Net Assets. The Authority obtained a present value gain of $11,969,757.

The difference between the reacquisition price and the net carrying amount of the Bonds refunded by 2009C of $3,984,364 was deferred and is being amortized over the stated term of the Series 2008E-1 and Series 20008G Bonds. The deferred amount ending balance for the year ended December 31, 2009 was $3,957,151. Amortization of the deferred amount on the refunding was $27,213 for the year ended December 31, 2009. Outstanding principal on the portion of the Series 2008E-1 Bonds in escrow is $37,600,000. Outstanding principal on the Series 2008G Bonds in escrow is $124,750,000. These amounts are as of December 31, 2009.

**Series 2009D:** On November 5, 2009, the Authority issued $178,400,000 of North Texas Tollway Authority Revenue Refunding Bonds, Series 2009D, for the purpose of refunding a portion of Series 2008E-1 Bonds. The bonds were issued in variable rate mode, with interest payable on the first Business Day of each month, commencing December 1, 2009, and interest rates are reset weekly. The remarketing agent is J.P. Morgan Securities Inc. The stated maturity for this bond is January 1, 2049.

Net proceeds of $176,710,000 were deposited into an irrevocable trust with an escrow agent to provide for future debt service payment on the refunded Series 2008E-1 bonds. As a result, a portion of the Series 2008E-1 bonds are considered to be defeased and the liability has been removed from the Statement of Net Assets. The Authority obtained a present value gain of $11,463,491.

The difference between the reacquisition price and the net carrying amount of the 2008E-1 Bonds refunded by 2009D of $1,072,218 was deferred and is being amortized over the stated term of the Series 2008E-1 Bonds. The deferred amount ending balance for the year ended December 31, 2009 was$1,065,641. Amortization of the deferred amount on the refunding was $6,577 for the year ended December 31, 2009. Outstanding principal on the Series 2008E-1 Bonds in escrow is $172,400,000 as of December 31, 2009.

The following schedule summarizes the revenue bonds outstanding as of December 31, 2009:

| | As of December 31, 2009 | | | | |
|---|---|---|---|---|---|
| **Description of Issue** | **Beginning Balance** | **Additions** | **Matured or Retired** | **Ending Balance** | **Due within one year** |
| Series '97 | $ 69,000,000 | $ - | $ (58,505,000) | $ 10,495,000 | $ 10,495,000 |
| Series '97A | 105,070,000 | - | (60,385,000) | 44,685,000 | 1,340,000 |
| Series '98 | 100,540,000 | - | (21,635,000) | 78,905,000 | 760,000 |
| Series '03A | 225,000,000 | - | - | 225,000,000 | - |
| Series '05A | 3,905,000 | - | (3,905,000) | - | - |
| Series '05C | 340,260,000 | - | (161,950,000) | 178,310,000 | - |
| Series '08A | 1,770,285,000 | - | (4,950,000) | 1,765,335,000 | 5,630,000 |
| Series '08B | 237,395,000 | - | (3,310,000) | 234,085,000 | 4,125,000 |
| Series '08C | 19,370,000 | - | (9,550,000) | 9,820,000 | 9,820,000 |
| Series '08D | 417,826,981 | 25,195,930 | - | 443,022,911 | - |
| Series '08E | 600,000,000 | - | (210,000,000) | 390,000,000 | - |
| Series '08F | 1,000,000,000 | - | - | 1,000,000,000 | - |
| Series '08G | 124,750,000 | - | (124,750,000) | - | - |
| Series '08H | 409,040,000 | - | - | 409,040,000 | - |
| Series '08I | 203,372,185 | 13,024,919 | - | 216,397,104 | - |
| Series '08J | 100,000,000 | - | - | 100,000,000 | - |
| Series '08K | 205,000,000 | - | - | 205,000,000 | - |
| Series '08L | 220,000,000 | - | - | 220,000,000 | - |
| Series '09A | | 418,165,000 | - | 418,165,000 | - |
| Series '09B | | 825,000,000 | - | 825,000,000 | - |
| Series '09C | | 170,730,000 | - | 170,730,000 | - |
| Series '09D | | 178,400,000 | - | 178,400,000 | - |
| | 6,150,814,166 | 1,630,515,849 | (658,940,000) | 7,122,390,015 | 32,170,000 |
| Less: | | | | | |
| Unamortized deferred amount on refunding of revenue bonds | 37,003,509 | 17,724,481 | (12,170,162) | 42,557,828 | - |
| Bond discount/premium | 19,749,049 | 6,869,273 | (1,168,230) | 25,450,092 | - |
| **Totals** | **$ 6,094,061,608** | **$ 1,605,922,095** | **$ (645,601,608)** | **$ 7,054,382,095** | **$ 32,170,000** |

***Deferred Amount on Refunding/Premium/Discounts***

Expenses related to the issuance of the bonds and other loans are being amortized using the bonds outstanding method that factors in the maturities of the various serial bonds, over the term of the bonds and loan. The deferred amount of refunding for the year ended on December 31, 2009 was $42,557,828. The discount (premium) costs for the year ended on December 31, 2009 was $25,450,092.

The revenue bond debt service requirements below are prepared as of December 31, 2009:

| | Total Revenue Bonds | | | | |
|---|---|---|---|---|---|
| Year | Principal amount | Interest amount | Capitalized Interest | BAB Subsidy | Total |
| Due January 1 | | | | | |
| 2010 | $ 32,170,000 | $ 350,667,479 | $ (221,161,857) | $ (17,188,983) | $ 144,486,639 |
| 2011 | 29,685,000 | 363,895,681 | (192,333,030) | (19,398,225) | 181,849,426 |
| 2012 | 28,980,000 | 359,748,556 | (125,044,585) | (19,398,225) | 244,285,746 |
| 2013 | 17,605,000 | 355,707,071 | (37,536,760) | (19,398,225) | 316,377,086 |
| 2014 | 1,500,000 | 353,301,086 | - | (19,398,225) | 335,402,861 |
| 2015 – 2019 | 143,080,000 | 1,828,000,305 | - | (96,991,125) | 1,874,089,180 |
| 2020 – 2024 | 611,395,000 | 1,727,023,558 | - | (96,991,125) | 2,241,427,433 |
| 2025 – 2029 | 982,106,254 | 1,704,599,888 | - | (96,991,125) | 2,589,715,017 |
| 2030 – 2034 | 1,273,270,715 | 1,765,980,667 | - | (96,991,125) | 2,942,260,257 |
| 2035 – 2039 | 1,694,342,426 | 1,455,195,386 | - | (96,991,125) | 3,052,546,687 |
| 2040 – 2044 | 1,408,208,366 | 646,710,542 | - | (76,059,911) | 1,978,858,997 |
| 2045 – 2049 | 840,625,000 | 132,885,913 | - | (27,740,226) | 945,770,687 |
| Interest Accretion | 59,422,254 | (59,422,254) | - | - | - |
| | $ 7,122,390,015 | $10,984,293,878 | $ (576,076,232) | $ (683,537,645) | $16,847,070,016 |

The Interest and Sinking and Reserve Accounts required by the Trust Agreement have been established with the Trustee. The balances as of December 31, 2009 were:

| | Cash and Investment Balance | Trust Requirement |
|---|---|---|
| Bond interest account * | $ 165,145,707 | $ 165,326,496 |
| Debt service reserve account ** | 410,768,378 | 359,224,274 |
| Redemption account | 32,170,000 | 32,170,000 |
| Total | $ 608,084,085 | $ 556,720,770 |

Bond interest account – Interest payment due at next due date

Debt service reserve account – Average annual debt service payment

Redemption account – Principal payment due at next due date

* A difference was transferred 1/4/2010 which is related to 2008J and 2009D variable rate bonds

** Debt Service Reserve account per the trust agreement is not valued at market price, but amortized value. The amortized value at 12/31/09 was $408,110,586.

***SWAP Transactions***

***History.*** In 2004, the Authority entered into multiple interest rate swap transactions in the collective notional amount of $202,720,000 pursuant to ISDA Master Agreements dated and effective as of August 20, 2004 (the "2004 ISDA Master Agreements") with Citibank N.A., New York, Bear Stearns Financial Products Inc. and Lehman Brothers Special Financing Inc. (the "Swap Providers") in connection with the then proposed refunding of a portion of the Dallas North Tollway System Revenue Bonds, Series 1995 (the "Series 1995 Bonds") and the issuance of the Variable Rate Revenue Bonds, Series 2005C (the "Series 2005C Bonds"), (the "2004 Swap Transactions").

Concurrently with the issuance of the Series 2005C Bonds in December 2005, the Authority and the Swap Providers also entered into multiple interest rate swap transactions in the collective nominal amount of $138,950,000, effective as of December 15, 2005, pursuant to the 2004 ISDA Master Agreements relating to the portion of the Series 2005C Bonds issued to refund the remaining Series 1995 Bonds (the "2005 Swap Transactions" and together with the 2004 Swap Transactions, the "Swap Transactions").

On May 15, 2009, Bear Stearns Financial Products merged with JPMorgan Chase Bank N.A. and all derivative transactions were transferred from Bear Stearns Financial Products to JPMorgan Chase Bank N.A.

On August 14, 2009, $5,375,000 for the 2004 Swap and $706,700 for the 2005 Swap was paid to the swap counterparties to terminate a portion of each respective swap. Currently, the notional amount for the 2004 Swap and the 2005 Swap is $84,060,000 and $94,230,000 respectively. The swap counterparties are currently Citibank N.A. and JPMorgan Chase Bank N.A.

On September 1, 2009, the Series 2005C bonds were converted to fixed rate bonds. The outstanding swaps remain *legally* tied to the Series 2005C Bonds, which have been remarketed to fixed rate. However, the Authority recognized the need for the swaps to be *economically* tied to variable rate bonds so that the swaps could function properly and generate a reasonable synthetic fixed rate. To that end, the Authority negotiated a letter of credit with JPMorgan, and issued $178,400,000 Series 2009D variable rate bonds on November 5, 2009.

***Objective of the interest rate swap***. The intention of the Swap Transactions was to produce an overall fixed rate cost of funds related to refunding of the Series 1995 Bonds. The Swap Transactions were structured to lock in low rates, minimize the negative arbitrage in escrow, achieve higher present value savings than traditional fixed rate bond alternatives and increase future debt capacity. Total present value savings from these transactions were originally estimated at $41.8 million.

***Terms – 2004 Swap Transactions***. Under the 2004 Swap Transactions, the Authority is obligated to make payments to the Swap Providers calculated at a fixed rate of 3.673% per annum and the Swap Providers are obligated to make floating rate payments to the Authority calculated at a rate equal to 67% of the one-month London Interbank Offered Rate ("LIBOR") for U.S. deposits. The 2004 Swap Transactions have a stated final maturity date of January 1, 2023.

***Terms – 2005 Swap Transactions***. Under the 2005 Swap Transactions, the Authority is obligated to make payments to the Swap Providers calculated at a fixed rate of 3.533% per annum and the Swap Providers are obligated to make floating rate payments to the Authority calculated at a rate equal to 67% of the one-month LIBOR for U.S. deposits. The Series 2005C Bonds and the 2005 Swap Transactions have a stated final maturity date of January 1, 2025.

As of December 31, 2009, rates were as follows: (see example in table below)

| **Interest rate swap:** | **Terms** | **2004 Swap Rates December 31, 2009** | **2005 Swap Rates December 31, 2009** |
|---|---|---|---|
| Fixed payment to counterparties | Fixed | 3.673% | 3.533% |
| Variable payment from counterparties | 67% of 1-Month LIBOR | 0.157% | 0.157% |
| Net interest rate swap payments | | 3.516% | 3.376% |
| 2009D Variable-rate bond coupon payments | SIFMA + 185* | 2.070% | 2.070% |
| Synthetic interest rate on bonds | | 5.586% | 5.446% |

*175bps LOC fee & 10bps remarketing fee

***Fair value***. As of December 31, 2009, the Swap Transactions had a negative fair value of $15,004,101. The negative fair value signifies the amount that the Authority would owe to the Swap Providers upon the termination of all the Swap Transactions as of that date. The fair value was calculated by staff using a market quotation from the Swap Providers and verified by the Authority's Swap Advisor, RBC Capital Markets.

***Credit risk***. As of December 31, 2009, the Authority was not exposed to counterparty credit risk because the Swap Transactions had a negative fair value. However, should interest rates change and the fair value of the Swap Transactions become positive, the Authority would be exposed to credit risk in the amount of the derivative's fair value.

If the respective Swap Provider's credit rating is reduced below A2 by Moody's or A by S&P, in the case of Citibank N.A., New York, or Aa3 by Moody's or AA- by S&P in the case of JPMorgan Chase Bank N.A., it is required to post collateral to the Authority's credit.

As of December 31, 2009, the Swap Providers' respective ratings by Moody's Investors Service ("Moody's") and by Standard and Poor's Corporation ("S&P") are as follows: Citibank N.A., New York A1/A+ and JPMorgan Chase Bank N.A. Aa1/AA-. Each party's portion of the 2004 Forward Swap and 2005 Current Swap agreement is 2/3 &1/3 and 1/3 & 2/3 respectively.

***Basis risk***. The Authority is exposed to basis risk under the swap agreements as the variable rate received from the counterparties will not perfectly match the rate paid on the bonds and the expected cost savings may not be realized.

***Liquidity risk***. Risk relating to the swap termination insured by FGIC, the Authority may be required to post collateral if FGIC is downgraded to below "A-" by S&P or "A3" by Moody's. If FGIC is so downgraded, *and* the Authority is downgraded to below A3 by Moody's or A- by S&P, the Authority will be obligated to post collateral in an amount equal to the swap termination payment amount owed by the Authority to JPMorgan Chase Bank N.A. FGIC was downgraded but the Authority has maintained its ratings above the referenced levels and no collateral is required to be posted. The Authority is currently rated A2 by Moody's and A- by S&P.

***Counterparty Risk.*** Counterparty risk exists if the counterparty cannot make future payments or cannot make a termination payment due to NTTA. Risk is reduced by ISDA (International Swaps and Derivatives Association) contract terms addressing collateral limits and credit ratings. Additionally, selection of more than one highly-rated counterparty diversifies risk.

***Termination risk***. Termination risk exists if (i) the Authority opts to terminate the Swap Transactions prior to maturity and the Swap Providers do not have sufficient funds owed to the Authority, (ii) the Authority is downgraded to below A3 by Moody's or A- by S&P and the Authority is unable to post sufficient collateral, or (iii) the Authority's credit rating is reduced below investment grade by Moody's or S&P. If at the termination the swap has a negative fair value, the Authority would be liable to the Swap Providers for a payment equal to the Swap's fair value.

The Swap Transactions are subject to optional termination by the Authority at any time over the term of the Swap Transactions at the then prevailing market value. The Swap Providers do not have the elective right to optionally terminate the Swap Transactions. Each of the swap agreements may be terminated by the respective counterparty if the Authority does not maintain a credit rating of least Baa3 by Moody's or BBB- by S&P. The Authority's current ratings are A2 by Moody's and A- by S&P.

***Swap payments and associated debt***. Using rates as of December 31, 2009, debt service requirements of the variable-rate and net swap payments, assuming current interest rates remain the same for the term, were as follows. As rates vary, variable-rate bond interest payments and net swap payments will vary.

| | 2009D Bonds Associated with Swaps | | |
|---|---|---|---|
| Fiscal Year | Principal amount | Interest amount* | Total |
| 2010 | $ - | $ 9,719,820 | $ 9,719,820 |
| 2011 | - | 9,719,820 | 9,719,820 |
| 2012 | - | 9,746,446 | 9,746,446 |
| 2013 | - | 9,719,820 | 9,719,820 |
| 2014 | - | 9,719,820 | 9,719,820 |
| 2015 | - | 9,719,820 | 9,719,820 |
| 2016 | - | 9,746,449 | 9,746,449 |
| 2017 | - | 9,719,820 | 9,719,820 |
| 2018 | - | 9,719,820 | 9,719,820 |
| 2019 | - | 9,581,890 | 9,581,890 |
| 2020 | - | 9,462,483 | 9,462,483 |
| 2021 | - | 9,125,294 | 9,125,294 |
| 2022 | - | 8,792,865 | 8,792,865 |
| 2023 | - | 8,471,001 | 8,471,001 |
| 2024 | - | 8,148,112 | 8,148,112 |
| 2025 | - | 7,760,400 | 7,760,400 |
| 2026 | - | 7,760,400 | 7,760,400 |
| 2027 | - | 7,760,400 | 7,760,400 |
| 2028 | - | 7,781,661 | 7,781,661 |
| 2029 | - | 7,760,400 | 7,760,400 |
| 2030 | - | 7,760,400 | 7,760,400 |
| 2031 | - | 7,760,400 | 7,760,400 |
| 2032 | - | 7,781,661 | 7,781,661 |
| 2033 | - | 7,760,400 | 7,760,400 |
| 2034 | - | 7,760,400 | 7,760,400 |
| 2035 | - | 7,760,400 | 7,760,400 |
| 2036 | - | 7,781,661 | 7,781,661 |
| 2037 | - | 7,760,400 | 7,760,400 |
| 2038 | - | 7,760,400 | 7,760,400 |
| 2039 | - | 7,760,400 | 7,760,400 |
| 2040 | - | 7,781,661 | 7,781,661 |
| 2041 | - | 7,760,400 | 7,760,400 |
| 2042 | - | 7,760,400 | 7,760,400 |
| 2043 | - | 7,760,400 | 7,760,400 |
| 2044 | 32,000,000 | 7,781,661 | 39,781,661 |
| 2045 | 33,800,000 | 6,368,400 | 40,168,400 |
| 2046 | 35,600,000 | 4,898,100 | 40,498,100 |
| 2047 | 37,500,000 | 3,349,500 | 40,849,500 |
| 2048 | 39,500,000 | 1,722,958 | 41,222,958 |
| **TOTAL** | **$ 178,400,000** | **$ 312,766,543** | **$ 491,166,546** |

*Includes interest rates for both swap payments, plus the assumed variable rate amount.

***Commercial Paper***

On April 18, 2001, the Authority's Board of Directors authorized the $200,000,000 Dallas North Tollway Authority Tax-Exempt Commercial Paper program. The commercial paper issued must mature not more than 270 days from date of issue. The Authority may retire commercial paper at any time.

Commercial Paper may be issued to provide interim financing for new projects and other capital improvements and to finance equipment purchases for projects of the Authority. In fiscal year 2009, the Authority issued $49,450,000 of commercial paper to: finance the design, engineering and other preliminary construction costs for the Southwest Parkway/Chisholm Trail project, President George Bush Turnpike (PGBT) Eastern Extension, Phase 4 of the Dallas North Tollway, the conversion of PGBT to all-electronic toll collection and other capital improvements to the NTTA System. In February 2009, available cash was used to pay $43,000,000 of outstanding commercial paper. In August 2009, $90,950,000 of outstanding commercial paper was retired. As of December 31, 2009, $5,200,000 was outstanding with an interest rate of 0.35%.

Commercial paper notes are supported by a letter of credit with Bank of America in excess of $200,000,000 and constitute a Third Tier obligation under the Amended and Restated Trust Agreement. Any advances for payments of commercial paper under the letter of credit are secured by a Third Tier lien on Authority revenues. No such advances have occurred. The credit agreement was renewed on October 16, 2009 and will expire on January 2, 2011.

Short-term debt activities for the year ended December 31, 2009, were as follows:

| | Balance at December 31, 2008 | Additions | Reductions | Balance at December 31, 2009 |
|---|---|---|---|---|
| Commercial Paper Notes | $ 89,700,000 | $ 49,450,000 | $ 133,950,000 | $ 5,200,000 |

***Loans Payable***

Additionally, the Authority funded, in part, costs of the construction of the PGBT with proceeds from a loan, which totaled $135,000,000, made by TxDOT in 1995 pursuant to the Intermodal Surface Transportation Efficiency Act of 1991 (ISTEA). Interest at the rate of 4.2% began to accrue on October 1, 2000, compounding annually on January 1, with the first payment made in October 2004, and annual payments on January 1 thereafter until final payment in 2029, which resulted in a new loan amount at October 1, 2004 of $154,338,133. Repayment of the loan to TxDOT is to be made from amounts on deposit in the Capital Improvement Fund with payments subordinate to bonds or other obligations of the Authority issued or entered into and secured by the tolls and revenues of the Authority. The ISTEA loan payment of $7,750,000 was made on January 4, 2010 for the fiscal year of 2009. The loan payable was $146,609,022 and accrued interest payable was $6,157,579 as of December 31, 2009.

TxDOT has incurred $4,600,000 in costs for interchange improvements relating to the PGBT, which will be repaid by the Authority. Repayment of these costs will be paid in annual payments, without interest of $500,000 beginning on October 1 of the year after the ISTEA loan is fully paid, currently 2029. The final payment will be in 2039.

Debt service requirements on the TxDOT loan payable and TxDOT ISTEA loan payable subsequent to December 31, 2009 are as follows:

| | TxDOT Loan payable | | TxDOT ISTEA Loan payable | |
|---|---|---|---|---|
| Fiscal years | Principal | Interest | Principal | Interest |
| 2010 | $ - | $ - | $ 1,592,421 | $ 6,157,579 |
| 2011 | - | - | 2,159,303 | 6,090,697 |
| 2012 | - | - | 2,249,993 | 6,000,007 |
| 2013 | - | - | 2,344,493 | 5,905,507 |
| 2014 | - | - | 2,192,962 | 5,807,038 |
| 2015 - 2019 | - | - | 15,968,222 | 27,531,778 |
| 2020 - 2024 | - | - | 52,270,602 | 21,268,983 |
| 2025 - 2029 | - | - | 67,831,026 | 8,780,955 |
| 2030 - 2034 | 2,500,000 | - | - | - |
| 2034 - 2039 | 2,100,000 | - | - | - |
| Total principal and interest | $ 4,600,000 | $ - | $ 146,609,022 | $ 87,542,544 |

## (6) Employees' Retirement Plan

As discussed in Note 1, effective September 1, 1997, the Authority, a regional tollway authority under Chapter 366, Transportation Code, became the successor agency to the Texas Turnpike Authority. In connection with this transition, the Authority changed from being a participant in the plans administered by the Employees Retirement System of Texas (ERS), which are considered single employer defined benefit pension plans, to being a participant in the Texas County and District Retirement System (TCDRS), which is a nonprofit public trust fund that provides pension, disability, and death benefits to eligible employees of the counties and districts that participate in TCDRS. Information related to the TCDRS, the Authority's 401(k) plan, and its refrain from participation in Social Security is included herein. A separate audited GAAP-basis pension plan report for ERS is available at www.ers.state.tx.us/Publications/FinancialReports.

***Texas County and District Retirement System***

TCDRS, an agent multiple-employer public employee retirement system, was established by legislative act in 1967 as a nontraditional, joint contributory, defined benefit plan. Individuals are required to become a TCDRS member at the time of their employment regardless of their age, unless the individual is ineligible for one of the reasons specified by the TCDRS (e.g., part time, temporary employee).

The governing body of the political subdivision determines the percentage of salary that both the individual and employer contribute toward retirement. The employee and employer contribution rate established was 6% and 8.49% of wages up to a maximum of $225,000, respectively, at December 31, 2009.

Once an individual reaches vested status, he or she may end employment with a TCDRS subdivision and retain his or her right to future benefits as long as the individual does not die or withdraw personal contributions. Once a vested employee has satisfied both the service and age requirements for retirement, he or she is considered retirement eligible. Employees are eligible to receive lifetime monthly pension payments following the termination of their employment if the individual has 10 or more years of service credit at age 60 or older or the individual has 30 or more years of service credit at any age.

An individual is also eligible to receive lifetime monthly pension payments after his or her termination of employment if his or her political subdivision has authorized, and the individual has satisfied 10 years of service credit at age 60 or older or the individual's combined age and total service is 75 years or more.

If an individual is eligible for service or disability retirement pension payments, the amount of the lifetime monthly pension to be received after retirement is determined by dividing the total dollars of accumulated retirement credit earned at retirement by the appropriate annuity purchase rate used to convert dollars of retirement credit to a lifetime monthly pension payment.

If an individual has at least ten years of service credit and becomes disabled for any reason, the individual may be approved for disability retirement benefits if the TCDRS Medical Board finds that the individual is mentally or physically incapacitated for any gainful occupation and the incapacity is considered permanent.

Total pension expense allocated to the System by the Authority for the year ended December 31, 2009, was $3,025,319 based on a covered payroll of $35,998,433. The Authority made the actuarially required contribution. Employee contributions to the plan for the year ended December 31, 2009 were $2,119,141.

A separate audited GAAP-basis pension plan report for TCDRS is available at www.tcdrs.org/docs.

**Actuarial valuation information (unaudited)**

| Actuarial valuation date | December 31, 2006 | December 31, 2007 | December 31, 2008 |
|---|---|---|---|
| Actuarial cost method | Entry age | Entry age | Entry age |
| Amortization method | Level % of payroll, closed | Level % of payroll, closed | Level % of payroll, closed |
| Amortization period | 15.0 | 15.0 | 20.0 |
| Asset valuation method | SAF:10-yr smooth value<br>ESF: Fund value | SAF:10-yr smooth value<br>ESF: Fund value | SAF:10-yr smooth value<br>ESF: Fund value |
| Actuarial assumptions: | | | |
| Investment return** | 8.0% | 8.0% | 8.0% |
| Projected salary increases | 5.3% | 5.3% | 5.3% |
| Inflation | 3.5% | 3.5% | 3.5% |
| Cost-of-living adjustments | 0.0% | 0.0% | 0.0% |

** Includes inflation at the stated rates.

*Source reference: Texas County and District Retirement System (GASB Compliance Data) For Employer's Accounting Year ending in 2009*

**Funded Status and Funding Progress**

As of December 31, 2008, the most recent actuarial valuation date, the plan was 93.60% funded. The actuarial accrued liability for benefits was $35,480,892, and the actuarial value of assets was $33,209,419, resulting in an unfunded actuarial accrued liability (UAAL) of $2,271,473. The covered payroll was $32,589,789, and the ratio of the UAAL to the covered payroll was 6.97%.

The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

**Trend information for the retirement plan for the employees of the Authority**

| Accounting year ended | Annual pension cost (APC) | Percentage of APC contributed | Net pension obligation |
|---|---|---|---|
| December 31, 2007 | $2,675,465 | 100% | $ - |
| December 31, 2008 | $2,745,973 | 100% | $ - |
| December 31, 2009 | $2,119,141 | 100% | $ - |

***401(k) Plan***

As a state agency of the State of Texas, the Texas Turnpike Authority was a participating employer in the State of Texas Texa$aver 401(k) Profit Sharing Plan sponsored by the Employees Retirement System of Texas. The Texas Turnpike Authority, as a state agency, was permitted to participate in the Employees Retirement System of Texas under Section 812.003 of the Texas Government Code.

Because the Act established the Authority as a political subdivision of the State of Texas instead of a state agency, it is no longer eligible to participate in the Texa$aver 401(k) Plan maintained by the Employees Retirement Authority of Texas. As a successor of the Texas Turnpike Authority, however, the Authority is eligible under current IRS rules and regulations to adopt the North Texas Tollway Authority 401(k) Plan as a successor qualified cash or deferred arrangement to the Texa$aver 401(k) Plan.

Prior to 1986, the IRC of 1986 permitted state or local governments and tax-exempt organizations to maintain qualified cash or deferred arrangement. The Tax Reform Act (TRA) of 1986 amended IRC to provide that a cash or deferred arrangement shall not be treated as a "qualified cash or deferred arrangement" if it is part of a retirement plan maintained by a governmental unit. However, TRA 1986 provides specific exception for cash or deferred arrangements adopted by a governmental unit prior to 1986 "Grandfather Employer". The Authority, a government entity is eligible to adopt the 401(k) plan because it is a successor entity to the Texas Turnpike Authority, a Grandfathered Employer, and is adopting a cash or deferred arrangement substantially similar to the Texas Turnpike Authority's cash or deferred arrangement.

Effective September 1, 1997, each Authority employee became eligible to participate in the North Texas Tollway Authority 401(k) plan, a defined contribution plan. The plan requires that each employee be required to make a mandatory employee contribution, deposited by the Authority towards the cost of the 401(k) plan, in an amount equal to 4% of total wages. All mandatory employee contributions to the 401(k) plan for payroll periods following September 1, 1997 shall be made on a pretax basis, provided they are subject to the Hospital Insurance portion of the Federal Insurance Contributions Act and the Federal Unemployment Tax Act and the withholding of those Acts. Employee contributions and plan earnings are vested at all times and a terminating employee shall be paid all mandatory contributions and plan earnings pursuant to the plan's terms. The Authority is authorized to make discretionary employer matching contributions in such amounts as may be determined by the board, and Authority employees are vested in employer contributions at 100% after five years services. Former Texas Turnpike Authority employees employed by the Authority on or before October 31, 1997 shall receive past service credit for service with the Texas Turnpike Authority for purposes of determining the vested percentage and the Authority's Board of Directors is allowed to further amend or terminate the plan at any time.

Total 401(k) contributions allocated to the System by the Authority for the year ended December 31, 2009 were $1,219,865 based on a covered payroll of $34,626,089.

***Social Security***

Effective September 1, 1997, the Authority elected to refrain from participation in Social Security and instead participated in both the TCDRS and the Authority 401(k) plan. The Authority requires mandatory employee participation in both of these plans.

## (7) Risk Management

In 1997, the Authority terminated its limited risk management program for workers' compensation. The remaining liability for claims is reported in the Operation and Maintenance Fund. As of December 31, 2009, $407,842 is accrued to recognize actuarially determined claim liabilities. No claims have been filed in the years 2007, 2008 or 2009.

The Texas Municipal League (TML) Intergovernmental Risk Pool insures the Authority for workers' compensation. The Authority purchases insurance policies for all major areas of operation including buildings and contents, bridges, general liability, commercial umbrella, crime, directors and officers liability, and boiler and machinery coverage. There have not been any settlements exceeding insurance coverage in the years 2006-2009. There has not been any significant reduction of coverage.

The Authority self-insures health benefits utilizing a third-party benefit administrator. The Authority pays claims based on actual claims reported. Funds are available to pay claims and administrative costs associated with the program. Reserves for these liabilities are included in current liabilities in the Statement of Net Assets.

## (8) Post Employment Benefits

Other Post Employment Benefits

Beginning in fiscal year 2008, the Authority implemented Governmental Accounting Standards Board (GASB) Statement 45 for other post employment benefits provided to retirees on a prospective basis.

Plan Descriptions – The Authority provides post employment defined benefit health care to all eligible retired employees through contributions to either the Employee Retirement System of Texas (ERS) Group Benefit Program (GBP) or the Authority's Health Benefits plan. The Authority also has an OPEB trust, the Dallas-Fort Worth Transition Trust established in 1997 as part of the legislative action which created the Authority.

### Employees Retirement System of Texas Group Benefit Program

The Authority contributes to the Employees Retirement System of Texas Group Benefits Program, a cost sharing multiple employer defined benefit OPEB plan. GBP provides health benefits to eligible retired employees of participating entities. Chapter 1551, Texas Insurance Code assigns authority to establish and amend benefit provisions to the ERS Board Trustees. The ERS issues a publically available GASB Statement 43 report. The report can be obtained from the ERS website.

**Funding Policy –** Chapter 1551, Texas Insurance Code provided that the contribution requirements under the GBP be established and amended by the ERS Board Trustees. Plan members receiving benefits and the Authority contribute $385 per month for retiree only coverage $605.7 for retiree and spouse, $532.9 for retiree and children, and $753.2 for family.

Contribution rates are determined annually by the trustees based on recommendations of the ERS staff and consulting actuary. The contribution rates are determined based on the benefit and administrative costs expected to be incurred and (i) the funds appropriated and (ii) the funding policy established by the Texas Legislature in connection with the benefits provided through GBP. The trustees revise benefits when necessary to match expected benefit and administrative costs with the revenue expected to be generated by the appropriated funds. There are no long-term contracts for contributions to the plan.

The Authority has 56 plan members receiving benefits from GBP. An additional 41 active employees have the option of retiring under the ERS GBP or the Authority's plan. The OPEB liability for these 41 employees is calculated under the Authority's plan. The Authority's contributions to the GBP for the fiscal year ended December 31, 2009 was $279,226; which was 100% of the required contribution for that period.

### Authority Plan Administered through PEBC

The Authority's Benefits plan is affiliated with the Public Employees Benefits Cooperative (PEBC), an agent multiple-employer postemployment healthcare plan administrator. The plan does not issue a publicly available

report. There are currently 3 individuals receiving benefits and 6 employees fully eligible to receive benefits under the Authority's Benefits plan. No separate financial statements are issued for the Authority's plan.

**Funding Policy –** The contribution requirements under the Authority's Benefits plan for the plan members and the Authority are established and may be amended by the Board of Directors. Authority members receiving benefits contribute the following amounts annually depending on plan, age and coverage:

| | Under Age 65 | | Age 65 and Older | |
|---|---|---|---|---|
| Plan | Retiree | Spouse | Retiree | Spouse |
| EPO | $ 3,432 | $ 3,648 | $ - | $ - |
| PPO | 3,864 | 4,092 | - | - |
| BLU | 3,372 | 3,708 | - | - |
| PSS | - | - | 1,792 | 1,792 |
| PMA | - | - | 607 | 607 |

The required contribution is based on the projected pay-as-you-go financing requirements. For fiscal year 2009 expenses of $ 14,553 were recognized for the post employment health care premiums paid. This represents 46.8% of the total premiums.

**Annual OPEB Cost and Net OPEB Obligation –** The Authority's annual other postemployment benefit (OPEB) cost is calculated on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The following table shows the elements of the Authority's OPEB cost for the year, the amount actually contributed on behalf of the Plan, and changes in the Authority's net OPEB obligation for the year ended December 31, 2009:

| | 2008 | 2009 |
|---|---|---|
| Annual Required Contribution | $ 1,147,229 | $ 1,147,229 |
| Interest on Net OPEB Obligation | - | - |
| Adjustment to Annual Required Contribution | - | - |
| Annual OPEB Cost (expense) | 1,147,229 | 1,147,229 |
| Payments Made | 17,344 | (14,553) |
| Increase in Net OPEB Obligation | 1,164,573 | 1,132,676 |
| Net OPEB Obligation - Beginning of Year | 2,899,270 | 4,063,843 |
| Net OPEB Obligation - End of Year | $ 4,063,843 | $ 5,196,519 |

For 2009, the Authority's annual OPEB cost of $1,147,229 was equal to the ARC.

| Fiscal Year Ended | Annual Required Contribution | Annual OPEB Cost Contributed | Current OPEB Obligation | Net OPEB Obligation |
|---|---|---|---|---|
| 12/31/2008 | $ 1,147,229 | 1.51% | $ 1,129,885 | $ 4,063,843 |
| 12/31/2009 | $ 1,147,229 | 1.26% | $ 1,147,229 | $ 5,196,519 |

**Funded Status and Funding Progress –** The funded status of the plan as of January 1, 2008, the most recent actuarial valuation date, was as follows:

| | |
|---|---|
| Actuarial accrued liability (AAL) | $ 6,004,945 |
| Actuarial value of plan assets | - |
| Unfunded actuarial accrued liability (UAAL) | $ 6,004,945 |
| Funded ratio (actuarial value Of plan assets/AAL) | 0% |
| Covered payroll (active plan members) | $28,746,776 |
| UAAL as a percentage of covered payroll | 21% |

Actuarial valuation of an ongoing plan involves estimates of the value of reported amounts and assumptions about and the probability of occurrence of events into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

**Actuarial Methods and Assumptions.** Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and the plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspectives of the calculations.

In the January 1, 2008, actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a discount rate of 5.5% (net of administrative expenses) and an annual healthcare cost trend rate of 9% for 2008, 8.5% for 2009 reduced by decrements of .05% percent to an ultimate rate in 2016 of 5%. The actuarial assumptions include an investment rate of return at 5.5% and projected salary increases at 4.0%. The Authority's unfunded actuarial accrued liability is being amortized as a level percentage of projected payrolls on an open basis. At January 1, 2008 the remaining amortization period was 30 years.

**Dallas- Fort Worth Turnpike Transition Trust Fund**

As part of the 1997 legislation creating the North Texas Tollway Authority under Chapter 366, Texas Transportation Code, the Dallas-Fort Worth Turnpike Transition Trust Fund was established to account for the payment of transition costs and other liabilities payable from funds of the Dallas-Fort Worth Turnpike at December 1977, such as post employment benefits. There are only two remaining retired employees receiving benefits from ERS GBP. Payments during fiscal year were $ 8,852; which was 100% of the required contribution for the period. The trust currently has $ 429,178 in net assets. Due the limited number of participants no valuation was done.

## (9) Disaggregation of Receivable Balances

The Authority has an unrestricted accounts receivable balance of $17,284,951 and a restricted accounts receivable balance of $1,399,537 as of December 31, 2009. The restricted balance of $1,359,196 is due from TXDOT and $40,341 from City of Plano related to various construction agreements; the unrestricted balance consist of $6,805,803 for video tolls net of allowance for doubtful accounts of $8,572,648, $9,459,815 from TXDOT for several capital projects, $6,989 from TTA, $778,055 from interoperable agencies, $234,289 is from damage claims.

## (10) Commitments and Contingencies

The Authority currently has $1,804,527,296 in cash and investments with approximately $435,017,351 restricted for capitalized interest and $632,172,248 restricted for construction. The Authority has $46,808,614 in current liabilities that are comprised of construction-related payables at December 31, 2009. Additionally the Authority

has contract and purchase order commitments at December 31, 2009 aggregating $1.083 billion. This amount includes $842.9 million of construction contracts payable from restricted funds and the issuance of debt, $96.7 million reimbursable from TxDOT; and $143.4 payable from various other funds.

The Authority is currently evaluating several Authority maintenance, rehabilitation, and capital improvement projects with an estimated cost of approximately $1.1 billion, which may be funded from the Authority's Reserve Maintenance Fund, the Construction Fund, or the Capital Improvement Fund over the next six years.

The Authority has an operating lease agreement for the rental of the TollTag Store. The term of the lease was extended through June 30, 2010. Lease expense for the year ended December 31, 2009 totaled $90,228, under this lease. The following represents required remaining payments under the terms of the TollTag Store lease agreement:

| | | |
|---|---|---|
| 2010 | $ | 44,798 |
| TollTag Store at Inwood location | $ | 44,798 |

The Authority entered into a property management agreement on February 12, 2007 and ending February 28, 2011, to manage existing leases of the Gleneagles buildings. An operating account funded with operating lease payments was established for the Manager to handle all expenses. As of December 31, 2009 this account had a balance of $281,318. The building complex encompasses 163,380 square feet of which 61,662 is occupied by the Authority, 52,887 is leased, and 48,831 is vacant. The leased space is divided into two leases; one for 22,369 sq. ft. beginning July 1, 2005 and expiring March 31, 2010, one for 30,518 sq. ft. beginning July 1, 2005 and expiring December 31, 2010. The following represents minimum future rentals on non-cancelable operating lease agreements:

| | | |
|---|---|---|
| 2010 | $ | 621,541 |
| Gleneagles Offices Complex | $ | 621,541 |

The Authority has entered into a building lease agreement for the rental of one of the Frisco Center Properties in the City of Frisco. The term of the lease was beginning on July 1, 2008 through July 31, 2010. The building complex encompasses 146,800 square feet of which 36,960 are occupied by the Authority. The lease agreement indicated that the Authority will pay $29,036 per month ($23,901 for building lease; $1,540 for operating expenses; $3,595 for tax valuation of building and land), starting on July 1, 2008. Lease expenses for the year ended on December 31, 2009 totaled $333,146, under this lease. The following represents the required remaining payments under the terms of the building lease agreement:

| | | |
|---|---|---|
| 2010 | $ | 358,891 |
| Frisco Center Properties (lease) | $ | 358,891 |

## (11) Subsequent Events

On February 17, 2010, it was announced that the NTTA was the recipient of a $20 million TIGER grant for the SH 161 toll project. The grant was made available through the U.S. Department of Transportation with funds provided through the American Recovery and Reinvestment Act. The grant can be used to support a loan of up to $ 400 million.

On February 26, 2010, the Board of Directors approved several Resolutions related to the SH 161 toll project. The Resolutions accomplished the following:

- Authorized the commitment of the NTTA to make the $ 458 million upfront payment to TxDOT and to accept the State Highway 161 toll project.

- Authorized the Executive Director to execute and deliver on behalf of the NTTA the Toll Equity Loan Agreement (TELA). The TELA will provide financial assistance in the form of a loan, if needed, to cover certain eligible costs of the SH 161 project.

Prior to accepting the SH 161 project in February, 2010, the NTTA had been maintaining the toll way and collecting tolls since it opened to traffic on August 1, 2009. The revenues and costs associated with the operation and maintenance of the road during that period are not included in the System's financial statements. However, a payable is included on the Statement of Net Assets to reflect the System's obligation to the project because of this activity. The revenues and costs for the period are provided below:

| | |
|---|---|
| Revenues | $ 1,038,980 |
| Maintenance expense | 96,214 |
| Administrative expense | 248,270 |

In the future, SH 161 will be reported as NTTA Special Projects Fund, a discrete enterprise fund of the Authority.

On February 26, 2010, the Board of Directors approved several Resolutions related to the Southwest Parkway/Chisholm Trail Parkway (SWP/CT) project. The Resolutions accomplished the following:

- Authorized the execution of a supplement to the TELA to provide for the support of the SWP/CT project .
- Authorized the Executive Director to finalize, execute and deliver on behalf of the NTTA the Stipulated Value Agreement.
- Authorized the Executive Director to continue to work to advance the development of the project.

The Board's decision on whether to undertake Southwest Parkway/Chisholm Trail Parkway will be made some time in late 2010. If the Board opts to take on the project it will be reported as a part of the NTTA Special Projects Fund.

On May 13, 2010 the Authority issued Series 2010A Revenue Bonds in the aggregate principal amount of $90,000,000, for the purpose of financing a portion of the costs of the construction and development of SH 161 and either a portion of the costs of construction and development of Southwest Parkway or other capital projects of the Authority. Interest is payable February 1 and August 1, commencing February 1, 2011. The Series 2010A Bonds were issued as one term bond with a maturity of February 1, 2023 and an interest rate of 6.25%

On May 13, 2010 the Authority issued Series 2010B Revenue Bonds in the aggregate principal amount of $310,000,000, for the purpose of financing a portion of the costs of the construction and development of SH 161 and either a portion of the costs of construction and development of Southwest Parkway or other capital projects of the Authority. Interest is payable February 1 and August 1, commencing February 1, 2011. These bonds are entitled to a direct payment subsidy from the United States Treasury in an amount equal to 35% of the debt service due on each payment date. The Authority must request this subsidy prior to each interest payment date. The total consists of two subseries: Series 2010B-1: $50,000,000 of 8.410% Term Bond due February 1, 2030; and Series 2010B-2 $260,000,000 of 8.910% Term Bond due February 1, 2030.

As of December 31, 2009, the Authority had a liability of $4,600,000, which were amounts incurred by TxDOT for costs for interchange improvements relating to the PGBT. The repayment of this amount was scheduled to be paid in annual payments, without interest, of $500,000 beginning on October 1 of the year after the ISTEA loan is fully paid, which is currently 2029. The final payment was scheduled to be made in 2039. Because construction fund proceeds from the Series 1990 Bonds were available to make the payment, the Authority exercised the decision to pay the $4,600,000 on April 30, 2010.

## Modified Approach - Infrastructure

The Authority has elected to use the Modified Approach to account for maintenance of the Authority's infrastructure assets. As required by the Trust Agreement, an annual inspection of the Authority's roadways has occurred, conducted by the Authority's General Engineering Consultant, HNTB Corporation. This inspection provides an overall rating, indicating the average condition of all of the Authority's infrastructure assets (roadways, bridges, and facilities). The assessment of conditions is made by visual and mechanical tests designed to reveal any condition that would reduce user benefits below the maximum level of service. The Authority's goal is to maintain the Authority's infrastructure assets at a rating of 8 or better (1 to 10 scale), and has established a minimum level for GASB No. 34 purposes of a condition level of 6 or greater. These condition levels were adopted by the Board of Directors for the North Texas Tollway Authority (NTTA) by Resolution No. 02-31 on June 19, 2002 and further clarified by Resolution No. 07-169 on December 19, 2008. In accordance with GASB 34 the Capital Assessment and Inspection Report is due every three years. The last Capital Assessment and Inspection Report for the North Texas Tollway Authority were complete in 2009.

The infrastructure assets include the President George Bush Turnpike (PGBT), the Dallas North Tollway (DNT), the Addison Airport Toll Tunnel (AATT), the Mountain Creek Lake Bridge (MCLB), Sam Rayburn Tollway (SRT), Main Lane Plazas, Ramp Plazas, maintenance shops, administration buildings, and IT lane equipment. The roadways are a major transportation network consisting of 92 centerline miles of high-speed roadways, 50 interchanges, 10 main lane toll plazas, 54 ramp toll plazas, 226 bridges, one tunnel, and other structures and appurtenances. All assets combined totaled approximately $1.76 billion in current replacement value for FYE 2008.

## Condition Index

A Condition Index is a measure of the "intrinsic value" of the asset as opposed to the book value. A Condition Index with a value of 10.0 is considered "like new"; on the contrary, a Condition Index with a value of 0.0 is considered "unusable." Evaluations were performed on all of the assets under Authority jurisdiction. The evaluation resulted in an average Condition Index of 9.0 for all of the assets combined. The following table shows the Condition Index for the years 2005 through 2009.

**Condition Index Table**

| | Condition Index | |
|---|---|---|
| Fiscal Year | Current | Goal |
| 2009 | 9.0 | 8.0 |
| 2008 | 9.0 | 8.0 |
| 2007 | 8.9 | 8.0 |
| 2006 | 8.9 | 8.0 |
| 2005 | 8.8 | 8.0 |

## Condition Assessment and Inventory

A comprehensive condition assessment on all the Authority's assets was conducted from fall of 2007 to May 2008. The Authority's Maintenance Management Consultant performed condition assessments of the Authority's roadways including pavement, bridges, and facilities. Fleet, being the fourth major asset, was inspected and evaluated by the NTTA staff. Assessment procedures and representative work samples were reviewed by NTTA's General Engineering Consultants, HNTB Corporation.

## Bridges

A condition assessment was performed on the Authority's bridges using the *Recording and Coding Guide for the Structure Inventory and Appraisal of the Nation's Bridges*, published by the Federal Highway Administration (FHWA). To do this, a Sufficiency Rating was determined by totaling four separate factors using the sufficiency rating formula. The Sufficiency Rating Formula is a method of evaluating highway bridge data by calculating the four factors to obtain a numeric value, which is indicative of bridge sufficiency. The four factors are structural adequacy and safety (55% of the total rating), serviceability and functional obsolescence (30% of the total rating), essentiality for public use (15% of the total rating), and special reductions (total can be reduced by up to 13%).

**Roadways**

A condition assessment was performed on the Authority's roadways using the *Highway Maintenance Condition Assessment Program* (HMCAP) developed by Roy Jorgensen Associates, Inc., the pavement Condition Rating Authority (CRS) developed by Applied Research Associates, Inc., and the Pavement Condition Index (PCI) procedure as outlined in ASTM D5340. To do this, a Maintenance Rating Program (MRP) Index was determined by visual inspection of the Authority's roadways, appurtenances, and edge conditions. Additionally, a baseline PCI and a baseline ride ability survey were conducted on the roadway surface and incorporated into the MRP Index. Although the PCI and ride ability survey were conducted on the entire Authority, it would have been impractical to perform a MRP evaluation over the same length; therefore, 10% of the Authority's total roadways were randomly selected for MRP evaluation. These values were then weighted and totaled to determine an overall MRP Index. Of this total MRP Index, travel lanes and shoulders account for 70% (of which the PCI accounts for 80%), roadside components accounted for 15%, and other items account for 15%.

The Roadway Index (RI) is a measure of the overall health of the roadway Authority that takes into account the current condition of the roadway, how well it is being maintained, and its projected future performance. It is calculated using the results of the annual MRP and pavement condition surveys. In 2006 the RI was revised to use CRS pavement condition ratings in place of the PCI ratings and incorporates remaining pavement service life (RSL). RI is equal to the values of 50% of CRS, 30% RSL, 10% MRP of travel lane element, 5% MRP of roadside element, and 5% MRP of other element.

Currently, the 92 centerline miles (approximately 614 lane miles) of main lane roadways have a Roadway Index of 8.9.

The budget-to-actual expenditures for preservation and other infrastructure maintenance costs were as follows for the years 2003 through 2009.

| Fiscal year | Budget | Actual |
|---|---|---|
| 2009 | $ 40,239,320 | $ 30,745,545 |
| 2008 | 69,532,303 | 51,747,814 |
| 2007 | 51,283,652 | 31,818,863 |
| 2006 | 34,574,405 | 29,186,456 |
| 2005 | 20,552,627 | 13,704,971 |
| 2004 | 25,518,270 | 15,319,100 |

**NORTH TEXAS TOLLWAY AUTHORITY**
Required Supplementary Information
December 31, 2009

**Funding Progress**

**Schedule of Funding Progress**
**Texas County and District Retirement System**
**Employee Retirement Plan**
Last three calendar years
(Unaudited)

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) Entry Age (b) | Unfunded AAL (UAAL) (b-a) | Funded Ratio (a/b) | Covered Payroll (c) | UAAL as a Percentage of Covered Payroll [(b-a)/c] |
|---|---|---|---|---|---|---|
| 12/31/08 | $ 33,209,419 | $ 35,480,892 | $ 2,271,473 | 93.60% | $ 32,589,789 | 6.97% |
| 12/31/07 | 29,459,126 | 29,842,359 | 383,233 | 98.72% | 30,611,880 | 1.25% |
| 12/31/06 | 24,057,082 | 24,286,068 | 228,986 | 99.06% | 26,091,290 | 0.88% |

**Schedule of Funding Progress**
**Other Post Employment Benefits**
Last calendar year
(Unaudited)

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) Entry Age (b) | Unfunded AAL (UAAL) (b-a) | Funded Ratio (a/b) | Covered Payroll (c) | UAAL as a Percentage of Covered Payroll [(b-a)/c] |
|---|---|---|---|---|---|---|
| 01/01/08 | — | $ 6,004,945 | $ 6,004,945 | — | $ 28,746,776 | 20.89% |

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**NORTH TEXAS TOLLWAY AUTHORITY**
Schedule of Net Assets by Trust Accounts
December 31, 2009

| Assets | Total | Interfund eliminations/ reclassifications | Construction and property account | Revenue account | Operation and maintenance account |
|---|---|---|---|---|---|
| Current assets: | | | | | |
| Cash and cash equivalents (note 3) | $ 12,630,596 | - | - | 2,754,083 | 12,091,113 |
| Investments (note 3) | 116,192,324 | - | - | 67,796,107 | 3,047 |
| Accrued interest receivable | 53,423 | - | - | 27,772 | - |
| Interfund receivable | - | (108,077,099) | - | - | 2,461,876 |
| Accounts receivable (net of allowance for uncollectibles) (note 9) | 17,284,951 | - | - | 7,581,636 | 243,500 |
| Inventory, at average cost | 2,084,198 | - | - | - | 2,084,198 |
| Prepaid expenses | 732,986 | - | - | - | 702,188 |
| Total current unrestricted assets | 148,978,478 | (108,077,099) | - | 78,159,598 | 17,585,922 |
| Current restricted assets: | | | | | |
| Restricted assets: | | | | | |
| Restricted for construction: | | | | | |
| Cash and cash equivalents (notes 3 and 10) | 22,605,233 | - | 22,605,233 | - | - |
| Investments (notes 3 and 10) | 590,766,765 | - | 590,766,765 | - | - |
| Accrued interest receivable | 3,378,673 | - | 3,378,673 | - | - |
| Accounts receivable | 1,399,537 | - | 1,399,537 | - | - |
| Restricted for debt service: | | | | | |
| Cash and cash equivalents (notes 3 and 5) | - | - | - | - | - |
| Investments (notes 3 and 5) | 537,940,306 | - | 178,599,336 | - | - |
| Accrued interest receivable | 919,487 | - | - | - | - |
| Restricted for pension benefits and other purposes: | | | | | |
| Cash and cash equivalents (notes 3 and 5) | (266) | - | - | - | - |
| Investments (notes 3 and 5) | 430,958 | - | - | - | - |
| Accrued interest receivable | 28 | - | - | - | - |
| Total current restricted assets | 1,157,440,721 | - | 796,749,544 | - | - |
| Total current assets | 1,306,419,199 | (108,077,099) | 796,749,544 | 78,159,598 | 17,585,922 |
| Noncurrent assets: | | | | | |
| Investments for unrestricted assets (note 3) | - | - | - | - | - |
| Investments restricted for construction (note 3) | 18,800,250 | - | 18,800,250 | - | - |
| Investments restricted for debt service (note 3) | 505,161,130 | - | 256,418,015 | - | - |
| Accounts receivable (note 9) | - | - | - | - | - |
| Deferred improvement costs | - | - | - | - | - |
| Deferred financing costs | 83,000,523 | - | 83,000,523 | - | - |
| Deferred feasibility study costs | 156,023,404 | - | - | - | - |
| Deferred amount on refunding | - | (42,557,828) | 42,557,828 | - | - |
| Capital assets (net of accumulated depreciation) (note 4) | 5,862,415,577 | (25,450,092) | 5,887,865,669 | - | - |
| Total noncurrent assets | 6,625,400,884 | (68,007,920) | 6,288,642,285 | - | - |
| **Total assets** | **7,931,820,083** | **(176,085,019)** | **7,085,391,829** | **78,159,598** | **17,585,922** |
| **Liabilities** | | | | | |
| Current liabilities: | | | | | |
| Accounts and retainage payable | 25,064,534 | - | - | 856,405 | 4,868,997 |
| Accrued liabilities | 14,583,998 | - | 8,621,862 | - | 5,866,368 |
| Interfund payable | - | (108,077,099) | 3,967,787 | 55,353,735 | - |
| Other post-employment benefits | - | - | - | - | - |
| Deferred revenue | 27,777,645 | - | - | 27,777,645 | - |
| Tolltag deposits | 863,825 | - | - | 863,825 | - |
| Total current unrestricted liabilities | 68,290,002 | (108,077,099) | 12,589,649 | 84,851,610 | 10,735,365 |
| Payable from restricted assets: | | | | | |
| Construction-related payables: | | | | | |
| Accounts payable (note 10) | 32,504,554 | - | 32,504,554 | - | - |
| Retainage payable (note 10) | 13,906,840 | - | 13,906,840 | - | - |
| Deferred grant revenue | 57,111,114 | - | 57,111,114 | | |
| Debt service-related payables: | - | | | | |
| Accrued interest payable | 172,908,501 | - | 6,157,599 | - | - |
| Accrued arbitrage rebate payable | 15,766 | - | 15,766 | - | - |
| Commercial paper payable (note 5) | 5,200,000 | - | - | - | - |
| Revenue bonds payable (note 5) | 32,170,000 | - | 32,170,000 | - | - |
| Pension benefits and other related payables | | | | | - |
| Accounts payable (note 10) | 423,937 | - | - | - | 422,395 |
| Total current liabilities payable from restricted assets | 314,240,712 | - | 141,865,873 | - | 422,395 |
| Total current liabilities | 382,530,714 | (108,077,099) | 154,455,522 | 84,851,610 | 11,157,760 |
| Noncurrent liabilities: | | | | | |
| Other Post Employment Benefits | 5,196,519 | - | - | - | 5,196,519 |
| Texas Department of Transportation loan payable (note 5) | 4,600,000 | - | 4,600,000 | - | - |
| Texas Department of Transportation ISTEA loan payable (note 5) | 146,609,022 | - | 146,609,022 | - | - |
| Dallas North Tollway System revenue bonds payable, net of unamortized net deferred debit on refundings of $42,557,828 and bond discount (premium) costs of $25,450,092) (note 5) | 7,022,212,095 | (68,007,920) | 7,090,220,015 | - | - |
| Total noncurrent liabilities | 7,178,617,636 | (68,007,920) | 7,241,429,037 | - | 5,196,519 |
| **Total liabilities** | **7,561,148,350** | **(176,085,019)** | **7,395,884,559** | **84,851,610** | **16,354,279** |
| **Net Assets** | | | | | |
| Invested in capital assets, net of related debt | (633,265,931) | (766,096,517) | - | - | - |
| Restricted: | | | | | |
| Restricted for construction | 2,656,000 | 313,148,730 | (310,492,730) | - | - |
| Restricted for debt service | 969,069,134 | 459,892,958 | - | (6,692,012) | - |
| Restricted for pension benefits and other purposes | 429,178 | (48,091,295) | - | - | 1,231,643 |
| Unrestricted | 31,783,352 | 41,146,124 | - | - | - |
| **Total net assets** | **$ 370,671,733** | **-** | **(310,492,730)** | **(6,692,012)** | **1,231,643** |

See accompanying independent auditors' report.

| Reserve maintenance account | Consolidated Capital improvement Fund | DFW Turnpike Transition Trust Fund | Debt service accounts | | |
|---|---|---|---|---|---|
| | | | Bond interest account | Reserve account | Redemption account |
| 1,307,883 | (3,522,483) | - | - | - | - |
| 48,393,115 | 55 | - | - | - | - |
| 25,651 | - | - | - | - | - |
| 63,622 | 7,594,889 | - | 91,180,927 | 6,775,785 | - |
| - | 9,459,815 | - | - | - | - |
| - | - | - | - | - | - |
| - | 30,798 | - | - | - | - |
| 49,790,271 | 13,563,074 | - | 91,180,927 | 6,775,785 | - |
| | | | | | |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| | | | | | |
| - | - | - | - | - | - |
| - | - | - | 165,145,707 | 162,025,263 | 32,170,000 |
| - | - | - | 45 | 919,433 | 9 |
| | | | | | |
| - | - | (266) | - | - | - |
| - | - | 430,958 | - | - | - |
| - | - | 28 | - | - | - |
| - | - | 430,720 | 165,145,752 | 162,944,696 | 32,170,009 |
| 49,790,271 | 13,563,074 | 430,720 | 256,326,679 | 169,720,481 | 32,170,009 |
| | | | | | |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | 248,743,115 | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | 156,023,404 | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | 156,023,404 | - | - | 248,743,115 | - |
| **49,790,271** | **169,586,478** | **430,720** | **256,326,679** | **418,463,596** | **32,170,009** |
| | | | | | |
| 2,905,921 | 16,433,211 | | | | |
| 24,698 | 71,070 | - | - | - | - |
| - | 16,586,962 | - | - | - | 32,168,615 |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| 2,930,619 | 33,091,243 | - | - | - | 32,168,615 |
| | | | | | |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| | - | | | | |
| | - | | | | |
| - | 78,815 | - | 166,672,087 | - | - |
| - | - | - | - | - | - |
| - | 5,200,000 | - | - | - | - |
| - | - | - | - | - | - |
| | - | | | | |
| - | - | 1,542 | - | - | - |
| - | 5,278,815 | 1,542 | 166,672,087 | - | - |
| 2,930,619 | 38,370,058 | 1,542 | 166,672,087 | - | 32,168,615 |
| | | | | | |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| | - | | | | |
| | - | | | | |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| **2,930,619** | **38,370,058** | **1,542** | **166,672,087** | **-** | **32,168,615** |
| | | | | | |
| - | 132,830,586 | - | - | - | - |
| | | | | | |
| - | - | - | - | - | - |
| - | 7,750,000 | - | 89,654,592 | 418,463,596 | - |
| 46,859,652 | - | 429,178 | - | - | - |
| - | (9,364,166) | - | - | - | 1,394 |
| **46,859,652** | **131,216,420** | **429,178** | **89,654,592** | **418,463,596** | **1,394** |

Schedule 2

**NORTH TEXAS TOLLWAY AUTHORITY**
Consolidating Schedule for Capital Improvement Fund
December 31, 2009
***(Unaudited)***

| | Consolidated Capital Improvement Fund | Capital Improvement Fund | Feasibility Study Fund |
|---|---|---|---|
| **Assets** | | | |
| Current assets: | | | |
| Cash and cash equivalents (note 3) | $ (3,522,483) | (829,267) | (2,693,216) |
| Investments (note 3) | 55 | 55 | - |
| Accrued interest receivable | - | - | - |
| Interfund receivable | 7,594,889 | 7,594,889 | - |
| Accounts receivable (note 9) | 9,459,815 | 1,527,640 | 7,932,175 |
| Inventory, at average cost | - | - | - |
| Prepaid expenses | 30,798 | - | 30,798 |
| Total current unrestricted assets | 13,563,074 | 8,293,317 | 5,269,757 |
| Current restricted assets: | | | |
| Restricted assets: | | | |
| Restricted for construction: | | | |
| Cash and cash equivalents (notes 3 and 10) | - | - | - |
| Investments (notes 3 and 10) | - | - | - |
| Accrued interest receivable | - | - | - |
| Accounts receivable | - | - | - |
| Restricted for debt service: | | | |
| Cash and cash equivalents (notes 3 and 5) | - | - | - |
| Investments (notes 3 and 5) | - | - | - |
| Accrued interest receivable | - | - | - |
| Restricted for pension benefits and other purposes: | | | |
| Cash and cash equivalents (notes 3 and 5) | - | - | - |
| Investments (notes 3 and 5) | - | - | - |
| Accrued interest receivable | - | - | - |
| Total current restricted assets | - | - | - |
| **Total current assets** | **13,563,074** | **8,293,317** | **5,269,757** |
| Noncurrent assets: | | | |
| Investments for unrestricted assets (note 3) | - | - | - |
| Investments restricted for construction (note 3) | - | - | - |
| Investments restricted for debt service (note 3) | - | - | - |
| Accounts receivable (note 9) | - | - | - |
| Deferred improvement costs | - | - | - |
| Deferred financing costs | - | - | - |
| Deferred feasibility study costs | 156,023,404 | 3,221 | 156,020,183 |
| Deferred amount on refunding | - | - | - |
| Capital assets net of amortization and depreciation (note 4) | - | - | - |
| Total noncurrent assets | 156,023,404 | 3,221 | 156,020,183 |
| Total assets | 169,586,478 | 8,296,538 | 161,289,940 |
| **Liabilities** | | | |
| Current liabilities: | | | |
| Accounts and retainage payable | 16,433,211 | 4,573,123 | 11,860,088 |
| Accrued liabilities | 71,070 | 58,766 | 12,304 |
| Interfund payable | 16,586,962 | - | 16,586,962 |
| Other post-employment benefits | - | - | - |
| Deferred revenue | - | - | - |
| Tolltag deposits | - | - | - |
| Total current unrestricted liabilities | 33,091,243 | 4,631,889 | 28,459,354 |
| Payable from restricted assets: | | | |
| Construction-related payables: | | | |
| Accounts payable (note 10) | - | - | - |
| Retainage payable (note 10) | - | - | - |
| Deferred grant revenue | - | - | - |
| Debt service-related payables: | - | | |
| Accrued interest payable | 78,815 | 78,815 | - |
| Accrued arbitrage rebate payable | - | - | - |
| Commercial paper payable (note 5) | 5,200,000 | 5,200,000 | - |
| Revenue bonds payable (note 5) | - | - | - |
| Pension benefits and other related payables | - | - | - |
| Accounts payable (note 10) | - | - | - |
| Total current liabilities payable from restricted assets | 5,278,815 | 5,278,815 | - |
| Total current liabilities | 38,370,058 | 9,910,704 | 28,459,354 |
| Noncurrent liabilities: | | | |
| Texas Department of Transportation loan payable (note 5) | - | - | - |
| Texas Department of Transportation ISTEA loan payable (note 5) | - | - | - |
| Dallas North Tollway System revenue bonds payable, net of unamortized net deferred debit on refundings of $37,003,509 and bond discount (premium) costs of $19,749,049) (note 5) | - | - | - |
| Total noncurrent liabilities | - | - | - |
| **Total liabilities** | **38,370,058** | **9,910,704** | **28,459,354** |
| **Net Assets** | | | |
| Invested in capital assets, net of related debt | 132,830,586 | - | 132,830,586 |
| Restricted: | | | |
| Restricted for construction | - | - | - |
| Restricted for debt service | 7,750,000 | 7,750,000 | - |
| Restricted for pension benefits and other purposes | - | - | - |
| Unrestricted | (9,364,166) | (9,364,166) | - |
| **Total net assets** | **$ 131,216,420** | **(1,614,166)** | **132,830,586** |

See accompanying independent auditors' report.

Schedule 3

**NORTH TEXAS TOLLWAY AUTHORITY**

Schedule of Budget and Actual Revenues and Expenses on Trust Agreement Basis

Year ended December 31, 2009

***(Unaudited)***

| | | Budget | Actual | Variance |
|---|---|---|---|---|
| Revenues: | | | | |
| Toll revenues | $ | 265,051,729 | 290,404,547 | 25,352,818 |
| Interest income | | 9,000,000 | 14,057,326 | 5,057,326 |
| Other revenue | | 24,599,342 | 17,844,459 | (6,754,883) |
| Gross revenues | | 298,651,071 | 322,306,332 | 23,655,261 |
| Operating expenses: | | | | |
| Administration: | | | | |
| Administration | | 2,085,587 | 1,801,795 | 283,792 |
| Board | | 222,990 | 380,412 | (157,422) |
| Business diversity | | 136,495 | 143,195 | (6,700) |
| Communications | | 3,589,653 | 2,391,385 | 1,198,268 |
| Finance | | 3,122,582 | 3,725,018 | (602,436) |
| Government affairs | | 583,837 | 403,369 | 180,468 |
| Human resources | | 10,837,270 | 9,151,713 | 1,685,557 |
| Internal audit | | 1,293,349 | 1,118,302 | 175,047 |
| Legal | | 2,042,495 | 3,386,261 | (1,343,766) |
| Total administration | | 23,914,258 | 22,501,450 | 1,412,808 |
| Operations: | | | | |
| Customer service center | | 20,442,174 | 20,209,855 | 232,319 |
| Information technologies | | 10,021,724 | 11,270,856 | (1,249,132) |
| Operations | | 811,055 | 709,616 | 101,439 |
| Project delivery | | 60,990 | 80,954 | (19,964) |
| Maintenance | | 22,138,967 | 20,583,997 | 1,554,970 |
| System & incident management | | 6,658,926 | 6,946,264 | (287,338) |
| Toll collection | | 8,192,712 | 7,719,294 | 473,418 |
| Vault | | 850,848 | 912,486 | (61,638) |
| Total operations | | 69,177,396 | 68,433,322 | 744,074 |
| Total operating expenses | | 93,091,654 | 90,934,772 | 2,156,882 |
| Net revenues available for debt service | $ | 205,559,417 | 231,371,560 | 25,812,143 |

See accompanying independent auditors' report.

**NORTH TEXAS TOLLWAY AUTHORITY**

Schedule of Changes in Net Assets by Trust Account

December 31, 2009

***(Unaudited)***

| | Total | Construction and property account | Revenue account | Operation and maintenance account |
|---|---|---|---|---|
| **Net assets, beginning of year** | **$ 557,929,151** | **38,305,424** | **7,700** | **525,518** |
| Gross revenues | 321,657,721 | (648,610) | 306,953,166 | 424,047 |
| Grant revenues | 59,588,883 | 28,256,464 | - | - |
| Net increase (decrease) in the fair value of investments | (2,267,187) | 3,365,045 | (7,700) | - |
| Gain (loss) on sale of investments | 57,544 | - | - | - |
| Administration and operations expenses | (90,934,772) | - | - | (90,925,920) |
| Depreciation on property and equipment | (4,529,323) | (4,529,323) | | |
| Bond interest expense | (352,464,434) | (200,895,454) | - | - |
| BAB's Subsidy | 7,489,870 | - | - | - |
| SWAP termination payment | (6,081,700) | (6,081,700) | - | - |
| Bond discount/premium amortization | (1,659,281) | (1,659,281) | - | - |
| Interest on short term notes (net of capitalized interest) | (207,145) | - | - | - |
| Interest on loan | (6,157,579) | (6,157,579) | - | - |
| Amortization of deferred amount on refunding (note 5) | (8,911,969) | (8,911,969) | - | - |
| Amortization of bond issuance costs | (9,216,397) | (9,216,397) | | |
| Unallocated infrastructure depreciation | (60,703,200) | (60,703,200) | | |
| Reserve maintenance fund expenses | (15,444,672) | - | - | - |
| Consolidated capital improvement fund expenses | (20,039,108) | - | - | - |
| Net revenues | (189,822,749) | (267,182,004) | 306,945,466 | (90,501,873) |
| Interfund transactions: | | | | |
| Distribution from revenue fund | - | - | (304,960,829) | 91,207,998 |
| Revenue bonds retired | - | 34,110,000 | - | - |
| Transfer to/from debt service fund | - | (97,639,731) | (8,684,349) | - |
| Transfer to/from construction fund | - | - | - | - |
| Transfer of excess monies from other funds | - | (296,900) | - | - |
| Capitalized costs transferred to construction and property fund | (781,494) | 24,448,270 | - | - |
| Principal value retired | - | - | - | - |
| Transfer from/to escrow account | (72,133) | (7,596,433) | - | - |
| Transfer of interest accretion | - | (38,220,848) | - | - |
| Deferred amount on refunding | 3,656,220 | 3,656,220 | | |
| Payments to other agencies | (169,023) | (8,489) | | |
| Construction investment earnings capitalized | - | - | - | - |
| Transfer to feasibility study fund | - | - | | - |
| Contributed capital | - | - | - | - |
| Cost of equipment retired | - | - | - | - |
| Depreciation on equipment retired | - | - | - | - |
| Equity realized from sale excess land | - | - | - | - |
| Equity realized from sale or trade-in of equipment | (68,239) | (68,239) | - | - |
| Net changes during the year | (187,257,418) | (348,798,154) | (6,699,712) | 706,125 |
| **Net assets, end of year** | **$ 370,671,733** | **(310,492,730)** | **(6,692,012)** | **1,231,643** |

See accompanying independent auditors' report.

| Reserve maintenance account | Consolidated Capital Improvement account | DFW Turnpike Transition Trust fund | Debt service accounts | | |
|---|---|---|---|---|---|
| | | | Bond interest account | Reserve account | Redemption account |
| **43,714,697** | **85,782,467** | **436,836** | **1,791,446** | **353,253,996** | **34,111,067** |
| 274,314 | 1,073,104 | 1,194 | 47,671 | 13,532,508 | 327 |
| - | 31,332,419 | - | - | - | - |
| - | - | - | - | (5,624,532) | - |
| - | - | - | - | 57,544 | - |
| - | - | (8,852) | - | - | - |
| | | | | | |
| - | - | - | (151,568,980) | - | - |
| - | - | - | 7,489,870 | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | (207,145) | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| | | | | | |
| - | - | - | - | - | - |
| (15,444,672) | - | - | - | - | - |
| - | (20,039,108) | - | - | - | - |
| (15,170,358) | 12,366,415 | (7,658) | (144,238,584) | 7,965,520 | 327 |
| | | | | | |
| 19,943,149 | 7,750,000 | - | 186,059,682 | - | - |
| - | - | - | - | - | (34,110,000) |
| - | 49,080,000 | - | - | 57,244,080 | - |
| - | - | - | - | - | - |
| - | - | - | 296,900 | - | - |
| | | | | | |
| (1,627,836) | (23,601,928) | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | 7,524,300 | - | - |
| - | - | - | 38,220,848 | - | - |
| | | | | | |
| | (160,534) | | | | |
| - | - | - | - | - | - |
| - | - | | | | |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| 3,144,955 | 45,433,953 | (7,658) | 87,863,146 | 65,209,600 | (34,109,673) |
| **46,859,652** | **131,216,420** | **429,178** | **89,654,592** | **418,463,596** | **1,394** |

**NORTH TEXAS TOLLWAY AUTHORITY**

Schedule of Cash Receipts and Disbursements by Trust Account

Year ended December 31, 2009

***(Unaudited)***

| | Total (memorandum only) | Construction and property account | Revenue account |
|---|---|---|---|
| **Balance of cash, December 31, 2008** | **$ 6,029,691** | **(4,479,331)** | **2,954,083** |
| Receipts: | | | |
| Toll revenues | 239,306,432 | — | 239,524,546 |
| Issuance of bonds | — | — | — |
| Bond premium | — | — | — |
| Issuance of commercial paper | 44,250,000 | — | — |
| Investments | 1,832,533,469 | 951,477,062 | 369,097,564 |
| Earnings received from investments | 17,002,131 | 8,544,738 | 289,668 |
| Gain/loss from sale of investments | 3,766 | — | — |
| Prepaid customers' accounts | 298,238,681 | — | 298,238,681 |
| Toll tag deposits | — | — | — |
| Damage claims collected | 284,589 | — | 175,000 |
| Lane violation fee | 22,899,309 | — | 22,899,309 |
| Miscellaneous revenue | 729,105 | 122,945 | 195,025 |
| Reimbursable receipts | 21,132,955 | 300,850 | 19,728,042 |
| Rental fee | 130,197 | — | 80,804 |
| Sale of excess land | 6,216 | | |
| Deferred grant income | 17,818,083 | 17,818,083 | — |
| Miscellaneous revenue – tag store | 742,002 | — | 742,002 |
| | 2,495,076,935 | 978,263,678 | 950,970,641 |
| Disbursements: | | | |
| Bond discount | 41,316 | — | — |
| Transfer to escrow for defeasance | — | — | — |
| Revenue bonds retired | (34,110,000) | — | — |
| Commercial paper retired | (43,000,000) | (43,000,000) | — |
| SWAP termination | — | — | — |
| Interest on bonded debt | (276,719,877) | — | — |
| Interest on other debt | (7,500,000) | — | — |
| Investments | (1,231,351,318) | (427,020,353) | (478,546,683) |
| Operating expenses | (96,893,265) | — | (7,076,443) |
| Reserve maintenance fund expenses | (16,039,496) | — | — |
| Capital improvement fund expenses | (29,259,261) | — | — |
| Deferred study cost | (65,003,021) | — | — |
| Capitalized costs | (409,727,705) | (402,755,206) | — |
| Equipment (net of trade-in) | 3,516,752 | — | — |
| Reimbursable costs | (281,544) | — | — |
| | (2,206,327,419) | (872,775,559) | (485,623,126) |
| Interfund and interproject transactions: | | | |
| Transfer of capitalized interest | — | — | — |
| Transfer of deferred revenue | (265,134,052) | — | (265,134,052) |
| Transfer of excess monies | — | (306,583) | — |
| Distribution from revenue fund | (47,897,357) | — | (164,538,429) |
| Interoperative Agencies Transfers | (34,991,110) | — | (34,446,195) |
| Other interfund transactions – net | 72,709,272 | (78,096,972) | (1,428,839) |
| Transition trust fund – net | — | — | — |
| Feasibility study fund – net | 15,769,603 | — | — |
| | (259,543,644) | (78,403,555) | (465,547,515) |
| Receipts over (under) disbursements and interfund and interproject transactions for the year ended December 31, 2009 | 29,205,872 | 27,084,564 | (200,000) |
| **Balance of cash, December 31, 2009** | **$ 35,235,563** | **22,605,233** | **2,754,083** |

See accompanying independent auditors' report.

| Operation and maintenance account | Reserve maintenance account | Consolidated Capital Improvement account | DFW Turnpike Transition Trust fund | Debt service accounts | | |
|---|---|---|---|---|---|---|
| | | | | Bond interest account | Reserve account | Redemption account |
| **8,780,356** | **(1,830,833)** | **499,202** | **(7,235)** | **113,449** | **—** | **—** |
| (218,114) | — | — | — | — | — | — |
| — | — | — | — | — | — | — |
| — | — | — | — | — | — | — |
| — | — | 44,250,000 | — | — | — | — |
| 4,383,013 | 96,229,672 | 69,738,384 | — | 126,993,345 | 173,916,789 | 40,697,640 |
| (29,583) | 140,844 | 30,566 | 1,335 | 48,674 | 7,974,504 | 1,385 |
| — | — | — | — | — | 3,766 | — |
| — | — | — | — | — | — | — |
| — | — | — | — | — | — | — |
| 109,589 | — | — | — | — | — | — |
| — | — | — | — | — | — | — |
| 261,651 | 4,284 | 145,200 | — | — | — | — |
| 4,194 | 2,339 | 1,097,530 | — | — | — | — |
| 26,393 | — | 23,000 | — | — | — | — |
| | 6,216 | | | | | |
| — | — | — | — | — | — | — |
| — | — | — | — | — | — | — |
| 4,537,143 | 96,383,355 | 115,284,680 | 1,335 | 127,042,019 | 181,895,059 | 40,699,025 |
| — | — | — | — | 41,316 | — | — |
| — | — | — | — | — | — | — |
| — | — | — | — | — | — | (34,110,000) |
| — | — | — | — | — | — | — |
| — | — | — | — | — | — | — |
| — | — | — | — | (276,719,877) | — | — |
| — | — | (7,500,000) | — | — | — | — |
| (1,389) | (97,069,780) | (51,780,566) | (1,335) | (11,300,047) | (162,335,268) | (3,295,897) |
| (89,823,791) | — | — | 6,969 | — | — | — |
| — | (15,645,879) | (393,617) | — | — | — | — |
| — | — | (29,259,261) | — | — | — | — |
| — | — | (65,003,021) | — | — | — | — |
| — | (53,760) | (6,918,739) | — | — | — | — |
| — | 1,389,601 | 2,127,151 | — | — | — | — |
| — | — | — | — | — | (281,544) | — |
| (89,825,180) | (111,379,818) | (158,728,053) | 5,634 | (287,978,608) | (162,616,812) | (37,405,897) |
| — | — | — | — | 3,293,128 | — | (3,293,128) |
| — | — | — | — | — | — | — |
| — | — | — | — | 306,583 | — | — |
| 83,037,405 | 19,943,150 | 4,436,970 | — | 9,223,547 | — | — |
| (544,915) | — | — | — | — | — | — |
| 4,717,788 | (1,807,971) | 20,603,631 | — | 147,999,882 | (19,278,247) | — |
| — | — | — | — | — | — | — |
| 1,388,516 | — | 14,381,087 | — | — | — | — |
| 88,598,794 | 18,135,179 | 39,421,688 | — | 160,823,140 | (19,278,247) | (3,293,128) |
| 3,310,757 | 3,138,716 | (4,021,685) | 6,969 | (113,449) | — | — |
| **12,091,113** | **1,307,883** | **(3,522,483)** | **(266)** | **—** | **—** | **—** |

Schedule 6

**NORTH TEXAS TOLLWAY AUTHORITY**

Schedule of Toll Revenue and Traffic Analysis

Year ended December 31, 2009

***(Unaudited)***

| | | |
|---|---|---|
| Toll revenue: | | |
| Two-axle vehicles | $ | 333,428,667 |
| Multiaxle vehicles | | 16,308,187 |
| Revenue adjustments | | (59,332,307) |
| Total | $ | 290,404,547 |
| Vehicle transactions (unaudited): | | |
| Two-axle vehicle transactions | | 449,300,424 |
| Multiaxle vehicle transactions | | 6,245,773 |
| Nonrevenue vehicle transactions | | 2,037,146 |
| Total | | 457,583,343 |
| Toll revenue – average per day: | | |
| Two-axle vehicles | $ | 913,503 |
| Multiaxle vehicles | | 44,680 |
| Revenue adjustments | | (162,554) |
| Average | $ | 795,629 |
| Vehicle transactions – average per day (unaudited): | | |
| Two-axle vehicle transactions | | 1,230,960 |
| Multiaxle vehicle transactions | | 17,112 |
| Nonrevenue vehicle transactions | | 5,581 |
| Average | | 1,253,653 |

**Toll Revenue and Traffic by Class of Vehicle**

Year ended December 31, 2009

(Unaudited)

| Class of vehicle | | Revenue | Vehicle transactions |
|---|---|---|---|
| Two-axle vehicles | $ | 333,428,667 | 449,300,424 |
| Three-axle vehicles and combinations | | 3,761,030 | 2,302,797 |
| Four-axle vehicles and combinations | | 4,533,776 | 1,838,830 |
| Five-axle vehicles and combinations | | 7,506,394 | 1,982,596 |
| Six or more axle vehicles and special permits | | 506,987 | 121,550 |
| | | 16,308,187 | 6,245,773 |
| Toll revenue | | 349,736,854 | 455,546,197 |
| Revenue adjustments | | (59,332,307) | - |
| Nonrevenue vehicles | | - | 2,037,146 |
| Toll revenue and traffic | $ | 290,404,547 | 457,583,343 |

See accompanying independent auditors' report.

**NORTH TEXAS TOLLWAY AUTHORITY**
Schedule of Toll Rates
Year ended December 31, 2009
***(Unaudited)***

| | Two-axle passenger cars and trucks | | Three-axle vehicles and vehicle combinations | | Four-axle vehicles and vehicle combinations | | Five-axle vehicles and vehicle combinations | | Six or more axle vehicles and special permits | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Cash | TollTag | Cash | TollTag | Cash | TollTag | Cash | TollTag | Cash | TollTag |
| **Dallas North Tollway:** | | | | | | | | | | |
| Main Lane Plaza 1 **(1)** | $ 1.89 | $ 1.26 | $ 3.78 | $ 2.52 | $ 5.67 | $ 3.78 | $ 7.56 | $ 5.04 | $ 9.45 | $ 6.30 |
| Mockingbird | 1.40 | 0.92 | 2.80 | 1.84 | 4.20 | 2.76 | 5.60 | 3.68 | 7.00 | 4.60 |
| Northwest Highway | 0.95 | 0.62 | 1.90 | 1.24 | 2.85 | 1.86 | 3.80 | 2.48 | 4.75 | 3.10 |
| Royal Lane | 0.55 | 0.33 | 1.10 | 0.66 | 1.65 | 0.99 | 2.20 | 1.32 | 2.75 | 1.65 |
| Spring Valley | 0.45 | 0.22 | 0.90 | 0.44 | 1.35 | 0.66 | 1.80 | 0.88 | 2.25 | 1.10 |
| Belt Line | 0.50 | 0.29 | 1.00 | 0.58 | 1.50 | 0.87 | 2.00 | 1.16 | 2.50 | 1.45 |
| Main Lane Plaza 2 | 1.35 | 0.90 | 2.70 | 1.80 | 4.05 | 2.70 | 5.40 | 3.60 | 6.75 | 4.50 |
| Keller Springs | 0.75 | 0.47 | 1.50 | 0.94 | 2.25 | 1.41 | 3.00 | 1.88 | 3.75 | 2.35 |
| Frankford | 0.45 | 0.22 | 0.90 | 0.44 | 1.35 | 0.66 | 1.80 | 0.88 | 2.25 | 1.10 |
| FM 544 | 0.45 | 0.22 | 0.90 | 0.44 | 1.35 | 0.66 | 1.80 | 0.88 | 2.25 | 1.10 |
| Main Lane Plaza 3 | 1.20 | 0.80 | 2.40 | 1.60 | 3.60 | 2.40 | 4.80 | 3.20 | 6.00 | 4.00 |
| Parker Road | 0.75 | 0.48 | 1.50 | 0.96 | 2.25 | 1.44 | 3.00 | 1.92 | 3.75 | 2.40 |
| Spring Creek | 0.50 | 0.27 | 1.00 | 0.54 | 1.50 | 0.81 | 2.00 | 1.08 | 2.50 | 1.35 |
| Gaylord Parkway | 0.45 | 0.22 | 0.90 | 0.44 | 1.35 | 0.66 | 1.80 | 0.88 | 2.25 | 1.10 |
| Lebanon Road | 0.55 | 0.33 | 1.10 | 0.66 | 1.65 | 0.99 | 2.20 | 1.32 | 2.75 | 1.65 |
| Stonebrook Parkway | 0.65 | 0.42 | 1.30 | 0.84 | 1.95 | 1.26 | 2.60 | 1.68 | 3.25 | 2.10 |
| Cotton Gin Road/Main St | 1.05 | 0.68 | 2.10 | 1.36 | 3.15 | 2.04 | 4.20 | 2.72 | 5.25 | 3.40 |
| Main Lane Plaza 4 | 2.15 | 1.41 | 4.30 | 2.82 | 6.45 | 4.23 | 8.60 | 5.64 | 10.75 | 7.05 |
| Eldorado Parkway | 0.80 | 0.51 | 1.60 | 1.02 | 2.40 | 1.53 | 3.20 | 2.04 | 4.00 | 2.55 |
| **Addison Airport Toll Tunnel:** | **Cash** | **TollTag** | **Cash** | **TollTag** | **Cash** | **TollTag** | **Cash** | **TollTag** | **Cash** | **TollTag** |
| Mainlane Plaza | 0.75 | 0.50 | 1.50 | 1.00 | 2.25 | 1.50 | 3.00 | 2.00 | 3.75 | 2.50 |
| **President George Bush Turnpike:** | **ZipCash** | **TollTag** | **ZipCash** | **TollTag** | **ZipCash** | **TollTag** | **ZipCash** | **TollTag** | **ZipCash** | **TollTag** |
| N. Garland Avenue | 0.46 | 0.26 | 0.92 | 0.52 | 1.38 | 0.78 | 1.84 | 1.04 | 2.30 | 1.30 |
| Campbell Road | 0.62 | 0.41 | 1.24 | 0.82 | 1.86 | 1.23 | 2.48 | 1.64 | 3.10 | 2.05 |
| Renner Road (East of Plaza) | 1.01 | 0.67 | 2.02 | 1.34 | 3.03 | 2.01 | 4.04 | 2.68 | 5.05 | 3.35 |
| Renner Rd. Main Lane Plaza 6 | 1.50 | 1.00 | 3.00 | 2.00 | 4.50 | 3.00 | 6.00 | 4.00 | 7.50 | 5.00 |
| Shiloh Road | 0.77 | 0.51 | 1.54 | 1.02 | 2.31 | 1.53 | 3.08 | 2.04 | 3.85 | 2.55 |
| Renner Road (West of Plaza) | 0.54 | 0.34 | 1.08 | 0.68 | 1.62 | 1.02 | 2.16 | 1.36 | 2.70 | 1.70 |
| Independence Parkway | 0.54 | 0.34 | 1.08 | 0.68 | 1.62 | 1.02 | 2.16 | 1.36 | 2.70 | 1.70 |
| Coit Road | 0.78 | 0.52 | 1.56 | 1.04 | 2.34 | 1.56 | 3.12 | 2.08 | 3.90 | 2.60 |
| Coit Road Main Lane Plaza 7 | 1.62 | 1.08 | 3.24 | 2.16 | 4.86 | 3.24 | 6.48 | 4.32 | 8.10 | 5.40 |
| Preston Road | 0.49 | 0.29 | 0.98 | 0.58 | 1.47 | 0.87 | 1.96 | 1.16 | 2.45 | 1.45 |
| Midway Road | 0.42 | 0.22 | 0.84 | 0.44 | 1.26 | 0.66 | 1.68 | 0.88 | 2.10 | 1.10 |
| Marsh Lane | 0.49 | 0.29 | 0.98 | 0.58 | 1.47 | 0.87 | 1.96 | 1.16 | 2.45 | 1.45 |
| Frankford Main Lane Plaza 8 | 1.50 | 1.00 | 3.00 | 2.00 | 4.50 | 3.00 | 6.00 | 4.00 | 7.50 | 5.00 |
| Kelly Boulevard | 0.80 | 0.53 | 1.60 | 1.06 | 2.40 | 1.59 | 3.20 | 2.12 | 4.00 | 2.65 |
| Josey Lane | 0.55 | 0.35 | 1.10 | 0.70 | 1.65 | 1.05 | 2.20 | 1.40 | 2.75 | 1.75 |
| Sandy Lake Main Lane Plaza 9 | 1.20 | 0.80 | 2.40 | 1.60 | 3.60 | 2.40 | 4.80 | 3.20 | 6.00 | 4.00 |
| Belt Line Road (Coppell) | 0.72 | 0.48 | 1.44 | 0.96 | 2.16 | 1.44 | 2.88 | 1.92 | 3.60 | 2.40 |
| Royal Lane | 0.44 | 0.24 | 0.88 | 0.48 | 1.32 | 0.72 | 1.76 | 0.96 | 2.20 | 1.20 |
| Belt Line Road | 0.69 | 0.46 | 1.38 | 0.92 | 2.07 | 1.38 | 2.76 | 1.84 | 3.45 | 2.30 |
| Belt Line Main Lane Plaza 10 | 0.69 | 0.46 | 1.38 | 0.92 | 2.07 | 1.38 | 2.76 | 1.84 | 3.45 | 2.30 |
| **Mountain Creek Lake Bridge:** | **Cash** | **TollTag** | **Cash** | **TollTag** | **Cash** | **TollTag** | **Cash** | **TollTag** | **Cash** | **TollTag** |
| Mainlane Plaza | 0.75 | 0.50 | 1.50 | 1.00 | 2.25 | 1.50 | 3.00 | 2.00 | 3.75 | 2.50 |
| **Lewisville Lake Toll Bridge:** | **ZipCash** | **TollTag** | **ZipCash** | **TollTag** | **ZipCash** | **TollTag** | **ZipCash** | **TollTag** | **ZipCash** | **TollTag** |
| Mainlane Plaza | 1.50 | 1.00 | 3.00 | 2.00 | 4.50 | 3.00 | 6.00 | 4.00 | 7.50 | 5.00 |
| **Sam Rayburn Tollway (2)** | **ZipCash** | **TollTag** | **ZipCash** | **TollTag** | **ZipCash** | **TollTag** | **ZipCash** | **TollTag** | **ZipCash** | **TollTag** |
| Denton Tap Main Lane Gantry 1 | 0.72 | 0.48 | 1.44 | 0.96 | 2.16 | 1.44 | 2.88 | 1.92 | 3.60 | 2.40 |
| MacArthur Boulevard | 0.42 | 0.22 | 0.84 | 0.44 | 1.26 | 0.66 | 1.68 | 0.88 | 2.10 | 1.10 |
| Carrolton Parkway | 0.42 | 0.22 | 0.84 | 0.44 | 1.26 | 0.66 | 1.68 | 0.88 | 2.10 | 1.10 |
| FM 544 | 0.51 | 0.31 | 1.02 | 0.62 | 1.53 | 0.93 | 2.04 | 1.24 | 2.55 | 1.55 |
| FM 2281 | 0.56 | 0.36 | 1.12 | 0.72 | 1.68 | 1.08 | 2.24 | 1.44 | 2.80 | 1.80 |
| Standridge Drive (West of Plaza) | 0.81 | 0.54 | 1.62 | 1.08 | 2.43 | 1.62 | 3.24 | 2.16 | 4.05 | 2.70 |
| Josey Lane (West of Plaza) | 0.99 | 0.66 | 1.98 | 1.32 | 2.97 | 1.98 | 3.96 | 2.64 | 4.95 | 3.30 |
| Josey Lane Main Lane Gantry 2 | 1.86 | 1.24 | 3.72 | 2.48 | 5.58 | 3.72 | 7.44 | 4.96 | 9.30 | 6.20 |
| Standridge Drive (East of Plaza) | 1.05 | 0.70 | 2.10 | 1.40 | 3.15 | 2.10 | 4.20 | 2.80 | 5.25 | 3.50 |
| Josey Lane (East of Plaza) | 0.87 | 0.58 | 1.74 | 1.16 | 2.61 | 1.74 | 3.48 | 2.32 | 4.35 | 2.90 |
| Plano Parkway | 0.69 | 0.46 | 1.38 | 0.92 | 2.07 | 1.38 | 2.76 | 1.84 | 3.45 | 2.30 |
| Spring Creek Parkway | 0.43 | 0.23 | 0.86 | 0.46 | 1.29 | 0.69 | 1.72 | 0.92 | 2.15 | 1.15 |
| Preston Road | 0.42 | 0.22 | 0.84 | 0.44 | 1.26 | 0.66 | 1.68 | 0.88 | 2.10 | 1.10 |
| Ohio Drive | 0.43 | 0.23 | 0.86 | 0.46 | 1.29 | 0.69 | 1.72 | 0.92 | 2.15 | 1.15 |
| Coit Road | 0.75 | 0.50 | 1.50 | 1.00 | 2.25 | 1.50 | 3.00 | 2.00 | 3.75 | 2.50 |
| Independence Parkway | 0.99 | 0.66 | 1.98 | 1.32 | 2.97 | 1.98 | 3.96 | 2.64 | 4.95 | 3.30 |
| Custer Road (West of Plaza) | 1.25 | 0.83 | 2.50 | 1.66 | 3.75 | 2.49 | 5.00 | 3.32 | 6.25 | 4.15 |
| Custer Ro: Mainlane Plaza | 2.04 | 1.36 | 4.08 | 2.72 | 6.12 | 4.08 | 8.16 | 5.44 | 10.20 | 6.80 |
| Custer Road (East of Plaza) | 0.81 | 0.54 | 1.62 | 1.08 | 2.43 | 1.62 | 3.24 | 2.16 | 4.05 | 2.70 |
| Alma Drive | 0.51 | 0.31 | 1.02 | 0.62 | 1.53 | 0.93 | 2.04 | 1.24 | 2.55 | 1.55 |
| Stacy Road | 0.42 | 0.22 | 0.84 | 0.44 | 1.26 | 0.66 | 1.68 | 0.88 | 2.10 | 1.10 |

**(1)** ZipCash rates of $1.89 (Two-axle) through $9.45 (Six or more axle
**(2)** NTTA began collecting revenues on Sam Rayburn Tollway on its own behalf on September 1, 200

**Footnote:** The Authority is converting to All Electronic Toll Collection (All ETC). All customers will either have a TollTag or they will be billed according t business rules currently in place. Cash will not be accepted. Currently the Dallas North Tollway Main Lane Plaza 1, President George Bush Turnpi and the Sam Rayburn Tollway operate under All ETC. Dallas North Tollway (excluding Main Lane Plaza 1), Addison Airport Toll Tunnel and Bridg Mountain Creek Lake Bridge are scheduled to be converted to All ETC by 2011

See accompanying independent auditors' report.

**Schedule 8**

**NORTH TEXAS TOLLWAY AUTHORITY**

Schedule of Historical Traffic, Toll Revenues and Net Revenues

Year ended December 31, 2009

***(Unaudited)***

**Historical Traffic and Toll Revenue**

The table below sets forth the annual revenue vehicle transactions and gross toll revenue with respect to the Dallas North Tollway System for the ten calendar years 2000 through 2009:

| Year | Annual revenue vehicle transactions (unaudited) | Annual toll revenue |
|---|---|---|
| 2000 (2) | 192,168,272 | $ 93,901,576 |
| 2001 (3) | 230,044,912 | 107,210,124 |
| 2002 (4) | 285,494,321 | 137,945,439 |
| 2003 | 296,140,087 | 149,323,784 |
| 2004 (5) | 315,031,754 | 160,695,030 |
| 2005 (6) | 338,390,215 | 172,537,345 |
| 2006 | 370,696,171 | 191,434,120 |
| 2007 (7) | 383,481,098 | 202,675,564 |
| 2008 (8) | 412,272,003 | 240,776,791 |
| 2009 (9) | 455,546,197 | 290,404,547 |

(2) Reflects the opening of Segment IIb of the President George Bush Turnpike in May 2000.
(3) Reflects the opening of Segment III of the President George Bush Turnpike from Midway Road to Frankford in March 2001 to IH 35 in July 2001 and Segment V on December 2001.
(4) Toll rate increase for the President George Bush Turnpike went into effect in January 2002
(5) Reflects the completion of DNT and State Highway 121 interchange on April 2004.
(6) Reflects the opening of Segment IV of the President George Bush Turnpike in September 2005.
(7) Reflects the opening of DNT Phase 3 and toll rate increase in late September 2007.
(8) Reflects the opening of Sam Rayburn Tollway (121 Tollway) in September 2008.
(9) Reflects the opening of Lake Lewisville August 2009.

**Historical Net Revenues**

The table set forth below shows the Net Revenues for debt service (as defined by Trust Agreement) of the Dallas North Tollway System for the ten calendar years 2000 through 2009:

| Year | Toll revenue | Current expenses | Investment and other earnings | Net revenues | Coverage |
|---|---|---|---|---|---|
| 2000 | $ 93,901,576 | $ 22,754,720 | $ 13,204,505 | $ 84,351,361 | 2.22 |
| 2001 | 107,210,124 | 30,429,021 | 11,806,432 | 88,587,535 | 1.88 |
| 2002 | 137,945,439 | 37,964,567 | 8,732,847 | 108,713,719 | 2.08 |
| 2003 | 149,323,784 | 42,650,533 | 8,371,709 | 115,044,960 | 2.09 |
| 2004 | 160,695,030 | 47,680,750 | 10,046,907 | 123,061,187 | 2.00 |
| 2005 | 172,537,345 | 56,576,883 | 14,085,285 | 130,045,747 | 1.80 |
| 2006 | 191,434,120 | 61,421,158 | 18,259,576 | 148,272,538 | 1.98 |
| 2007 | 202,675,564 | 76,593,495 | 21,307,811 | 147,389,880 | 1.96 |
| 2008 | 240,776,791 | 80,668,732 | 20,958,496 | 181,066,555 | 1.60 |
| 2009 | 290,404,547 | 90,934,772 | 31,253,174 | 230,722,950 | 1.56 |

See accompanying independent auditors' report.

Schedule 9

**NORTH TEXAS TOLLWAY AUTHORITY**
Schedule of Capitalized Costs by Project
Year ended December 31, 2009
***(Unaudited)***

| | Cumulative Total Through December 31, 2009 |
|---|---|
| **Dallas North Tollway** | |
| Preliminary costs | $ 17,863,848 |
| Construction | 156,009,800 |
| Right-of-way | 49,536,424 |
| Engineering | 22,056,064 |
| Administration | 3,332,628 |
| Buildings | 5,580,003 |
| Land | 1,781,434 |
| Equipment, net of accumulated depreciation | 771,382 |
| Subtotal | 256,931,583 |
| Financing costs | 56,703,942 |
| Total capitalized costs – dallas north tollway | 313,635,525 |
| **Dallas North Tollway Extension** | |
| Preliminary costs | 6,619,071 |
| Construction | 208,257,599 |
| Right-of-way | 8,499,710 |
| Engineering | 22,252,104 |
| Administration | 1,413,506 |
| Equipment, net of accumulated depreciation | 35,684 |
| Subtotal | 247,077,674 |
| Financing costs | (3,329,736) |
| Total capitalized costs – dallas north tollway extension | 243,747,938 |
| **Addison Airport Toll Tunnel** | |
| Preliminary costs | 1,244,082 |
| Construction | 18,204,644 |
| Right-of-way | 617,278 |
| Engineering | 4,895,696 |
| Administration | 295,203 |
| Equipment, net of accumulated depreciation | - |
| Subtotal | 25,256,903 |
| Financing costs | (983,313) |
| Total capitalized cost – addison airport toll tunnel | 24,273,590 |
| **President George Bush Turnpike - Segments I - IV** | |
| Preliminary costs | 18,040,104 |
| Construction | 632,343,638 |
| Right-of-way | 76,906,305 |
| Engineering | 103,657,354 |
| Administration | 25,103,931 |
| Buildings | 8,927,815 |
| Land | 5,578,821 |
| Equipment, net of accumulated depreciation | 9,567,584 |
| Subtotal | 880,125,552 |
| Financing costs | 56,002,083 |
| Total capitalized cost – president george bush turnpike - segments I - IV | 936,127,635 |
| **President George Bush Turnpike - Segment V** | |
| Preliminary costs | 1,596,208 |
| Construction | 68,433,928 |
| Right-of-way | 16,460 |
| Engineering | 8,981,476 |
| Administration | 233,829 |
| Equipment, net of accumulated depreciation | - |
| Subtotal | 79,261,901 |
| Financing costs | 10,040,696 |
| Total capitalized cost – president george bush turnpike - segment V | 89,302,597 |

See accompanying independent auditors' report.

Schedule 9

**NORTH TEXAS TOLLWAY AUTHORITY**
Schedule of Capitalized Costs by Project
Year ended December 31, 2009
***(Unaudited)***

| | | |
|---|---|---|
| **Dallas North Tollway Phase 3** | | |
| Preliminary costs | $ | 5,118,815 |
| Construction | | 229,076,805 |
| Right-of-way | | 569,830 |
| Engineering | | 33,038,706 |
| Administration | | 2,704,031 |
| Equipment, net of accumulated depreciation | | - |
| Subtotal | | 270,508,187 |
| Financing costs | | (20,316,333) |
| Total capitalized cost – dallas north tollway phase 3 | | 250,191,854 |
| **Lewisville Lake Toll Bridge** | | |
| Preliminary costs | | 9,875 |
| Construction | | 97,701,522 |
| Right-of-way | | 13,177 |
| Engineering | | 13,847,191 |
| Administration | | 240,695 |
| Equipment, net of accumulated depreciation | | - |
| Subtotal | | 111,812,460 |
| Financing costs | | (405,558) |
| Total capitalized cost – lewisville lake toll bridge | | 111,406,902 |
| **Sam Rayburn Tollway (121 Tollway)** | | |
| Preliminary costs | | 1,142,464 |
| Construction | | 289,491,976 |
| Right-of-way | | 13,371,341 |
| Engineering | | 73,330,758 |
| Administration | | 18,054,191 |
| Roadways | | 3,197,211,448 |
| Equipment, net of accumulated depreciation | | - |
| Accumulated depreciation on infrastructure | | (85,441,023) |
| Subtotal | | 3,507,161,155 |
| Financing costs | | 104,809,251 |
| Total capitalized cost – sam rayburn tollway (121 tollway) | | 3,611,970,406 |
| **President George Bush Turnpike - Eastern extension** | | |
| Preliminary costs | | - |
| Construction | | 153,904,027 |
| Right-of-way | | 97,665,120 |
| Engineering | | 51,301,028 |
| Administration | | 4,339,047 |
| Equipment, net of accumulated depreciation | | - |
| Subtotal | | 307,209,222 |
| Financing costs | | - |
| Total capitalized cost – president george bush turnpike - eastern extension | | 307,209,222 |
| **All Projects** | | |
| Preliminary costs | | 51,634,467 |
| Construction | | 1,853,423,939 |
| Right-of-way | | 247,195,645 |
| Engineering | | 333,360,378 |
| Administration | | 55,717,061 |
| Buildings | | 14,507,818 |
| Land | | 7,360,255 |
| Roadways | | 3,197,211,448 |
| Equipment, net of accumulated depreciation | | 10,374,650 |
| Accumulated depreciation on infrastructure | | (85,441,023) |
| Subtotal | | 5,685,344,637 |
| Financing costs | | 202,521,032 |
| Total all projects | | 5,887,865,669 |
| Bond Premium/Discount (1) | | (25,450,092) |
| Total capitalized costs at December 31, 2009 | $ | 5,862,415,577 |

(1) Total capitalized cost includes bond discount/(premiums), which have been capitalized in accordance with the Trust Agreement. These costs are netted against revenue bonds within the statement of net assets.

See accompanying independent auditors' report.

**Schedule 10**

**NORTH TEXAS TOLLWAY AUTHORITY**

Schedule of Deferred Study Costs - Feasibility Study Fund

Year ended December 31, 2009

***(Unaudited)***

The table below sets forth the accumulated deferred study costs, by project, through December 31, 2009 that have not been transferred out of the Feasibility Study Fund into a construction project.

| Projects | | Accumulated December 31, 2009 |
|---|---|---|
| Trinity Tollway | $ | 374,328 |
| Dallas North Tollway: | | |
| 380 Interchange | | 285,767 |
| Extension Phase 4 | | 3,445,371 |
| Extension Phase 5 | | 872,836 |
| President George Bush Turnpike - East Branch | | 91,003 |
| State Highway 360 | | 3,012,918 |
| Southwest Parkway - TxDOT | | 74,146,739 |
| Southwest Parkway - Chisolm Trail | | 1,039,436 |
| Trinity Parkway | | 30,812,922 |
| President George Bush Tollway - South (SH 161) | | 37,017,437 |
| North Central Texas Council of Governments | | 648,528 |
| State Highway 170 - Alliance Gateway | | 2,481,933 |
| Capital Planning Model | | 364,329 |
| Collin/Grayson Corridor | | 175,712 |
| Future Bond Issue Planning | | 336,519 |
| State Highway 183 Managed Lanes | | 901,486 |
| Denton County Corridor | | 7,857 |
| Loop 9 | | 8,285 |
| | $ | 156,023,404 |

See accompanying independent auditor's report

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# Statistical Section

**NORTH TEXAS TOLLWAY AUTHORITY**
**STATISTICAL SECTION**
**(Unaudited)**

## INTRODUCTION

Governmental Accounting Standards Board (GASB) Statement 44 "Economic Condition Reporting: The Statistical Section requires that certain detailed statistical information be presented in this section, typically in ten year trends, to assist users in utilizing the basic financial statements, notes to the financial statements and required supplementary information in order to assess the economic condition of the System.

## FINANCIAL TRENDS

These tables contain information to help the reader understand how the Authority's financial performance and well being have changed over time.

## REVENUE CAPACITY

These tables contain information to help the reader assess the Authority's most significant revenue sources.

## DEBT CAPACITY

These tables present information to help the reader assess the affordability of the Authority's current current level of outstanding debt and the Authority's ability to issue additional debt in the future.

## DEMOGRAPHIC AND ECONOMIC INFORMATION

These tables offer demographic and economic indicators to help the reader understand the environment within which the Authority's financial activities take place.

## OPERATING INFORMATION

These tables contain service and infrastructure data to help the reader understand how the information in the Authority's financial report relates to the services the Authority provides and the activities it performs.

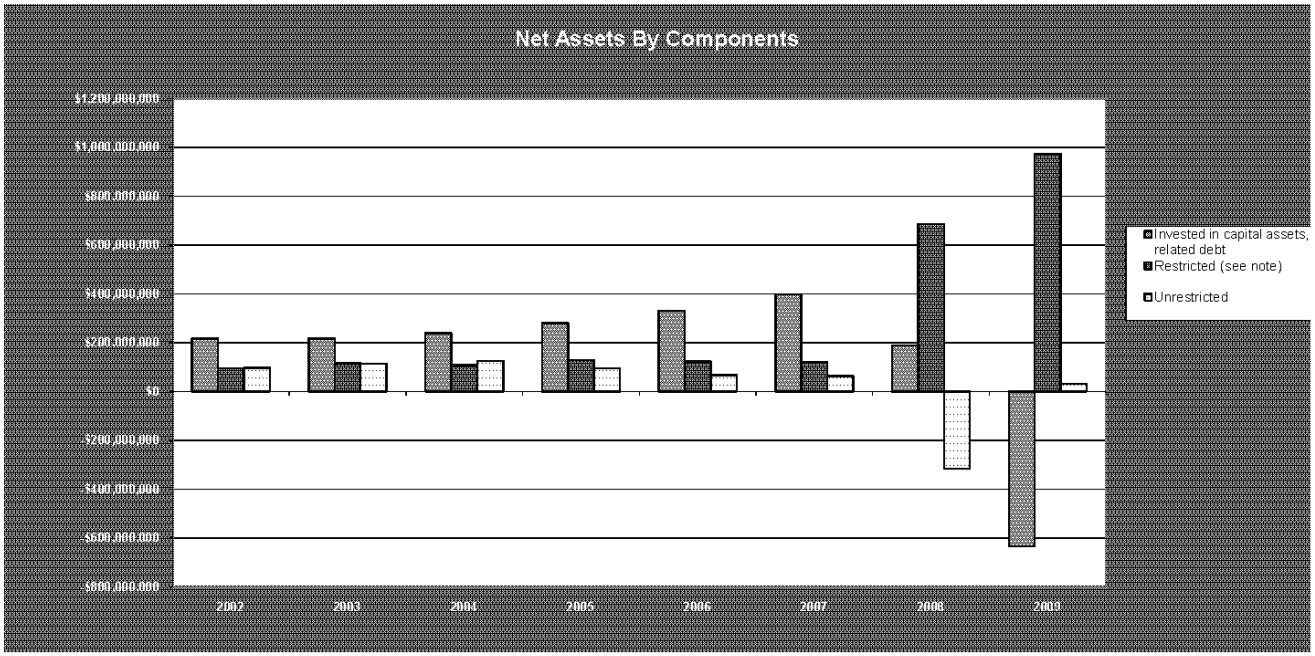
Sources: Unless other noted, the information in the following tables is derived from the annual financial reports for the relevant years.

NORTH TEXAS TOLLWAY AUTHORITY
Net Assets by Components
Last Ten Fiscal Years
(Unaudited)

**Business-Type Activities**

| Components | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 |
|---|---|---|---|---|---|---|---|---|
| Invested in capital assets, net of related debt | $215,719,725 | $217,181,585 | $239,205,057 | $280,156,648 | $330,841,254 | $398,078,219 | $187,921,483 | $ (633,265,931) |
| Restricted (see note) | $95,605,206 | 114,952,691 | 108,079,819 | 129,195,493 | 123,194,488 | 120,495,644 | 686,236,650 | 972,154,312 |
| Unrestricted | $97,103,496 | 113,345,843 | 124,451,990 | 95,696,520 | 67,332,901 | 62,928,573 | (316,228,982) | 31,783,352 |
| **Total net assets** | **$ 408,428,427** | **445,480,119** | **471,736,866** | **505,048,661** | **521,368,643** | **581,502,436** | **557,929,151** | **370,671,733** |

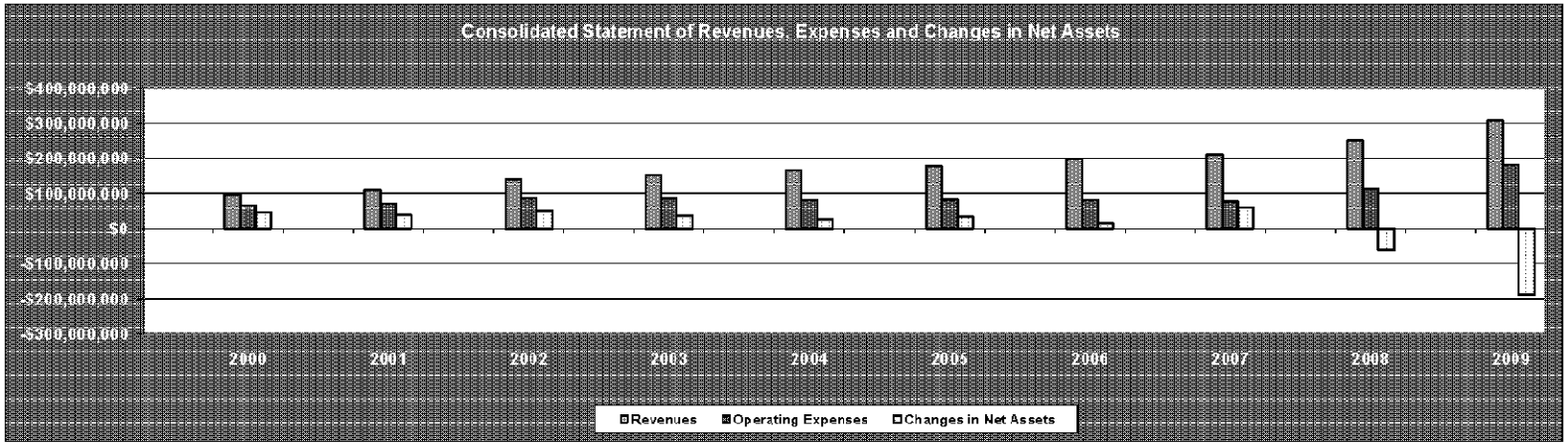
NOTE ---- Information prior to implementation of GASB 34 in FY 2002 is not available.



NORTH TEXAS TOLLWAY AUTHORITY
Statement of Revenues, Expenses, and Changes in Net Assets
Last Ten Fiscal Years
(Unaudited)

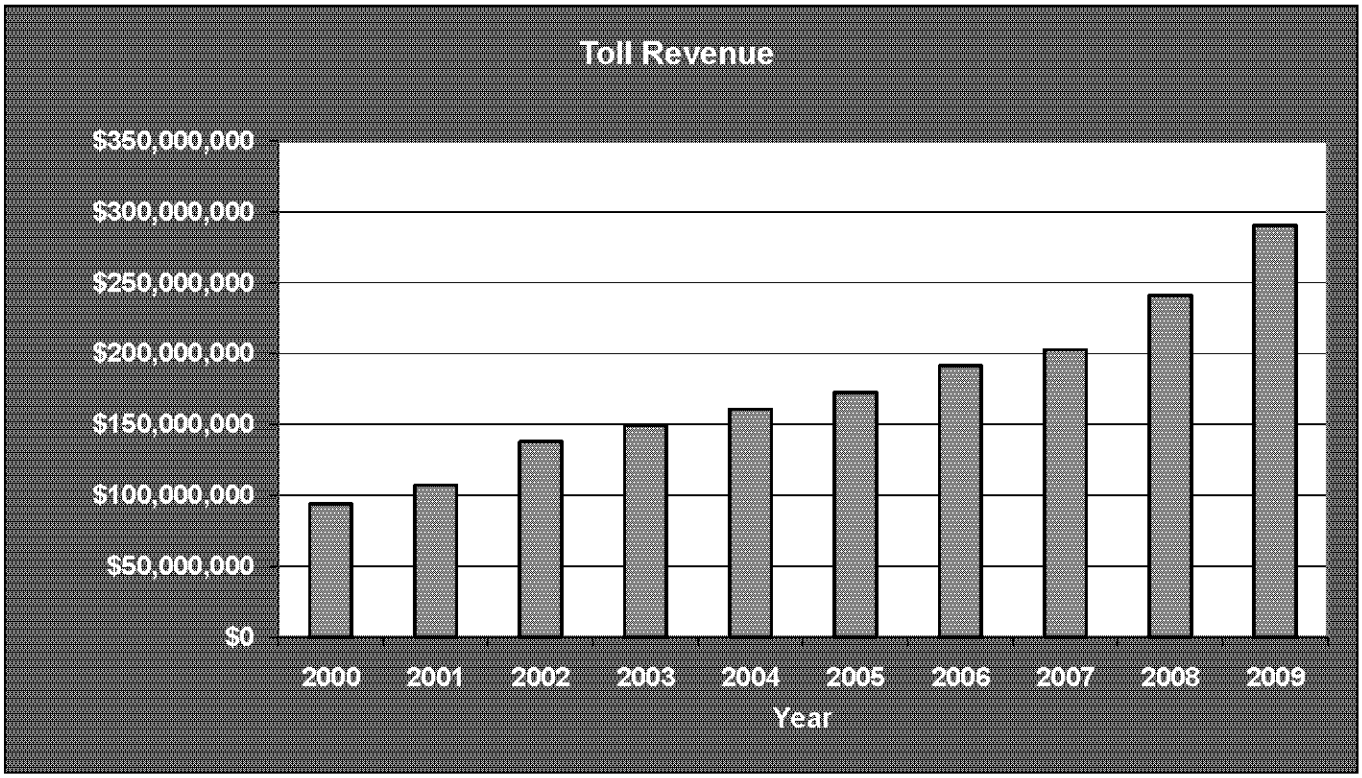
| Business-Type Activities | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 |
|---|---|---|---|---|---|---|---|---|---|---|
| Revenues: | | | | | | | | | | |
| Tolls | $ 93,901,576 | $ 107,210,124 | $ 137,945,439 | $ 149,323,784 | $ 160,695,030 | $ 172,537,345 | $ 191,434,120 | $ 202,675,564 | $ 240,776,791 | $ 290,404,547 |
| Other (1) | 1,188,403 | 1,751,277 | 2,458,397 | 3,180,903 | 4,574,224 | 5,103,941 | 6,647,546 | 7,988,624 | 9,273,124 | 17,195,849 |
| Total operating revenues | 95,089,979 | 108,961,401 | 140,403,836 | 152,504,687 | 165,269,254 | 177,641,286 | 198,081,666 | 210,664,188 | 250,049,915 | 307,600,396 |
| Operating expenses: | | | | | | | | | | |
| Administration | 7,909,764 | 11,901,154 | 8,261,114 | 5,977,858 | 7,592,581 | 8,381,359 | 8,899,052 | 10,910,385 | 12,604,559 | 22,501,450 |
| Operations | 14,844,956 | 18,527,867 | 29,703,453 | 36,672,675 | 40,088,169 | 48,195,524 | 52,522,106 | 64,660,897 | 68,064,173 | 68,433,322 |
| Reserve maintenance | 5,085,427 | 1,982,790 | 2,913,890 | 5,792,192 | 10,990,224 | 7,483,753 | 22,771,922 | 23,858,264 | 18,254,548 | 15,444,672 |
| Capital improvement | 2,014,645 | 5,010,782 | 12,586,540 | 18,320,162 | 24,268,247 | 30,117,098 | 31,975,003 | 33,381,445 | 36,541,652 | 20,039,108 |
| Total operating expenses before deprecia | 29,854,792 | 37,422,593 | 53,464,997 | 66,762,887 | 82,939,221 | 94,177,734 | 116,168,083 | 132,810,991 | 137,464,932 | 126,418,552 |
| Operating income before depreciation | 65,235,187 | 71,538,808 | 86,938,839 | 85,741,800 | 82,330,033 | 83,463,552 | 81,913,583 | 77,853,197 | 112,584,983 | 181,181,844 |
| Depreciation | - | - | (951,369) | (1,598,423) | (1,662,808) | (2,092,825) | (2,126,037) | (1,800,225) | (3,481,013) | (4,529,323) |
| **Operating income** | 65,235,187 | 71,538,808 | 85,987,470 | 84,143,377 | 80,667,225 | 81,370,727 | 79,787,546 | 76,052,972 | 109,103,970 | 176,652,521 |
| Nonoperating revenues (expenses): | | | | | | | | | | |
| Interest earned on investments | 30,707,854 | 18,663,604 | 9,068,253 | 9,327,630 | 10,458,474 | 13,562,625 | 16,550,756 | 17,592,664 | 50,438,067 | 25,219,356 |
| Net increase(decrease) in the fair value of investme | 954,310 | (87,080) | 615,890 | (1,454,787) | (1,676,391) | (1,087,627) | 2,335,448 | 1,067,995 | 24,555,188 | (13,371,674) |
| Grant Revenue | - | - | - | - | - | - | - | - | - | - |
| Unallocated infrastructure depreciation | - | - | - | - | - | - | - | - | (24,555,772) | (60,703,200) |
| Interest expense on revenue bonds | (48,268,251) | (47,878,171) | (42,837,283) | (41,408,356) | (46,017,953) | (55,184,859) | (53,414,350) | (52,420,707) | (227,034,684) | (352,464,434) |
| Interest expense on short term notes | - | (10,548) | (268,011) | (214,067) | - | - | (24,658) | (2,653,677) | (35,066,229) | (6,364,724) |
| Bond premium/discount amortization | (1,358,832) | (2,147,337) | (1,407,146) | (197,326) | 1,305,615 | 1,285,475 | 1,618,562 | 1,386,510 | (217,615) | (1,659,281) |
| Bond issuance cost amortization | - | - | - | - | - | - | - | - | (17,543,223) | (9,216,397) |
| Deferred amount on refunding amortization | (1,703,006) | (1,697,284) | (1,386,660) | (4,350,295) | (6,147,053) | (7,030,110) | (6,557,286) | (6,017,291) | (6,694,083) | (8,911,969) |
| SWAP termination payment | - | - | - | - | - | - | - | - | (4,511,011) | (6,081,700) |
| Net amount on refunded bonds | - | - | - | - | - | - | - | - | (3,167,688) | - |
| Contributed capital from Mountain Creek Lake Bridg | - | 10,766,232 | - | - | - | - | - | - | - | - |
| Contributed capital to the Feasibility Study Fund | - | (10,000,000) | - | (8,487,500) | (11,990,800) | - | (25,000,000) | 25,000,000 | - | - |
| Capital Grant Contributions | - | - | - | - | - | - | - | - | 74,902,422 | 59,588,883 |
| BAB's Subsidy | - | - | - | - | - | - | - | - | - | 7,489,870 |
| Other | (338,873) | (150,312) | 233,312 | (306,984) | (342,570) | 395,564 | 1,013,964 | 135,327 | (355,245) | 2,565,331 |
| Net nonoperating revenues (expenses) | (20,006,798) | (32,540,896) | (35,981,645) | (47,091,685) | (54,410,478) | (48,058,932) | (63,477,564) | (15,909,179) | (169,269,873) | (363,909,939) |
| **Change in net assets** | $ 45,228,389 | $ 38,997,912 | $ 50,005,825 | $ 37,051,692 | $ 26,256,747 | $ 33,311,795 | $ 16,309,982 | $ 60,143,793 | $ (60,165,903) | $ (187,257,418) |

(1) Administrative fees, parking transaction fees, statement fees and miscellaneous charges.



NORTH TEXAS TOLLWAY AUTHORITY
Traffic and Toll Revenue
Last Ten Fiscal Years
(Unaudited)

| Year | Annual Revenue Vehicle Transactions | Annual Toll Revenue | Average Toll Rate per Transaction |
|---|---|---|---|
| 2000 | 192,168,272 | $ 93,901,576 | $ 0.49 |
| 2001 | 230,044,912 | 107,210,124 | 0.47 |
| 2002 | 285,494,321 | 137,945,439 | 0.48 |
| 2003 | 296,140,087 | 149,323,784 | 0.50 |
| 2004 | 315,031,754 | 160,695,030 | 0.51 |
| 2005 | 338,390,215 | 172,537,345 | 0.51 |
| 2006 | 370,696,171 | 191,434,120 | 0.52 |
| 2007 | 383,481,098 | 202,675,564 | 0.53 |
| 2008 | 412,272,003 | 240,776,791 | 0.58 |
| 2009 | 455,546,197 | 290,404,547 | 0.64 |



NORTH TEXAS TOLLWAY AUTHORITY
Schedule of Toll Rates
Last Ten Fiscal Years

| | | Years | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Two-axle passenger cars and trucks | | | | | | | | | | | |
| Roadway | | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 |
| Dallas North Tollway: | | | | | | | | | | | |
| Main Lane Plaza 1 | Cash | $0.75 | $0.75 | $0.75 | $0.75 | $0.75 | $0.75 | $0.75 | - | - | - |
| | TollTag | 0.60 | 0.60 | 0.60 | 0.60 | 0.60 | 0.60 | 0.60 | $0.60 | $0.70 | $1.26 |
| ***(all ETC, effective in Jan., 2007)*** | **ZipCash -** | - | - | - | - | - | - | - | 0.75 | 1.00 | 1.89 |
| Main Lane Plaza 2 | Cash | 0.75 | 0.75 | 0.75 | 0.75 | 0.75 | 0.75 | 0.75 | 1.00 | 1.00 | 1.35 |
| | TollTag | 0.60 | 0.60 | 0.60 | 0.60 | 0.60 | 0.60 | 0.60 | 0.70 | 0.70 | 0.90 |
| Main Lane Plaza 3 | Cash | 0.75 | 0.75 | 0.75 | 0.75 | 0.75 | 0.75 | 0.75 | 1.00 | 1.00 | 1.20 |
| | TollTag | 0.60 | 0.60 | 0.60 | 0.60 | 0.60 | 0.60 | 0.60 | 0.70 | 0.70 | 0.80 |
| Main Lane Plaza 4 (1) | Cash | - | - | - | - | - | - | - | 1.30 | 1.30 | 2.15 |
| | TollTag | - | - | - | - | - | - | - | 1.05 | 1.05 | 1.41 |
| Addison Airport Toll Tunnel: | | | | | | | | | | | |
| Mainlane Plaza | Cash | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 | 0.75 |
| | TollTag | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 |
| President George Bush Turnpike: | | | | | | | | | | | |
| Main Lane Plaza 6 | Cash | 0.50 | 0.50 | 0.75 | 0.75 | 0.75 | 0.75 | 0.75 | 1.00 | 1.00 | 1.50 |
| | TollTag | 0.50 | 0.50 | 0.60 | 0.60 | 0.60 | 0.60 | 0.60 | 0.70 | 0.70 | 1.00 |
| Main Lane Plaza 7 | Cash | 0.50 | 0.50 | 0.75 | 0.75 | 0.75 | 0.75 | 0.75 | 1.00 | 1.00 | 1.62 |
| | TollTag | 0.50 | 0.50 | 0.60 | 0.60 | 0.60 | 0.60 | 0.60 | 0.70 | 0.70 | 1.08 |
| Main Lane Plaza 8 (2) | Cash | - | 0.50 | 0.75 | 0.75 | 0.75 | 0.75 | 0.75 | 1.00 | 1.00 | 1.50 |
| | TollTag | - | 0.50 | 0.60 | 0.60 | 0.60 | 0.60 | 0.60 | 0.70 | 0.70 | 1.00 |
| Main Lane Plaza 9 (3) | Cash | - | - | - | - | - | 0.75 | 0.75 | 1.00 | 1.00 | 1.20 |
| | TollTag | - | - | - | - | - | 0.60 | 0.60 | 0.70 | 0.70 | 0.80 |
| Main Lane Plaza 10 (4) | Cash | - | 0.75 | 0.75 | 0.75 | 0.75 | 0.75 | 0.75 | 1.00 | 1.00 | 0.69 |
| | TollTag | - | 0.60 | 0.60 | 0.60 | 0.60 | 0.60 | 0.60 | 0.70 | 0.70 | 0.46 |
| Mountain Creek Lake Bridge: | | | | | | | | | | | |
| Mainlane Plaza | Cash | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 | 0.75 |
| | TollTag | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 |
| Sam Rayburn Tollway (SRT): | | | | | | | | | | | |
| Main Lane Gantry 1 (5) | Video | - | - | - | - | - | - | - | - | 0.65 | 0.72 |
| | TollTag | - | - | - | - | - | - | - | - | 0.45 | 0.48 |
| Main Lane Gantry 2 (5) | Video | - | - | - | - | - | - | - | - | 1.71 | 1.86 |
| | TollTag | - | - | - | - | - | - | - | - | 1.18 | 1.24 |
| Main Lane Gantry 3 (6) | Video | - | - | - | - | - | - | - | - | - | 2.04 |
| | TollTag | - | - | - | - | - | - | - | - | - | 1.36 |
| Lewisville Lake Toll Bridge: | | | | | | | | | | | |
| Mainlane Plaza (7) | Video | - | - | - | - | - | - | - | - | - | 1.50 |
| | TollTag | - | - | - | - | - | - | - | - | - | 1.00 |

(1) Main Lane Plaza 4 opened September 2007
(2) Main Lane Plaza 8 opened July 2001
(3) Main Lane Plaza 9 opened September 2005
(4) Main Lane Plaza 10 opened December 2001
(5) Main Lane Gantry 1 & 2 (ETC) on SRT; NTTA began collecting revenues on SRT on its own behalf on September 1, 2008
(6) Main Lane Plaza 3 on SRT opened September 2009
(7) Lewisville Lake Toll Bridge opened August 2009
Note----Other toll collection points (Ramp Plazas) are not shown on this schedule.

NORTH TEXAS TOLLWAY AUTHORITY
Schedule of Toll Rates
Last Ten Fiscal Years
(Unaudited)

| Three-axle vehicle and vehicle combination | | Years | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Roadway | | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 |
| Dallas North Tollway: | | | | | | | | | | | |
| Main Lane Plaza 1 | Cash | $1.20 | $1.20 | $1.20 | $1.20 | $1.20 | $1.20 | $1.20 | - | - | - |
| | TollTag | 0.95 | 0.95 | 0.95 | 0.95 | 0.95 | 0.95 | 0.95 | $0.95 | $1.40 | $2.52 |
| ***(all ETC, effective in Jan., 2007)*** | **ZipCash -** | - | - | - | - | - | - | - | 1.20 | 2.00 | 3.78 |
| Main Lane Plaza 2 | Cash | 1.20 | 1.20 | 1.20 | 1.20 | 1.20 | 1.20 | 1.20 | 2.00 | 2.00 | 2.70 |
| | TollTag | 0.95 | 0.95 | 0.95 | 0.95 | 0.95 | 0.95 | 0.95 | 1.40 | 1.40 | 1.80 |
| Main Lane Plaza 3 | Cash | 1.20 | 1.20 | 1.20 | 1.20 | 1.20 | 1.20 | 1.20 | 2.00 | 2.00 | 2.40 |
| | TollTag | 0.95 | 0.95 | 0.95 | 0.95 | 0.95 | 0.95 | 0.95 | 1.40 | 1.40 | 1.60 |
| Main Lane Plaza 4 (1) | Cash | - | - | - | - | - | - | - | 2.60 | 2.60 | 4.30 |
| | TollTag | - | - | - | - | - | - | - | 2.10 | 2.10 | 2.82 |
| Addison Airport Toll Tunnel: | | | | | | | | | | | |
| Mainlane Plaza | Cash | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 | 1.50 |
| | TollTag | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 | 1.00 |
| President George Bush Turnpike: | | | | | | | | | | | |
| Main Lane Plaza 6 | Cash | 1.00 | 1.00 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 2.00 | 2.00 | 3.00 |
| | TollTag | 1.00 | 1.00 | 1.20 | 1.20 | 1.20 | 1.20 | 1.20 | 1.40 | 1.40 | 2.00 |
| Main Lane Plaza 7 | Cash | 1.00 | 1.00 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 2.00 | 2.00 | 3.24 |
| | TollTag | 1.00 | 1.00 | 1.20 | 1.20 | 1.20 | 1.20 | 1.20 | 1.40 | 1.40 | 2.16 |
| Main Lane Plaza 8 (2) | Cash | - | 1.00 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 2.00 | 2.00 | 3.00 |
| | TollTag | - | 1.00 | 1.20 | 1.20 | 1.20 | 1.20 | 1.20 | 1.40 | 1.40 | 2.00 |
| Main Lane Plaza 9 (3) | Cash | - | - | - | - | - | 1.50 | 1.50 | 2.00 | 2.00 | 2.40 |
| | TollTag | - | - | - | - | - | 1.20 | 1.20 | 1.40 | 1.40 | 1.60 |
| Main Lane Plaza 10 (4) | Cash | - | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 2.00 | 2.00 | 1.38 |
| | TollTag | - | 1.20 | 1.20 | 1.20 | 1.20 | 1.20 | 1.20 | 1.40 | 1.40 | 0.92 |
| Mountain Creek Lake Bridge: | | | | | | | | | | | |
| Main lane Plaza | Cash | 0.75 | 0.75 | 0.75 | 0.75 | 0.75 | 0.75 | 0.75 | 0.75 | 0.75 | 1.50 |
| | TollTag | 0.75 | 0.75 | 0.75 | 0.75 | 0.75 | 0.75 | 0.75 | 0.75 | 0.75 | 1.00 |
| Sam Rayburn Tollway (SRT): | | | | | | | | | | | |
| Main Lane Gantry 1 (5) | Video | - | - | - | - | - | - | - | - | 1.30 | 1.44 |
| | TollTag | - | - | - | - | - | - | - | - | 0.90 | 0.96 |
| Main Lane Gantry 2 (5) | Video | - | - | - | - | - | - | - | - | 3.42 | 3.72 |
| | TollTag | - | - | - | - | - | - | - | - | 2.36 | 2.48 |
| Main Lane Gantry 3 (6) | Video | - | - | - | - | - | - | - | - | - | 4.08 |
| | TollTag | - | - | - | - | - | - | - | - | - | 2.72 |
| Lewisville Lake Toll Bridge: | | | | | | | | | | | |
| Mainlane Plaza (7) | Video | - | - | - | - | - | - | - | - | - | 3.00 |
| | TollTag | - | - | - | - | - | - | - | - | - | 2.00 |

(1) Main Lane Plaza 4 opened September 2007
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(6) Main Lane Plaza 3 on SRT opened September 2009
(7) Lewisville Lake Toll Bridge opened August 2009
Note----Other toll collection points (Ramp Plazas) are not shown on this schedule.

NORTH TEXAS TOLLWAY AUTHORITY
Schedule of Toll Rates
Last Ten Fiscal Years
(Unaudited)

| Four-axle vehicle and vehicle combination | | Years | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Roadway | | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 |
| Dallas North Tollway: | | | | | | | | | | | |
| Main Lane Plaza 1 | Cash | $1.50 | $1.50 | $1.50 | $1.50 | $1.50 | $1.50 | $1.50 | - | - | - |
| | TollTag | 1.20 | 1.20 | 1.20 | 1.20 | 1.20 | 1.20 | 1.20 | $1.20 | $2.10 | $3.78 |
| ***(all ETC, effective in Jan., 2007)*** | **ZipCash -** | - | - | - | - | - | - | - | 1.50 | 3.00 | 5.67 |
| Main Lane Plaza 2 | Cash | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 3.00 | 3.00 | 4.05 |
| | TollTag | 1.20 | 1.20 | 1.20 | 1.20 | 1.20 | 1.20 | 1.20 | 2.10 | 2.10 | 2.70 |
| Main Lane Plaza 3 | Cash | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 3.00 | 3.00 | 3.60 |
| | TollTag | 1.20 | 1.20 | 1.20 | 1.20 | 1.20 | 1.20 | 1.20 | 2.10 | 2.10 | 2.40 |
| Main Lane Plaza 4 (1) | Cash | - | - | - | - | - | - | - | 3.90 | 3.90 | 6.45 |
| | TollTag | - | - | - | - | - | - | - | 3.15 | 3.15 | 4.23 |
| Addison Airport Toll Tunnel: | | | | | | | | | | | |
| Mainlane Plaza | Cash | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 | 2.25 |
| | TollTag | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 | 1.50 |
| President George Bush Turnpike: | | | | | | | | | | | |
| Main Lane Plaza 6 | Cash | 1.50 | 1.50 | 2.25 | 2.25 | 2.25 | 2.25 | 2.25 | 3.00 | 3.00 | 4.50 |
| | TollTag | 1.50 | 1.50 | 1.80 | 1.80 | 1.80 | 1.80 | 1.80 | 2.10 | 2.10 | 3.00 |
| Main Lane Plaza 7 | Cash | 1.50 | 1.50 | 2.25 | 2.25 | 2.25 | 2.25 | 2.25 | 3.00 | 3.00 | 4.86 |
| | TollTag | 1.50 | 1.50 | 1.80 | 1.80 | 1.80 | 1.80 | 1.80 | 2.10 | 2.10 | 3.24 |
| Main Lane Plaza 8 (2) | Cash | - | 1.50 | 2.25 | 2.25 | 2.25 | 2.25 | 2.25 | 3.00 | 3.00 | 4.50 |
| | TollTag | - | 1.50 | 1.80 | 1.80 | 1.80 | 1.80 | 1.80 | 2.10 | 2.10 | 3.00 |
| Main Lane Plaza 9 (3) | Cash | - | - | - | - | - | 2.25 | 2.25 | 3.00 | 3.00 | 3.60 |
| | TollTag | - | - | - | - | - | 1.80 | 1.80 | 2.10 | 2.10 | 2.40 |
| Main Lane Plaza 10 (4) | Cash | - | 2.25 | 2.25 | 2.25 | 2.25 | 2.25 | 2.25 | 3.00 | 3.00 | 2.07 |
| | TollTag | - | 1.80 | 1.80 | 1.80 | 1.80 | 1.80 | 1.80 | 2.10 | 2.10 | 1.38 |
| Mountain Creek Lake Bridge: | | | | | | | | | | | |
| Main lane Plaza | Cash | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 2.25 |
| | TollTag | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.50 |
| Sam Rayburn Tollway (SRT): | | | | | | | | | | | |
| Main Lane Gantry 1 (5) | Video | - | - | - | - | - | - | - | - | 1.95 | 2.16 |
| | TollTag | - | - | - | - | - | - | - | - | 1.35 | 1.44 |
| Main Lane Gantry 2 (5) | Video | - | - | - | - | - | - | - | - | 5.13 | 5.58 |
| | TollTag | - | - | - | - | - | - | - | - | 3.54 | 3.72 |
| Main Lane Gantry 3 (6) | Video | - | - | - | - | - | - | - | - | - | 6.12 |
| | TollTag | - | - | - | - | - | - | - | - | - | 4.08 |
| Lewisville Lake Toll Bridge: | | | | | | | | | | | |
| Mainlane Plaza (7) | Video | - | - | - | - | - | - | - | - | - | 4.50 |
| | TollTag | - | - | - | - | - | - | - | - | - | 3.00 |

(1) Main Lane Plaza 4 opened September 2007
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(6) Main Lane Plaza 3 on SRT opened September 2009
(7) Lewisville Lake Toll Bridge opened August 2009
Note----Other toll collection points (Ramp Plazas) are not shown on this schedule.

NORTH TEXAS TOLLWAY AUTHORITY
Schedule of Toll Rates
Last Ten Fiscal Years
(Unaudited)

| Five-axle vehicle and vehicle combination | | Years | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Roadway | | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 |
| Dallas North Tollway: | | | | | | | | | | | |
| Main Lane Plaza 1 | Cash | $1.80 | $1.80 | $1.80 | $1.80 | $1.80 | $1.80 | $1.80 | - | - | - |
| | TollTag | 1.45 | 1.45 | 1.45 | 1.45 | 1.45 | 1.45 | 1.45 | $1.45 | $2.80 | $5.04 |
| ***(all ETC, effective in Jan., 2007)*** | **ZipCash -** | - | - | - | - | - | - | - | 1.80 | 4.00 | 7.56 |
| Main Lane Plaza 2 | Cash | 1.80 | 1.80 | 1.80 | 1.80 | 1.80 | 1.80 | 1.80 | 4.00 | 4.00 | 5.40 |
| | TollTag | 1.45 | 1.45 | 1.45 | 1.45 | 1.45 | 1.45 | 1.45 | 2.80 | 2.80 | 3.60 |
| Main Lane Plaza 3 | Cash | 1.80 | 1.80 | 1.80 | 1.80 | 1.80 | 1.80 | 1.80 | 4.00 | 4.00 | 4.80 |
| | TollTag | 1.45 | 1.45 | 1.45 | 1.45 | 1.45 | 1.45 | 1.45 | 2.80 | 2.80 | 3.20 |
| Main Lane Plaza 4 (1) | Cash | - | - | - | - | - | - | - | 5.20 | 5.20 | 8.60 |
| | TollTag | - | - | - | - | - | - | - | 4.20 | 4.20 | 5.64 |
| Addison Airport Toll Tunnel: | | | | | | | | | | | |
| Mainlane Plaza | Cash | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 | 3.00 |
| | TollTag | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 | 2.00 |
| President George Bush Turnpike: | | | | | | | | | | | |
| Main Lane Plaza 6 | Cash | 2.00 | 2.00 | 3.00 | 3.00 | 3.00 | 3.00 | 3.00 | 4.00 | 4.00 | 6.00 |
| | TollTag | 2.00 | 2.00 | 2.40 | 2.40 | 2.40 | 2.40 | 2.40 | 2.80 | 2.80 | 4.00 |
| Main Lane Plaza 7 | Cash | 2.00 | 2.00 | 3.00 | 3.00 | 3.00 | 3.00 | 3.00 | 4.00 | 4.00 | 6.48 |
| | TollTag | 2.00 | 2.00 | 2.40 | 2.40 | 2.40 | 2.40 | 2.40 | 2.80 | 2.80 | 4.32 |
| Main Lane Plaza 8 (2) | Cash | - | 2.00 | 3.00 | 3.00 | 3.00 | 3.00 | 3.00 | 4.00 | 4.00 | 6.00 |
| | TollTag | - | 2.00 | 2.40 | 2.40 | 2.40 | 2.40 | 2.40 | 2.80 | 2.80 | 4.00 |
| Main Lane Plaza 9 (3) | Cash | - | - | - | - | - | 3.00 | 3.00 | 4.00 | 4.00 | 4.80 |
| | TollTag | - | - | - | - | - | 2.40 | 2.40 | 2.80 | 2.80 | 3.20 |
| Main Lane Plaza 10 (4) | Cash | - | 3.00 | 3.00 | 3.00 | 3.00 | 3.00 | 3.00 | 4.00 | 4.00 | 2.76 |
| | TollTag | - | 2.40 | 2.40 | 2.40 | 2.40 | 2.40 | 2.40 | 2.80 | 2.80 | 1.84 |
| Mountain Creek Lake Bridge: | | | | | | | | | | | |
| Main lane Plaza | Cash | 1.25 | 1.25 | 1.25 | 1.25 | 1.25 | 1.25 | 1.25 | 1.25 | 1.25 | 3.00 |
| | TollTag | 1.25 | 1.25 | 1.25 | 1.25 | 1.25 | 1.25 | 1.25 | 1.25 | 1.25 | 2.00 |
| Sam Rayburn Tollway (SRT): | | | | | | | | | | | |
| Main Lane Gantry 1 (5) | Video | - | - | - | - | - | - | - | - | 2.60 | 2.88 |
| | TollTag | - | - | - | - | - | - | - | - | 1.80 | 1.92 |
| Main Lane Gantry 2 (5) | Video | - | - | - | - | - | - | - | - | 6.84 | 7.44 |
| | TollTag | - | - | - | - | - | - | - | - | 4.72 | 4.96 |
| Main Lane Gantry 3 (6) | Video | - | - | - | - | - | - | - | - | - | 8.16 |
| | TollTag | - | - | - | - | - | - | - | - | - | 5.44 |
| Lewisville Lake Toll Bridge: | | | | | | | | | | | |
| Mainlane Plaza (7) | Video | - | - | - | - | - | - | - | - | - | 6.00 |
| | TollTag | - | - | - | - | - | - | - | - | - | 4.00 |

(1) Main Lane Plaza 4 opened September 2007
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(5) Main Lane Gantry 1 & 2 (ETC) on SRT; NTTA began collecting revenues on SRT on its own behalf on September 1, 2008
(6) Main Lane Plaza 3 on SRT opened September 2009
(7) Lewisville Lake Toll Bridge opened August 2009
Note----Other toll collection points (Ramp Plazas) are not shown on this schedule.

NORTH TEXAS TOLLWAY AUTHORITY
Schedule of Toll Rates
Last Ten Fiscal Years
(Unaudited)

| Six or more-axle vehicle and vehicle combination | | Years | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Roadway | | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 |
| Dallas North Tollway: | | | | | | | | | | | |
| Main Lane Plaza 1 | Cash | $2.10 | $2.10 | $2.10 | $2.10 | $2.10 | $2.10 | $2.10 | - | - | - |
| | TollTag | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | $1.70 | $3.50 | $6.30 |
| ***(all ETC, effective in Jan., 2007)*** | **ZipCash -** | - | - | - | - | - | - | - | 2.10 | 5.00 | 9.45 |
| Main Lane Plaza 2 | Cash | 2.10 | 2.10 | 2.10 | 2.10 | 2.10 | 2.10 | 2.10 | 5.00 | 5.00 | 6.75 |
| | TollTag | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 3.50 | 3.50 | 4.50 |
| Main Lane Plaza 3 | Cash | 2.10 | 2.10 | 2.10 | 2.10 | 2.10 | 2.10 | 2.10 | 5.00 | 5.00 | 6.00 |
| | TollTag | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 3.50 | 3.50 | 4.00 |
| Main Lane Plaza 4 (1) | Cash | - | - | - | - | - | - | - | 6.50 | 6.50 | 10.75 |
| | TollTag | - | - | - | - | - | - | - | 5.25 | 5.25 | 7.05 |
| Addison Airport Toll Tunnel: | | | | | | | | | | | |
| Mainlane Plaza | Cash | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 | 3.75 |
| | TollTag | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 | 2.50 |
| President George Bush Turnpike: | | | | | | | | | | | |
| Main Lane Plaza 6 | Cash | 2.50 | 2.50 | 3.75 | 3.75 | 3.75 | 3.75 | 3.75 | 5.00 | 5.00 | 7.50 |
| | TollTag | 2.50 | 2.50 | 3.00 | 3.00 | 3.00 | 3.00 | 3.00 | 3.50 | 3.50 | 5.00 |
| Main Lane Plaza 7 | Cash | 2.50 | 2.50 | 3.75 | 3.75 | 3.75 | 3.75 | 3.75 | 5.00 | 5.00 | 8.10 |
| | TollTag | 2.50 | 2.50 | 3.00 | 3.00 | 3.00 | 3.00 | 3.00 | 3.50 | 3.50 | 5.40 |
| Main Lane Plaza 8 (2) | Cash | - | 2.50 | 3.75 | 3.75 | 3.75 | 3.75 | 3.75 | 5.00 | 5.00 | 7.50 |
| | TollTag | - | 2.50 | 3.00 | 3.00 | 3.00 | 3.00 | 3.00 | 3.50 | 3.50 | 5.00 |
| Main Lane Plaza 9 (3) | Cash | - | - | - | - | - | 3.75 | 3.75 | 5.00 | 5.00 | 6.00 |
| | TollTag | - | - | - | - | - | 3.00 | 3.00 | 3.50 | 3.50 | 4.00 |
| Main Lane Plaza 10 (4) | Cash | - | 3.75 | 3.75 | 3.75 | 3.75 | 3.75 | 3.75 | 5.00 | 5.00 | 3.45 |
| | TollTag | - | 3.00 | 3.00 | 3.00 | 3.00 | 3.00 | 3.00 | 3.50 | 3.50 | 2.30 |
| Mountain Creek Lake Bridge: | | | | | | | | | | | |
| Main lane Plaza | Cash | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 3.75 |
| | TollTag | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 2.50 |
| Sam Rayburn Tollway (SRT): | | | | | | | | | | | |
| Main Lane Gantry 1 (5) | Video | - | - | - | - | - | - | - | - | 3.25 | 3.60 |
| | TollTag | - | - | - | - | - | - | - | - | 2.25 | 2.40 |
| Main Lane Gantry 2 (5) | Video | - | - | - | - | - | - | - | - | 8.55 | 9.30 |
| | TollTag | - | - | - | - | - | - | - | - | 5.90 | 6.20 |
| Main Lane Gantry 3 (6) | Video | - | - | - | - | - | - | - | - | - | 10.20 |
| | TollTag | - | - | - | - | - | - | - | - | - | 6.80 |
| Lewisville Lake Toll Bridge: | | | | | | | | | | | |
| Mainlane Plaza (7) | Video | - | - | - | - | - | - | - | - | - | 7.50 |
| | TollTag | - | - | - | - | - | - | - | - | - | 5.00 |

(1) Main Lane Plaza 4 opened September 2007
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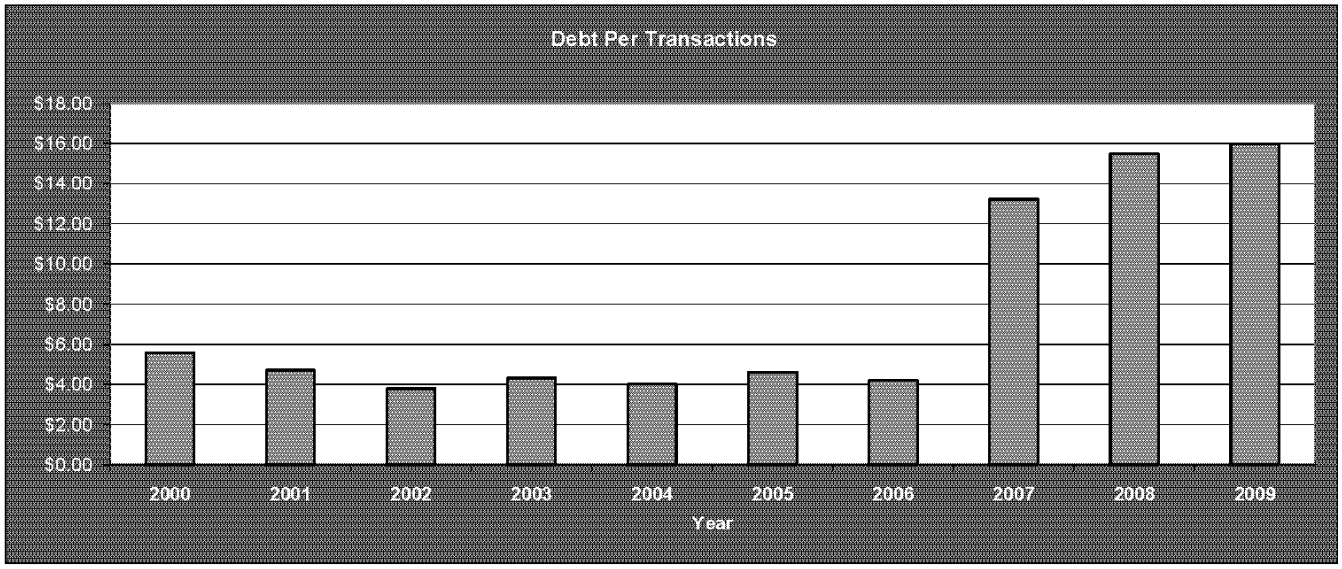
(6) Main Lane Plaza 3 on SRT opened September 2009
(7) Lewisville Lake Toll Bridge opened August 2009
Note----Other toll collection points (Ramp Plazas) are not shown on this schedule.

# NORTH TEXAS TOLLWAY AUTHORITY
## Ratio of Outstanding Debt by Type
## Business-Type Activities
## Last Ten Fiscal Years
## (Unaudited)

| Year | Revenue Bonds | Bond Anticipation Notes | Commercial Paper Notes Payable | Texas Department of Transportation ISTEA Loan | Texas Department of Transportation Loan Payable | Total Debt Amount | Total Revenue Vehicle Toll Transactions(1) | Debt Per Transactions | Debt Per Capita(2) |
|---|---|---|---|---|---|---|---|---|---|
| 2000 | $ 930,934,136 | - | - | $ 135,000,000 | $ 4,600,000 | $1,070,534,136 | $ 192,168,272 | $5.57 | $232 |
| 2001 | 925,524,957 | - | $20,000,000 | 135,000,000 | 4,600,000 | 1,085,124,957 | 230,044,912 | 4.72 | 228 |
| 2002 | 921,430,778 | - | 20,000,000 | 135,000,000 | 4,600,000 | 1,081,030,778 | 285,494,321 | 3.79 | 222 |
| 2003 | 1,139,285,000 | - | - | 135,000,000 | 4,600,000 | 1,278,885,000 | 296,140,087 | 4.32 | 259 |
| 2004 | 1,125,735,000 | - | - | 135,000,000 | 4,600,000 | 1,265,335,000 | 315,031,754 | 4.02 | 251 |
| 2005 | 1,420,605,000 | - | - | 135,000,000 | 4,600,000 | 1,560,205,000 | 338,390,215 | 4.61 | 303 |
| 2006 | 1,390,130,000 | - | 25,000,000 | 135,000,000 | 4,600,000 | 1,554,730,000 | 370,696,171 | 4.19 | 293 |
| 2007 | 1,368,550,000 | $3,487,245,000 | 75,000,000 | 135,000,000 | 4,600,000 | 5,070,395,000 | 383,481,098 | 13.22 | 934 |
| 2008 | 6,150,814,166 | - | 89,700,000 | 135,000,000 | 4,600,000 | 6,380,114,166 | 412,272,003 | 15.48 | 1,147 |
| 2009 | 7,122,390,015 | - | 5,200,000 | 146,609,022 | 4,600,000 | 7,278,799,037 | 455,546,197 | 15.98 | 1,283 |

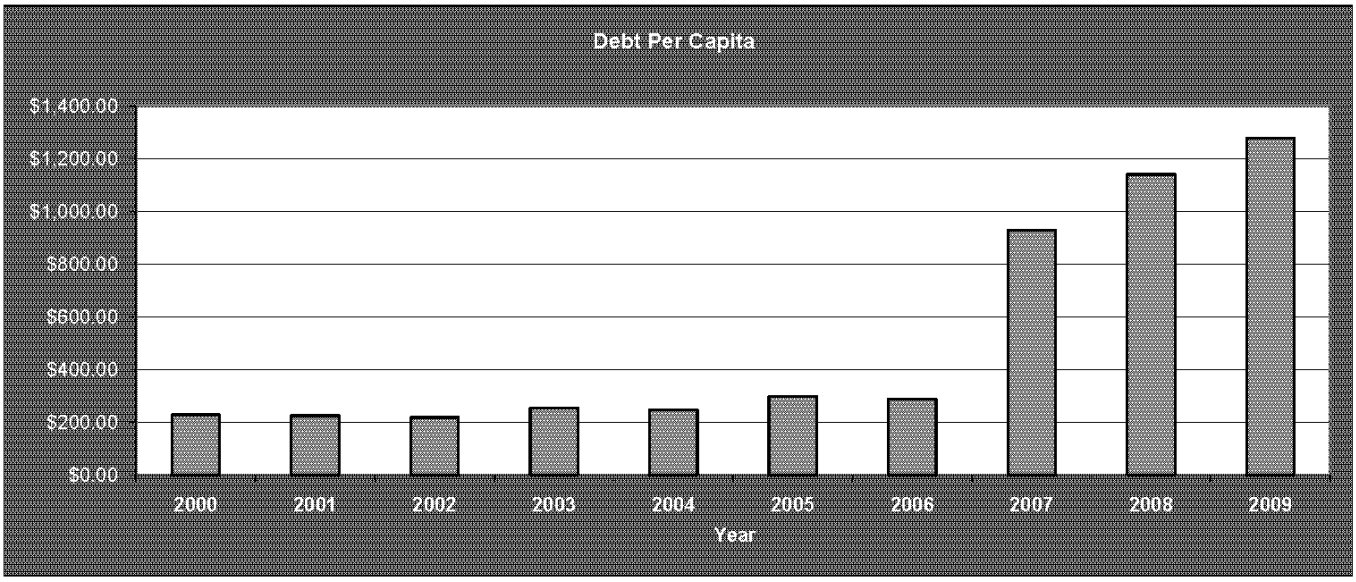
Note---Details on the System's outstanding debt can be found in the notes to the financial statements.
(1) See table of Traffic and Toll Revenue on page 76.
(2) See table of Demographic Data on page 84.



NORTH TEXAS TOLLWAY AUTHORITY
Ratio of Revenue-backed Debt Outstanding
Business-Type Activities
Last Ten Fiscal Years
(Unaudited)

| Year | Revenue Bonds | Bond Anticipation Notes | Less: amounts Available in Bond Redemption Account | Commercial Paper Notes Payable | Texas Department of Transportation ISTEA Loan | Total Debt Amount | Annual Toll Revenues(1) | Debt Per Annual Toll Revenue | Debt Per Capita(2) |
|---|---|---|---|---|---|---|---|---|---|
| 2000 | $930,934,136 | - | ($7,561,208) | - | $135,000,000 | $1,058,372,928 | $93,901,576 | 11 | $229 |
| 2001 | 925,524,957 | - | (6,215,744) | $20,000,000 | 135,000,000 | 1,074,309,213 | 107,210,124 | 10 | 226 |
| 2002 | 921,430,778 | - | (11,645,000) | 20,000,000 | 135,000,000 | 1,064,785,778 | 137,945,439 | 8 | 219 |
| 2003 | 1,139,285,000 | - | (13,553,662) | - | 135,000,000 | 1,260,731,338 | 149,323,784 | 8 | 255 |
| 2004 | 1,125,735,000 | - | (15,447,037) | - | 135,000,000 | 1,245,287,963 | 160,695,030 | 8 | 247 |
| 2005 | 1,420,605,000 | - | (17,311,773) | - | 135,000,000 | 1,538,293,227 | 172,537,345 | 9 | 299 |
| 2006 | 1,390,130,000 | - | (22,008,278) | 25,000,000 | 135,000,000 | 1,528,121,722 | 191,434,120 | 8 | 288 |
| 2007 | 1,368,550,000 | $3,487,245,000 | (23,240,000) | 75,000,000 | 135,000,000 | 5,042,555,000 | 202,675,564 | 25 | 929 |
| 2008 | 6,150,814,166 | - | (34,110,000) | 89,700,000 | 135,000,000 | 6,341,404,166 | 240,776,791 | 26 | 1140 |
| 2009 | 7,122,390,015 | - | (32,170,000) | 5,200,000 | 146,609,022 | 7,242,029,037 | 290,404,547 | 25 | 1277 |

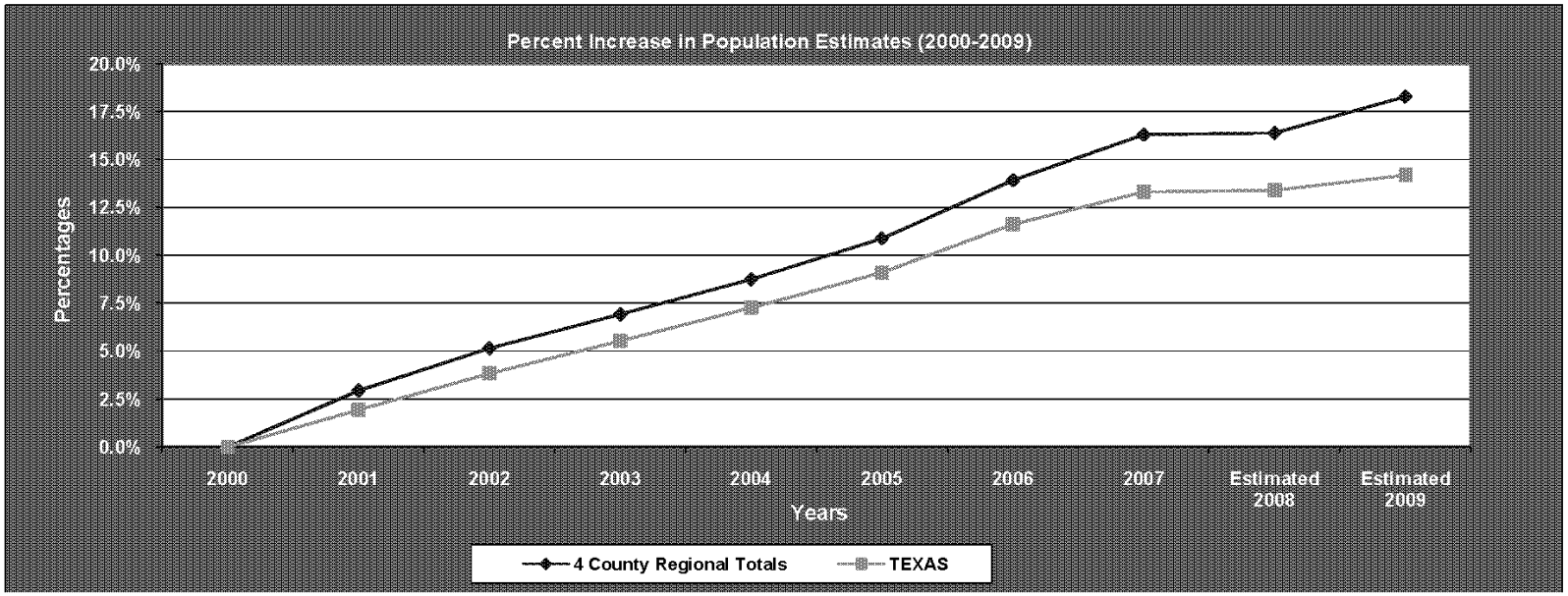
Note----Details on the System's outstanding debt can be found in the notes to the financial statements.
(1) See table of Traffic and Toll Revenue on page 76.
(2) See table of Demographic Data on page 84.



NORTH TEXAS TOLLWAY AUTHORITY
Demographic Data-Combined Four Region and State of Texas Population Estimated Data
For Years 2000-2009

| Year | COLLIN | DALLAS | DENTON | TARRANT | Est. Four County Regional Totals | Estimated Texas Totals | Percentage Change (From Prior Years) | |
|---|---|---|---|---|---|---|---|---|
| | | | | | | | 4 County | TEXAS |
| 2000 | 500,224 | 2,225,945 | 438,869 | 1,454,612 | 4,619,650 | 20,951,848 | N/A | N/A |
| 2001 | 538,200 | 2,264,243 | 463,681 | 1,489,516 | 4,755,640 | 21,357,926 | 2.94% | 1.94% |
| 2002 | 569,438 | 2,276,489 | 488,311 | 1,526,307 | 4,860,545 | 21,762,430 | 2.21% | 1.89% |
| 2003 | 597,536 | 2,282,284 | 510,292 | 1,556,747 | 4,946,859 | 22,134,047 | 1.78% | 1.71% |
| 2004 | 628,757 | 2,290,710 | 531,054 | 1,586,277 | 5,036,798 | 22,517,901 | 1.82% | 1.73% |
| 2005 | 660,926 | 2,308,527 | 554,994 | 1,619,666 | 5,144,113 | 22,928,508 | 2.13% | 1.82% |
| 2006 | 698,851 | 2,345,815 | 584,238 | 1,671,295 | 5,300,199 | 23,507,783 | 3.03% | 2.53% |
| 2007 | 730,690 | 2,366,511 | 612,357 | 1,717,435 | 5,426,993 | 23,904,380 | 2.39% | 1.69% |
| Estimated 2008 | 762,010 | 2,412,827 | 636,557 | 1,750,091 | 5,561,485 | 24,326,974 | 2.48% | 1.77% |
| Estimated 2009 | 764,500 | 2,471,000 | 628,300 | 1,807,750 | 5,671,550 | 24,538,335 | 1.98% | 0.87% |
| **Increase Total from Year 2000 to Year 2009** | **264,276** | **245,055** | **189,431** | **353,138** | **1,051,900** | **3,586,487** | | |

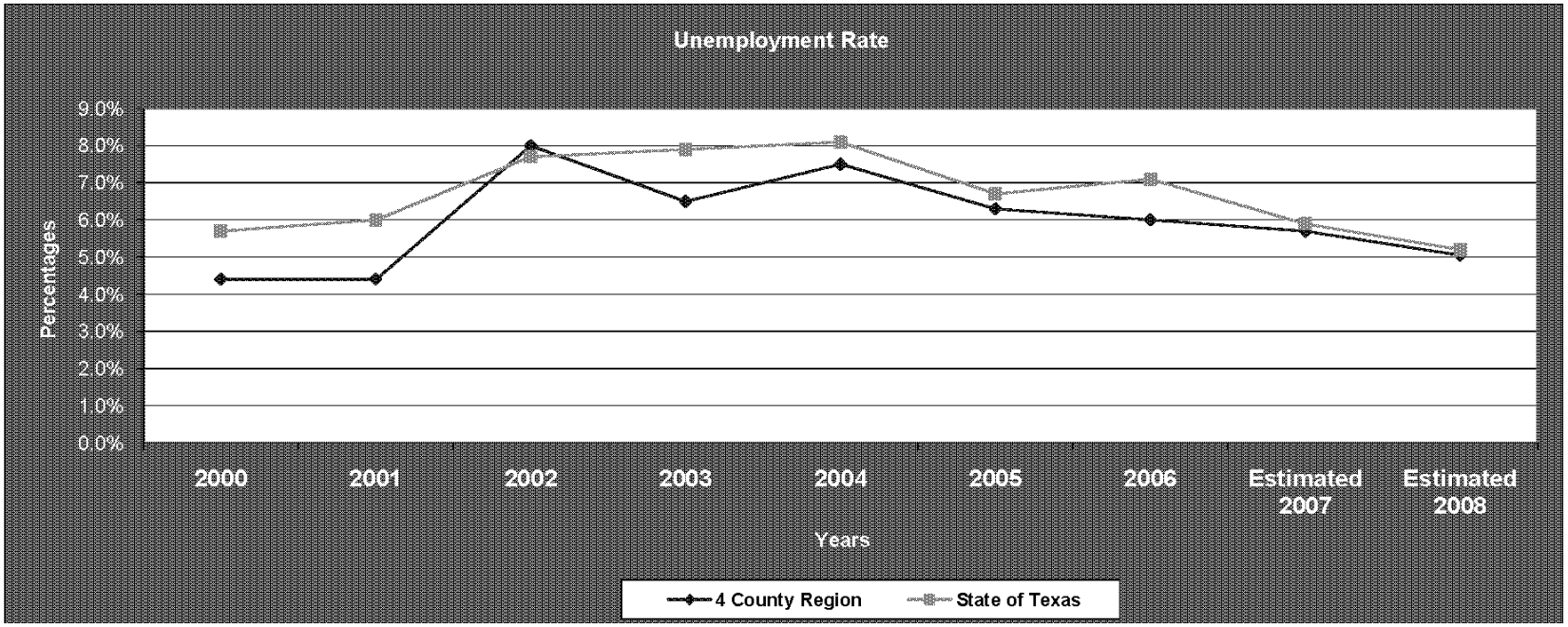
All information obtained from U.S. Census Bureau



NORTH TEXAS TOLLWAY AUTHORITY
Demographic Data-Combined Four County Region and State of Texas Employment Status Estimates
For Years 2000-2008

| | Year | COLLIN | DALLAS | DENTON | TARRANT | Combined Four County Regional Estimated Totals | Texas Estimated Totals | Unemployment Rate 4 County | Unemployment Rate Texas |
|---|---|---|---|---|---|---|---|---|---|
| | 2000 | 275,187 | 1,166,274 | 248,592 | 758,223 | 2,448,276 | 10,003,606 | 4.4% | 5.7% |
| | 2001 | 298,648 | 1,171,386 | 249,260 | 775,930 | 2,495,224 | 10,125,306 | 4.4% | 6.0% |
| | 2002 | 308,228 | 1,194,564 | 276,897 | 799,447 | 2,579,136 | 10,402,410 | 8.0% | 7.7% |
| | 2003 | 325,039 | 1,176,107 | 287,142 | 814,196 | 2,602,484 | 10,556,464 | 6.5% | 7.9% |
| | 2004 | 347,165 | 1,197,167 | 301,511 | 835,363 | 2,681,206 | 10,851,249 | 7.5% | 8.1% |
| | 2005 | 367,651 | 1,177,947 | 312,530 | 840,440 | 2,698,568 | 11,024,191 | 6.3% | 6.7% |
| | 2006 | 389,629 | 1,219,541 | 337,144 | 884,101 | 2,830,415 | 11,617,834 | 6.0% | 7.1% |
| Estimated | 2007 | 400,678 | 1,205,730 | 344,810 | 904,015 | 2,855,233 | 11,647,654 | 5.7% | 5.9% |
| Estimated | 2008 | 407,840 | 1,180,870 | 346,869 | 877,646 | 2,813,225 | 11,466,657 | 5.1% | 5.2% |
| Increase Total from Year 2000 to Year 2008 | | 132,653 | 14,596 | 98,277 | 119,423 | 364,949 | 1,463,051 | | |

All information obtained from U.S. Census Bureau



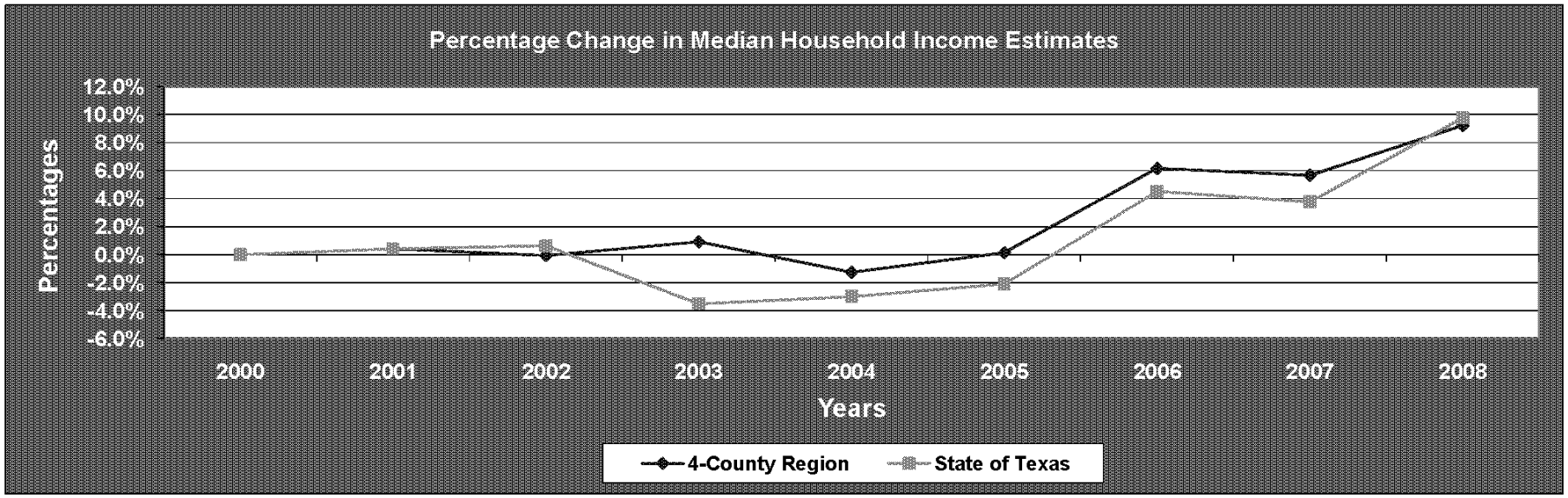
NORTH TEXAS TOLLWAY AUTHORITY

Demographic Data - Combined Four County Region and State of Texas Median Household Income Estimates

For Years 2000 - 2008

| Year | COLLIN | DALLAS | DENTON | TARRANT | Four County Regional Totals | Texas | Percentage Change from Prior Years | |
|---|---|---|---|---|---|---|---|---|
| | | | | | Estimated Avg Median Income | Estimated Avg Median Income | 4 County | Texas |
| 2000 | $70,487 | $45,831 | $56,807 | $50,638 | $55,941 | $43,065 | N/A | N/A |
| 2001 | 70,181 | 44,829 | 60,898 | 48,821 | 56,182 | 43,253 | 0.43% | 0.44% |
| 2002 | 70,292 | 44,678 | 56,814 | 51,860 | 55,911 | 43,343 | -0.48% | 0.21% |
| 2003 | 71,458 | 44,189 | 62,013 | 48,185 | 56,461 | 41,548 | 0.98% | -4.14% |
| 2004 | 68,567 | 43,444 | 61,528 | 47,369 | 55,227 | 41,759 | -2.19% | 0.51% |
| 2005 | 70,784 | 42,598 | 61,520 | 49,104 | 56,002 | 42,139 | 1.40% | 0.91% |
| 2006 | 74,051 | 44,815 | 66,792 | 51,813 | 59,368 | 44,922 | 6.01% | 6.60% |
| 2007 | 79,657 | 46,372 | 71,109 | 53,459 | 62,649 | 47,548 | 5.53% | 5.85% |
| 2008 | 81,395 | 47,085 | 73,544 | 56,251 | 64,569 | 50,043 | 3.06% | 5.25% |
| Averaged Yearly Totals | $72,986 | $44,871 | $63,447 | $50,833 | $58,034 | $44,180 | | |

All information obtained from U.S. Census Bureau



NORTH TEXAS TOLLWAY AUTHORITY
North Texas Four County Region's Top Ten Employers

## 2009

### COLLIN COUNTY TOP TEN EMPLOYERS

| EMPLOYER | NUMBER OF EMPLOYEES | PERCENTAGE OF TOTAL EMPLOYMENT | INDUSTRY |
|---|---|---|---|
| BANK OF AMERICA HOME LOANS(FORMERLY CONTRYWIDE HOME LOANS) | 9,410 | 2.31% | FINANCE |
| JC PENNEY (CORPORATE HQ) | 5,100 | 1.25% | RETAIL |
| EDS | 5,000 | 1.23% | PROF/TECH |
| DELL PEROT SYSTEMS | 2,850 | 0.70% | PROF/TECH |
| UNIVERSITY OF TEXAS AT DALLS | 2,830 | 0.69% | EDUCTATION |
| RAYTHEON | 2,500 | 0.61% | MANUFACTURING |
| CHC ACQUISTION CORP(COMMUNICATIONS HEALTH CORP) | 2,000 | 0.49% | HEALTH CARE |
| ALCATEL | 1,830 | 0.45% | MANUFACTURING |
| T-MOBILE USA INC | 1,500 | 0.37% | TECHNOLOGY |
| TEXAS HEALTH PRESBYTERIAN HOSPITAL PLANO (FORMERLY PRESBYTERIAN HOSPITAL OF PLANO | 1,488 | 0.18% | HEALTH CARE |
| Total | 34,508 | 8.28% | |

### DALLAS COUNTY TOP TEN EMPLOYERS

| EMPLOYER | NUMBER OF EMPLOYEES | PERCENTAGE OF TOTAL EMPLOYMENT | INDUSTRY |
|---|---|---|---|
| TEXAS INSTRUMENTS HQ | 9,800 | 0.83% | MANUFACTURING |
| PARKLAND MEMORIAL HOSPITAL | 9,178 | 0.78% | HEALTH CARE |
| UT SOUTHWESTERN MED CENTER | 8,545 | 0.72% | HEALTH CARE |
| BAYLOR MEDICAL CENTER DALLAS | 5,500 | 0.47% | HEALTH CARE |
| CHILDREN'S MEDICAL CENTER DALLAS | 5,199 | 0.44% | HEALTH CARE |
| SOUTHWEST AIRLINES | 5,049 | 0.43% | TRANSPORTATION |
| CITIGROUP | 5,000 | 0.42% | FINANCE |
| TEXAS HEALTH PRESBYTERIAN HOSPITAL DALLAS (FORMERLY PRESBYTERIAN HOSPITAL OF DALLAS | 4,019 | 0.34% | HEALTH CARE |
| ASSOCIATES FIRST CAPITAL CORP | 4,000 | 0.34% | FINANCE |
| VA NORTH TEXASHEALTH CARE SYSTEM | 3,938 | 0.33% | PUBLIC ADMINISTRATION |
| Total | 60,228 | 5.10% | |

### DENTON COUNTY TOP TEN EMPLOYERS

| EMPLOYER | NUMBER OF EMPLOYEES | PERCENTAGE OF TOTAL EMPLOYMENT | INDUSTRY |
|---|---|---|---|
| UNIVERSITY OF NORTH TEXAS | 7,762 | 2.24% | EDUCATION |
| AMERICAN AIRLINES ALLIANCE MAINTENANCE BASE | 2,105 | 0.61% | TRANSPORTATION |
| FRITO-LAY INC | 2,000 | 0.58% | MANUFACTURING |
| TEXAS WOMAN'S UNIVERTSITY | 1,586 | 0.46% | EDUCATION |
| DENTON COUNTY (COMMISIONERS COURT) | 1,565 | 0.45% | PUBLIC ADMINISTRATION |
| DENTON STATE SCHOOL | 1,500 | 0.43% | HEALTH CARE |
| WAL- MART DISTRIBUTION CENTER | 1,500 | 0.43% | WAREHOUSE |
| PETERBIL MOTORS CO | 1,500 | 0.43% | MANUFACTURING |
| CENTEX HOME EQUITY COMPANY,LLC | 1,400 | 0.40% | FINANCE |
| EMC MORTGAGE CORP | 1,000 | 0.29% | FINANCE |
| Total | 21,918 | 6.25% | |

### TARRANT COUNTY TOP TEN EMPLOYERS

| EMPLOYER | NUMBER OF EMPLOYEES | PERCENTAGE OF TOTAL EMPLOYMENT | INDUSTRY |
|---|---|---|---|
| LOCKHEED MARTIN CORP | 13,500 | 1.54% | MANUFACTURING |
| AMEERICAN AIRLINES/AMR | 11,709 | 1.33% | TRANSPORTATION |
| AMERICAN AIRLINES/AMR HQ | 6,500 | 0.74% | TRANSPORTATION |
| NAS FORT WORTH JOINT RESERVE BASE | 5,361 | 0.61% | PUBLIC ADMINISTRATION |
| UNIVERSITY OF TEXAS AT ARLINGTON | 5,300 | 0.60% | EDUCATION |
| JPS HEALTH NETWORK/JOHN PETER SMITH HOSPITAL | 4,302 | 0.49% | HEALTH CARE |
| TEXAS HEALTH HARRIS METHODIST FORT WORTH HOSPITAL (FORMERLY HARRIS METHODIST FORT WORTH HOSPITAL) | 3,968 | 0.45% | HEALTH CARE |
| BELL HELICOPTER TEXTRON PLANT 1 | 3,820 | 0.44% | MANUFACTURING |
| COWBOYS STADIUM | 3,500 | 0.40% | ARTS/ENTERTAINMENT |
| ALCON LABORATIORIES INC | 3,300 | 0.38% | MANUFACTURING |
| Total | 61,260 | 6.98% | |

## 2000

### COLLIN COUNTY TOP TEN EMPLOYERS

| EMPLOYER | NUMBER OF EMPLOYEES | PERCENTAGE OF TOTAL EMPLOYMENT | INDUSTRY |
|---|---|---|---|
| J.C PENNEY CO..INC. | 10,000 | 5.96% | RETAIL |
| EDS | 8,200 | 4.89% | PROF/TECH |
| NORTEL NETWORKS | 8,000 | 4.77% | PROF/TECH |
| ALCATEL USA | 7,000 | 4.17% | PROF/TECH |
| PLANO INDEPENDENT SCHOOL DISTRICT | 5,000 | 2.98% | EDUCTATION |
| RICHARDSON ISD | 4,000 | 2.38% | EDUCTATION |
| FUJITSU NETWORK COMMUNICATIONS | 3,200 | 1.91% | PROF/TECH |
| BLUE CROSS AND BLUE SHIELD OF TEXAS | 3,104 | 1.85% | HEALTH CARE |
| METROMEDIA RESTAURANT GROUP | 3,000 | 1.79% | RESTAURANT |
| ERICSSON,INC | 2,500 | 1.49% | PROF/TECH |
| Total | 54,004 | 32.19% | |

### DALLAS COUNTY TOP TEN EMPLOYERS

| EMPLOYER | NUMBER OF EMPLOYEES | PERCENTAGE OF TOTAL EMPLOYMENT | INDUSTRY |
|---|---|---|---|
| RAYTHEON COMPANY | 20,000 | 1.28% | MANUFACTURING |
| DALLAS INDEPENDENT SCHOOL DISTRICT | 17,169 | 1.10% | EDUCATION |
| VERIZON | 14,500 | 0.93% | PROF/TECH |
| CITY OF DALLAS | 14,200 | 0.91% | PUBLIC ADMINISTRATION |
| BAYLOR HEALTH CARE SYSTEM | 13,000 | 0.83% | HEALTH CARE |
| U.S POSTAL SERVICE -DALLAS DISTRICT | 12,418 | 0.79% | PUBLIC ADMINISTRATION |
| TEXAS INSTRUMENTS INCORPORATED | 11,000 | 0.70% | PROF/TECH |
| SOUTHWESTERN BELL TELEPHONE | 10,590 | 0.68% | PROF/TECH |
| BANK OF AMERICA | 10,300 | 0.66% | FINANCE |
| TOM THUMB FOOD & PHARMACY | 9,000 | 0.57% | RETAIL |
| Total | 132,177 | 8.44% | |

### DENTON COUNTY TOP TEN EMPLOYERS

| EMPLOYER | NUMBER OF EMPLOYEES | PERCENTAGE OF TOTAL EMPLOYMENT | INDUSTRY |
|---|---|---|---|
| MINYARD FOOD STORES,INC. | 7,000 | 5.85% | RETAIL |
| UNIVERSITY OF NORTH TEXAS | 5,000 | 4.18% | PUBLIC ADMINISTRATION |
| PETERBILT MOTORS COMPANY | 2,000 | 1.67% | MANUFACTURING |
| DENTON ISD | 1775 | 1.48% | EDUCATION |
| DENTON STATE SCHOOL | 1,600 | 1.34% | PUBLIC ADMINISTRATION |
| TEXAS WOMAN'S UNIVERSITY | 1,200 | 1.00% | EDUCATION |
| DENTON COUNTY | 1,100 | 0.92% | PUBLIC ADMINISTRATION |
| COPPELL ISD | 1,050 | 0.88% | EDUCATION |
| CITY OF DENTON | 906 | 0.76% | EDUCATION |
| GRANDY'S INC. | 850 | 0.71% | RETAIL |
| Total | 22,481 | 18.80% | |

### TARRANT COUNTY TOP TEN EMPLOYERS

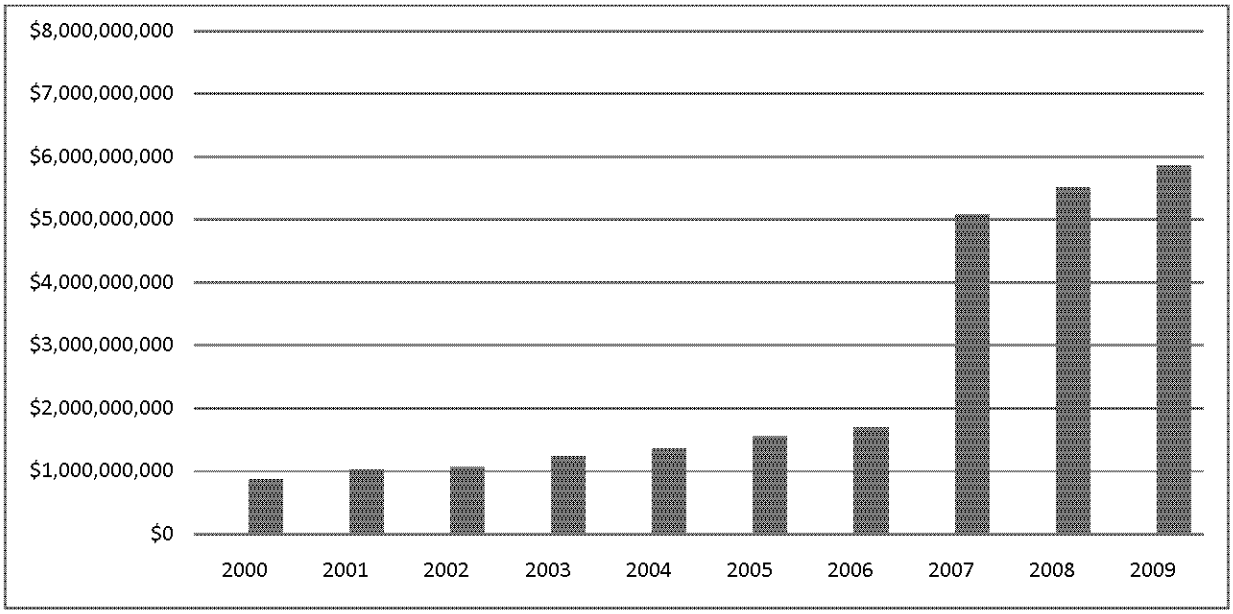
| EMPLOYER | NUMBER OF EMPLOYEES | PERCENTAGE OF TOTAL EMPLOYMENT | INDUSTRY |
|---|---|---|---|
| AMERICAN AIRLINES | 35,000 | 4.98% | TRANSPORTATION |
| KROGER I..P.I ,DALLAS MARKETING AREA | 9,000 | 1.28% | RETAIL |
| SABRE | 7,000 | 1.00% | MANUFACTURING |
| TANDY CORPORATION/RADIO SHACK | 6,800 | 0.97% | PROF/TECH |
| BELL HELICOPTER TEXTRON,INC | 6,300 | 0.90% | RETAIL |
| ALBERTSON'S INC | 5,000 | 0.71% | RETAIL |
| GRAND PRAIRIE ISD | 2,309 | 0.33% | EDUCATION |
| TEXAS DEPARMTENT O HUMAN SERVICES | 2,230 | 0.32% | PUBLIC ADMINISTRATION |
| UNIVERSITY OF TEXAS AT ARLINGTON | 1,879 | 0.27% | EDUCATION |
| TRINITY CONTRACTORS INC. | 1,000 | 0.14% | MANUFACTURING |
| Total | 76,518 | 10.89% | |

**Source: Dallas Major Employers-DFW and Bureau of Labor Statistics**

NORTH TEXAS TOLLWAY AUTHORITY
Contribution to Infrastructure Assets
Last Ten Fiscal Years
(Unaudited)

| Year | Additions | Beginning Balance | Deletions | Ending Balance |
|---|---|---|---|---|
| 2000 | $ 152,803,664 | $ 720,329,749 | - | $ 873,133,413 |
| 2001 | 151,520,819 | 873,133,413 | - | 1,024,654,232 |
| 2002 | 44,935,637 | 1,024,654,232 | - | 1,069,589,869 |
| 2003 | 161,829,348 | 1,069,589,869 | - | 1,231,419,217 |
| 2004 | 97,081,712 | 1,255,767,850 (2) | - | 1,352,849,562 |
| 2005 | 203,757,845 | 1,352,849,562 | - | 1,556,607,407 |
| 2006 | 141,163,305 | 1,556,607,407 | $ (2,923,868) | 1,694,846,844 |
| 2007 | 3,390,485,923 *(1)* | 1,698,121,926 | (983,452) | 5,087,624,397 |
| 2008 | 452,204,613 *(3)* | 5,087,624,397 | (38,340,388) | 5,501,488,622 |
| 2009 | 3,558,138,403 *(4)* | 5,501,488,622 | (3,197,211,448) *(4)* | 5,862,415,577 |

(1) Includes a $3.2 billion payment to Texas Department of Transportation for the acquisition of State Highway 121 Project.
(2) Includes a $24.3 million prior period adjustment for toll collection system.
(3)Deletions include property and equipment previously recorded as infrastructure.
Note----See Notes to Financial Statements number (4) Capital Assets page 35.
(4) Includes reclass from CIP to Roadway due to the completion of Sam Rayburn Tollway



NORTH TEXAS TOLLWAY AUTHORITY
Toll Revenue Analysis
Last Ten Fiscal Years
(Unaudited)

| Toll Revenue | | | | | |
|---|---|---|---|---|---|
| Year | | Two-Axle Vehicles | Multi-Axle Vehicles | Adjustments | Total |
| 2000 | (1) | $ 94,246,563 | $ 1,947,823 | $ (615,915) | $ 95,578,471 |
| 2001 | (2) | 107,284,640 | 1,972,867 | (2,047,383) | 107,210,124 |
| 2002 | (3) | 157,445,951 | 2,959,988 | (22,460,500) | 137,945,439 |
| 2003 | | 161,376,894 | 4,040,344 | (16,093,454) | 149,323,784 |
| 2004 | (4) | 169,631,935 | 4,635,864 | (13,572,769) | 160,695,030 |
| 2005 | (5) | 180,444,481 | 5,424,704 | (13,331,840) | 172,537,345 |
| 2006 | | 197,742,740 | 6,695,120 | (13,003,740) | 191,434,120 |
| 2007 | (6) | 214,283,866 | 8,189,103 | (19,797,405) | 202,675,564 |
| 2008 | (7) | 262,432,292 | 12,115,529 | (33,771,030) | 240,776,791 |
| 2009 | (8) | 333,428,667 | 16,308,187 | (59,332,307) | 290,404,547 |
| **Toll Revenue - Average Per Day** | | | | | |
| Year | | Two-Axle Vehicles | Multi-Axle Vehicles | Adjustments | Average |
| 2000 | (1) | $ 257,505 | $ 5,322 | $ (1,683) | $ 261,144 |
| 2001 | (2) | 293,931 | 5,405 | (5,609) | 293,727 |
| 2002 | (3) | 431,359 | 8,110 | (61,536) | 377,933 |
| 2003 | | 442,128 | 11,069 | (44,092) | 409,105 |
| 2004 | (4) | 463,475 | 12,666 | (37,084) | 439,057 |
| 2005 | (5) | 494,368 | 14,862 | (36,526) | 472,704 |
| 2006 | | 541,761 | 18,343 | (35,627) | 524,477 |
| 2007 | (6) | 587,079 | 22,436 | (54,239) | 555,276 |
| 2008 | (7) | 717,028 | 33,103 | (92,271) | 657,860 |
| 2009 | (8) | 913,503 | 44,680 | (162,554) | 795,629 |

(1) Reflects the opening of Segment IIb of the President George Bush Turnpike in May 2000.
(2) Reflects the opening of Segment III of the President George Bush Turnpike from Midway Road to Frankford in March 2001 to IH 35 in July 2001 and Segment V on December 2001.
(3) Toll rate increase for the President George Bush Turnpike went into effect in January 2002. High speed lanes installed (Open Lane Tolling)
(4) Reflects the completion of DNT and State Highway 121 interchange on April 2004.
(5) Reflects the opening of Segment IV of the President George Bush Turnpike in September 2005.
(6) Reflects the opening of DNT Phase 3 and toll rate increase in late September 2007. Installation of ZipCash (Video Tolling) on Main Lane Plaza 1.
(7) Reflects the opening of Sam Rayburn Tollway in September 2008 as the Authority's first all ETC facility. Adjustments includes transaction to be invoiced.
(8) Reflects the opening of Lake Lewisville in October 2009.

NORTH TEXAS TOLLWAY AUTHORITY
Total Lane Miles Operating and Number of Employees by Department
Last Ten Fiscal Years

| Lane Miles | Year | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 |
| Total Lane Miles | 231 | 272 | 297 | 306 | 315 | 315 | 339 | 355 | 439 | 777 |

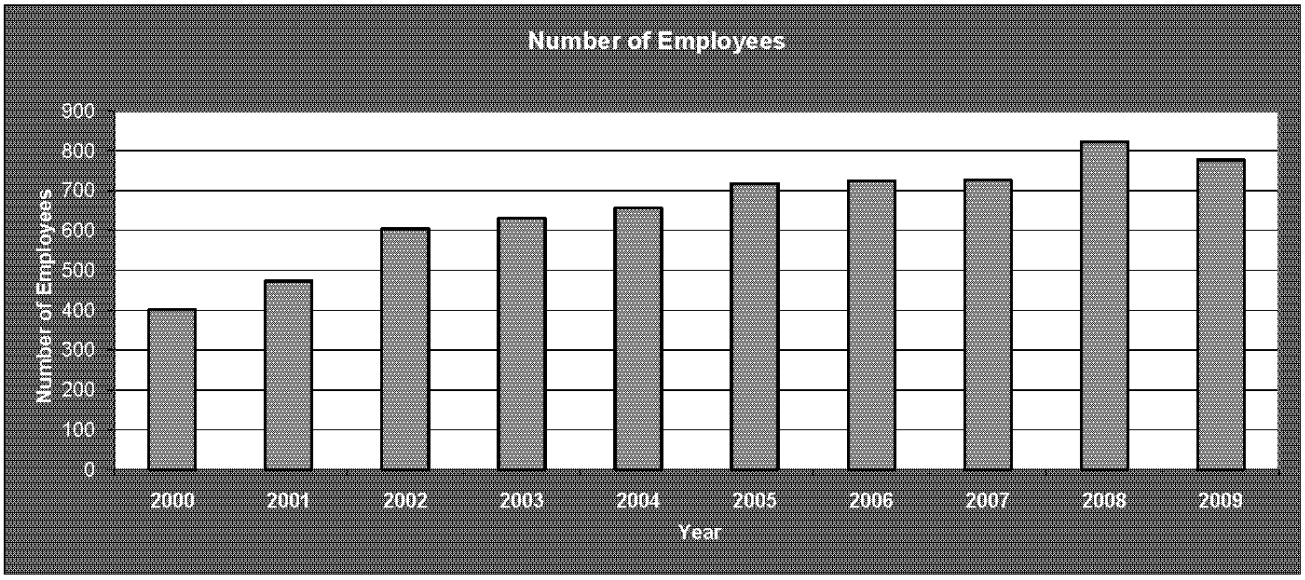
Note---Lane miles are recorded during the year in proportionate to the number of month they were operational.

| Full-time Equivalent Employees | Year | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Function | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 |
| Administration | 5 | 5 | 6 | 6 | 11 | 7 | 9 | 9 | 9 | 6 |
| Board | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1 |
| Operations | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 2 |
| Finance | 4 | 4 | 4 | 4 | 4 | 5 | 5 | 6 | 6 | 10 |
| Business Diversity | 0 | 0 | 0 | 0 | 0 | 0 | 1 | 1 | 3 | 5 |
| Communications | 3 | 4 | 5 | 4 | 3 | 7 | 8 | 9 | 12 | 15 |
| Internal Audit | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 2 | 5 |
| Human Resources | 5 | 9 | 10 | 8 | 8 | 8 | 12 | 12 | 13 | 14 |
| Legal Services | 3 | 3 | 3 | 4 | 4 | 4 | 3 | 3 | 3 | 3 |
| System & Incident Management | 24 | 25 | 23 | 22 | 20 | 26 | 26 | 25 | 51 | 57 |
| Accounting | 7 | 5 | 5 | 5 | 5 | 6 | 7 | 5 | 8 | 7 |
| Information Technology | 10 | 12 | 13 | 16 | 16 | 19 | 19 | 20 | 32 | 47 |
| Vault | 8 | 8 | 15 | 28 | 28 | 31 | 30 | 28 | 23 | 19 |
| Audit - Revenue Reconciliation | 3 | 3 | 2 | 0 | 0 | 6 | 5 | 7 | 6 | 5 |
| Procurement Services | 3 | 3 | 3 | 3 | 3 | 6 | 6 | 6 | 10 | 12 |
| Community Affairs | 0 | 0 | 0 | 0 | 0 | 1 | 1 | 1 | 3 | 3 |
| Toll Collection | 250 | 304 | 402 | 379 | 392 | 412 | 416 | 386 | 321 | 162 |
| Maintenance | 45 | 52 | 65 | 67 | 71 | 76 | 68 | 81 | 178 | 162 |
| Customer Service Center | 24 | 29 | 41 | 75 | 81 | 92 | 98 | 115 | 133 | 228 |
| Project Delivery | 8 | 7 | 7 | 9 | 11 | 12 | 11 | 9 | 6 | 9 |
| Project Evaluation | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 3 | 4 | 0 |
| Cash and Debt Management | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 5 |
| Total | 402 | 473 | 604 | 630 | 657 | 718 | 725 | 726 | 823 | 777 |

Note 1---During 1998 & 1999, Finance, Human Resources and Procurement Services were reported within the Administration Dept.

Note 2---During 2003 & 2004, the Audit function was outsourced.

Note 3 ---Project Evaluation is now Cash Debt and Management.



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# APPENDIX C-2

## UNAUDITED FINANCIAL REPORT OF THE NORTH TEXAS TOLLWAY AUTHORITY FOR THE MONTH ENDED DECEMBER 31, 2010

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# NORTH TEXAS TOLLWAY AUTHORITY

MONTHLY FINANCIAL REPORT

**PRELIMINARY REPORT**

(Does Not Include Year-End Adjustments)

**FOR THE MONTH ENDED**
**DECEMBER 31, 2010**

**Prepared by**
**Finance Department**

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# NORTH TEXAS TOLLWAY AUTHORITY

5900 W. Plano Parkway, Suite 100, Plano, Texas 75093
P.O. Box 260729, Plano, Texas 75026

Victor Vandergriff, Chairman
David Denison, Vice Chairman
Kenneth Barr, Director
Kent Cagle, Director
Bob Day, Director
Bill Moore, Director
Michael Nowels, Director
Robert K. Shepard, Director
Jane Willard, Director

Allen Clemson, Executive Director
Janice D. Davis, Chief Financial Officer

## MONTHLY FINANCIAL REPORT
**December 31, 2010**
**Preliminary**
**(Does Not Include Year-End Adjustments)**

This report is subject to audit and is furnished as general information only.

Janice D. Davis, Chief Financial Officer

E. Ray Zies, Controller

Dana A. Boone, Director of Cash and Debt Management

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**NORTH TEXAS TOLLWAY AUTHORITY**

**December 31, 2010**

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This report is unaudited and is furnished as general information only.

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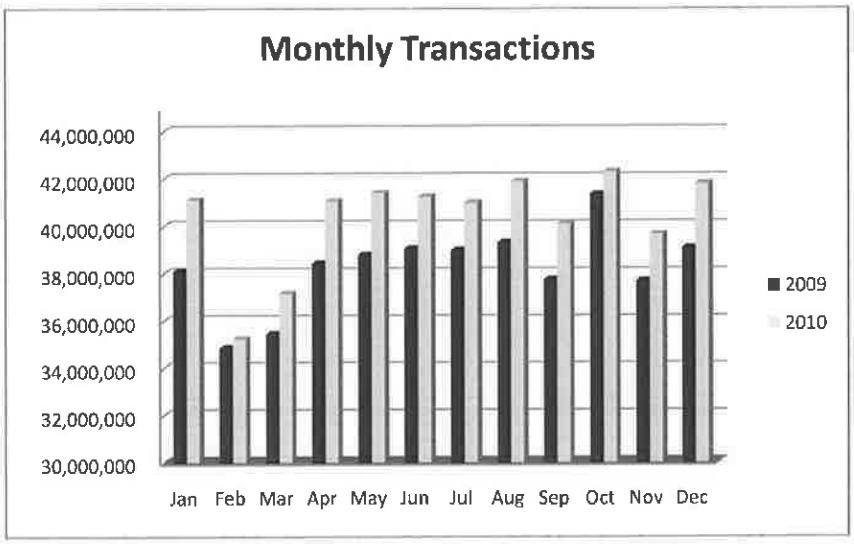
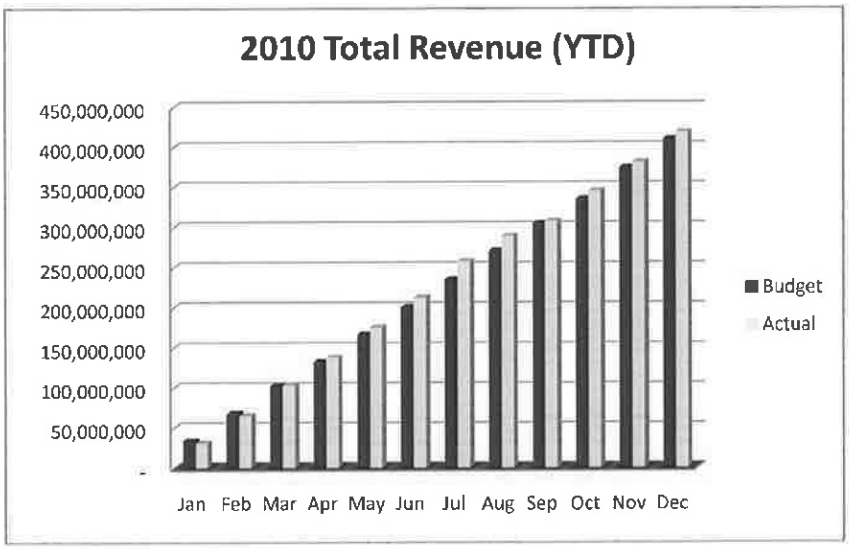
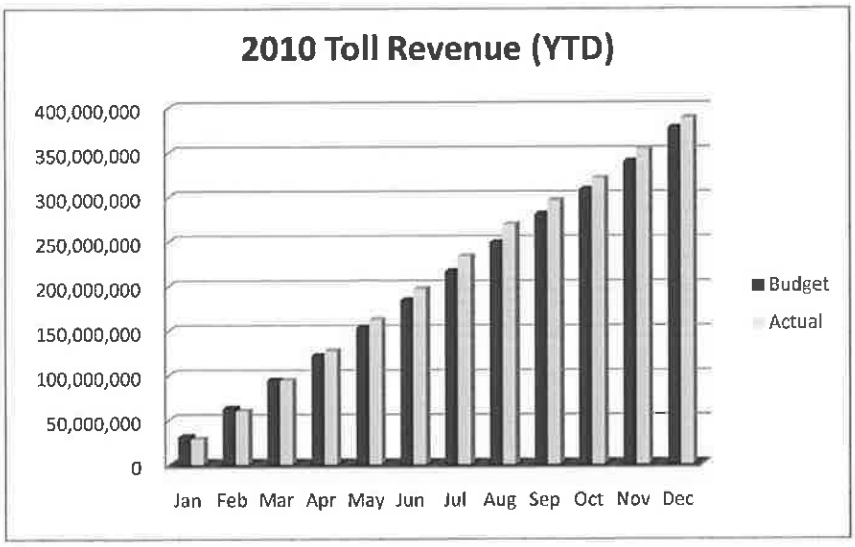
# December 2010 At A Glance

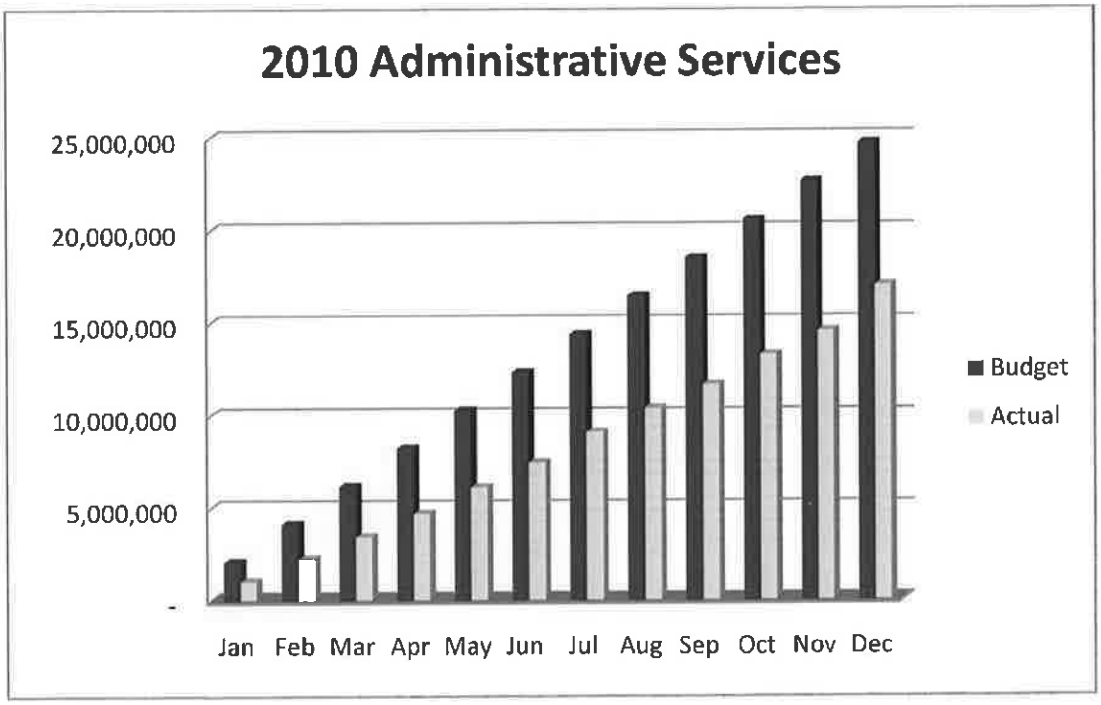


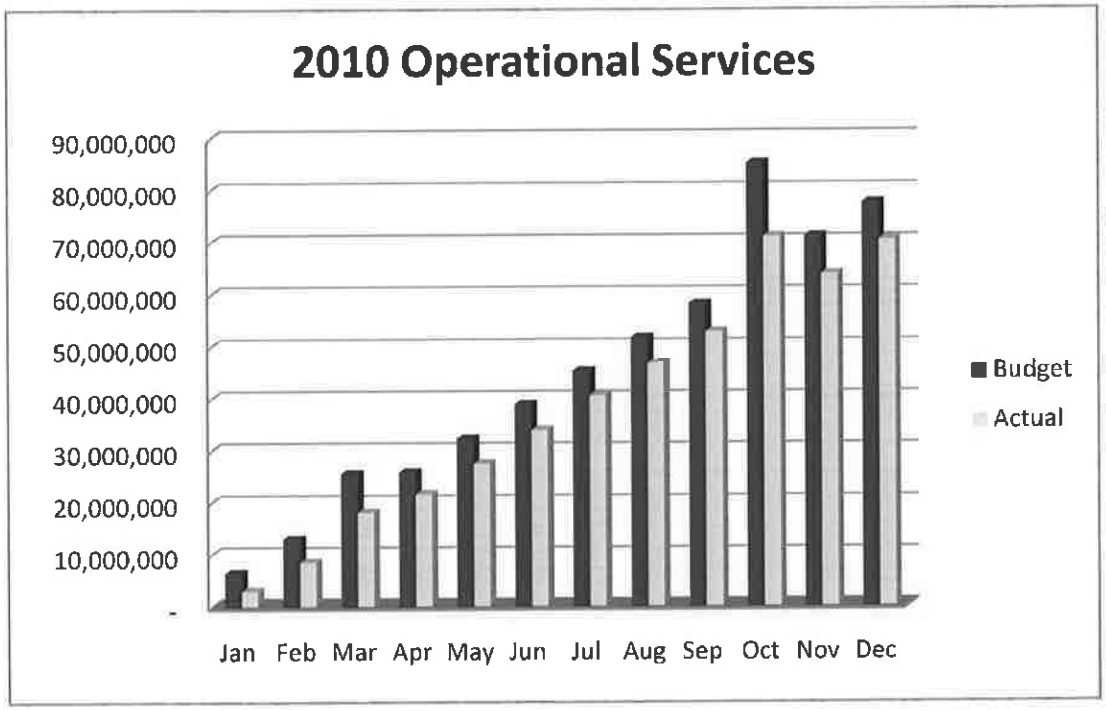




These balances are preliminary
and subject to year-end adjustments

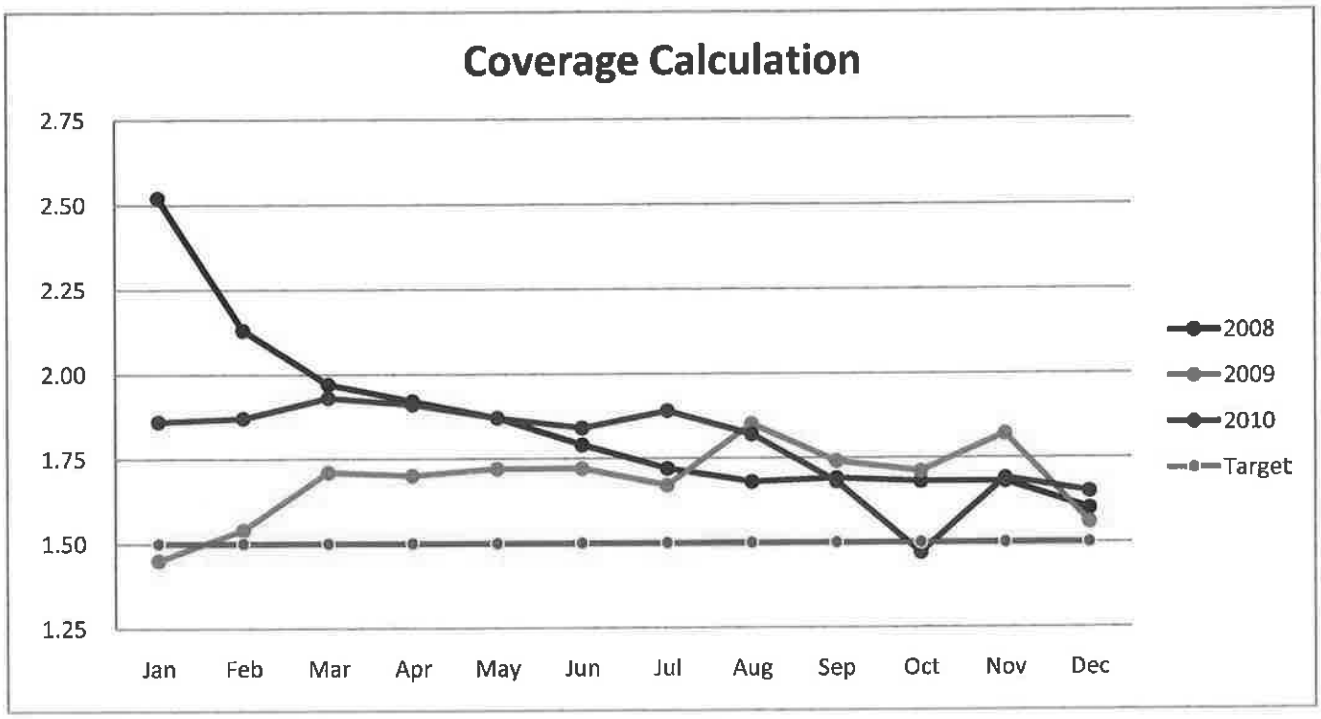
# December 2010 At A Glance

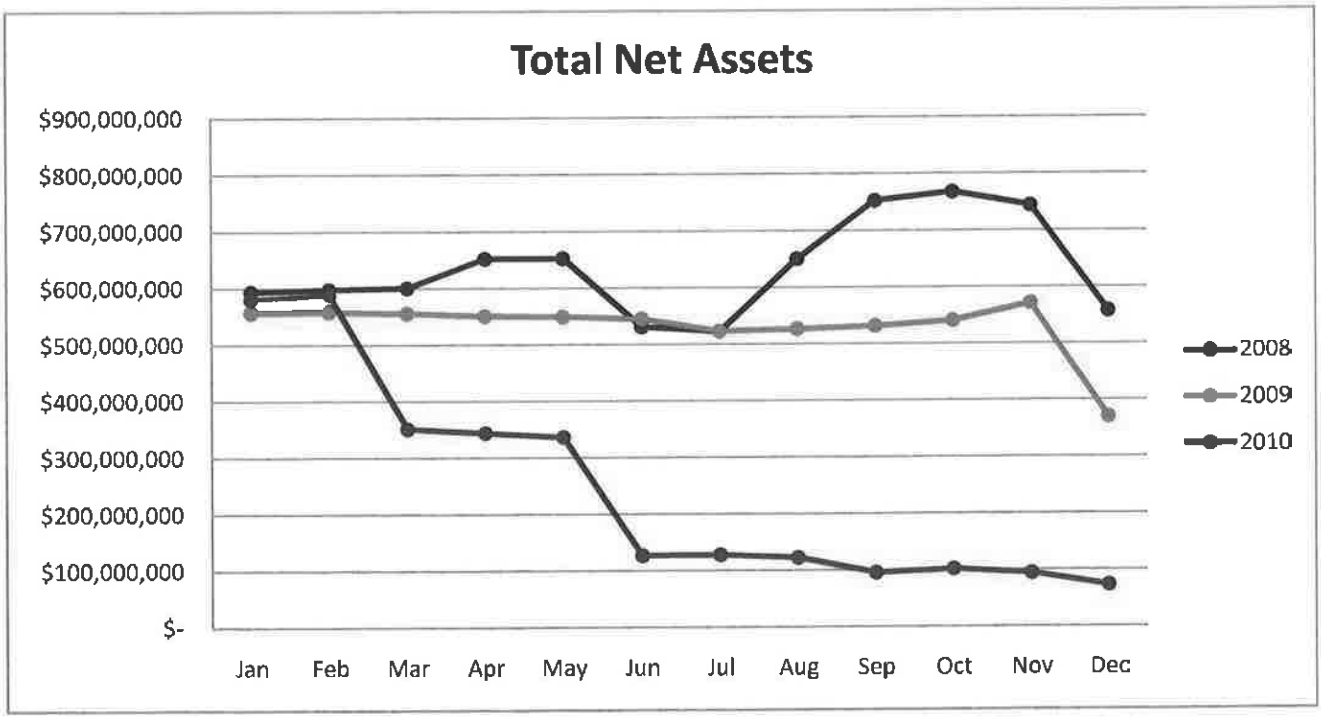


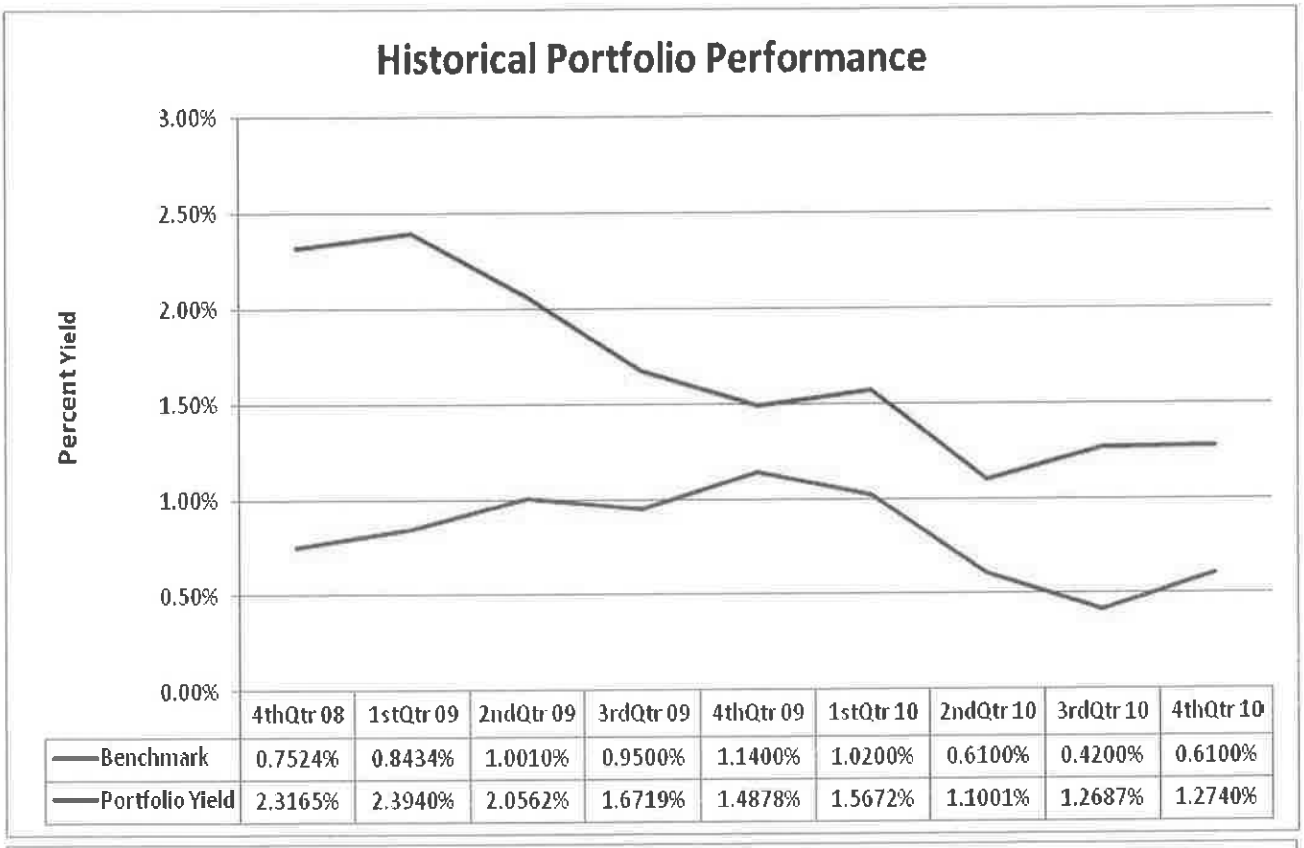

These balances are preliminary
and subject to year-end adjustments

# December 2010 At A Glance

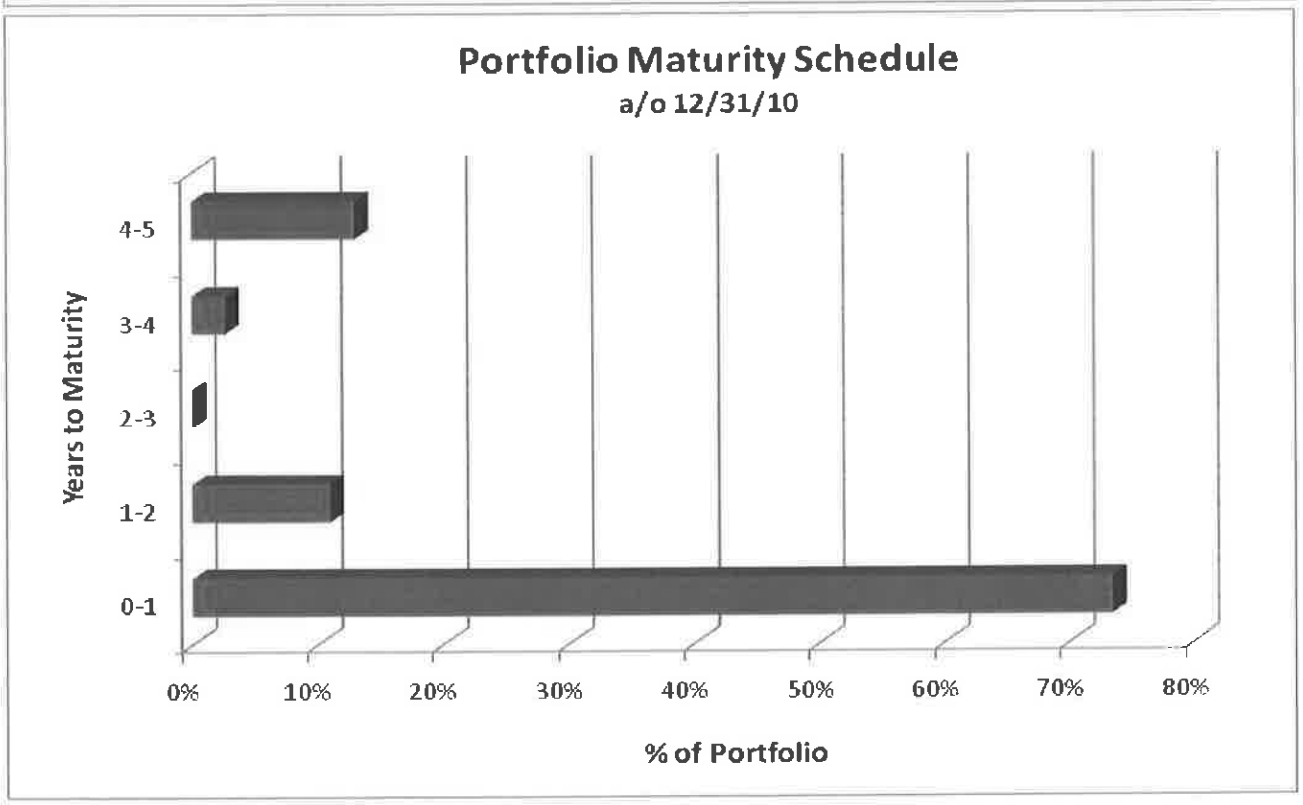


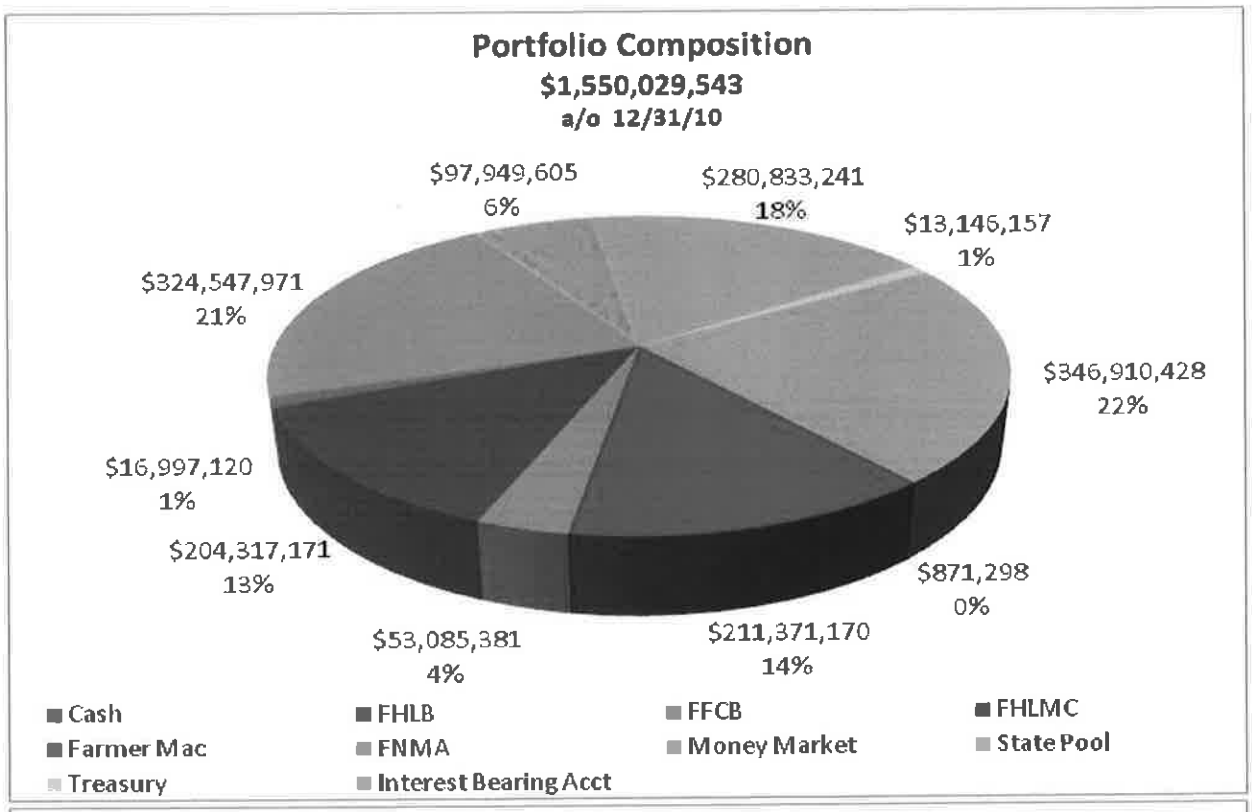



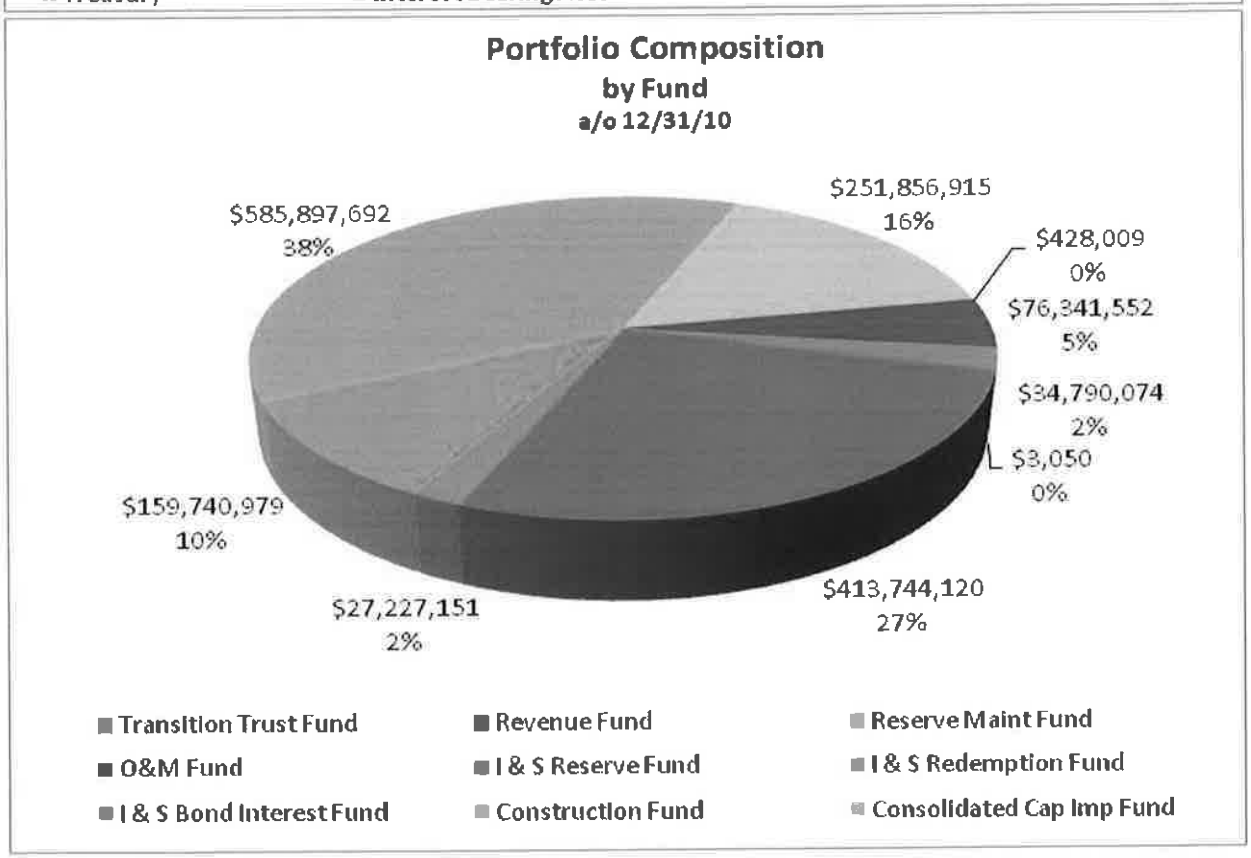

These balances are preliminary
and subject to year-end adjustments




| | 4thQtr 08 | 1stQtr 09 | 2ndQtr 09 | 3rdQtr 09 | 4thQtr 09 | 1stQtr 10 | 2ndQtr 10 | 3rdQtr 10 | 4thQtr 10 |
|---|---|---|---|---|---|---|---|---|---|
| Benchmark | 0.7524% | 0.8434% | 1.0010% | 0.9500% | 1.1400% | 1.0200% | 0.6100% | 0.4200% | 0.6100% |
| Portfolio Yield | 2.3165% | 2.3940% | 2.0562% | 1.6719% | 1.4878% | 1.5672% | 1.1001% | 1.2687% | 1.2740% |






These balances are preliminary
and subject to year-end adjustments

**NORTH TEXAS TOLLWAY AUTHORITY**
**STATEMENT OF NET ASSETS**
**December 31, 2010**
**(Unaudited)**

| ASSETS | Totals | Interfund eliminations/ reclassifications | Construction & Property Fund | Revenue Fund |
|---|---|---|---|---|
| **Current Assets:** | | | | |
| Cash | $ 15,240,884 | - | - | 2,658,164 |
| Investments, at amortized cost | 265,892,502 | - | - | 76,341,552 |
| Accrued interest receivable on investments | 66,528 | - | - | 52,762 |
| Interfund receivables | - | (543,160,463) | - | - |
| Interproject/agency receivables | 629,379 | - | - | 629,379 |
| Accounts receivable | 54,902,954 | - | - | 51,699,596 |
| Allowance for uncollectible accounts | (16,688,316) | - | - | (16,688,316) |
| Inventory at average cost | 2,148,580 | - | - | - |
| Prepaid expenses | 759,800 | - | - | - |
| Total current unrestricted assets | 320,951,109 | (543,160,463) | - | 112,693,137 |
| **Restricted assets:** | | | | |
| Restricted for construction: | | | | |
| Cash | 7,637,492 | - | 7,637,492 | - |
| Investments, at amortized cost | 438,720,067 | (244,276,684) | 585,897,692 | - |
| Accrued interest receivable on investments | 588,395 | - | 588,395 | - |
| Accounts receivable | 1,399,537 | - | 1,399,537 | - |
| Restricted for debt service: | | | | |
| Cash | - | - | - | - |
| Investments, at amortized cost | 432,355,969 | (168,356,261) | - | - |
| Accrued interest receivable on investments | 1,085,839 | - | - | - |
| Accounts receivable | 8,865,559 | - | - | - |
| Restricted for pension benefits and other purposes: | | | | |
| Cash | (6,276) | - | - | - |
| Investments, at amortized cost | 428,010 | - | - | - |
| Accrued interest receivable on investments | - | - | - | - |
| Accounts receivable | - | - | - | - |
| Total current restricted assets | 889,074,740 | (412,632,945) | 595,523,116 | - |
| Total current assets | 1,210,025,849 | (955,793,408) | 595,523,116 | 112,693,137 |
| **Noncurrent Assets:** | | | | |
| Investments, at amortized cost for unrestricted assets | - | - | | |
| Investments, at amortized cost restricted for construction | - | - | | |
| Investments, at amortized cost restricted for debt service | 412,632,945 | 412,632,945 | | |
| Deferred improvement cost | - | - | - | - |
| Deferred financing cost | 88,500,069 | - | 80,860,806 | - |
| Deferred feasibility study cost | 273,319,714 | - | 693 | - |
| Deferred amount on refunding | - | (36,290,433) | 36,290,433 | - |
| Capitalized cost (net of accumulated depreciation) | 6,167,835,470 | (24,359,840) | 6,190,911,650 | - |
| Total noncurrent assets | 6,942,286,197 | 351,972,673 | 6,308,063,561 | - |
| TOTAL ASSETS | 8,152,314,046 | (603,820,736) | 6,903,586,697 | 112,693,137 |
| **LIABILITIES** | | | | |
| **Current liabilities:** | | | | |
| Accounts payable | 1,201,181 | - | - | - |
| Retained from contractors | 8,137,908 | - | - | - |
| Employees' income taxes, payroll taxes, and retirement contributions withheld | 418,263 | - | - | - |
| Accrued payroll | 2,359,865 | - | - | - |
| Interfund payables | - | (543,160,463) | 154,968,886 | 52,918,428 |
| Interproject/agency payables | - | - | - | - |
| Interagency payable | 8,031,912 | | - | 8,726,040 |
| Recurring accrued liabilities | 11,239,949 | - | 8,602,100 | - |
| Deferred income | 31,326,650 | - | - | 31,326,650 |
| Toll tag deposits | 782,395 | - | - | 782,395 |
| Total current unrestricted liabilities | 61,498,122 | (543,160,463) | 163,570,986 | 93,753,513 |
| **Payable from Restricted Assets:** | | | | |
| Construction related payables: | | | | |
| Accounts payable | 577,929 | - | 577,929 | - |
| Retained from contractors | 14,710,240 | - | 14,710,240 | - |
| Deferred grant income (Toll Equity Grant) | 49,819,027 | - | 49,819,027 | - |
| Debt service related payables: | | | | |
| Accrued interest payable on debt | 193,985,620 | - | - | - |
| Accrued interest payable on ISTEA loan | 6,090,717 | - | 6,090,717 | - |
| Accrued arbitrage rebate payable | 15,766 | - | 15,766 | - |
| Commercial paper notes payable | 119,200,000 | - | - | - |
| Revenue Bonds payable, current portion | 29,685,000 | - | 29,685,000 | - |
| Transition trust related payables: | | | | |
| Accounts payable | 721 | - | - | - |
| Recurring accrued liabilities | - | - | - | - |
| Total current liabilities payable from restricted assets | 414,085,020 | - | 100,898,679 | - |
| **Noncurrent liabilities:** | | | | |
| Texas Department of Transportation loan payable | - | - | - | - |
| Texas Department of Transportation - ISTEA loan payable | 145,016,601 | - | 145,016,601 | - |
| Dallas North Tollway Authority revenue bonds payable, net | 7,452,676,285 | (60,660,273) | 7,113,336,558 | - |
| OPEB and workers comp. liabilities | 5,618,914 | - | - | - |
| Total noncurrent liabilities | 7,603,311,800 | (60,660,273) | 7,258,353,158 | - |
| TOTAL LIABILITIES | 8,078,894,940 | (603,820,736) | 7,522,822,823 | 93,753,513 |
| **NET ASSETS** | | | | |
| Invested in capital assets, net of related debt | (729,311,780) | (63,582,848) | (619,236,126) | - |
| **Restricted:** | | | | |
| Restricted for construction | - | - | - | - |
| Restricted for debt service | 837,649,147 | 214,051,437 | - | 18,939,624 |
| Restricted for operations and maintenance | - | - | - | - |
| Held in trust for pension benefits and other purposes | 421,011 | - | - | - |
| **Unrestricted:** | | | | |
| Unrestricted | (36,339,272) | (177,300,630) | - | - |
| Reserved for operations, maintenance, and retiree health benefits | - | (32,517,219) | - | - |
| Reserved for capital improvements | - | 51,947,923 | - | - |
| Reserved for bond redemption | - | 7,411,336 | - | - |
| TOTAL NET ASSETS | $ 73,419,106 | - | (619,236,126) | 18,939,624 |

These balances are preliminary
and subject to year-end adjustments

| Operation & Maint. Fund | Reserve Maint. Fund | Consolidated Capital Improvement Fund | DFW Turnpike Transition Trust Fund | Debt Service Fund: Bond Interest | Debt Service Fund: Reserve Account | Debt Service Fund: Redemption Account |
|---|---|---|---|---|---|---|
| 13,343,790 | (268,935) | (492,336) | - | - | - | - |
| 3,050 | 34,700,074 | 154,757,827 | - | - | - | - |
| - | 5,095 | 8,669 | - | - | - | - |
| - | 63,622 | 101,753,312 | - | 340,286,412 | 11,057,117 | - |
| - | - | - | - | - | - | - |
| 2,420 | - | 3,200,938 | - | - | - | - |
| - | - | - | - | - | - | - |
| 2,148,580 | - | - | - | - | - | - |
| 758,800 | - | - | - | - | - | - |
| 16,256,640 | 34,589,857 | 349,228,409 | - | 340,286,412 | 11,057,117 | - |
| - | - | - | - | - | - | - |
| - | - | 97,099,089 | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | 159,740,979 | 413,744,120 | 27,227,151 |
| - | - | - | - | 7,360 | 1,074,701 | 3,879 |
| - | - | - | - | 6,865,559 | - | - |
| - | - | - | (6,278) | - | - | - |
| - | - | - | 428,010 | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | 97,099,089 | 421,732 | 166,613,898 | 414,818,821 | 27,231,029 |
| 16,256,640 | 34,589,857 | 446,327,498 | 421,732 | 506,900,310 | 425,875,938 | 27,231,029 |
| | | - | | | | |
| | | - | | | | |
| | | - | | | | |
| - | - | - | - | - | - | - |
| - | - | 7,639,263 | - | - | - | - |
| (270) | - | 273,319,291 | - | - | - | - |
| - | - | - | - | - | - | - |
| - | 422,418 | 871,242 | - | - | - | - |
| (270) | 422,418 | 281,829,796 | - | - | - | - |
| 16,256,369 | 35,012,275 | 728,157,294 | 421,732 | 506,900,310 | 425,875,938 | 27,231,029 |
| 444,947 | 110,555 | 645,679 | - | - | - | - |
| - | 251,402 | 5,886,504 | - | - | - | - |
| 418,263 | - | - | - | - | - | - |
| 2,359,865 | - | - | - | - | - | - |
| 7,804,656 | - | 202,826,129 | - | - | - | 34,642,365 |
| - | - | - | - | - | - | - |
| (852,832) | - | 158,704 | - | - | - | - |
| 2,593,557 | 2,100 | 42,192 | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| 12,768,456 | 364,056 | 209,559,208 | - | - | - | 34,642,365 |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | 78,815 | - | 193,906,805 | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | 119,200,000 | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | 721 | - | - | - |
| - | - | - | - | - | - | - |
| - | - | 119,278,815 | 721 | 193,906,805 | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | 400,000,000 | - | - | - | - |
| 5,618,914 | - | - | - | - | - | - |
| 5,618,914 | - | 400,000,000 | - | - | - | - |
| 18,387,370 | 364,056 | 818,838,023 | 721 | 193,906,805 | - | 34,642,365 |
| - | - | (46,482,806) | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | 7,750,000 | - | 312,993,505 | 425,875,938 | - |
| - | - | - | - | - | - | - |
| - | - | - | 421,011 | - | - | - |
| - | - | - | - | - | - | - |
| (2,131,001) | 34,648,219 | - | - | - | - | - |
| - | - | (51,947,923) | - | - | - | - |
| - | - | - | - | - | - | (7,411,336) |
| (2,131,001) | 34,648,219 | (90,680,729) | 421,011 | 312,993,505 | 425,875,938 | (7,411,336) |

These balances are preliminary and subject to year-end adjustments

NORTH TEXAS TOLLWAY AUTHORITY
Consolidated Schedule for Capital Improvement
December 31, 2010
(Unaudited)

| | | Consolidated Capital Improvement Fund | Capital Improvement Fund | Feasibility Study Fund |
|---|---|---|---|---|
| **ASSETS** | | | | |
| Current Assets: | | | | |
| Cash | $ | (492,336) | 24,265,636 | (24,757,972) |
| Investments, at amortized cost | | 154,757,827 | 154,757,827 | - |
| Accrued interest receivable on investments | | 8,669 | 8,669 | - |
| Interfund receivables | | 191,753,312 | 191,753,312 | - |
| Interproject/agency receivables | | - | - | - |
| Accounts receivable | | 3,200,938 | 1,580,248 | 1,620,690 |
| Allowance for uncollectible accounts | | - | - | - |
| Inventory at average cost | | - | - | - |
| Prepaid expenses | | - | - | - |
| Total current unrestricted assets | | 349,228,409 | 372,365,691 | (23,137,282) |
| Restricted assets: | | | | |
| Restricted for construction: | | | | |
| Cash | | - | - | - |
| Investments, at amortized cost | | 97,099,089 | 97,099,089 | - |
| Accrued interest receivable on investments | | - | - | - |
| Accounts receivable | | - | - | - |
| Restricted for debt service: | | | | |
| Cash | | - | - | - |
| Investments, at amortized cost | | - | - | - |
| Accrued interest receivable on investments | | - | - | - |
| Accounts receivable | | - | - | - |
| Restricted for pension benefits and other purposes: | | | | |
| Cash | | - | - | - |
| Investments, at amortized cost | | - | - | - |
| Accrued interest receivable on investments | | - | - | - |
| Accounts receivable | | - | - | - |
| Total current restricted assets | | 97,099,089 | 97,099,089 | - |
| Total current assets | | 446,327,498 | 469,464,780 | (23,137,282) |
| Noncurrent Assets: | | | | |
| Investments, at amortized cost for unrestricted assets | | - | | |
| Investments, at amortized cost restricted for construction | | - | | |
| Investments, at amortized cost restricted for debt service | | - | | |
| Deferred improvement cost | | - | - | - |
| Deferred financing cost | | 7,639,263 | 7,639,263 | - |
| Deferred feasibility study cost | | 273,319,291 | - | 273,319,291 |
| Capitalized cost (net of accumulated depreciation) | | 871,242 | (622,044) | 1,493,286 |
| Total noncurrent assets | | 281,829,796 | 7,017,219 | 274,812,577 |
| TOTAL ASSETS | | 728,157,294 | 476,481,999 | 251,675,295 |
| **LIABILITIES** | | | | |
| Current liabilities: | | | | |
| Accounts payable | | 645,679 | 619,753 | 25,926 |
| Retained from contractors | | 5,886,504 | 580,308 | 5,306,196 |
| Employees' income taxes, payroll taxes, and retirement contributions withheld | | - | - | - |
| Accrued payroll | | - | - | - |
| Interfund payables | | 292,826,129 | - | 292,826,129 |
| Interproject/agency payables | | - | - | - |
| Interagency payable | | 159,704 | 160,534 | (1,830) |
| Recurring accrued liabilities | | 42,192 | 40,512 | 1,680 |
| Deferred income | | - | - | - |
| Toll tag deposits | | - | - | - |
| Total current unrestricted liabilities | | 299,559,208 | 1,401,107 | 298,158,101 |
| Payable from Restricted Assets: | | | | |
| Construction related payables: | | | | |
| Accounts payable | | - | - | - |
| Retained from contractors | | - | - | - |
| Deferred grant income (Toll Equity Grant) | | - | - | - |
| Accrued interest payable on debt | | 78,815 | 78,815 | - |
| Accrued arbitrage rebate payable | | - | - | - |
| Commercial paper notes payable | | 119,200,000 | 119,200,000 | - |
| Revenue Bonds payable, current portion | | - | - | - |
| Transition trust related payables: | | | | |
| Accounts payable | | - | - | - |
| Recurring accrued liabilities | | - | - | - |
| Total current liabilities payable from restricted assets | | 119,278,815 | 119,278,815 | - |
| Noncurrent liabilities: | | | | |
| Texas Department of Transportation loan payable | | - | - | - |
| Texas Department of Transportation - ISTEA loan payable | | - | - | - |
| Dallas North Tollway Authority revenue bonds payable, net | | 400,000,000 | 400,000,000 | - |
| OPEB and workers comp. liabilities | | - | - | - |
| Total noncurrent liabilities | | 400,000,000 | 400,000,000 | - |
| TOTAL LIABILITIES | | 818,838,023 | 520,679,922 | 298,158,101 |
| **NET ASSETS** | | | | |
| Invested in capital assets, net of related debt | | (46,482,806) | - | (46,482,806) |
| Restricted: | | | | |
| Restricted for construction | | - | - | - |
| Restricted for debt service | | 7,750,000 | 7,750,000 | - |
| Restricted for operations and maintenance | | - | - | - |
| Held in trust for pension benefits and other purposes | | - | - | - |
| Unrestricted: | | | | |
| Unrestricted | | - | - | - |
| Reserved for operations, maintenance, and retiree health benefits | | - | - | - |
| Reserved for capital improvements | | (51,947,923) | (51,947,923) | - |
| Reserved for bond redemption | | - | - | - |
| TOTAL NET ASSETS | $ | (90,680,729) | (44,197,923) | (46,482,806) |

These balances are preliminary and subject to year-end adjustments

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**NORTH TEXAS TOLLWAY AUTHORITY**
**STATEMENT OF CHANGES IN NET ASSETS**
**Year to Date December 31, 2010**
**(Unaudited)**

| | | Totals | Construction & Property Fund | Revenue Fund |
|---|---|---|---|---|
| **BEGINNING NET ASSETS January 1, 2010** | $ | 370,671,733 | (310,492,730) | (6,692,012) |
| **Revenues:** | | | | |
| Toll Revenues | | 388,200,307 | - | 388,200,307 |
| Interest Revenue | | 12,817,328 | | 228,630 |
| Other revenue | | 17,693,365 | 26,047 | 16,285,559 |
| Total operating revenues | | 418,711,000 | 26,047 | 404,714,497 |
| **Operating Expenses:** | | | | |
| Administration | | (17,027,575) | - | - |
| Operations | | (70,395,925) | - | - |
| | | (87,423,500) | - | - |
| **Preservation of system assets:** | | | | |
| Reserve Maintenance Fund expenses | | (10,555,564) | - | - |
| Capital Improvement Fund expenses | | (18,429,090) | - | - |
| Total operating expenses before amortization and depreciation | | (116,408,154) | - | - |
| Operating revenues before amortization and depreciation | | 302,302,846 | 26,047 | 404,714,497 |
| Amortization and depreciation | | (4,583,544) | (4,583,544) | - |
| Operating revenues | | 297,719,302 | (4,557,497) | 404,714,497 |
| **Nonoperating revenues (expenses):** | | | | |
| Interest earned on investments | | 9,520,826 | 9,520,453 | |
| Gain (Loss) on sale of investments | | (209,945) | (73,350) | - |
| Net increase (decrease) in fair value of investments | | 3,588,196 | 5,037,403 | - |
| Grant revenue | | 26,869,279 | 7,292,087 | - |
| Government subsidy | | 26,263,785 | - | - |
| Unallocated infrastructure depreciation - Sam Rayburn Tollway | | (68,032,184) | (68,032,184) | - |
| Interest expense on revenue bonds | | (330,596,046) | (158,686,819) | - |
| Interest accretion on 2008D Bonds | | (40,576,543) | - | - |
| Bond discount/premium amortization | | (911,928) | (1,080,253) | - |
| Bond Issuance cost amortization | | (4,977,495) | (4,425,413) | - |
| Interest on loan | | (6,090,697) | (6,090,697) | - |
| Interest on short term notes (net of capitalized interest) | | (178,368) | - | - |
| Deferred amount on refunding amortization | | (6,267,396) | (6,267,396) | - |
| Other nonoperating costs | | (8,540) | - | - |
| Net nonoperating revenues (expenses): | | (391,607,056) | (222,806,169) | - |
| Net revenues | | (93,887,753) | (227,363,666) | 404,714,497 |
| Revenue bonds retired | | - | 32,170,000 | - |
| Sale of Revenue bonds | | | | |
| SWAP Termination Payment | | - | - | - |
| Transfer from/to Escrow Account | | - | - | - |
| Transfer to Debt Service Funds | | - | - | - |
| Principal value retired | | - | - | - |
| Deferred amount on refunding | | - | - | - |
| Interfund and Interproject Transactions | | | | |
| Transfer to Feasibility Study Fund | | - | - | - |
| Payment to Other Agencies | | (200,007,758) | (7,758) | - |
| Distribution from Revenue Fund | | - | - | (379,082,861) |
| Transfer of excess money from other funds | | - | - | - |
| Capitalized cost transferred to/from Construction & Property Fund | | (1,975,623) | 15,870,043 | - |
| Transfer of Interest Accretion on 2008D Bonds | | 0 | (137,606,761) | - |
| Transfer to/from Construction Fund | | - | 8,250,000 | - |
| Transfer to Employees' Healthcare Trust Account | | (1,326,238) | - | - |
| Contributed Capital | | - | - | - |
| Cost of equipment retired | | - | - | - |
| Depreciation on equipment retired | | - | - | - |
| Sale or trade-in of equipment | | (55,254) | (55,254) | - |
| Sale of excess land | | - | - | - |
| Change in net assets year to date December 31, 2010 | | (297,252,627) | (308,743,395) | 25,631,636 |
| **ENDING NET ASSETS December 31, 2010** | $ | 73,419,106 | (619,236,126) | 18,939,624 |

These balances are preliminary
and subject to year-end adjustments

| Operation & Maint. Fund | Reserve Maint. Fund | Consolidated Capital Improvement Fund | DFW Turnpike Transition Trust Fund | Debt Service Funds | | |
|---|---|---|---|---|---|---|
| | | | | Bond Interest | Reserve Account | Redemption Account |
| 1,231,643 | 46,859,652 | 131,216,420 | 429,178 | 89,654,592 | 418,463,596 | 1,394 |
| - | - | - | - | - | - | - |
| 3 | 189,249 | 129,826 | - | 29,926 | 12,219,923 | 19,770 |
| 503,483 | - | 878,276 | - | - | - | - |
| 503,486 | 189,249 | 1,008,102 | - | 29,926 | 12,219,923 | 19,770 |
| (17,027,575) | - | - | - | - | - | - |
| (70,395,925) | - | - | - | - | - | - |
| (87,423,500) | - | - | - | - | - | - |
| - | (10,555,564) | - | - | - | - | - |
| - | - | (18,429,090) | - | - | - | - |
| (87,423,500) | (10,555,564) | (18,429,090) | - | - | - | - |
| (86,920,014) | (10,366,315) | (17,420,988) | - | 29,926 | 12,219,923 | 19,770 |
| - | - | | - | - | - | - |
| (86,920,014) | (10,366,315) | (17,420,988) | - | 29,926 | 12,219,923 | 19,770 |
| | | - | 373 | | | |
| - | - | - | - | - | (136,595) | - |
| - | - | - | - | - | (1,449,207) | - |
| - | - | 19,577,192 | - | - | - | - |
| - | - | - | - | 26,263,785 | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | (171,909,228) | - | - |
| - | - | - | - | (40,576,543) | - | - |
| - | - | 168,325 | - | - | - | - |
| - | - | (552,082) | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | (178,368) | - | - |
| - | - | - | - | - | - | - |
| - | - | | (8,540) | - | - | - |
| - | - | 19,193,436 | (8,167) | (186,400,354) | (1,585,802) | - |
| (86,920,014) | (10,366,315) | 1,772,448 | (8,167) | (186,370,428) | 10,634,121 | 19,770 |
| - | - | - | - | - | - | (32,170,000) |
| - | - | | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | 3,221,778 | (3,221,778) | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | (200,000,000) | - | - | - | - |
| 84,883,608 | - | 580,951 | - | 268,880,802 | - | 24,737,500 |
| - | - | - | - | - | - | - |
| - | (1,845,119) | (16,000,547) | - | - | - | - |
| - | - | - | - | 137,606,761 | - | - |
| - | - | (8,250,000) | - | - | - | - |
| (1,326,238) | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| (3,362,644) | (12,211,434) | (221,897,148) | (8,167) | 223,338,913 | 7,412,343 | (7,412,730) |
| (2,131,001) | 34,648,219 | (90,680,729) | 421,011 | 312,993,505 | 425,875,938 | (7,411,336) |

These balances are preliminary
and subject to year-end adjustments

**STATE HIGHWAY 161**
**STATEMENT OF NET ASSETS**
**December 31, 2010**
**(Unaudited)**

| | | SH161 Fund |
|---|---|---|
| **ASSETS** | | |
| **Current Assets:** | | |
| **Cash** | $ | |
| **Interagency Receivable** | | 8,031,912 |
| **Accounts receivable (net of allowance for uncollectibles)** | | |
| **TOTAL ASSETS** | | 8,031,912 |
| **LIABILITIES** | | |
| **Current liabilities:** | | |
| **Accounts payable** | | |
| **Interproject/agency payables** | | |
| **Deferred income** | | |
| **Total current liabilities** | | - |
| **TOTAL LIABILITIES** | | - |
| **NET ASSETS** | | |
| **Restricted:** | | |
| **Restricted for payments to other agencies** | | 8,031,912 |
| **TOTAL NET ASSETS** | $ | 8,031,912 |

These balances are preliminary
and subject to year-end adjustments

**STATE HIGHWAY 161**
**STATEMENT OF CHANGES IN NET ASSETS**
**Year to Date December 31, 2010**
**(Unaudited)**

| | SH161 Fund |
|---|---|
| **BEGINNING NET ASSETS January 1, 2010** | $ 1,016,940 |
| **Revenues:** | |
| **Toll Revenues** | 7,872,659 |
| **Interest Revenue** | - |
| **Other revenue** | - |
| **Total operating revenues** | 7,872,659 |
| **Operating Expenses:** | |
| **Administration** | - |
| **Operations** | (857,687) |
| | (857,687) |
| **Preservation of system assets:** | |
| **Reserve Maintenance Fund expenses** | - |
| **Capital Improvement Fund expenses** | - |
| **Total operating expenses before amortization and depreciation** | (857,687) |
| **Operating revenues before amortization and depreciation** | 7,014,972 |
| **Amortization and depreciation** | - |
| **Net revenues** | 7,014,972 |
| **Change in net assets year to date December 31, 2010** | 7,014,972 |
| **ENDING NET ASSETS December 31, 2010** | $ 8,031,912 |

See notes to financial statements

These balances are preliminary
and subject to year-end adjustments

**NORTH TEXAS TOLLWAY AUTHORITY**
**CASH RECEIPTS AND DISBURSEMENTS**
**Year to Date December 31, 2010**

| | | Totals | Construction & Property Fund | Revenue Fund |
|---|---|---|---|---|
| **BEGINNING CASH January 1, 2010** | $ | 35,235,563 | 22,605,233 | 2,754,083 |
| **Receipts** | | | | |
| Toll revenues | | 36,100,523 | - | 36,319,521 |
| Issuance of Bonds | | 399,351,741 | - | - |
| Bond premium | | - | - | - |
| Issuance of Bond Anticipation Notes | | - | - | - |
| Issuance of Commercial Paper | | - | - | - |
| | | 256,574,846 | 214,125,379 | - |
| Earnings received from investments | | 0 | - | - |
| Gain/Loss from sale of investments | | - | - | - |
| Prepaid customers' accounts | | 373,302,355 | - | 373,665,094 |
| Toll tag deposits | | - | - | - |
| Damage claims collected | | 363,280 | 19,479 | - |
| Lane violation fee | | 35,000,282 | - | 35,000,282 |
| Misc revenue | | 983,907 | 26,047 | 35,026 |
| Reimbursable receipts | | 30,972,724 | 4,680,200 | 26,246,306 |
| Rental fee | | 104,472 | - | 104,472 |
| Sale of excess land | | - | - | - |
| Deferred grant income | | - | - | - |
| Misc revenue - Tag Store | | - | - | - |
| | | 1,132,754,131 | 218,851,105 | 471,370,701 |
| **Disbursements** | | | | |
| Bond discount | | - | - | - |
| Transfer to escrow for defeasance | | - | - | - |
| Revenue bonds retired | | - | - | - |
| Commercial paper retired | | - | - | - |
| Interest on bonded debt | | (5,984) | - | - |
| Interest on other debt | | - | - | - |
| Investments | | (399,295,000) | - | - |
| Operating expenses | | (106,050,854) | - | (8,466,296) |
| Reserve Maintenance Fund expenses | | (216,590) | - | - |
| Capital Improvement Fund expenses | | (494,282) | - | - |
| Deferred feasibility study cost | | (116,622,093) | - | - |
| Capitalized costs | | (267,765,677) | (267,765,677) | - |
| Equipment (net of trade-in) | | (46,263,713) | - | - |
| Damage claims | | - | - | - |
| Reimbursable costs | | - | - | - |
| | | (936,714,192) | (267,765,677) | (8,466,296) |
| **Interfund and Interproject Transactions** | | | | |
| Transfer of capitalized interest | | - | - | - |
| Transfer of deferred revenue | | (379,425,361) | - | (379,425,361) |
| Transfer of excess monies | | - | - | - |
| Distribution from Revenue Fund | | 8,404,343 | - | (83,574,964) |
| Interoperative Agencies Transfers | | (270) | - | - |
| Other Interfund transactions - net | | 162,617,686 | 33,946,832 | - |
| Dallas-Fort Worth Turnpike Transition Trust Fund - net | | - | - | - |
| Texas Turnpike Authority Feasibility Study Fund - net | | - | - | - |
| | | (208,403,603) | 33,946,832 | (463,000,325) |
| **Receipts over (under) disbursements for year to date December 31, 2010** | | (12,363,664) | (14,967,740) | (95,919) |
| **BALANCE OF CASH December 31, 2010** | $ | 22,871,898 | 7,637,492 | 2,658,164 |

These balances are preliminary
and subject to year-end adjustments

| Operation & Maint. Fund | Reserve Maint. Fund | Consolidated Capital Improvement Fund | Capital Improvement Fund | Debt Service Funds | | |
|---|---|---|---|---|---|---|
| | | | | Bond Interest | Reserve Account | Redemption Account |
| 12,091,113 | 1,307,883 | (3,522,483) | (829,267) | - | - | - |
| (218,998) | - | - | - | - | - | - |
| - | - | 399,351,741 | 399,351,741 | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | 11,823,774 | 30,622,344 | 30,622,344 | - | - | - |
| - | - | 0 | 0 | - | - | - |
| - | - | - | - | - | - | - |
| - | (176,399) | (186,340) | (186,340) | - | - | - |
| - | - | - | - | - | - | - |
| 343,801 | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| 493,631 | - | 429,203 | 429,203 | - | - | - |
| 392 | - | 45,825 | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| 618,827 | 11,647,375 | 430,262,773 | 430,216,948 | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | (5,984) | - | - |
| - | - | - | - | - | - | - |
| - | - | (399,295,000) | (399,295,000) | - | - | - |
| (97,575,197) | - | - | - | - | - | - |
| - | (216,590) | - | - | - | - | - |
| - | - | (494,282) | (494,282) | - | - | - |
| - | - | (116,622,093) | - | - | - | - |
| - | - | - | - | - | - | - |
| - | (12,738,746) | (33,524,967) | (33,524,967) | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| (97,575,197) | (12,955,336) | (549,936,341) | (433,314,248) | (5,984) | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| 86,291,804 | - | 5,687,502 | 580,951 | - | - | - |
| (270) | - | - | - | - | - | - |
| 10,298,356 | (268,857) | 118,635,371 | 25,484,841 | 5,984 | - | - |
| - | - | - | - | - | - | - |
| 1,619,158 | - | (1,619,158) | - | - | - | - |
| 98,209,048 | (268,857) | 122,703,716 | 26,065,792 | 5,984 | - | - |
| 1,252,678 | (1,576,818) | 3,030,147 | 22,968,491 | - | - | - |
| 13,343,790 | (268,935) | (492,336) | 22,139,225 | - | - | - |

These balances are preliminary
and subject to year-end adjustments

**NORTH TEXAS TOLLWAY AUTHORITY**
**Budget and Actual Revenues and Expenses on Trust Agreement Basis**
**Month Ending**
**December 31, 2010**

| | Total 2010 Budget | Budget To Date | Actual To Date | Variance Over(Under) Budget |
|---|---|---|---|---|
| Revenues: | | | | |
| Toll Revenues | $ 377,132,800 | 377,132,800 | 388,200,307 | 11,067,507 |
| Interest revenue | 9,300,000 | 9,300,000 | 12,817,328 | 3,517,328 |
| Other revenues | 23,588,616 | 23,588,616 | 17,667,318 | (5,921,298) |
| Gross revenues | 410,021,416 | 410,021,416 | 418,684,953 | 8,663,537 |
| Operating expenses: | | | | |
| Administration: | | | | |
| Administration | 1,269,571 | 1,269,571 | 819,976 | (449,595) |
| Board | 303,460 | 303,460 | 158,285 | (145,175) |
| Business diversity | 207,277 | 207,277 | 189,065 | (18,212) |
| Communications | 2,556,369 | 2,556,369 | 1,705,574 | (850,795) |
| Finance | 3,841,677 | 3,841,677 | 3,215,965 | (625,712) |
| Government affairs | 555,229 | 555,229 | 419,455 | (135,774) |
| Human resources | 11,576,399 | 11,576,399 | 7,917,523 | (3,658,876) |
| Internal audit | 983,831 | 983,831 | 660,468 | (323,363) |
| Legal services | 3,375,125 | 3,375,125 | 1,941,262 | (1,433,863) |
| Total administration | 24,668,938 | 24,668,938 | 17,027,575 | (7,641,363) |
| Operations: | | | | |
| Customer service center | 27,246,233 | 27,246,233 | 28,556,213 | 1,309,980 |
| Information technology | 11,540,166 | 11,540,166 | 9,663,526 | (1,876,640) |
| Maintenance | 21,668,988 | 21,668,988 | 19,090,097 | (2,578,891) |
| Operations | 1,076,517 | 1,076,517 | 651,636 | (424,881) |
| Project delivery | 135,863 | 135,863 | 138,259 | 2,396 |
| System & incident management | 8,285,623 | 8,285,623 | 6,134,279 | (2,151,344) |
| Toll collection | 6,684,162 | 6,684,162 | 5,526,947 | (1,157,215) |
| Vault | 913,714 | 913,714 | 634,967 | (278,747) |
| Total operations | 77,551,266 | 77,551,266 | 70,395,925 | (7,155,341) |
| Total operating expenses | 102,220,204 | 102,220,204 | 87,423,500 | (14,796,704) |
| Net revenues available for debt | $ 307,801,212 | 307,801,212 | 331,261,453 | 23,460,241 |

| | |
|---|---|
| Net revenues available for debt service | 331,261,453 |
| Bond interest expense | 170,985,847 |
| Allocated principal amount | 29,685,000 |
| Calculated debt service cove | 200,670,847 |
| Bond interest coverage | 1.94 |
| Debt service requirement coverage | 1.65 |

These balances are preliminary
and subject to year-end adjustments

**NORTH TEXAS TOLLWAY AUTHORITY**
**TOLL REVENUE AND TRAFFIC ANALYSIS**
**December 31, 2010**

| | Month To Date | | Year To Date | |
|---|---|---|---|---|
| | 2010 | 2009 | 2010 | 2009 |
| **TOLL REVENUE** | | | | |
| **Two-axle vehicles** | $ 37,886,852 | $ 34,179,590 | $ 416,417,929 | $ 333,428,667 |
| **Three or more axle vehicles** | 2,051,031 | 1,640,169 | 24,396,549 | 16,308,187 |
| **Revenue adjustments** | (5,319,883) | (2,962,965) | (52,614,171) | (58,120,941) |
| **TOTAL** | $ 34,618,000 | $ 32,856,794 | $ 388,200,307 | $ 291,615,913 |
| **Percent Increase ( Decrease )** | 5.4% | | 33.1% | |
| **VEHICLE TRANSACTIONS** | | | | |
| **Two-axle vehicles** | 41,028,553 | 38,394,566 | 474,437,066 | 449,300,424 |
| **Three or more axle vehicles** | 605,228 | 513,656 | 7,476,272 | 6,245,773 |
| **Nonrevenue vehicles** | 169,128 | 179,117 | 2,156,763 | 2,037,146 |
| **TOTAL** | 41,802,909 | 39,087,339 | 484,070,101 | 457,583,343 |
| **TOLL REVENUE AVERAGE PER DAY** | | | | |
| **Two-axle vehicles** | $ 1,222,157 | $ 1,102,567 | $ 1,140,871 | $ 913,503 |
| **Three or more axle vehicles** | 66,162 | 52,909 | 66,840 | 44,680 |
| **Revenue adjustments** | (171,609) | (95,580) | (144,148) | (159,235) |
| **AVERAGE** | $ 1,116,710 | $ 1,059,896 | $ 1,063,563 | $ 798,948 |
| **VEHICLE TRANSACTIONS AVERAGE PER DAY** | | | | |
| **Two-axle vehicles** | 1,323,502 | 1,238,534 | 1,299,828 | 1,230,960 |
| **Three or more axle vehicles** | 19,523 | 16,570 | 20,483 | 17,112 |
| **Nonrevenue vehicles** | 5,456 | 5,778 | 5,909 | 5,581 |
| **AVERAGE** | 1,348,481 | 1,260,882 | 1,326,220 | 1,253,653 |

These balances are preliminary
and subject to year-end adjustments

**NORTH TEXAS TOLLWAY AUTHORITY**
**TOLL REVENUE AND TRAFFIC BY CLASS OF VEHICLE**
**December 31, 2010**

| CLASS OF VEHICLES | Month of December 2010 Revenue | Month of December 2010 Transactions | Month of December 2009 Revenue | Month of December 2009 Transactions |
|---|---|---|---|---|
| (1) Two-axle vehicles | $ 37,886,852 | 41,028,553 | $ 34,179,590 | 38,394,566 |
| (3) Three-axle vehicles and combinations | 409,658 | 205,381 | 341,240 | 178,379 |
| (4) Four-axle vehicles and combinations | 484,175 | 160,269 | 414,973 | 140,275 |
| (5) Five-axle vehicles and combinations | 1,097,172 | 228,700 | 839,997 | 185,847 |
| (6) Special vehicles | 60,025 | 10,878 | 43,959 | 9,155 |
| | 2,051,031 | 605,228 | 1,640,169 | 513,656 |
| Toll Revenue | 39,937,883 | 41,633,781 | 35,819,759 | 38,908,222 |
| Toll revenue variance | (5,319,883) | | (2,962,965) | |
| (7) Nonrevenue vehicles | | 169,128 | | 179,117 |
| TOLL REVENUE AND TRAFFIC | $ 34,618,000 | 41,802,909 | $ 32,856,794 | 39,087,339 |

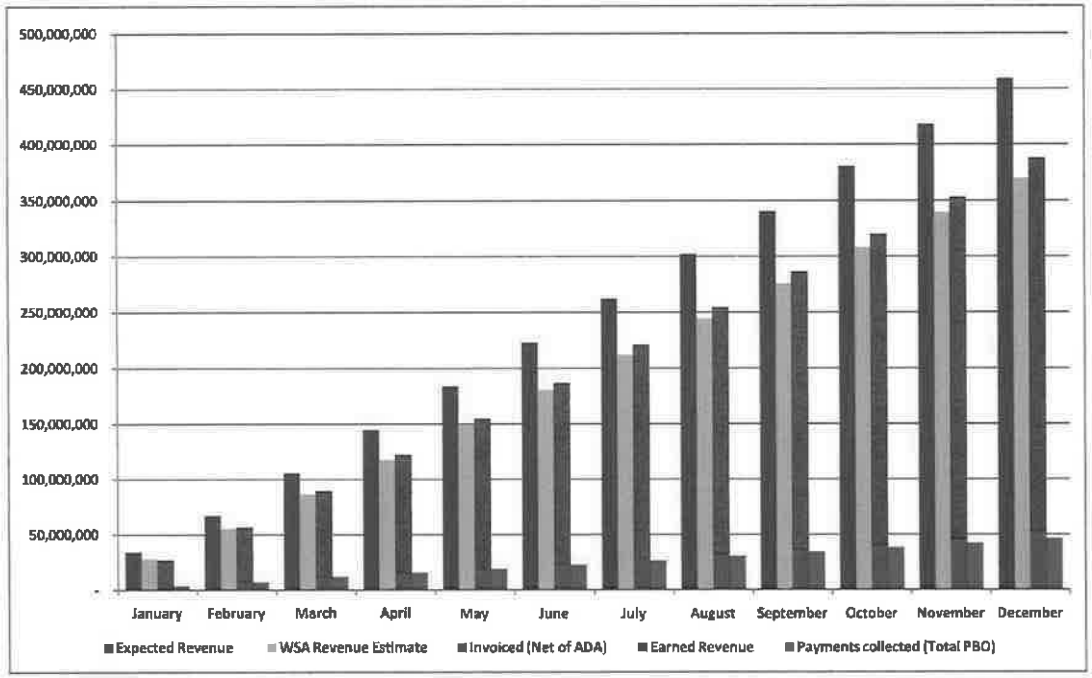
| CLASS OF VEHICLES | Calendar Year To Date December 2010 Revenue | Calendar Year To Date December 2010 Transactions | Calendar Year To Date December 2009 Revenue | Calendar Year To Date December 2009 Transactions |
|---|---|---|---|---|
| (1) Two-axle vehicles | $ 416,417,929 | 474,437,066 | $ 333,428,667 | 449,300,424 |
| (3) Three-axle vehicles and combinations | 5,028,986 | 2,561,817 | 3,761,030 | 2,302,797 |
| (4) Four-axle vehicles and combinations | 6,405,833 | 2,139,826 | 4,533,776 | 1,838,830 |
| (5) Five-axle vehicles and combinations | 12,169,277 | 2,622,455 | 7,506,394 | 1,982,596 |
| (6) Special vehicles | 792,452 | 152,174 | 506,987 | 121,550 |
| | 24,396,549 | 7,476,272 | 16,308,187 | 6,245,773 |
| Toll Revenue | 440,814,478 | 481,913,338 | 349,736,854 | 455,546,197 |
| Toll revenue variance | (52,614,171) | | (58,120,941) | |
| (7) Nonrevenue vehicles | | 2,156,763 | | 2,037,146 |
| TOLL REVENUE AND TRAFFIC | $ 388,200,307 | 484,070,101 | $ 291,615,913 | 457,583,343 |

These balances are preliminary
and subject to year-end adjustments

**NORTH TEXAS TOLLWAY AUTHORITY**
**TOLL RECEIVABLE ANALYSIS**
**December 31, 2010**

| | Month To Date 2010 | Year To Date 2010 |
|---|---|---|
| **TOLL RECEIVABLE** | | |
| **Beginning Balance, January 1st** | | 15,378,003 |
| **Invoiced:** | | |
| **ZipCash** | $ 6,258,597 | $ 62,064,926 |
| **Violations** | 151,463 | 3,088,054 |
| **Invoice Payments:** | | |
| **ZipCash** | 2,347,977 | 24,931,722 |
| **Violations** | 249,618 | 3,899,665 |
| **Allowance for Doubtful Accounts:** | - | (18,688,316) |
| **TOTAL** | $ 3,812,465.25 | $ 33,011,280 |

**2010 TOLL REVENUE ANALYSIS**




These balances are preliminary
and subject to year-end adjustments

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# INVESTMENT REPORT
# NORTH TEXAS TOLLWAY AUTHORITY
# 12/01/2010 - 12/31/2010

This report summarizes the investment position of the North Texas Tollway Authority for the period
12/01/2010 - 12/31/2010

| | 12/1/2010 | Purchases | Maturities / Redemptions | Chg in Mkt Value | Amortization (Net) | 12/31/2010 |
|---|---|---|---|---|---|---|
| Book Value | $ 1,588,349,805 | $ 457,986,011 | (493,964,012) | $ (2,471,259) | $ 128,998 | $ 1,550,029,543 |
| Market Value | $ 1,588,349,805 | $ 457,986,011 | $ (493,964,012) | $ (2,471,259) | $ 128,998 | $ 1,550,029,543 |
| Par Value | $ 1,582,413,573 | $ 457,986,011 | $ (493,964,012) | $ - | $ - | $ 1,546,435,572 |
| Current Month Change in Market Value | | | | | | (2,471,259) |
| Weighted Average Maturity (in days) | 381 | | | | | 382 |
| Weighted Avg. Yield-to-Maturity of Portfolio | 1.4090% | | | | | 1.2870% |
| Yield-to-Maturity of 2-Year Treasury Note | 0.4500% | | | | | 0.6100% |
| Accrued Interest | | | | | | $ 1,740,922 |
| Earnings for the Period | | | | | | $ 1,626,680 |

This report is presented in accordance with the Texas Government Code Title 10, Section 2256.023. The signatories found at the front of the Monthly Financial and Investment Report hereby certify that, to the best of their knowledge on the date this report was created, the North Texas Tollway Authority is in compliance with the provisions of Government Code 2256 and with the stated policies and strategies of the North Texas Tollway Authority.

These balances are preliminary
and subject to year-end adjustments

## North Texas Tollway Authority

## INVESTMENTS AT

## December 31, 2010

| Fund | CUSIP | Invest # | Issuer | Purchase Date | Par Value | Market Value | YTM 365 | Maturity Date |
|---|---|---|---|---|---|---|---|---|
| | | | ***CONSTRUCTION FUNDS*** | | | | | |
| 3712 - 90 Construction Fund | TEXPOOL | 10221 | TexPool | 08/31/2010 | 4,964,961.68 | 4,964,961.68 | 0.168 | |
| | **Total** | **3712 - 90 Construction Fund** | | | | **4,964,961.68** | | |
| 3722-01 - PGBT EE Toll Equity Grant | TEXPOOL | 10222 | TexPool | 08/31/2010 | 17,367,001.85 | 17,367,001.85 | 0.168 | |
| | **Total** | **3722-01 - PGBT EE Toll Equity Grant** | | | | **17,367,001.85** | | |
| 3722-02 - 2009B PGBT EE BABs Constr | BOFANOW | 10158 | Bank of America | 01/01/2010 | 53,845,698.75 | 53,845,698.75 | 0.180 | |
| | 313396AM5 | 10094 | Federal Home Loan Mtg Corp | 04/13/2010 | 15,000,000.00 | 14,999,850.00 | 0.371 | 01/12/2011 |
| | 313396KA0 | 10121 | Federal Home Loan Mtg Corp | 08/20/2010 | 5,000,000.00 | 4,994,050.00 | 0.299 | 08/05/2011 |
| | 313588CL7 | 10097 | Federal National Mtg Assn | 04/14/2010 | 15,000,000.00 | 14,998,200.00 | 0.433 | 02/28/2011 |
| | 31398AZN5 | 10248 | Federal National Mtg Assn | 11/04/2010 | 12,000,000.00 | 12,068,160.00 | 0.267 | 11/23/2011 |
| | 313588DQ5 | 10095 | Federal National Mtg Assn | 04/13/2010 | 15,000,000.00 | 14,996,550.00 | 0.485 | 03/28/2011 |
| | 912828KU3 | 10106 | U.S. Treasury | 06/23/2010 | 12,000,000.00 | 12,034,200.00 | 0.319 | 05/31/2011 |
| | **Total** | **3722-02 - 2009B PGBT EE BABs Constr** | | | | **127,936,708.75** | | |
| 3722-02 2009B PGBT EE BABs Cap Int | TEXPOOL | 10223 | TexPool | 08/31/2010 | 81,424.96 | 81,424.96 | 0.168 | |
| | 3133XTV45 | 10075 | Federal Home Loan Bank | 08/11/2009 | 8,156,850.00 | 8,188,580.15 | 1.303 | 06/03/2011 |
| | 3136FH5F8 | 10076 | Federal Home Loan Mtg Corp | 08/12/2009 | 8,203,850.00 | 8,130,753.70 | 1.442 | 12/30/2011 |
| | **Total** | **3722-02 2009B PGBT EE BABs Cap Int** | | | | **16,400,758.81** | | |
| 3713 - DNT Phase 3 Construction Fund | TEXPOOL | 10224 | TexPool | 08/31/2010 | 14,759,497.25 | 14,759,497.25 | 0.168 | |
| | **Total** | **2170 - DNT Phase 3 Construction Fund** | | | | **14,759,497.25** | | |
| 3761 - LLTB BABs Construction Fund | BOFANOW | 10159 | Bank of America | 08/31/2010 | 7,269,896.10 | 7,269,896.10 | 0.310 | |
| | **Total** | **2180 - LLTB BABs Construction Fund** | | | | **7,269,896.10** | | |
| 3751-01 - SH 121 Cap Int 2008 A-D | TEXPOOL | 10225 | TexPool | 08/31/2010 | 9.02 | 9.02 | 0.168 | |
| | 3136F9FYC | 10021 | Federal National Mtg Assn | 04/03/2008 | 28,485,000.00 | 28,295,333.04 | 1.862 | 06/29/2011 |
| | 3136F9FY4 | 10023 | Federal National Mtg Assn | 04/03/2008 | 14,562,000.00 | 14,445,172.31 | 1.421 | 06/29/2012 |
| | 3136F9FXD | 10025 | Federal National Mtg Assn | 04/03/2008 | 28,484,000.00 | 28,315,428.29 | 1.611 | 12/30/2011 |
| | 3136F9FX6 | 10026 | Federal National Mtg Assn | 04/03/2008 | 14,541,000.00 | 14,454,944.62 | 1.270 | 12/30/2012 |
| | **Total** | **3751-01 - SH 121 Cap Int 2008 A-D** | | | | **85,510,887.28** | | |
| 3751-02 - SH 121 Capitalized Int 2008 E | TEXPOOL | 10226 | TexPool | 08/31/2010 | 6,521,993.74 | 6,521,993.74 | 0.168 | |
| | 3128X1MB0 | 10005 | Federal Home Loan Mtg Corp | 04/03/2008 | 20,000.00 | 20,427.80 | 2.680 | 06/20/2011 |
| | 3128X4DM0 | 10012 | Federal Home Loan Mtg Corp | 04/03/2008 | 200,000.00 | 212,430.00 | 3.074 | 06/28/2012 |
| | 31331XG30 | 10009 | Federal Farm Credit Bank | 04/03/2008 | 1,085,000.00 | 1,162,848.75 | 3.024 | 06/21/2012 |
| | 3133955V3 | 10010 | Federal Home Loan Bank | 04/03/2008 | 500,000.00 | 526,795.00 | 2.761 | 12/12/2011 |
| | 31339XWG5 | 10007 | Federal Home Loan Bank | 04/03/2008 | 250,000.00 | 255,802.50 | 2.690 | 06/30/2011 |
| | 3133XG3W2 | 10008 | Federal Home Loan Bank | 04/03/2008 | 5,500,000.00 | 5,638,160.00 | 2.650 | 06/28/2011 |
| | 3133XKSK2 | 10006 | Federal Home Loan Bank | 04/03/2008 | 50,000.00 | 53,104.50 | 3.074 | 06/08/2012 |
| | 31364FCD1 | 10011 | Federal National Mtg Assn | 04/03/2008 | 845,000.00 | 917,906.60 | 3.074 | 06/29/2012 |
| | 3136F9FZF | 10028 | Federal National Mtg Assn | 04/03/2008 | 3,079,000.00 | 3,058,955.71 | 1.847 | 06/29/2011 |
| | 3136F9FZG | 10029 | Federal National Mtg Assn | 04/03/2008 | 8,510,000.00 | 8,454,599.90 | 1.599 | 12/29/2011 |
| | 3136F9FZH | 10030 | Federal National Mtg Assn | 04/03/2008 | 2,054,000.00 | 2,040,628.46 | 1.410 | 06/29/2012 |
| | 3136F9FZ1 | 10032 | Federal National Mtg Assn | 04/03/2008 | 4,296,000.00 | 4,268,033.04 | 1.260 | 12/29/2012 |
| | **Total** | **3751-02 - SH 121 Capitalized Int 2008 E** | | | | **33,131,686.00** | | |
| 3751-03 - NTTA 2008 H Cap Int Fund | TEXPOOL | 10228 | TexPool | 08/31/2010 | 401,211.23 | 401,211.23 | 0.168 | |
| | 31331RKV6 | 10042 | Federal Farm Credit Bank | 09/24/2008 | 212,000.00 | 223,325.04 | 3.413 | 12/02/2011 |
| | 3133955V3 | 10061 | Federal Home Loan Bank | 09/24/2008 | 55,000.00 | 57,947.45 | 3.333 | 12/12/2011 |
| | 31339X5Q3 | 10038 | Federal Home Loan Bank | 09/24/2008 | 640,000.00 | 667,948.80 | 3.333 | 12/16/2011 |
| | 3133MNVV0 | 10054 | Federal Home Loan Bank | 09/24/2008 | 445,000.00 | 476,844.20 | 3.553 | 05/15/2012 |
| | 3133XBT39 | 10062 | Federal Home Loan Bank | 09/24/2008 | 1,000,000.00 | 1,049,110.00 | 3.621 | 06/08/2012 |
| | 3133XFJY3 | 10052 | Federal Home Loan Bank | 09/24/2008 | 325,000.00 | 331,844.50 | 2.845 | 06/10/2011 |
| | 3133XHPH9 | 10063 | Federal Home Loan Bank | 09/24/2008 | 1,345,000.00 | 1,397,280.15 | 3.341 | 11/18/2011 |
| | 3133XLEA7 | 10044 | Federal Home Loan Bank | 09/24/2008 | 255,000.00 | 272,643.45 | 3.521 | 06/08/2012 |
| | 3133XR5T3 | 10040 | Federal Home Loan Bank | 09/24/2008 | 1,000,000.00 | 1,044,770.00 | 3.501 | 06/08/2012 |
| | 3133XRCW8 | 10041 | Federal Home Loan Bank | 09/24/2008 | 3,930,000.00 | 3,985,059.30 | 3.321 | 06/24/2011 |
| | 3128X1MB0 | 10036 | Federal Home Loan Mtg Corp | 09/24/2008 | 1,017,000.00 | 1,038,753.63 | 3.414 | 06/20/2011 |
| | 3128X3H89 | 10056 | Federal Home Loan Mtg Corp | 09/24/2008 | 940,000.00 | 971,132.80 | 3.413 | 11/09/2011 |
| | 3128X3K69 | 10059 | Federal Home Loan Mtg Corp | 09/24/2008 | 1,955,000.00 | 2,024,480.70 | 3.413 | 11/15/2011 |
| | 3137EABE8 | 10055 | Federal Home Loan Mtg Corp | 09/24/2008 | 2,763,000.00 | 2,944,971.18 | 3.580 | 12/21/2012 |
| | 31359MLS0 | 10060 | Federal National Mtg Assn | 09/24/2008 | 229,000.00 | 238,865.32 | 3.413 | 11/15/2011 |
| | **Total** | **3751-03 - NTTA 2008 H Cap Int Fund** | | | | **17,126,187.75** | | |
| 3751-05 - NTTA 2008F Capitalized Int Fd | TEXPOOL | 10227 | TexPool | 08/31/2010 | 1,259,707.91 | 1,259,707.91 | 0.168 | |
| | 3136F9A45 | 10018 | Federal National Mtg Assn | 08/01/2008 | 18,122,000.00 | 18,050,055.66 | 3.782 | 07/01/2011 |
| | 3136F9A52 | 10016 | Federal National Mtg Assn | 08/01/2008 | 18,122,000.00 | 17,960,532.98 | 3.926 | 12/30/2011 |
| | 3136F9A60 | 10014 | Federal National Mtg Assn | 08/01/2008 | 9,417,000.00 | 9,270,283.14 | 4.021 | 06/29/2012 |
| | 3136F9A78 | 10019 | Federal National Mtg Assn | 08/01/2008 | 9,416,000.00 | 9,182,200.72 | 4.122 | 12/31/2012 |
| | **Total** | **3751-05 - NTTA 2008F Capitalized Int Fd** | | | | **55,722,780.41** | | |
| 3751-06 - NTTA 2008J Capitalized Int | TEXPOOL | 10229 | TexPool | 08/31/2010 | 2,574,020.45 | 2,574,020.45 | 0.168 | |
| | **Total** | **3751-06 - NTTA 2008J Capitalized Int** | | | | **2,574,020.45** | | |
| 3751-07 - NTTA 2008K-L Capitalized Int. | TEXPOOL | 10230 | TexPool | 08/31/2010 | 435,335.15 | 435,335.15 | 0.168 | |
| | 31331GEJ4 | 10066 | Federal Farm Credit Bank | 11/21/2008 | 2,830,000.00 | 2,998,385.00 | 3.658 | 11/13/2012 |
| | 31331YU40 | 10065 | Federal Farm Credit Bank | 11/21/2008 | 2,776,000.00 | 2,907,637.92 | 3.539 | 06/04/2012 |
| | 3133XFJY3 | 10068 | Federal Home Loan Bank | 11/21/2008 | 4,300,000.00 | 4,390,558.00 | 2.971 | 06/10/2011 |
| | 3133XHRK0 | 10069 | Federal Home Loan Bank | 11/21/2008 | 4,410,000.00 | 4,583,974.50 | 3.099 | 12/09/2011 |
| | **Total** | **3751-07 - NTTA 2008K-L Capitalized Int.** | | | | **15,315,890.57** | | |

These balances are preliminary
and subject to year-end adjustments

## North Texas Tollway Authority

## INVESTMENTS AT

## December 31, 2010

| Fund | CUSIP | Invest # | Issuer | Purchase Date | Par Value | Market Value | YTM 365 | Maturity Date |
|---|---|---|---|---|---|---|---|---|
| 3751-09 - NTTA 2009D COI Fund | TEXPOOL | 10231 | TexPool | 08/31/2010 | 371,518.48 | 371,518.48 | 0.168 | |
| | **Total** | **3751-09 - NTTA 2009D COI Fund** | | | | **371,518.48** | | |
| 3751-10 - 2009B SRT BABs Constr | BOFANOW | 10160 | Bank of America | 01/01/2010 | 59,500,253.07 | 59,500,253.07 | 0.310 | |
| | 31331JCY7 | 10098 | Federal Farm Credit Bank | 04/21/2010 | 13,000,000.00 | 13,001,690.00 | 0.331 | 02/01/2011 |
| | 31331YZ86 | 10120 | Federal Farm Credit Bank | 08/20/2010 | 3,153,000.00 | 3,224,194.74 | 0.319 | 08/25/2011 |
| | 313396AP8 | 10099 | Federal Home Loan Mtg Corp | 04/21/2010 | 12,000,000.00 | 11,999,760.00 | 0.340 | 01/14/2011 |
| | 3133XTJ64 | 10109 | Federal Home Loan Bank | 04/21/2010 | 14,000,000.00 | 14,061,320.00 | 0.531 | 05/16/201 |
| | 3133XTXH4 | 10119 | Federal Home Loan Bank | 08/20/2010 | 12,000,000.00 | 12,087,840.00 | 0.304 | 07/27/201 |
| | 3133XVDM0 | 10110 | Federal Home Loan Bank | 04/21/2010 | 20,000,000.00 | 20,027,600.00 | 0.513 | 04/18/201 |
| | 3133XVSY8 | 10100 | Federal Home Loan Bank | 04/21/2010 | 11,000,000.00 | 11,024,200.00 | 0.612 | 06/24/201 |
| | 3133XYUT0 | 10118 | Federal Home Loan Bank | 08/20/2010 | 10,000,000.00 | 10,034,300.00 | 0.383 | 12/21/201 |
| | 3134A4DY7 | 10101 | Federal Home Loan Mtg Corp | 04/21/2010 | 13,000,000.00 | 13,139,750.00 | 0.458 | 03/15/201 |
| | **Total** | **3751-10 - 2009B SRT BABs Constr** | | | | **168,100,907.81** | | |
| 3751-11 2009B SRT BABs Cap Int | TEXPOOL | 10232 | TexPool | 08/31/2010 | 91,819.64 | 91,819.64 | 0.168 | |
| | 3133XTV45 | 10074 | Federal Home Loan Bank | 08/11/2009 | 9,198,150.00 | 9,233,930.80 | 1.303 | 06/03/201 |
| | 3136FH5F8 | 10246 | Federal Home Loan Mtg Corp | 08/12/2009 | 9,251,150.00 | 9,168,722.25 | 1.442 | 12/30/201 |
| | **Total** | **3751-11 2009B SRT BABs Cap Int** | | | | **18,494,472.69** | | |
| 3751-12 2010 1st Tier RR COI | WELLS | 10258 | Wells Fargo MMF | 12/8/2010 | 850,516.36 | 850,516.36 | 0.030 | |
| | **Total** | **3751-12 2010 1st Tier RR COI** | | | | **850,516.36** | | |
| | **TOTAL CONSTRUCTION FUNDS** | | | | | **585,897,692.24** | | |
| | | | ***REVENUE FUND*** | | | | | |
| 1101 - Revenue Fund | BOFANOW | 10161 | Bank of America | 01/01/2010 | 35,029,470.83 | 35,029,470.83 | 0.310 | |
| | **Total** | **1101 - Revenue Fund** | | | | **35,029,470.83** | | |
| 1101-01 - Deferred Tag Revenue | BOFANOWPR | 10251 | Bank of America | 11/01/2010 | 41,312,080.70 | 41,312,080.70 | 0.400 | |
| | **Total** | **1101-01 - Deferred Tag Revenue** | | | | **41,312,080.70** | | |
| | **TOTAL REVENUE FUND** | | | | | **76,341,551.53** | | |
| | | | ***OPERATIONS & MAINTENANCE FUND*** | | | | | |
| 1000 - Operation & Maintenance Fund | TEXPOOL | 10233 | TexPool | 08/31/2010 | 3,049.67 | 3,049.67 | 0.168 | |
| | **Total** | **1000 - Operation & Maintenance Fund** | | | | **3,049.67** | | |
| | **TOTAL OPERATIONS & MAINTENANCE FUND** | | | | | **3,049.67** | | |
| | | | ***RESERVE MAINTENANCE FUND*** | | | | | |
| 1201 - Reserve Maintenance Fund | TEXPOOL | 10234 | TexPool | 08/31/2010 | 34,790,074.43 | 34,790,074.43 | 0.168 | |
| | **Total** | **1201 - Reserve Maintenance Fund** | | | | **34,790,074.43** | | |
| | **TOTAL RESERVE MAINTENANCE FUND** | | | | | **34,790,074.43** | | |
| | | | ***CONSOLIDATED CAPITAL IMPROVEMENT FUND*** | | | | | |
| 1501 - Capital Improvement Fund | BOFANOWPR | 10252 | Bank of America | 11/01/2010 | 149,953,028.32 | 149,953,028.32 | 0.400 | |
| | **Total** | **1501 - Capital Improvement Fund** | | | | **149,953,028.32** | | |
| 1501-01 - Comm Paper Prog Pmnt Acct | TEXPOOL | 10236 | TexPool | 08/31/2010 | 4,804,798.39 | 4,804,798.39 | 0.168 | |
| | **Total** | **1501-01 - Comm Paper Prog Pmnt Acct** | | | | **4,804,798.39** | | |
| 1501-02 - 2010 Subordinate Lien Rev Bd | FIDEL57 | 10214 | Fidelity Inv. | 05/13/2010 | 28,730,188.48 | 28,730,188.48 | 0.080 | |
| | **Total** | **1501-02 - 2010 Subordinate Lien Rev Bd** | | | | **28,730,188.48** | | |
| 1501-03 - 2010 BABs | FIDEL56 | 10216 | Fidelity Inv. | 05/13/2010 | 68,368,900.25 | 68,368,900.25 | 0.080 | |
| | **Total** | **2500-3 - 2010 BABs** | | | | **68,368,900.25** | | |
| | **TOTAL CONSOLIDATED CAPITAL IMPROVEMENT FUND** | | | | | **251,856,915.44** | | |
| | | | ***TRANSITION TRUST FUND*** | | | | | |
| 7751 - Transition Trust Fund | TEXPOOL | 10220 | TexPool | 08/31/2010 | 428,009.24 | 428,009.24 | 0.168 | |
| | **Total** | **7751 - Transition Trust Fund** | | | | **428,009.24** | | |
| | **TOTAL TRANSITION TRUST FUND** | | | | | **428,009.24** | | |
| | | | ***INTEREST & SINKING - BOND INTEREST FUND*** | | | | | |
| 4211 - Bond Interest Fund | TEXPOOL | 10218 | TexPool | 07/09/2010 | 131,686,686.52 | 131,686,686.52 | 0.168 | |
| | **Total** | **4211 - Bond Interest Fund** | | | | **131,686,686.52** | | |
| 4211- 01 - 2nd Tier Bond Int Acct | TEXPOOL | 10237 | TexPool | 08/31/2010 | 28,053,571.08 | 28,053,571.08 | 0.168 | |
| | **Total** | **4211-1 - 2nd Tier Bond Int Acct** | | | | **28,053,571.08** | | |
| 4211-02 - 2009B BABS Direct Pay Acct | TEXPOOL | 2nd Tier | TexPool | 08/31/2010 | 721.54 | 721.54 | 0.168 | |
| | **Total** | **4211-02 - 2009B BABS Direct Pay Acct** | | | | **721.54** | | |

These balances are preliminary
and subject to year-end adjustments

## North Texas Tollway Authority

## INVESTMENTS AT

## December 31, 2010

| Fund | CUSIP | Invest # | Issuer | Purchase Date | Par Value | Market Value | YTM 365 | Maturity Date |
|---|---|---|---|---|---|---|---|---|
| | **TOTAL INTEREST & SINKING - BOND INTEREST FUND** | | | | | **159,740,979.14** | | |
| | | | ***INTEREST & SINKING - RESERVE FUND*** | | | | | |
| 4221 - Bond Reserve Fund | TEXPOOL | 10239 | TexPool | 08/31/2010 | 2,994,503.28 | 2,994,503.28 | 0.168 | |
| | 31315PAD1 | 10064 | Federal Agricultural Mtg Corp | 11/13/2008 | 16,000,000.00 | 16,997,120.00 | 3.861 | 12/30/2012 |
| | 31331JH55 | 10244 | Federal Farm Credit Bank | 09/21/2010 | 10,000,000.00 | 9,857,900.00 | 1.875 | 09/21/2015 |
| | 31331JYH0 | 10116 | Federal Farm Credit Bank | 08/17/2010 | 20,000,000.00 | 19,709,400.00 | 1.860 | 08/17/2015 |
| | 313371JR8 | 10250 | Federal Home Loan Bank | 11/18/2010 | 9,000,000.00 | 8,906,850.00 | 2.696 | 11/18/2015 |
| | 3133725C4 | 10254 | Federal Home Loan Bank | 12/30/2010 | 10,000,000.00 | 9,966,600.00 | 2.500 | 12/30/2015 |
| | 3133725C4 | 10255 | Federal Home Loan Bank | 12/30/2010 | 11,000,000.00 | 10,963,260.00 | 2.500 | 12/30/2015 |
| | 3133725C4 | 10256 | Federal Home Loan Bank | 12/30/2010 | 11,000,000.00 | 10,963,260.00 | 2.500 | 12/30/2015 |
| | 3133XLHQ9 | 10003 | Federal Home Loan Bank | 04/07/2008 | 20,565,000.00 | 21,025,656.00 | 2.940 | 06/10/2011 |
| | 3133XSCN6 | 10033 | Federal Home Loan Bank | 09/24/2008 | 37,770,000.00 | 40,155,930.90 | 3.902 | 12/28/2012 |
| | 3134A4FM1 | 10001 | Federal Home Loan Mtg Corp | 04/07/2008 | 25,000,000.00 | 25,654,500.00 | 2.913 | 06/15/2011 |
| | 3134A4MH4 | 10078 | Federal Home Loan Mtg Corp | 09/12/2009 | 19,225,000.00 | 17,923,083.00 | 3.385 | 07/15/2014 |
| | 3134A4VT8 | 10080 | Federal Home Loan Mtg Corp | 08/12/2009 | 170,000.00 | 158,487.60 | 3.326 | 07/15/2014 |
| | 3134G1E83 | 10253 | Federal Home Loan Mtg Corp | 12/22/2010 | 11,000,000.00 | 10,906,720.00 | 2.324 | 12/22/2015 |
| | 3134G1GZ1 | 10105 | Federal Home Loan Mtg Corp | 07/07/2010 | 21,000,000.00 | 21,003,570.00 | 2.750 | 07/07/2015 |
| | 3134G1KQ6 | 10108 | Federal Home Loan Mtg Corp | 07/14/2010 | 22,000,000.00 | 22,013,420.00 | 2.552 | 07/14/2015 |
| | 3134G1RL0 | 10117 | Federal Home Loan Mtg Corp | 08/25/2010 | 14,604,000.00 | 14,549,381.04 | 2.267 | 08/25/2015 |
| | 3134G1UE2 | 10243 | Federal Home Loan Mtg Corp | 09/23/2010 | 11,000,000.00 | 10,961,720.00 | 2.437 | 09/23/2015 |
| | 3134G1YF5 | 10249 | Federal Home Loan Mtg Corp | 11/17/2010 | 11,000,000.00 | 10,725,550.00 | 1.768 | 11/17/2015 |
| | 313586QR3 | 10077 | Federal National Mtg Assn | 08/12/2009 | 23,542,000.00 | 21,969,394.40 | 3.326 | 07/05/2014 |
| | 313588AC9 | 10112 | Federal National Mtg Assn | 07/01/2010 | 15,139,000.00 | 15,139,000.00 | 4.982 | 01/03/2011 |
| | 31359YBU0 | 10081 | Federal National Mtg Assn | 08/12/2009 | 704,000.00 | 656,325.12 | 3.326 | 07/15/2014 |
| | 3136FMZU1 | 10104 | Federal National Mtg Assn | 06/29/2010 | 20,000,000.00 | 20,032,400.00 | 3.556 | 06/29/2015 |
| | 3136FPNM5 | 10245 | Federal National Mtg Assn | 10/15/2010 | 21,000,000.00 | 20,699,490.00 | 2.202 | 10/15/2015 |
| | 3137F0FG0 | 10079 | Federal Home Loan Mtg Corp | 08/12/2009 | 832,000.00 | 775,656.96 | 3.326 | 07/15/2014 |
| | 912828FK1 | 10085 | U.S. Treasury | 08/12/2009 | 531,000.00 | 543,882.06 | 1.018 | 06/30/2011 |
| | 912828GC8 | 10086 | U.S. Treasury | 08/12/2009 | 545,000.00 | 568,075.30 | 1.272 | 12/31/2011 |
| | **Total** | **4221 - Bond Reserve Fund** | | | | **365,821,135.66** | | |
| 4221-01 - NTTA 2nd Tier DS Res Fund | Cash | | Cash | | 871,297.60 | 871,297.60 | | |
| | TEXPOOL | 10241 | TexPool | 08/31/2011 | 2,016,175.02 | 2,016,175.02 | 0.168 | |
| | 3136F9ZY2 | 10013 | Federal National Mtg Assn | 08/01/2008 | 42,296,000.00 | 45,035,511.92 | 4.121 | 12/30/2012 |
| | **Total** | **4221-01 - NTTA 2nd Tier DS Res Fund** | | | | **47,922,984.54** | | |
| | **TOTAL INTEREST & SINKING RESERVE FUND** | | | | | **413,744,120.20** | | |
| | | | ***INTEREST & SINKING - REDEMPTION FUND*** | | | | | |
| 4231 - Bond Redemption Fund | TEXPOOL | 10241 | TexPool | 08/31/2010 | 27,227,150.57 | 27,227,150.57 | 0.168 | |
| | **Total** | **4231 - Bond Redemption Fund** | | | | **27,227,150.57** | | |
| | **TOTAL INTEREST & SINKING - REDEMPTION FUND** | | | | | **27,227,150.57** | | |
| | INVESTMENT TOTAL AS OF 12/31/2010 | | | | | **1,550,029,542.46** | | |

These balances are preliminary
and subject to year-end adjustments

**NORTH TEXAS TOLLWAY AUTHORITY**
**Schedule of Deferred Study Costs-Feasibility Study Fund**
**December 31, 2010**
**(Unaudited)**

The table below sets forth the accumulated deferred study costs by project, through Dec, 2010 that have not been transferred out of the Feasibility Study Fund into a construction project.

| Projects | Accumulated As of Dec 31,2009 | Current Year | Accumulated As of Dec. 31,2010 |
|---|---|---|---|
| Trinity Tollway | 374,328 | - | 374,328 |
| DNT- 380 Interchange | 285,767 | - | 285,767 |
| DNT Extension Phases 4 | 3,445,371 | 149,550 | 3,594,921 |
| DNT Ext Phase 5 | 872,836 | 1,588,851 | 2,461,687 |
| PGBT EE | 91,003 | 26,153 | 117,156 |
| SH 360 | 3,012,918 | 1,261,945 | 4,274,863 |
| SWP TXDOT | 74,146,739 | 46,347,058 | 120,493,797 |
| SWP - Chisolm Trail | 1,039,436 | 969,576 | 2,009,012 |
| Trinity Pkwy | 30,812,922 | 1,776,910 | 32,589,832 |
| PGBT-South (SH161) | 37,017,437 | 64,397,329 | 101,414,766 |
| NCTCG | 648,528 | 141,316 | 789,844 |
| SH 170 - Alliance Gateway | 2,481,933 | 613,378 | 3,095,311 |
| Capital Planning Model | 364,329 | - | 364,329 |
| Collin/Grayson Corridor | 175,712 | - | 175,712 |
| Future Bond Issue Planning | 336,519 | - | 336,519 |
| State Highway 183 Managed Lanes | 901,486 | - | 901,486 |
| Denton County Corridor | 7,857 | - | 7,857 |
| Loop 9 | 8,285 | 24,246 | 32,531 |
| Grand Total | 156,023,404 | 117,296,310 | 273,319,714 |

**North Texas Tollway Authority**
**Estimated Project Cash Flow**
**for the Year Ended December 31, 2010**
**as of**
**December 31st, 2010**

| | Jan-10 Actuals | Feb-10 Actuals | Mar-10 Actuals | Apr-10 Actuals | May-10 Actuals | Jun-10 Actuals | Jul-10 Actuals | Aug-10 Actuals | Sep-10 Actuals | Oct-10 Actuals | Nov-10 Actuals | Dec-10 Forecast |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **PGBT EE Construction Fund** | | | | | | | | | | | | |
| Beginning Balance | 274,060,060 | 266,838,346 | 255,712,370 | 242,351,983 | 231,204,051 | 221,784,759 | 209,148,637 | 202,583,890 | 193,264,400 | 182,204,704 | 174,075,178 | 164,034,223 |
| Investment Gain/(Loss) | 739,139 | (145,550) | 254,929 | (103,019) | 320,487 | (15,612) | 281,625 | (4,811) | 297,836 | 19,463 | 26,402 | 45,942 |
| Miscellaneous Revenue / Cash Receipts | 500 | - | - | - | - | - | - | - | - | - | 180,200 | - |
| Salaries/Wages | (55,274) | (54,418) | (55,600) | (55,597) | (56,983) | (60,127) | (81,855) | (57,404) | (57,688) | (57,659) | (59,299) | (80,221) |
| IT Expenditures | (1,207) | (564) | (2,072) | (603) | (1,174) | (1,754) | (1,144) | (2,343) | (1,741) | (1,736) | (1,162) | (2,303) |
| Maintenance Expenditures | (10,055) | (33,528) | (3,847) | (13,371) | - | (8,841) | (49,225) | - | (50,270) | - | - | - |
| Project Delivery Expenditures | (7,791,648) | (10,830,776) | (13,538,116) | (10,840,190) | (9,402,828) | (12,284,205) | (6,401,263) | (8,985,215) | (10,921,501) | (7,878,451) | (9,946,493) | (18,669,940) |
| Other | (103,168) | (61,138) | (15,681) | (135,150) | (278,795) | (265,582) | (312,887) | (269,716) | (326,332) | (210,943) | (240,603) | (104,211) |
| Total Expenditures | (7,961,352) | (10,980,427) | (13,615,316) | (11,044,912) | (9,739,780) | (12,620,510) | (6,846,373) | (9,314,679) | (11,357,532) | (8,148,988) | (10,247,557) | (18,856,675) |
| Projected Ending Balance | 266,838,346 | 255,712,370 | 242,351,983 | 231,204,051 | 221,784,759 | 209,148,637 | 202,583,890 | 193,264,400 | 182,204,704 | 174,075,178 | 164,034,223 | 145,223,490 |
| **DNT Phase 3 Construction Fund** | | | | | | | | | | | | |
| Beginning Balance | 15,316,566 | 15,255,817 | 15,250,490 | 15,087,504 | 15,077,818 | 15,071,218 | 15,017,002 | 15,002,592 | 14,997,560 | 14,901,867 | 14,854,341 | 14,828,148 |
| Investment Gain/(Loss) | 1,022 | 403 | 289 | 333 | 241 | 530 | 642 | 872 | 2,140 | 2,669 | 2,577 | 2,340 |
| Salaries/Wages | (51) | (52) | (53) | (52) | (54) | (53) | (83) | (55) | (55) | (55) | (58) | (80) |
| IT Expenditures | (5,386) | (1,741) | (5,878) | - | - | - | - | - | - | - | - | - |
| Maintenance Expenditures | - | - | (94,170) | - | - | (44,698) | - | - | (91,002) | (30,148) | (30,062) | (59,885) |
| Project Delivery Expenditures | (56,334) | (3,937) | (63,175) | (8,145) | (4,900) | (9,692) | (14,779) | (5,850) | (6,966) | (19,994) | 2,463 | (11,105) |
| Other | - | - | - | (1,822) | (1,887) | (304) | (191) | - | 191 | - | (1,113) | - |
| Total Expenditures | (61,771) | (5,729) | (163,275) | (10,019) | (6,840) | (54,747) | (15,052) | (5,904) | (97,832) | (50,196) | (28,770) | (71,071) |
| Projected Ending Balance | 15,255,817 | 15,250,490 | 15,087,504 | 15,077,818 | 15,071,218 | 15,017,002 | 15,002,592 | 14,997,560 | 14,901,867 | 14,854,341 | 14,828,148 | 14,759,417 |
| **LLTB Construction Fund** | | | | | | | | | | | | |
| Beginning Balance | 13,407,404 | 13,244,562 | 10,845,599 | 10,512,800 | 8,364,730 | 8,356,803 | 7,412,598 | 7,393,515 | 7,383,103 | 7,368,789 | 7,349,795 | 7,345,945 |
| Investment Gain/(Loss) | 3,506 | 3,434 | 2,549 | 2,819 | 2,603 | 2,196 | 1,907 | 1,088 | 1,111 | 1,071 | 1,086 | 1,042 |
| Salaries/Wages | (649) | (656) | (671) | (665) | (682) | (673) | (982) | (688) | (691) | (691) | (720) | (926.36) |
| IT Expenditures | (714) | (714) | (2,154) | - | - | - | - | - | - | - | - | - |
| Maintenance Expenditures | (5,053) | (994) | (71) | (537) | (1,315) | (4,784) | (4,353) | - | (444) | - | - | - |
| Project Delivery Expenditures | (154,005) | (2,392,130) | (331,695) | (2,149,688) | (8,532) | (940,945) | (15,639) | (10,812) | (14,065) | (19,279) | (4,216) | (77,091) |
| Other | (5,927) | (7,903) | (556) | - | - | - | (16) | - | (225) | (94) | - | - |
| Total Expenditures | (166,348) | (2,402,398) | (335,347) | (2,150,890) | (10,529) | (946,401) | (20,991) | (11,499) | (15,426) | (20,064) | (4,936) | (78,017) |
| Projected Ending Balance | 13,244,562 | 10,845,599 | 10,512,800 | 8,364,730 | 8,356,803 | 7,412,598 | 7,393,515 | 7,383,103 | 7,368,789 | 7,349,795 | 7,345,945 | 7,268,970 |
| **Sam Rayburn Construction Fund** | | | | | | | | | | | | |
| Beginning Balance | 311,846,410 | 303,091,660 | 297,842,554 | 294,374,573 | 285,039,357 | 263,157,746 | 256,503,049 | 240,874,143 | 230,117,868 | 227,631,221 | 212,289,421 | 195,267,207 |
| Investment Gain/(Loss) | 563,820 | 671,736 | 416,473 | (446,751) | 221,841 | (166,960) | (71,738) | 770,703 | 658,362 | 6,655 | (63,951) | 99,336 |
| Close Out Cost of Issuance Account | | - | - | - | - | 55,578 | 2 | - | - | - | - | - |
| Miscellaneous Revenue / Cash Receipts | | 19,837 | - | 19,479 | - | - | 3,000,000 | 1,500,000 | - | - | - | - |
| Salaries/Wages | (55,893) | (55,112) | (56,348) | (55,944) | (57,463) | (60,508) | (82,730) | (58,002) | (58,327) | (58,478) | (60,176) | (81,134) |
| IT Expenditures | (1,734) | - | (12,528) | (21,935) | (234,369) | (408,411) | (2,853) | - | - | (292,141) | (11,248) | (477,835) |
| Maintenance Expenditures | (35,512) | (360,914) | (136,328) | (22,317) | (10,303) | (79,275) | (3,385) | - | (454) | - | (56,922) | (61,882) |
| Project Delivery Expenditures | (9,108,849) | (4,778,247) | (3,641,763) | (8,783,502) | (20,947,547) | (5,974,774) | (18,372,202) | (12,150,284) | (3,075,108) | (14,929,389) | (16,823,791) | (25,730,051) |
| Other | (116,583) | (746,406) | (37,486) | (24,246) | (853,770) | (18,348) | (96,000) | (818,691) | (11,120) | (68,447) | (6,126) | (995,868) |
| Total Expenditures | (9,318,571) | (5,940,679) | (3,884,453) | (8,907,944) | (22,103,452) | (6,541,315) | (18,557,170) | (13,026,978) | (3,145,009) | (15,348,455) | (16,958,263) | (27,346,770) |
| Projected Ending Balance | 303,091,660 | 297,842,554 | 294,374,573 | 285,039,357 | 263,157,746 | 256,503,049 | 240,874,143 | 230,117,868 | 227,631,221 | 212,289,421 | 195,267,207 | 168,019,773 |

**North Texas Tollway Authority**
**Estimated Project Cash Flow**
**for the Year Ended December 31, 2010**
**as of**
**December 31st, 2010**

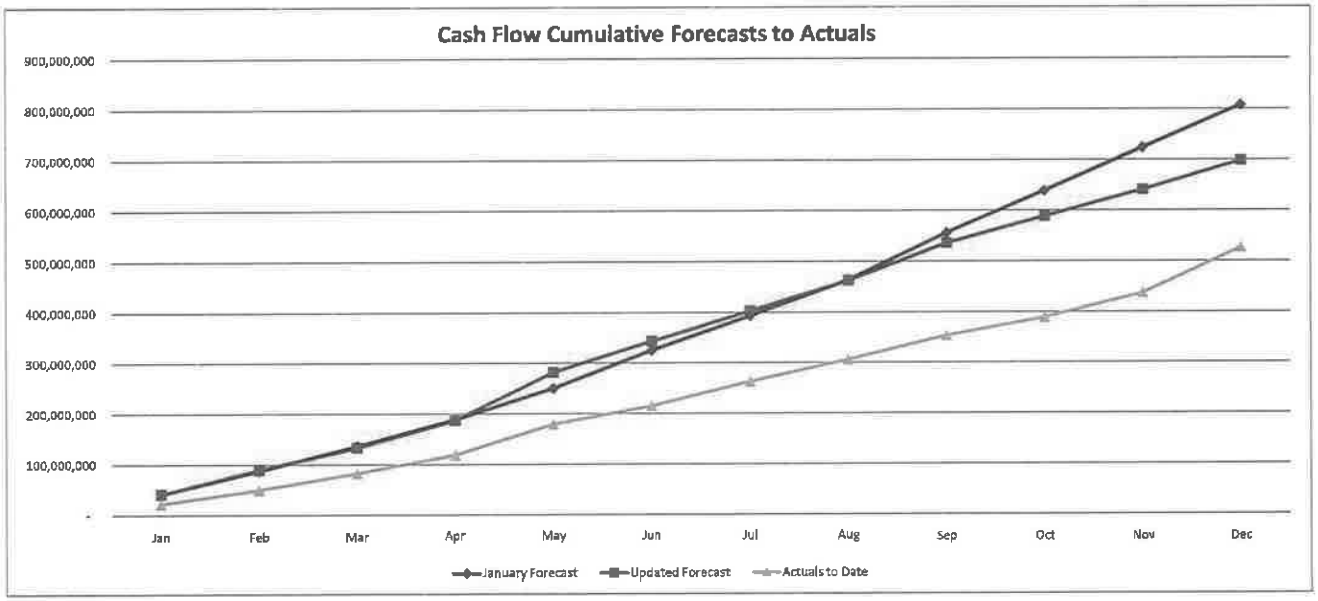
| | Jan-10 Actuals | Feb-10 Actuals | Mar-10 Actuals | Apr-10 Actuals | May-10 Actuals | Jun-10 Actuals | Jul-10 Actuals | Aug-10 Actuals | Sep-10 Actuals | Oct-10 Actuals | Nov-10 Actuals | Dec-10 Forecast |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **90 Construction Fund** | | | | | | | | | | | | |
| Beginning Balance | 9,502,612 | 9,493,612 | 9,560,549 | 9,560,700 | 4,960,908 | 4,961,057 | 4,961,231 | 4,961,443 | 4,961,731 | 4,962,438 | 4,963,321 | 4,964,180 |
| Investment Gain/(Loss) | (9,000) | 66,938 | 150 | 209 | 148 | 174 | 211 | 288 | 708 | 883 | 858 | 782 |
| TXDOT Loan Repayment | - | - | - | (4,600,000) | - | - | - | - | - | - | - | - |
| Total Expenditures | - | - | - | (4,600,000) | - | - | - | - | - | - | - | - |
| Projected Ending Balance | 9,493,612 | 9,560,549 | 9,560,700 | 4,960,908 | 4,961,057 | 4,961,231 | 4,961,443 | 4,961,731 | 4,962,438 | 4,963,321 | 4,964,180 | 4,964,962 |
| **Total Construction Funds** | | | | | | | | | | | | |
| Beginning Balance | 624,133,052 | 607,923,996 | 589,211,562 | 571,887,559 | 544,646,864 | 513,331,583 | 493,042,517 | 470,815,582 | 450,724,661 | 437,069,019 | 413,532,056 | 386,439,702 |
| Investment Gain/(Loss) | 1,298,487 | 596,961 | 674,369 | (546,409) | 545,320 | (181,571) | 212,648 | 768,139 | 960,157 | 30,741 | (33,028) | 149,443 |
| Close Out Cost of Issuance Account | - | - | - | - | - | 55,578 | 2 | - | - | - | - | - |
| Miscellaneous Revenue / Cash Receipts | 500 | 19,837 | - | 19,479 | - | - | 3,000,000 | 1,500,000 | - | - | 180,200 | - |
| Salaries/Wages | (111,866) | (110,238) | (112,672) | (112,258) | (115,181) | (121,361) | (165,650) | (116,149) | (116,762) | (117,083) | (120,252) | (162,362) |
| IT Expenditures | (9,042) | (3,019) | (22,632) | (22,538) | (235,543) | (410,165) | (3,997) | (2,343) | (1,741) | (293,877) | (12,410) | (480,138) |
| Maintenance Expenditures | (50,621) | (395,436) | (234,416) | (36,226) | (11,618) | (137,598) | (56,962) | - | (142,169) | (30,148) | (86,984) | (121,767) |
| Project Delivery Expenditures | (17,110,835) | (18,005,093) | (17,574,950) | (21,781,525) | (30,363,807) | (19,209,615) | (24,803,883) | (21,152,161) | (14,017,641) | (22,847,113) | (26,772,037) | (44,488,187) |
| TXDOT Loan Repayment | - | - | - | (4,600,000) | - | - | - | - | - | - | - | - |
| Other | (225,678) | (815,446) | (53,723) | (161,218) | (1,134,452) | (284,233) | (409,093) | (1,088,407) | (337,487) | (279,484) | (247,843) | (1,100,079) |
| Total Expenditures | (17,508,042) | (19,329,232) | (17,998,392) | (26,713,765) | (31,860,601) | (20,162,973) | (25,439,585) | (22,359,060) | (14,615,799) | (23,567,704) | (27,239,527) | (46,352,533) |
| Projected Ending Balance | 607,923,996 | 589,211,562 | 571,887,559 | 544,646,864 | 513,331,563 | 493,042,517 | 470,815,582 | 450,724,661 | 437,069,019 | 413,532,056 | 386,439,702 | 340,236,612 |
| **Feasibility Study Fund[2]** | | | | | | | | | | | | |
| Beginning Balance | (2,693,216) | 109,031 | 990,826 | (3,377,428) | (223,839) | (540,244) | (3,326,570) | (330,086) | (1,198,539) | (1,081,991) | (1,444,733) | (5,578,724) |
| Investment Gain/(Loss) | - | - | - | - | - | - | - | - | - | - | - | - |
| Reimbursements | 402,774 | 425,189 | 360,875 | - | - | - | - | - | - | - | - | - |
| Transfers from CIF[2] | 5,093,047 | 5,578,173 | 5,452,158 | 8,695,625 | 2,403,340 | 3,467,215 | 10,797,727 | 7,462,474 | 6,508,047 | 7,068,637 | - | 15,921,681 |
| Salaries/Wages | (150,468) | (133,004) | (134,938) | (135,844) | (138,987) | (150,366) | (204,125) | (142,892) | (143,460) | (141,887) | (143,187) | (200,589) |
| Trinity Parkway | (449,278) | (416,792) | (224,043) | (50,449) | (373,024) | (561,983) | (160,274) | (113,840) | (49,631) | (208,112) | (35,776) | (146,809) |
| SH 170 | (10,352) | (53,957) | (126,972) | (60,928) | (19,969) | (103,668) | (51,093) | (42,420) | (12,912) | (118,887) | (582) | (103,085) |
| SH 190 | - | - | - | - | - | - | - | - | - | - | - | - |
| SH 360 | (58,249) | - | (89,942) | (183,762) | (55,072) | (72,031) | (285,682) | (248,339) | (104,309) | (107,779) | (41,870) | (152,394) |
| DNT 4A | (149,518) | (408) | (42,459) | (19,427) | (12,074) | (6,158) | (42,715) | (7,146) | (881,159) | (651,784) | (6,936) | (1,662,725) |
| DNT 4B/5A | (105,438) | (99,215) | (178,833) | (90,783) | (44,222) | (188,643) | (215,907) | (102,903) | (98,764) | (97,517) | (205,744) | (1,804,965) |
| Other | (82,085) | (9,204) | (16,549) | (14,023) | (33,606) | (238,366) | (9,147) | (47,256) | (23,242) | (35,572) | (14,291) | (617,524) |
| Total NTTA System Expenditures | (1,005,389) | (712,581) | (813,735) | (555,217) | (676,954) | (1,321,215) | (968,943) | (704,797) | (1,313,497) | (1,361,539) | (450,384) | (4,688,090) |
| Transfer from CIF for Special Projects System[4] | - | - | - | - | 24,557,383 | 4,629,327 | 8,165,176 | 6,155,008 | 24,082,245 | 1,011,386 | 12,006,805 | 17,710,762 |
| SWP/CT[3] | (960,968) | (2,962,535) | (5,915,092) | (317,024) | (1,763,236) | (4,039,951) | (7,481,618) | (7,490,051) | (5,331,488) | (6,071,278) | (3,902,855) | (5,703,963) |
| PGBT Western Extension[5] | (727,217) | (1,446,452) | (3,452,460) | (4,669,794) | (24,836,939) | (5,521,702) | (7,515,857) | (6,291,086) | (23,828,534) | (1,009,949) | (11,787,555) | (17,862,255) |
| Total Special Project System Expenditures | (1,688,185) | (4,408,987) | (9,367,552) | (4,986,818) | (26,600,176) | (9,561,653) | (14,997,475) | (13,781,137) | (29,160,022) | (7,081,227) | (15,690,410) | (23,566,218) |
| Ending Balance | 109,031 | 990,826 | (3,377,428) | (223,839) | (540,244) | (3,326,570) | (330,086) | (1,198,539) | (1,081,766) | (1,444,733) | (5,578,724) | (200,589) |

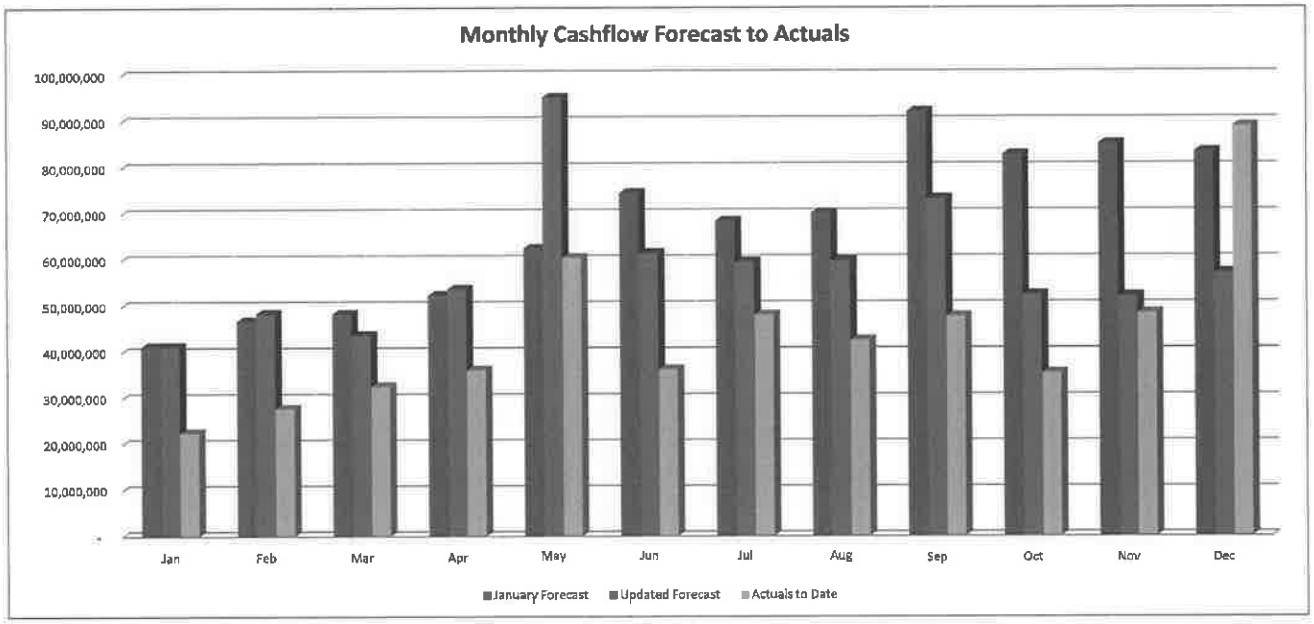
**North Texas Tollway Authority**
**Estimated Project Cash Flow**
**for the Year Ended December 31, 2010**
**as of**
**December 31st, 2010**

| | Jan-10 | Feb-10 | Mar-10 | Apr-10 | May-10 | Jun-10 | Jul-10 | Aug-10 | Sep-10 | Oct-10 | Nov-10 | Dec-10 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Actuals | Actuals | Actuals | Actuals | Actuals | Actuals | Actuals | Actuals | Actuals | Actuals | Actuals | Forecast |
| **Reserve Maintenance Fund** | | | | | | | | | | | | |
| Beginning Balance | 49,700,999 | 49,007,693 | 48,045,625 | 46,682,376 | 45,342,528 | 44,684,085 | 41,856,984 | 40,722,564 | 39,082,750 | 38,487,372 | 37,614,822 | 36,245,034 |
| Investment Gain/(Loss) | 25,651 | 24,674 | 22,297 | 24,552 | 23,015 | 23,055 | 21,989 | 16,316 | 13,049 | 2,720 | 6,646 | 5,860 |
| Transfer From Revenue Fund | - | - | - | - | - | - | - | - | - | - | - | - |
| Miscellaneous Revenue / Cash Receipts | - | - | - | - | - | - | - | 178,583 | - | - | - | - |
| Salaries/Wages | (170,432) | (182,779) | (176,399) | (180,766) | (177,030) | (180,804) | (248,402) | (180,079) | (184,927) | (183,442) | (187,158) | (267,090) |
| IT Expenditures | (263,059) | (318,543) | (34,909) | (93,458) | (22,510) | (19,024) | (104,778) | (81,744) | (27,949) | (41,282) | (473,117) | (292,962) |
| Maintenance Expenditures | (285,465) | (484,326) | (1,174,239) | (1,081,716) | (479,303) | (2,629,570) | (746,008) | (1,521,387) | (395,550) | (492,884) | (700,155) | (1,083,165) |
| Project Delivery Expenditures | - | - | - | - | - | - | - | - | - | - | (1,197) | (9,643) |
| Other | - | (1,094) | - | (8,460) | (2,614) | (20,758) | (57,201) | (51,503) | - | (157,662) | (14,806) | (76,895) |
| Total Expenditures | (718,956) | (985,742) | (1,385,547) | (1,364,400) | (681,458) | (2,850,156) | (1,156,390) | (1,834,713) | (608,427) | (875,270) | (1,376,434) | (1,729,755) |
| Projected Ending Balance | 49,007,693 | 48,045,625 | 46,682,376 | 45,342,528 | 44,684,085 | 41,856,984 | 40,722,564 | 39,082,750 | 38,487,372 | 37,614,822 | 36,245,034 | 34,521,140 |
| **Capital Improvement Fund** | | | | | | | | | | | | |
| Beginning Balance | (829,211) | 32,543,571 | 25,253,065 | 27,811,946 | 31,644,950 | 399,549,401 | 198,971,903 | 194,479,462 | 186,928,659 | 164,234,247 | 153,670,990 | 137,931,208 |
| Investment Gain/(Loss) | - | 850 | 621 | 665 | 16,675 | 20,285 | 12,202 | 12,372 | 12,335 | 14,042 | 13,945 | 17,164 |
| Miscellaneous Revenue / Cash Receipts | 53,026 | 15,000 | 31,000 | 8,000 | 38,000 | - | 23,000 | 8,000 | 8,000 | 62,912 | 8,005 | 174,260 |
| Transfer From Revenue Fund | 26,976,798 | 580,951 | - | - | - | - | - | - | - | - | - | 134,938,692 |
| Bond Proceeds [4] | | - | - | - | 399,295,000 | - | - | - | - | - | - | - |
| Bond / CP Issuance Costs | | - | - | - | (3,824,636) | (141,750) | - | - | - | - | - | (222,800) |
| Upfront PGBT WE Payment | | - | - | - | - | (200,000,000) | - | - | - | - | - | - |
| CP Proceeds [1] | 13,000,000 | - | 11,000,000 | 15,000,000 | - | 10,000,000 | 20,000,000 | 10,000,000 | 10,000,000 | - | - | 25,000,000 |
| Paydown of CP | | - | - | - | - | - | - | - | - | - | - | - |
| Transfer to FSF | (5,093,047) | (5,578,173) | (5,452,158) | (8,695,625) | (2,403,340) | (3,467,215) | (10,797,727) | (7,462,474) | (6,508,047) | (7,068,637) | - | (15,921,681) |
| Transfer to FSF for Special Project System [4][5] | | - | - | - | (24,557,383) | (4,629,327) | (8,165,176) | (6,155,008) | (24,082,245) | (1,011,386) | (12,006,805) | (17,710,762) |
| Salaries/Wages | (178,915) | (184,917) | (186,340) | (192,139) | (193,028) | (200,916) | (270,267) | (198,593) | (202,109) | (202,366) | (205,496) | (298,241) |
| IT Expenditures | (653,525) | (1,818,110) | (1,566,384) | (1,551,325) | (204,180) | (853,927) | (4,805,632) | (2,932,349) | (1,376,847) | (1,156,669) | (1,731,418) | (2,606,109) |
| Maintenance Expenditures | (134,806) | (44,132) | (93,904) | (35,838) | - | (207,845) | (47,716) | (97,018) | (23,000) | (81,473) | (158,156) | (71,041) |
| Project Delivery Expenditures | (497,635) | (201,450) | (685,903) | (261,991) | (82,002) | (297,710) | (390,717) | (399,359) | (309,268) | (373,691) | (1,138,408) | (834,002) |
| Other | (99,113) | (60,524) | (488,051) | (438,744) | (180,654) | (799,095) | (50,410) | (326,374) | (213,230) | (735,990) | (521,697) | (588,013) |
| CIF Subordinate Debt [3] | | - | - | - | - | - | - | - | - | - | - | - |
| ISTEA Payment | | - | - | - | - | - | - | - | - | - | - | (8,250,000) |
| Total Expenditures | (1,563,994) | (2,309,134) | (3,020,581) | (2,480,037) | (659,864) | (2,359,492) | (5,564,741) | (3,953,694) | (2,124,454) | (2,560,189) | (3,755,175) | (12,647,406) |
| Projected Ending Balance | 32,543,571 | 25,253,065 | 27,811,946 | 31,644,950 | 399,549,401 | 198,971,903 | 194,479,462 | 186,928,659 | 164,234,247 | 153,670,990 | 137,930,960 | 251,558,675 |

(1) Prior months are updated to the actual amount issued, current and future months are estimates based on forecasted cash flows
(2) The Feasibility Study Fund is a revolving account and is reimbursed when necessary by the Capital Improvement Fund
(3) The first CIF Subordinate Debt payment is scheduled for February 2011.

(4) Approximately $400 million in CIF Subordinate Debt was issued to finance a portion of construction on PGBT WE (formerly SH161) and SWP/CTP. These construction funds are currently being held in the CIF and are reserved for the PGBT WE and SWP/CTP Projects.
(5) The Authority is in the process of designating certain projects to be a part of a separate system, which will be known as the "Special Projects System". These projects will have their own fund and will be governed by a separate Trust Agreement. These changes will be reflected at a later date.


Cash Flow Cumulative Forecasts to Actuals
900,000,000
800,000,000
700,000,000
600,000,000
500,000,000
400,000,000
300,000,000
200,000,000
100,000,000
-
Jan
Feb
Mar
Apr
May
Jun
Jul
Aug
Sep
Oct
Nov
Dec
January Forecast
Updated Forecast
Actuals to Date


Monthly Cashflow Forecast to Actuals
100,000,000
90,000,000
80,000,000
70,000,000
60,000,000
50,000,000
40,000,000
30,000,000
20,000,000
10,000,000
-
Jan
Feb
Mar
Apr
May
Jun
Jul
Aug
Sep
Oct
Nov
Dec
January Forecast
Updated Forecast
Actuals to Date

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# APPENDIX C-3

## UNAUDITED ANNUAL FINANCIAL REPORT OF TEXAS DEPARTMENT OF TRANSPORTATION FOR FISCAL YEAR ENDED AUGUST 31, 2010

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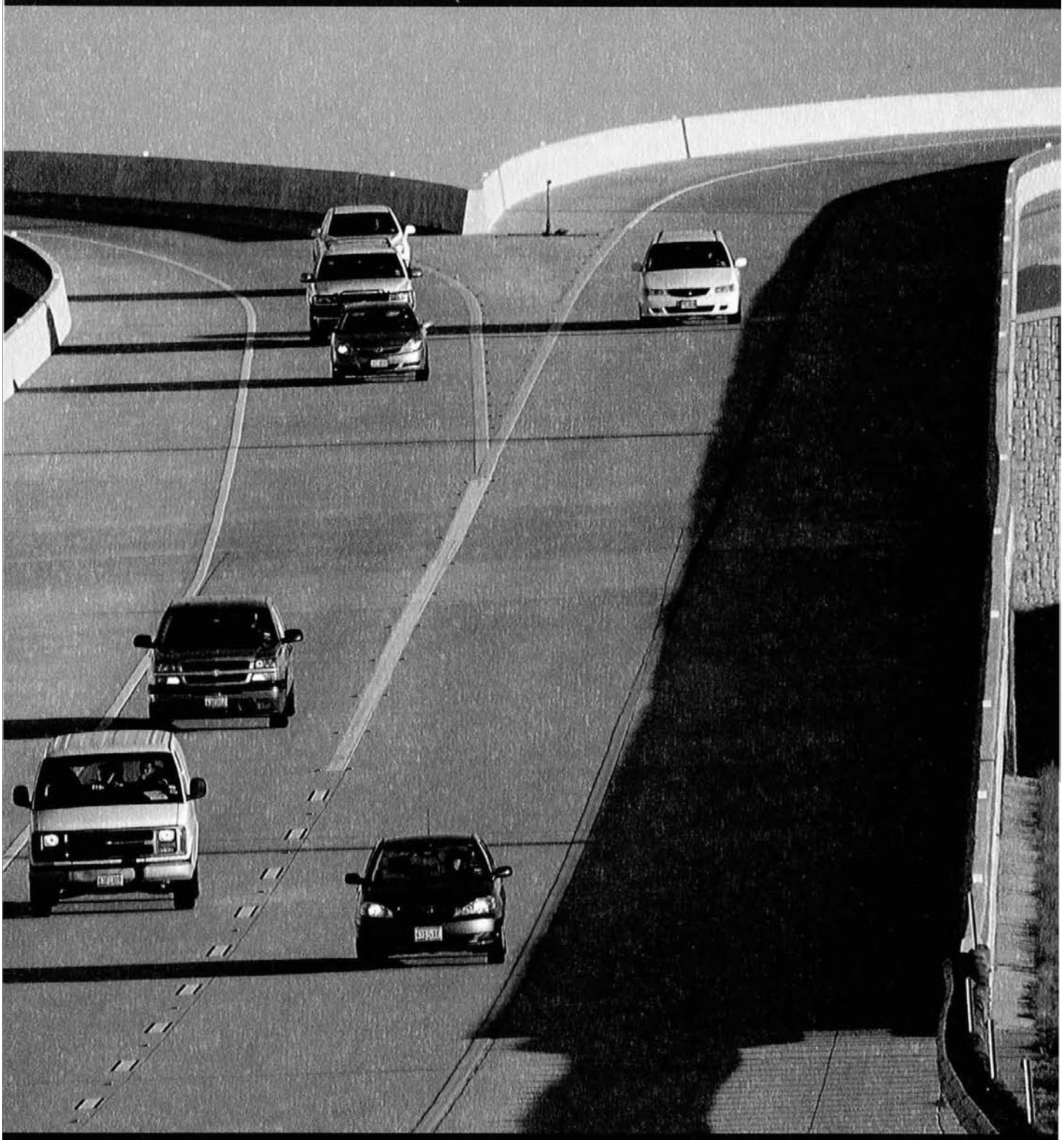
TEXAS DEPARTMENT OF TRANSPORTATION

# Annual Financial Report

(Unaudited)



For the Fiscal Year ended August 31, 2010

**Texas Department of Transportation**
DEWITT C. GREER STATE HIGHWAY BLDG. • 125 E. 11TH STREET • AUSTIN, TEXAS 78701-2483 • (512) 463-8585

November 20, 2010

TO: Honorable Rick Perry, Governor
Honorable Susan Combs, Texas Comptroller
Mr. John O'Brien, Director, Legislative Budget Board
Mr. John Keel, CPA, State Auditor

We are pleased to submit the Annual Financial Report of the Texas Department of Transportation (TxDOT) for the year ended August 31, 2010, in compliance with §2101.011 of the Texas Government Code and in accordance with the requirements established by the Comptroller of Public Accounts.

Due to the statewide requirements embedded in Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments,* the Comptroller of Public Accounts does not require the accompanying annual financial report to comply with all of the requirements in this statement. The financial report will be considered for audit by the State Auditor as part of the audit of the State of Texas Comprehensive Annual Financial Report; therefore, an opinion has not been expressed on the financial statements and related information contained in this report.

If you have any questions regarding the report or the Schedule of Expenditures of Federal Awards, please contact Glen T. Knipstein, Director of Accounting Management, at (512) 486-5314.

Sincerely,

Amadeo Saenz, Jr., P.E.
Executive Director

Enclosure
cc: James M. Bass, Chief Financial Officer, TxDOT

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# Combined Financial Statements

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# EXHIBIT I

## COMBINED BALANCE SHEET/STATEMENT OF NET ASSETS - GOVERNMENTAL FUNDS
## August 31, 2010

| | GOVERNMENTAL FUND TYPES | | | | |
|---|---|---|---|---|---|
| | GENERAL (EXH A-1) | SPECIAL REVENUE (EXH B-1) | DEBT SERVICE (0008)* U/F(0010) | CAPITAL PROJECTS (7604) * U/F (7604) | GOVERNMENTAL FUNDS TOTAL |
| | $ | $ | $ | $ | $ |
| ***ASSETS*** | | | | | |
| Current Assets: | | | | | |
| Cash and Cash Equivalents | | | | | |
| Cash on Hand | 605 | 615,156 | | | 615,761 |
| Cash in Bank (Note 3) | | 40,764,819 | | | 40,764,819 |
| Cash in State Treasury (Note A) | 1,510,674 | 5,792,802,615 | 116,368,477 | | 5,910,681,766 |
| Legislative Appropriations | 12,242,917 | | | | 12,242,917 |
| Receivables from: | | | | | |
| Federal | | 298,105,003 | | | 298,105,003 |
| Other Intergovernmental (Note B) | | 63,565,109 | | | 63,565,109 |
| Interest and Dividends | | 11,019,794 | | | 11,019,794 |
| Accounts Receivable | | 26,760,629 | | | 26,760,629 |
| Due from Other Funds (Note 12) | | 44,041,025 | | | 44,041,025 |
| Due from Other Agencies (Note 12) | | 193,803,146 | | 512,097 | 194,315,243 |
| Consumable Inventories | | 109,141,146 | | | 109,141,146 |
| Loans and Contracts [Note 1 F(4)] | 54,590 | 21,777,576 | | | 21,832,166 |
| Total Current Assets | 13,808,786 | 6,602,396,018 | 116,368,477 | 512,097 | 6,733,085,378 |
| Non-Current Assets: | | | | | |
| Federal Receivable | | 28,820,378 | | | 28,820,378 |
| Loans and Contracts [Note 1 F(4)] | 291,207 | 1,253,421,636 | | | 1,253,712,843 |
| Capital Assets: | | | | | |
| Non-Depreciable & Non-Amortizable | | | | | |
| Land and Land Improvements | | | | | 0 |
| Infrastructure | | | | | 0 |
| Construction in Progress | | | | | 0 |
| Land Use Rights | | | | | 0 |
| Depreciable & Amortizable | | | | | |
| Building and Building Improvements | | | | | 0 |
| Less Accumulated Depreciation | | | | | 0 |
| Infrastructure | | | | | 0 |
| Less Accumulated Depreciation | | | | | 0 |
| Furniture and Equipment | | | | | 0 |
| Less Accumulated Depreciation | | | | | 0 |
| Vehicles, Boats, and Aircraft | | | | | 0 |
| Less Accumulated Depreciation | | | | | 0 |
| Land Use Rights | | | | | 0 |
| Less Accumulated Amortization | | | | | 0 |
| Computer Software | | | | | 0 |
| Less Accumulated Amortization | | | | | 0 |
| Other Capital Assets | | | | | 0 |
| Less Accumulated Depreciation | | | | | 0 |
| Deferred Charge | | | | | 0 |
| Derivative Investment Instruments (Note 3) | | | | | 0 |
| Other Non-Current Assets | | 5,633,447 | | | 5,633,447 |
| Total Non-Current Assets | 291,207 | 1,287,875,461 | 0 | 0 | 1,288,166,668 |
| **TOTAL ASSETS** | **$ 14,099,993** | **$ 7,890,271,479** | **$ 116,368,477** | **$ 512,097** | **$ 8,021,252,046** |

GOVERNMENT-WIDE ADJUSTMENT FUND TYPES

| CAPITAL ASSET ADJUSTMENTS | LONG-TERM LIABILITIES ADJUSTMENTS | OTHER ADJUSTMENTS | STATEMENT OF NET ASSETS |
|---|---|---|---|
| $ | $ | $ | $ |
| | | | 615,761 |
| | | | 40,764,819 |
| | | | 5,910,681,766 |
| | | | 12,242,917 |
| | | | 298,105,003 |
| | | | 63,565,109 |
| | | | 11,019,794 |
| | | | 26,760,629 |
| | | | 44,041,025 |
| | | | 194,315,243 |
| | | | 109,141,146 |
| | | | 21,832,166 |
| 0 | 0 | 0 | 6,733,085,378 |
| | | | 28,820,378 |
| | | | 1,253,712,843 |
| 7,910,514,147 | | | 7,910,514,147 |
| 47,913,826,570 | | | 47,913,826,570 |
| 3,725,482,818 | | | 3,725,482,818 |
| 60,048,437 | | | 60,048,437 |
| 353,821,255 | | | 353,821,255 |
| (164,062,314) | | | (164,062,314) |
| 18,850,618,600 | | | 18,850,618,600 |
| (10,539,148,253) | | | (10,539,148,253) |
| 156,117,696 | | | 156,117,696 |
| (109,225,352) | | | (109,225,352) |
| 626,729,240 | | | 626,729,240 |
| (371,498,605) | | | (371,498,605) |
| 22,195,772 | | | 22,195,772 |
| (4,575,203) | | | (4,575,203) |
| 18,125,731 | | | 18,125,731 |
| (15,986,854) | | | (15,986,854) |
| 10,796,006 | | | 10,796,006 |
| (3,739,127) | | | (3,739,127) |
| | 39,918,026 | | 39,918,026 |
| | | 8,896,856 | 8,896,856 |
| | | | 5,633,447 |
| 68,440,040,564 | 39,918,026 | 8,896,856 | 69,777,022,114 |
| **$ 68,440,040,564** | **$ 39,918,026** | **$ 8,896,856** | **$ 76,510,107,492** |

# EXHIBIT I

## COMBINED BALANCE SHEET/STATEMENT OF NET ASSETS - GOVERNMENTAL FUNDS
**(Continued)**

| | GOVERNMENTAL FUND TYPES | | | | |
|---|---|---|---|---|---|
| | GENERAL (EXH A-1) | SPECIAL REVENUE (EXH B-1) | DEBT SERVICE (0008)* U/F(0010) | CAPITAL PROJECTS (7604) * U/F (7604) | GOVERNMENTAL FUNDS TOTAL |
| ***LIABILITIES AND FUND BALANCES*** | $ | $ | $ | $ | $ |
| Current Liabilities: | | | | | |
| Payables from | | | | | |
| Accounts Payable | 99,389 | 801,829,764 | | 512,097 | 802,441,250 |
| Contracts Payable [Note 1 F(8)] | | 57,414,362 | | | 57,414,362 |
| Payroll Payable | 197,804 | 58,397,973 | | | 58,595,777 |
| Interest Payable | | | | | 0 |
| Due to Other Funds (Note 12) | 489,754 | 41,968,969 | | | 42,458,723 |
| Due to Other Agencies (Note 12) | 216,549 | 54,503,017 | | | 54,719,566 |
| Deferred Revenues [Note 1 F(9)] | | 3,244,105,515 | | | 3,244,105,515 |
| Short Term Debt (Note 4) | | 65,000,000 | | | 65,000,000 |
| Pass Through Toll Notes Payable (Note 5) | | | | | 0 |
| Revenue Bonds Payable (Note 5) | | | | | 0 |
| Premium/Discount-Revenue Bonds (Note 5) | | | | | 0 |
| General Obligation Bonds Payable (Note 5) | | | | | 0 |
| Premium-GO Bonds (Note 5) | | | | | 0 |
| Employees Compensable Leave (Note 5) | | | | | 0 |
| Pollution Remediation Obligations (Note 5) | | | | | 0 |
| Total Current Liabilities | 1,003,496 | 4,323,219,600 | 0 | 512,097 | 4,324,735,193 |
| Non-Current Liabilities: | | | | | |
| Pass Through Toll Notes Payable (Note 5) | | | | | 0 |
| Revenue Bonds Payable (Note 5) | | | | | 0 |
| Premium-Revenue Bonds (Note 5) | | | | | 0 |
| General Obligation Bonds Payable (Note 5) | | | | | 0 |
| Premium-GO Bonds (Note 5) | | | | | 0 |
| Employees Compensable Leave (Note 5) | | | | | 0 |
| Pollution Remediation Obligations (Note 5) | | | | | 0 |
| Total Non-Current Liabilities | 0 | 0 | 0 | 0 | 0 |
| **TOTAL LIABILITIES** | 1,003,496 | 4,323,219,600 | 0 | 512,097 | 4,324,735,193 |
| **Fund Financial Statement-Fund** | | | | | |
| Fund Balances (Deficits): | | | | | |
| Reserved For: | | | | | |
| Encumbrances | | 131,350,158 | | | 131,350,158 |
| Inventories | | 109,141,146 | | | 109,141,146 |
| Imprest | | 143,158 | | | 143,158 |
| Loans & Contracts | 291,207 | 1,253,421,636 | | | 1,253,712,843 |
| Debt Service | | | 116,368,477 | | 116,368,477 |
| Unreserved: | | | | | |
| Designated For Other: | | | | | |
| Highway Construction and Maintenance | | 1,950,914,462 | | | 1,950,914,462 |
| State Infrastructure Bank | | 108,546,526 | | | 108,546,526 |
| Undesignated: | | | | | |
| Unencumbered Legislative Appropriations: | | | | | |
| Future Operations | 12,087,242 | | | | 12,087,242 |
| Consolidated Funds | 718,048 | | | | 718,048 |
| Texas Transportation Corporations | | 13,534,793 | | | 13,534,793 |
| **TOTAL FUND BALANCES** | 13,096,497 | 3,567,051,879 | 116,368,477 | 0 | 3,696,516,853 |
| **TOTAL LIABILITIES AND FUND BALANCE** | **$ 14,099,993** | **$ 7,890,271,479** | **$ 116,368,477** | **$ 512,097** | **$ 8,021,252,046** |

GOVERNMENT-WIDE ADJUSTMENT FUND TYPES

| CAPITAL ASSET ADJUSTMENTS | LONG-TERM LIABILITIES ADJUSTMENTS | OTHER ADJUSTMENTS | STATEMENT OF NET ASSETS |
|---|---|---|---|
| $ | $ | $ | $ |
| | | | 802,441,250 |
| | | | 57,414,362 |
| | | | 58,595,777 |
| | 188,001,591 | | 188,001,591 |
| | | | 42,458,723 |
| | | | 54,719,566 |
| | | (28,820,378) | 3,215,285,137 |
| | | | 65,000,000 |
| | 13,103,486 | | 13,103,486 |
| | 109,210,000 | | 109,210,000 |
| | 6,073,944 | | 6,073,944 |
| | 39,645,000 | | 39,645,000 |
| | 8,682,901 | | 8,682,901 |
| | 57,379,884 | | 57,379,884 |
| | 377,500 | | 377,500 |
| 0 | 422,474,306 | (28,820,378) | 4,718,389,121 |
| | 234,368,366 | | 234,368,366 |
| | 5,093,445,000 | | 5,093,445,000 |
| | 86,037,146 | | 86,037,146 |
| | 6,057,680,000 | | 6,057,680,000 |
| | 139,544,909 | | 139,544,909 |
| | 18,923,614 | | 18,923,614 |
| | 5,357,362 | | 5,357,362 |
| 0 | 11,635,356,397 | 0 | 11,635,356,397 |
| 0 | 12,057,830,703 | (28,820,378) | 16,353,745,518 |
| | | | 131,350,158 |
| | | | 109,141,146 |
| | | | 143,158 |
| | | | 1,253,712,843 |
| | | | 116,368,477 |
| | | | 1,950,914,462 |
| | | | 108,546,526 |
| | | | 12,087,242 |
| | | | 718,048 |
| | | | 13,534,793 |
| 0 | 0 | 0 | 3,696,516,853 |
| $ **0** | $ **12,057,830,703** | $ **(28,820,378)** | $ **20,050,262,371** |

# EXHIBIT I

## COMBINED BALANCE SHEET/STATEMENT OF NET ASSETS - GOVERNMENTAL FUNDS (Concluded)

| | GOVERNMENTAL FUND TYPES | | | | |
|---|---|---|---|---|---|
| | GENERAL (EXH A-1) | SPECIAL REVENUE (EXH B-1) | DEBT SERVICE (0008)* U/F(0010) | CAPITAL PROJECTS (7604) * U/F (7604) | GOVERNMENTAL FUNDS TOTAL |
| | $ | $ | $ | $ | $ |
| **Government-wide Statement-Net Assets** | | | | | |
| Net Assets: | | | | | |
| Invested in Capital Assets, Net of Related Debt | | | | | |
| Restricted for: | | | | | |
| Other | | | | | |
| Unrestricted | | | | | |
| Total Net Assets | | | | | |

Note (A):

| | | Cash in State Treasury |
|---|---|---|
| Consolidated Fund 0071 | $ | 804,371 |
| Consolidated Fund 0900 | | 706,303 |
| TOTAL | $ | 1,510,674 |

Note (B): The revenue breakdown is as follows:

| | | Other Intergovernmental Receivable |
|---|---|---|
| Sales of Goods and Services | $ | 63,528,100 |
| Licenses, Fees and Permits | | 37,009 |
| Total | $ | 63,565,109 |

The accompanying notes to the financial statements are an integral part of this financial statement.

* Appropriated Fund is noted as (XXXX), USAS D23 Fund is noted as U/F (XXXX).

GOVERNMENT-WIDE ADJUSTMENT FUND TYPES

| CAPITAL ASSET ADJUSTMENTS | LONG-TERM LIABILITIES ADJUSTMENTS | OTHER ADJUSTMENTS | STATEMENT OF NET ASSETS |
|---|---|---|---|
| $ | $ | $ | $ |
| 68,440,040,564 | (8,737,923,594) | | 59,702,116,970 |
| | (3,049,867,158) | | (3,049,867,158) |
| | (230,121,925) | 37,717,234 | (192,404,691) |
| $ **68,440,040,564** | $ **(12,017,912,677)** | $ **37,717,234** | $ **56,459,845,121** |

# EXHIBIT II

## COMBINED STATEMENT OF REVENUES, EXPENDITURES, & CHANGES IN FUND BALANCES/STATEMENT OF ACTIVITIES - GOVERNMENTAL FUNDS
**For the fiscal year ended August 31, 2010**

| | GOVERNMENTAL FUND TYPES | | | | |
|---|---|---|---|---|---|
| | GENERAL (EXH A-2) | SPECIAL REVENUE (EXH B-2) | DEBT SERVICE (0008)* U/F(0010) | CAPITAL PROJECTS FUND (7604)* U/F (7604) | GOV'T FUNDS TOTAL |
| **REVENUES:** | $ | $ | $ | $ | $ |
| Legislative Appropriations: | | | | | |
| Original Appropriations | 46,277,498 | | | | 46,277,498 |
| Additional Appropriations | 891,988 | | | | 891,988 |
| Taxes | | 40,356,000 | | | 40,356,000 |
| Federal Revenues | | 2,668,111,403 | | | 2,668,111,403 |
| Federal Grant Pass Through Revenues | | 22,022,375 | | | 22,022,375 |
| State Grant Pass Through Revenues | | 74,465 | | | 74,465 |
| Licenses, Fees and Permits [Note 1 H(4)] | 609,973 | 540,626,463 | | | 541,236,436 |
| Interest & Investment Income | | 71,962,341 | 1,265,735 | | 73,228,076 |
| Land Income | | 6,409,404 | | | 6,409,404 |
| Settlement of Claims | | 223,259 | | | 223,259 |
| Sales of Goods and Services | 892,028 | 203,085,940 | | | 203,977,968 |
| Other Revenues | | 7,261,152 | | | 7,261,152 |
| **TOTAL REVENUES:** | 48,671,487 | 3,560,132,802 | 1,265,735 | 0 | 3,610,070,024 |
| **EXPENDITURES:** | | | | | |
| Salaries and Wages | 2,782,188 | 586,938,512 | | | 589,720,700 |
| Payroll Related Costs | 1,080,642 | 214,350,484 | | | 215,431,126 |
| Professional Fees and Services | 151,438 | 244,014,269 | | | 244,165,707 |
| Travel | 58,118 | 3,804,326 | | | 3,862,444 |
| Materials and Supplies | 218,062 | 321,980,431 | | | 322,198,493 |
| Communications and Utilities | 4,629 | 52,637,938 | | | 52,642,567 |
| Repairs and Maintenance | 736,639 | 1,217,294,804 | | | 1,218,031,443 |
| Rentals and Leases | 3,764 | 10,510,477 | | | 10,514,241 |
| Printing and Reproduction | | 3,145,966 | | | 3,145,966 |
| Claims and Judgments | | 11,189,471 | | | 11,189,471 |
| Federal Pass Through Expenditures | | 10,930,353 | | | 10,930,353 |
| State Grant Pass Through Expenditures | 901 | 54,895 | | | 55,796 |
| Intergovernmental Payments | 1,402,952 | 418,836,175 | | 25,857,905 | 446,097,032 |
| Public Assistance Payments | | 23,109,292 | | | 23,109,292 |
| Other Expenditures | 32,526 | 345,854,774 | | | 345,887,300 |
| Principal on State Bonds | | 34,730,000 | 104,100,000 | | 138,830,000 |
| Principal on Pass -Through Tolls | | 205,000 | | | 205,000 |
| Amortization | | | | | 0 |
| Interest on State Bonds | 15,675,730 | 275,785,507 | 117,709,796 | | 409,171,033 |
| Other Financing Fees | | 20,060,112 | | | 20,060,112 |
| Capital Outlay | 4,358,182 | 2,818,902,420 | | | 2,823,260,602 |
| Depreciation & Amortization Expense | | | | | 0 |
| Decrease in Pollution Obligation | | | | | 0 |
| **TOTAL EXPENDITURES:** | 26,505,771 | 6,614,335,206 | 221,809,796 | 25,857,905 | 6,888,508,678 |
| **EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES:** | 22,165,716 | (3,054,202,404) | (220,544,061) | (25,857,905) | (3,278,438,654) |
| **OTHER FINANCING SOURCES (USES):** | | | | | |
| Operating Transfers In [Note 1 H (7)] | 750,000 | 3,381,833,527 | 237,227,386 | 25,857,905 | 3,645,668,818 |
| Operating Transfers Out [Note 1 H (7)] | 2,938 | (1,193,182,954) | | | (1,193,180,016) |
| Legislative Transfer Out [Note 1 H (8)] | (14,763,393) | | | | (14,763,393) |
| Bond & Note Proceeds | | 2,731,591,221 | | | 2,731,591,221 |
| Insurance Recoveries | | 10,557,622 | | | 10,557,622 |
| Sale of Capital Assets | 3,570,153 | 4,531,775 | | | 8,101,928 |
| Gain (Loss) on Sale of Capital Assets | | | | | |
| Increase in Net Assets Due to Interagency Transfer | | | | | |
| Decrease in Net Assets Due to Interagency Transfer | | | | | |
| **TOTAL OTHER FINANCING SOURCES (USES):** | (10,440,302) | 4,935,331,191 | 237,227,386 | 25,857,905 | 5,187,976,180 |

The accompanying notes to the financial statements are an integral part of this financial statement.

| GOVERNMENT-WIDE ADJUSTMENT FUND TYPES | | | |
|---|---|---|---|
| CAPITAL ASSETS ADJUSTMENTS | LONG TERM LIABILITIES ADJUSTMENTS | OTHER ADJUSTMENTS | STATEMENT OF ACTIVITIES |
| $ | $ | $ | $ |
| | | | 46,277,498 |
| | | | 891,988 |
| | | | 40,356,000 |
| | | 7,826,352 | 2,675,937,755 |
| | | | 22,022,375 |
| | | | 74,465 |
| | | | 541,236,436 |
| | | 2,145,103 | 75,373,179 |
| | | | 6,409,404 |
| | | | 223,259 |
| | | | 203,977,968 |
| 2,185,620 | | | 9,446,772 |
| 2,185,620 | 0 | 9,971,455 | 3,622,227,099 |
| | | | 589,720,700 |
| | 2,141,927 | | 217,573,053 |
| | | | 244,165,707 |
| | | | 3,862,444 |
| | | | 322,198,493 |
| | | | 52,642,567 |
| | | | 1,218,031,443 |
| | | | 10,514,241 |
| | | | 3,145,966 |
| | | | 11,189,471 |
| | | | 10,930,353 |
| | | | 55,796 |
| | | | 446,097,032 |
| | | | 23,109,292 |
| | | | 345,887,300 |
| | (138,830,000) | | 0 |
| | (205,000) | | 0 |
| | (13,969,839) | | (13,969,839) |
| | 37,102,492 | | 446,273,525 |
| | (14,170,899) | | 5,889,213 |
| (2,823,260,602) | | | 0 |
| 648,486,227 | | | 648,486,227 |
| | (3,346,825) | | (3,346,825) |
| (2,174,774,375) | (131,278,144) | 0 | 4,582,456,159 |
| 2,176,959,995 | 131,278,144 | 9,971,455 | (960,229,060) |
| | | | 3,645,668,818 |
| | | | (1,193,180,016) |
| | | | (14,763,393) |
| | (2,731,591,221) | | 0 |
| | | | 10,557,622 |
| (8,101,928) | | | 0 |
| (13,626,282) | | | (13,626,282) |
| 61,865 | | | 61,865 |
| (843,960) | | | (843,960) |
| (22,510,305) | (2,731,591,221) | 0 | 2,433,874,654 |

## EXHIBIT II

## COMBINED STATEMENT OF REVENUES, EXPENDITURES, & CHANGES IN FUND BALANCES/STATEMENT OF ACTIVITIES - GOVERNMENTAL FUNDS (Concluded)

| | GOVERNMENTAL FUND TYPES | | | | |
|---|---|---|---|---|---|
| | GENERAL (EXH A-2) | SPECIAL REVENUE (EXH B-2) | DEBT SERVICE (0008)* U/F(0010) | CAPITAL PROJECTS FUND (7604)* U/F (7604) | GOV'T FUNDS TOTAL |
| | $ | $ | $ | $ | $ |
| **Net change in Fund Balances/Net Assets** | 11,725,414 | 1,881,128,787 | 16,683,325 | 0 | 1,909,537,526 |
| **Fund Financial Statement - Fund Balances** | | | | | |
| **FUND BALANCES, Sept. 1, 2009** | 2,319,222 | 1,685,923,092 | 99,685,152 | | 1,787,927,466 |
| Appropriations Lapsed | (948,139) | | | | (948,139) |
| **FUND BALANCES, Aug. 31, 2010 (Exh. I)** | $ 13,096,497 | $ 3,567,051,879 | $ 116,368,477 | $ 0 | $ 3,696,516,853 |
| **Government-wide Statement of Net Assets** | | | | | |
| Net Assets/Net Change in Net Assets | | | | | |
| Net Assets-Beginning | | | | | |
| Restatements (Note 14) | | | | | |
| Net Assets-September 1, 2009, as restated | | | | | |
| Net Assets as of August 31, 2010 | | | | | |

* Appropriated Fund is noted as (XXXX), USAS D23 Fund is noted as U/F (XXXX).

The accompanying notes to the financial statements are an integral part of this financial statement.

| GOVERNMENT-WIDE ADJUSTMENT FUND TYPES | | | |
|---|---|---|---|
| CAPITAL ASSETS ADJUSTMENTS | LONG TERM LIABILITIES ADJUSTMENTS | OTHER ADJUSTMENTS | STATEMENT OF ACTIVITIES |
| $ 2,154,449,690 | $ (2,600,313,077) | $ 9,971,455 | $ 1,473,645,594 |
| | | | 1,787,927,466 |
| | | | (948,139) |
| | | | 3,696,516,853 |
| 2,154,449,690 | (2,600,313,077) | 9,971,455 | (435,891,932) |
| 66,261,578,021 | (9,417,599,600) | 20,994,026 | 56,864,972,447 |
| 24,012,853 | | 6,751,753 | 30,764,606 |
| 66,285,590,874 | (9,417,599,600) | 27,745,779 | 56,895,737,053 |
| **$ 68,440,040,564** | **$ (12,017,912,677)** | **$ 37,717,234** | **$ 56,459,845,121** |

# EXHIBIT III

## STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
## August 31, 2010

| | (0865)* U/F 0865 | ENTERPRISE FUND TOTAL |
|---|---|---|
| | $ | $ |
| **ASSETS** | | |
| Current Assets: | | |
| Money Market and Similar Funds (Note 3) | 318,382,715 | 318,382,715 |
| Short Term Investments (Note 3) | 15,029,000 | 15,029,000 |
| Due from Other Funds (Note 12) | 1,842 | 1,842 |
| Receivable: | | |
| Interest and Dividends | 300,323 | 300,323 |
| Accounts Receivable | 4,386,215 | 4,386,215 |
| Local Governments | 5,257,738 | 5,257,738 |
| Total Current Assets | 343,357,833 | 343,357,833 |
| Non-Current Assets: | | |
| Restricted: | | |
| Cash In State Treasury | 32,762 | 32,762 |
| Investments (Note 3) | 114,999,378 | 114,999,378 |
| Deferred Charges | 39,681,726 | 39,681,726 |
| Capital Assets: | | |
| Non- Depreciable (Note 2) | | |
| Land | 631,440,065 | 631,440,065 |
| Roadways | 1,631,036,702 | 1,631,036,702 |
| Land Use Rights | 16,525,986 | 16,525,986 |
| Depreciable (Note 2) | | |
| Buildings | 8,360,006 | 8,360,006 |
| less Accumulated Depreciation | (1,629,335) | (1,629,335) |
| Infrastructure | 421,201,897 | 421,201,897 |
| less Accumulated Depreciation | (56,836,537) | (56,836,537) |
| Total Non- Current Assets | 2,804,812,650 | 2,804,812,650 |
| Total Assets | 3,148,170,483 | 3,148,170,483 |
| **LIABILITIES** | | |
| Current Liabilities: | | |
| Payables | | |
| Accounts Payable | 20,098,229 | 20,098,229 |
| Deferred Revenue | 260,485 | 260,485 |
| Payable From Restricted Assets-Current Portion | 3,658,083 | 3,658,083 |
| Due to Other Funds (Note 12) | 1,584,144 | 1,584,144 |
| Total Current Liabilities | 25,600,941 | 25,600,941 |
| Non-Current Liabilities: | | |
| Revenue Bonds Payable (Note 5) | 1,537,924,340 | 1,537,924,340 |
| Notes/Loans Payable (TIFIA) (Note 5) | 1,007,012,665 | 1,007,012,665 |
| Total Non-Current Liabilities | 2,544,937,005 | 2,544,937,005 |
| Total Liabilities | 2,570,537,946 | 2,570,537,946 |
| **NET ASSETS** | | |
| Invested in Capital Assets, net of related debt | 105,161,780 | 105,161,780 |
| Restricted for debt service | 164,286,453 | 164,286,453 |
| Unrestricted | 308,184,304 | 308,184,304 |
| Total Net Assets | $ 577,632,537 | $ 577,632,537 |

* Appropriated Fund is noted as (XXXX), USAS D23 Fund is noted as U/F (XXXX)

The accompanying notes to the financial statements are an integral part of this financial statement.

# EXHIBIT IV

## STATEMENT OF REVENUES, EXPENSES, and CHANGES in NET ASSETS - PROPRIETARY FUNDS
## For the Fiscal Year Ended August 31, 2010

| | (0865)* U/F 0865 | ENTERPRISE FUND TOTAL |
|---|---|---|
| **Operating Revenues** | | |
| Toll Revenue | $ 73,298,997 | $ 73,298,997 |
| Total Operating Revenues | 73,298,997 | 73,298,997 |
| **Operating Expenses** | | |
| Professional Fees and Services | (9,173,343) | (9,173,343) |
| Materials and Supplies | (3,782,132) | (3,782,132) |
| Communication and Utilities | (1,255,124) | (1,255,124) |
| Repairs and Maintenance | (12,779,272) | (12,779,272) |
| Printing & Reproduction | (16,064) | (16,064) |
| Depreciation Expense (Note 2) | (17,352,296) | (17,352,296) |
| Prompt Payment Interest | (533) | (533) |
| Contracted Services-Laborers | (20,489,879) | (20,489,879) |
| Advertising | (183,042) | (183,042) |
| Other Operating Expenses | (2,180,495) | (2,180,495) |
| Total Operating Expenses | (67,212,180) | (67,212,180) |
| Operating Income (Loss) | 6,086,817 | 6,086,817 |
| **Nonoperating Revenues (Expenses)** | | |
| Lease Revenue | 12,864 | 12,864 |
| Interest and Investment Income | 6,251,339 | 6,251,339 |
| Interest and Amortization Expense | (66,745,615) | (66,745,615) |
| Accretion on Capital Appreciation Bonds (Note 5) | (72,802,167) | (72,802,167) |
| Net Increase (Decrease) in Fair Value of Investments | 380,789 | 380,789 |
| Other Financing Fees | 74,180 | 74,180 |
| Other Nonoperating Revenues (Expenses) | 78 | 78 |
| Total Nonoperating Revenues (Expenses) | (132,828,532) | (132,828,532) |
| Income (Loss) before Other Revenues, Expenses, Gains/Losses and Transfers | (126,741,715) | (126,741,715) |
| **Other Revenues, (Expenses), Gains/(Losses) and Transfers** | | |
| Capital Contributions | 27,762,446 | 27,762,446 |
| Operating Transfer In [Note 1 H(7)] | 35,527,692 | 35,527,692 |
| **Total Other Revenues, (Expenses), Gains/(Losses) and Transfers** | 63,290,138 | 63,290,138 |
| Change in Net Assets | (63,451,577) | (63,451,577) |
| Total Net Assets, September 1, 2009 | 642,257,624 | 642,257,624 |
| Restatement (Note 14) | (1,173,510) | (1,173,510) |
| Total Net Assets, September 1, 2009, as restated | 641,084,114 | 641,084,114 |
| Total Net Assets, August 31, 2010 | $ 577,632,537 | $ 577,632,537 |

* Appropriated Fund is noted as (XXXX), USAS D23 Fund is noted as U/F (XXXX)

The accompanying notes to the financial statements are an integral part of this financial statement.

*** UNAUDITED ***

# EXHIBIT V

## STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
## For the Fiscal Year Ended August 31, 2010

| | (0865)* U/F 0865 | ENTERPRISE FUND TOTAL |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| | $ | $ |
| Receipts from Customers | 75,331,264 | 75,331,264 |
| Payments to Vendors | (45,091,187) | (45,091,187) |
| Net Cash Provided by Operating Activities | 30,240,077 | 30,240,077 |
| **CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES** | | |
| Proceeds from Lease Revenue | 12,864 | 12,864 |
| Proceeds from Capital Contributions | 27,762,446 | 27,762,446 |
| Payments for Interest on Debt Issue | (62,678,437) | (62,678,437) |
| Payments for Additions to Land and Roadways | (19,302,432) | (19,302,432) |
| Payments for Remarketing Fees and Other Costs | 74,180 | 74,180 |
| Net Cash Used by Capital and Related Financing Activities | (54,131,379) | (54,131,379) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Proceeds from Sales of Investments | 59,997,479 | 59,997,479 |
| Proceeds from Interest and Investment Income, net of fees | 7,030,659 | 7,030,659 |
| Payments to Acquire Investments | (59,997,542) | (59,997,542) |
| Net Cash Provided by Investing Activities | 7,030,596 | 7,030,596 |
| Net Decrease in Cash and Cash Equivalents | (16,860,706) | (16,860,706) |
| Cash and Cash Equivalents - September 1, 2009 | 351,422,672 | 351,422,672 |
| Changes in Reporting Entity (Note 14) | (16,146,489) | (16,146,489) |
| Cash and Cash Equivalents - September 1, 2009, as Restated | 335,276,183 | 335,276,183 |
| Cash and Cash Equivalents - August 31, 2010 | $ 318,415,477 | $ 318,415,477 |

*** UNAUDITED ***

# EXHIBIT V

## STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS (CONCLUDED)
## For the Fiscal Year Ended August 31, 2010

| | (0865)* U/F 0865 | ENTERPRISE FUND TOTAL |
|---|---|---|
| **Reconciliation of Operating Income to Net Cash Provided by Operating Activities** | $ | $ |
| Operating Income (Loss) | 6,086,817 | 6,086,817 |
| Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities | | |
| Depreciation Expense | 17,352,296 | 17,352,296 |
| Operating Income and Cash Flow Categories Classification Differences | | |
| Changes in Assets and Liabilities: | | |
| (Increase) Decrease in Receivables | 2,032,265 | 2,032,265 |
| Increase (Decrease) in Payables | 4,768,699 | 4,768,699 |
| Total Adjustments | 24,153,260 | 24,153,260 |
| Net Cash Provided by Operating Activities | $ 30,240,077 | $ 30,240,077 |

NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:
The Enterprise Fund received $35,527,692 of noncash transfers for the year ended August 31, 2010. Of this amount, $737,523 was capitalized and $34,790,169 was expensed for the year.

| Reconciliation of Cash | |
|---|---|
| Money Market and Similar Funds | $ 318,382,715 |
| Restricted Cash and Cash Equivalents in State Treasury | 32,762 |
| | $ 318,415,477 |

* Appropriated Fund is noted as (XXXX), USAS D23 Fund is noted as U/F(XXXX).

The accompanying notes to the financial statements are an integral part of this financial statement. Note 1 describes the accounting policy on cash and cash equivalents.

# EXHIBIT VI

## Statement of Fiduciary Net Assets - Fiduciary Funds
## August 31, 2010

| | Agency Funds (EXH C) |
|---|---|
| | $ |
| **ASSETS** | |
| Current Assets: | |
| Cash and Cash Equivalents | |
| Cash on Hand | 159,647 |
| Cash in Bank | 46,336 |
| Cash In State Treasury | 245,601,638 |
| Money Market and Similar Funds | 19,435,963 |
| Total Current Assets | 265,243,584 |
| Total Assets | 265,243,584 |
| **LIABILITIES** | |
| Current Liabilities: | |
| Funds Held for Others | 265,243,584 |
| Total Current Liabilities | 265,243,584 |
| Total Liabilities | 265,243,584 |
| **NET ASSETS** | |
| Total Net Assets | $ 0 |

The accompanying notes to the financial statements are an integral part of this financial statement.

# Notes to the Financial Statements

# NOTES TO THE FINANCIAL STATEMENTS

## *NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES*

A. Scope of Entity

The Texas Department of Transportation (TxDOT), "the department," governed by the five-member Texas Transportation Commission, "the Commission," and an executive director elected by the Commission, is an agency of the State of Texas. Its operations are conducted by a central office with twenty functional divisions, six offices, four regional support centers, and twenty-five geographic districts. Further details are provided in the addendum.

The Texas Legislature created the State Highway Department in 1917 to grant financial aid to counties for highway construction and maintenance.

In 1935, the 44th Legislature created the Texas Department of Public Safety (DPS), which assumed the responsibility of enforcing laws protecting public safety. As a result, the Highway Patrol, along with the Texas Rangers, were transferred from the State Highway Department to the newly created DPS.

The Sixty-fourth Legislature (1975) created the State Department of Highways and Public Transportation by combining the authorities and responsibilities of the Texas Mass Transportation Commission and the State Highway Department. It also established the Public Transportation Fund and gave the department the responsibility for its administration.

On May 5, 1976, the functions of the Governor's Office of Traffic Safety were transferred to the department by Executive Order D.B. 28.

The Seventy-second Legislature (1991) created the Texas Department of Transportation (TxDOT) by merging the State Department of Highways and Public Transportation with the Texas Department of Aviation (effective September 1, 1991) and the Texas Motor Vehicle Commission (effective September 1, 1992).

S.B. 370, signed June 1997, abolished the Texas Turnpike Authority and created the Texas Turnpike Authority Division within the Texas Department of Transportation, and authorized the creation of regional tollway authorities. This bill also established the State Infrastructure Bank.

House Bill 3097, passed during the 81st Session of the Texas Legislature, created the Texas Department of Motor Vehicles (TxDMV). The TxDMV became operational on November 1, 2009 and is responsible for the following duties: vehicle registration and titling, issuing motor carrier operating authority, motor carrier enforcement, licensing vehicle dealers, and awarding law enforcement agencies grants to reduce auto theft and increase public awareness.

Blended Component Units

The Texas Transportation Corporations, authorized by Transportation Code Chapter 431 to perform certain functions normally undertaken by the department, have been included in the reporting entity because the department

exercises sufficient authority over the assets, operations, and management of such entities to warrant their inclusion. As a result, Texas Transportation Corporations are shown as a special revenue fund, Fund 999 [See Note 1C-(4)]. Even though Texas Transportation Corporations are a part of the Texas Department of Transportation accounting entity, the state is not liable for debts of these corporations, nor entitled to the assets of these corporations.

Discrete Component Units

No component units have been identified which require discrete presentation in the accompanying financial statements.

B. Basis of Presentation

The accompanying financial statements were prepared in conformity with procedures specified by the Texas State Comptroller's Office. The primary purpose of this report is to comply with legislative requirements to provide data for the Comptroller's Office. This data is combined by the Comptroller's Office with similar data from the other state agencies and activities in order to prepare a Comprehensive Annual Financial Report for the state.

Due to significant changes related to Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments, the Comptroller of Public Accounts does not require the accompanying annual financial report to be in compliance with generally accepted accounting principles (GAAP). The financial report will be considered for audit by the State Auditor as part of the State of Texas Comprehensive Annual Financial Report; therefore, an opinion has not been expressed on the financial statements and related information contained in this report.

C. Fund Structure

The financial statements are organized on the basis of funds, each of which is reported as a separate accounting entity within the department. Each fund's operations are accounted for in a separate set of accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures/expenses. These funds are reported separately within the department.

The department's funds fall under three categories. The first category, Governmental Fund Type and Government-wide Adjustment Fund Types, includes General, Special Revenue, Capital Projects and Government-wide Adjustment Fund Types. The second category, Proprietary Funds Types, includes Enterprise Funds. The third category, Fiduciary Fund Types, includes Agency Funds.

(1) Governmental Fund Type and Government-wide Adjustment Fund Types - General and Special Revenue Funds are used to account for the department's appropriations from the state's General Revenue Fund and proceeds from specific revenue sources that are legally restricted to expenditures for specified purposes. Capital Projects Funds are established to account for resources that are to be used to acquire major long-lived capital facilities. Their principal purpose is to assure the economical and legal expenditure of the resources, but they also serve as cost accounting mechanisms for the accumulation of the cost of major capital outlay projects. Adjustment Fund Types are used to

convert governmental fund types from modified to full accrual.

(a) General Revenue Fund (001) - The General Revenue Fund is used to account for all financial resources of the state except those required to be accounted for in another fund. As of August 31, 1993, the Texas Highway Beautification Fund was consolidated into the General Revenue Fund.

1.) Texas Highway Beautification Fund Account (071) - This account was established to implement the Texas highway beautification program. Revenues are obtained from outdoor advertising license and permit fees.

2.) Traffic Safety-Crash Records Information Systems Account (036) – This account is used to account for expenditures pertaining to the crash records information system. In fiscal year 2008, this program was moved from the Department of Public Safety to the Texas Department of Transportation.

3.) Suspense Fund (900) - This fund is used to temporarily hold and account for receipts, until the correct disposition of the items is determined.

(b) State Highway Fund (006) - This fund is restricted to expenditures for the building, maintaining, and policing of state highways. It derives its financing primarily from legally dedicated revenues such as motor fuels tax and vehicle registration fees, and from federal reimbursements for selected construction projects.

(c) State Infrastructure Bank (099) - This account was established with federal and state matching funds. This account receives loan principal and interest repayments. These receipts are used for loans to public and private entities to encourage the development of transportation projects and facilities. As these loans are repaid, these repayments are deposited into a separate program cost account in the State Infrastructure Bank account, and become available for new loans under the SIB program.

(d) Texas Mobility Fund (365) - This fund was created to account for the construction, reconstruction, acquisition, and expansion of state highways, including costs of design and acquisition of right-of-way. This fund may also be used to provide state participation in the payment of a portion of the costs of constructing and providing publicly owned toll roads and other public transportation projects. This fund is financed primarily from the sale of obligations of the state, which are, in turn, repaid primarily from revenues derived from certain dedicated state statutory fees and federal government receipts, or if such revenues are insufficient, from the general revenue fund pledged for that purpose.

(e) Federal American Recovery and Reinvestment Fund (369) – In order to maximize accountability and transparency of federal stimulus funds, this fund was created during fiscal year 2009 to record, track, and report the receipt and disbursement of Federal American Recovery and Reinvestment Act (ARRA) funds.

(f) Local Fund (999) - This fund presents the combined activities of the transportation corporations including the Grand Parkway Association and the Texas Private Activity Bond Surface Transportation Corporation. [See Note 1C-(4)].

(g) Debt Service Fund (008) – This fund is used to pay debt service on State Highway Fund bonds.

(h) Capital Projects Fund (7604) - This fund is used to account for general obligation bonds issued by the Texas Public Finance Authority. The purpose of these bonds is to provide financial assistance to counties for roadway projects serving border colonias. The program is aimed at providing access roads to colonias to connect residents to other public roads and not necessarily for paving all roads and streets within any particular colonia. TxDOT is responsible for administering this program in cooperation with the Office of the Governor, Secretary of State and the Texas A&M Center for Housing and Urban Development.

(i) Capital Asset Adjustment Fund Type - The Capital Asset Adjustment Fund Type is used to convert governmental fund types' capital assets from modified accrual to full accrual.

(j) Long - Term Liabilities Adjustment Fund Type - The Long - Term Liabilities Adjustment Fund Type is used to convert governmental fund types' debt from modified accrual to full accrual. The composition of this Adjustment Fund Type is discussed in Note 5 under employees' compensable leave, pollution remediation obligations, general obligation bonds, revenue bonds, and pass-through toll payables.

(k) Other Adjustment Fund Type - The Other Adjustments Fund Type is used to convert all other governmental fund types activity from modified accrual to full accrual. TxDOT will use this column to convert FHWA deferred revenue that is collectable, but not collectable within 60 days of fiscal year end, to revenue under full accrual. TxDOT will also use this column to record the Mobility Fund's derivative investment instruments activity as required per GASB Statement No. 53.

(2) Proprietary Fund Types - Enterprise Funds are used to account for any activity for which a fee is charged to external users for goods or services. Activities must be reported as enterprise funds if any one of the three following criteria is met: (i) The activity is financed with debt that is secured solely by a pledge of the gross revenues from fees and charges of the activity; (ii) Laws and regulations require that the activity's costs of providing services, including capital costs (such as depreciation or debt service), be recovered with fees and charges; or (iii) The pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs.

(a) Turnpike Authority Project Disbursing Account (865) -This fund shows the local and treasury activity of the Central Texas Turnpike System.

(3) Fiduciary Fund Type - Agency Funds are used to account for assets held in a custodial capacity for other entities and do not involve measurement of results of operations.

(a) General Revenue Fund (001) - This fund receives oversize/overweight permit receipts, sales tax receipts and other collections of monies that are used to fund other state entities. This fund received $14 in pay telephone receipts and no vending machine receipts during fiscal year 2010. During fiscal year 2010, this fund received certificate of title fees through October 31, 2009. Beginning on November 1, 2009, certificate of title fees were received by the Texas Department of Motor Vehicles.

(b) Proportional Registration Distributive Trust Fund (021) - This fund is used primarily to collect and distribute registration fees from trucking companies that operate in more than one state. These fees are distributed to the individual states based on mileage driven. During fiscal year 2010, Fund 021 was transferred to the Texas Department of Motor Vehicles.

(c) Child Support Deductions – Suspense (807) – This fund is a holding account where child support payroll deductions are held until disbursed.

(d) Employees' Savings Bond Account (901) - This fund receives and disburses employee payroll deductions for U.S. Savings Bonds.

(e) County, Political Subdivision, Local Government Road/Airport Trust Account (927) – This fund is used to hold money paid in advance by cities, counties, and others to reimburse the department for expenditures on specific projects from the State Highway Fund (006).

(f) Toll Revenue Custodial Account (997) – This fund receives money paid by users of toll roads and disburses the money once the appropriate toll road beneficiary has been identified.

(g) Direct Deposit Correction Accounts (980 and 9014) - These funds are used to temporarily hold and account for direct deposits that are unable to be processed, until the correct disposition of the items is determined.

(4) Component Units - The implementation of GASB No. 14 requires government entities to describe any component units of the primary government, as well as the method used to report their activities. Two Texas Transportation Corporations are considered component units, per GASB No. 14. Both the Grand Parkway Association and the Texas Private Activity Bond Surface Transportation Corporation are presented in the financial statements of the department as a special revenue fund, Fund 999.

These transportation corporations are nonprofit organizations which may (1) promote and develop new and expanded transportation facilities on behalf of the department, (2) contract with the department to construct and/or improve projects designated by the department, (3) sell the projects to the department in accordance with the terms of the contract, and (4) contract with the department to supervise construction and provide construction management services for highways being constructed on behalf of the department. These projects must be intended to become part of the federal or state highway system.

These corporations may issue bonds and notes to finance the cost of projects. These bonds and notes must be approved by the Attorney General and state on their face that they are not obligations of the State of Texas. The commission created the Texas Private Activity Bond Surface Transportation Corporation for the purpose of acting on behalf of the department in the promotion and development of transportation facilities by issuing private activity bonds for projects developed under comprehensive development agreements entered into by the department. In December 2009, the Texas Private Activity Bond Surface Transportation Corporation issued $400 million (at par value) of tax exempt bonds to loan to the developer of the North Tarrant Express Managed Lanes Project and issued $615 million (at par value) in June 2010 to loan to the developer of the LBJ Project (I-635 Managed Lanes). The

bylaws of the corporation state that these bonds were issued by the corporation without any recourse to the Commission, TxDOT, the corporation, or the State of Texas. The department does not have any obligation to pay debt service on any bonds issued by this corporation. The bonds are payable by the corporation solely from payments received from or on behalf of a developer. The Texas Private Activity Bond Surface Transportation Corporation is liable for the payment of these bonds to the extent revenue from those payments is available. The fees charged by bond counsel, financial advisors, and other consultants shall be paid from bond proceeds to the extent permitted by law and, or if to the extent not paid from bond proceeds, shall be the responsibility of the developer. The Texas Private Activity Bond Surface Transportation Corporation has loans receivable from the developers for the same amount as the bond liability. As of August 31, 2010, no other transportation corporation has issued bonds.

The Commission approves the creation of transportation corporations, approves the articles of incorporation, appoints directors, and approves by-laws. At any time, the Commission may terminate and dissolve the corporation. In the event of dissolution or liquidation of the corporation, all assets shall be turned over to the department.

D. Basis of Accounting

The basis of accounting determines when revenues and expenditures are recognized in the accounts reported in the financial statements. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types and agency funds are accounted for on the modified accrual basis of accounting. Revenues are recognized when they become both measurable and available. Expenditures are generally recognized when the related fund liability is incurred. Governmental adjustment fund types that build the government-wide financial statements are accounted for using the full accrual method of accounting. This includes capital assets and unpaid employee compensable leave.

A proprietary fund is accounted for on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized at the time liabilities are incurred. A proprietary fund distinguishes operating from non-operating items. Operating revenues and expenses result from providing services or producing and delivering goods in connection with the proprietary fund's principal ongoing operations. Operating expenses for an enterprise fund include the cost of sales and services, administrative expenses, and depreciation on capital assets.

E. Budgets and Budgetary Accounting

(1) General Budget Policies

The Texas Department of Transportation's budget is prepared on a performance-based concept, and is represented by biennial appropriations authorized by the legislature, and approved by the governor. Encumbrance accounting is employed for budgetary control purposes.

(2) Encumbrances

An encumbrance is defined as a purchase order for equipment ordered but not yet received as of the end of the fiscal year, contracts awarded for buildings and land, or contracts awarded to reimburse grantees. Highway

construction contracts, spot purchases, and other contract obligations extending beyond the current year are not reported as encumbrances, in accordance with Comptroller requirements. Encumbrances are included in the accounts to reserve a portion of fund equity for future obligations. At year end, encumbrances are reported as a category of the fund equity section of the balance sheet.

F. Assets, Liabilities and Fund Balance

(1) Cash and Cash Equivalents

Short-term highly liquid investments with an original maturity of three months or less are considered cash equivalents. On the Statement of Cash Flows, cash and cash equivalents are considered to be cash in bank, cash in State Treasury, and money market funds with original maturities of three months or less from the date of acquisition.

(2) Restricted Assets

Restricted assets include monies or other resources restricted by legal or contractual requirements. These assets include proceeds of enterprise fund notes/loans, revenue bonds, and revenues set aside for statutory or contractual requirements.

(3) Consumable Inventories

Inventory items are reported at a weighted-average cost. The inventory consists of supplies and roadway materials on hand for future use. Governmental accounting principles allow the costs to be reported as an expenditure of the purchasing fund when the items are acquired or deferred until the items are used. Comptroller policy requires that the consumption method of accounting be used to account for inventories and prepaid items, and that the cost of these items be expensed when the items are consumed. Inventories are also reported in the fund equity section as a reservation of fund equity, to show they do not constitute future spendable resources, even though they are a component of current assets. Included in inventories were prepaid postage items totaling $221,083 as of August 31, 2010.

(4) Notes/Loans Receivable

| **The Fund 1 account represents loans to:** | |
|---|---|
| City of Castroville | $199,178 |
| City of Hondo | 130,328 |
| City of Paris | 9,216 |
| Zapata County | 7,075 |
| Total Fund 1 | $345,797 |
| | |
| Of the total in Fund 1, receivables due within one year from August 31, 2010 | $54,590 |

| | |
|---|---|
| **The Fund 6 account represents loans to:** | |
| Alamo Regional Mobility Authority | $14,819,690 |
| Cameron County Regional Mobility Authority | 5,131,740 |
| Camino Real Regional Mobility Authority | 961,405 |
| Grayson County Regional Mobility Authority | 99,606 |
| North East Texas Regional Mobility Authority | 10,922,569 |
| Total Fund 6 | $31,935,010 |

In Fund 6, these amounts are considered long-term receivables

| | |
|---|---|
| **The Fund 99 account represents loans to:** | |
| Brazoria County | $218,279 |
| Central Texas Regional Mobility Authority | 31,610,000 |
| City of Anthony | 172,982 |
| City of Atlanta | 680,023 |
| City of Baytown | 779,079 |
| City of Cameron | 372,445 |
| City of Center | 353,241 |
| City of Domino | 57,767 |
| City of Easton | 80,249 |
| City of El Paso | 9,427,577 |
| City of Florence | 138,190 |
| City of Gregory | 42,593 |
| City of Horizon City | 138,115 |
| City of Kerrville | 1,449,483 |
| City of Kyle | 11,000,000 |
| City of Laredo | 19,500,000 |
| City of Mesquite | 4,035,072 |
| City of Pinehurst | 151,722 |
| City of Pottsboro | 425,392 |
| City of Rockdale | 400,402 |
| City of Rosenberg | 1,080,558 |
| City of Round Rock | 32,552,396 |
| City of Seguin | 157,521 |
| City of Sinton | 71,855 |
| City of Socorro | 259,461 |
| City of Stamford | 275,013 |
| City of Weatherford | 416,666 |
| City of Winnsboro | 79,050 |
| Culleoka Water Supply Corporation | 562,469 |
| Duck Creek Water Supply Corporation | 157,467 |
| Goliad County | 93,374 |
| Hidalgo County | 1,892,613 |
| Liberty City Water Supply Corporation | 830,181 |
| Mission Redevelopment Authority | 2,691,165 |
| North Texas Tollway Authority | 135,000,000 |
| Olmito Water Supply Corporation | 474,203 |
| Wise County | 3,025,000 |
| Total Fund 99 | $260,651,603 |

| | |
|---|---|
| Of the total in Fund 99, principal amounts due within one year from August 31, 2010 | $9,039,000 |

| | |
|---|---|
| **The Fund 999 account represents loans to:** | |
| NTE Mobility Partners LLC | $380,065,462 |
| LBJ Infrastructure LLC | 602,547,137 |
| Total Fund 999 | $982,612,599 |
| Of the total in Fund 999, receivables due within one year from August 31, 2010 | $12,738,576 |

(5) Capital Assets

Assets with an initial, individual cost at or above the thresholds established by the Texas Comptroller of Public Accounts and having an estimated useful life in excess of one year are capitalized. These assets are capitalized at cost if purchased, or if not purchased, at the appraised fair value of the assets as of the date of acquisition. Purchases of assets by governmental funds are reported as expenditures. Depreciation is reported on all "exhaustible" assets. "Inexhaustible" assets such as land are not depreciated. The roads and highway system for which the Texas Department of Transportation is responsible are reported on the modified basis. Assets, including bridges, are depreciated over the estimated useful life of the asset using the straight-line method.

All capital assets acquired by proprietary funds are reported at cost or estimated historical cost if actual historical cost is not available. Donated assets are reported at fair market value on the date of acquisition. Interest and amortization expenses, net of interest income, incurred during construction are capitalized. As permitted by GASB Statement No. 34, Basis Financial Statements – and Management's Discussion and Analysis – for State and Local Governments (GASB 34), the State of Texas has adopted the modified approach for reporting its highway system. Depreciation will be calculated on bridges and infrastructure assets not included as part of the highway system.

The Department reports condition assessments on the highway system based solely on the results of its Texas Maintenance Assessment Program (TxMAP). TxMAP involves yearly condition assessments (GASB requirement is every three years) which determine the overall condition levels of the Interstate and Non-Interstate highway systems. The Texas Transportation Commission has adopted condition levels of 80% for the Interstate system and 75% for the Non-Interstate system based on condition assessments conducted under TxMAP. In fiscal year 2008, the Department began evaluating the Central Texas Turnpike System (CTTS) using TxMAP and adopted a minimum condition level of 80% for the CTTS.

(6) Non-Current Assets

For special revenue funds, the category of "Other Non-Current Assets" represents long-term interest receivables on Notes and Loans.

Implementation of GASB statement No. 53 during fiscal year 2010 required the recognition of derivative investment instruments in the statement of net assets. The Mobility Fund's derivative investment instruments are recorded at fair value as a non-current asset.

For the proprietary funds, the costs associated with debt issuance totaled $61,104,647. These costs are not reported as an expense of the period in which they were incurred, but instead are reported as an adjustment to

interest expense throughout the period during which the related debt is outstanding. Unamortized deferred charges equaled $39,681,726 as of August 31, 2010.

(7) Accounts Payable

Accounts Payable represents the liability for the value of assets or services received at the balance sheet date for which payment is pending.

(8) Contracts Payable

Contracts Payable represents the amount of contract retainage held in the State Highway Fund or in a contractor's local bank on highway construction contracts. State law permits the department to allow the contractor to have the retainage held in a bank of his choice rather than in the state treasury. Departmental policy limits this to individual contracts exceeding $300,000. For contracts under $300,000, the retainage is kept in the state treasury. In either case, the retained cash still belongs to the State Highway Fund until released to the contractor. By law, interest earned on the bank deposits belongs to the contractors.

(9) Deferred Revenues

In fiscal year 2008, TxDOT received $3,197,104,248 in surplus tolls from the North Texas Tollway Authority (NTTA) for the development of SH 121 and received $25,750,778 of Comprehensive Development Agreement (CDA) receipts from Cintra Zachry Construction for the development of segments 5 and 6 of SH 130. These revenues will be recognized over the life of the agreements. In fiscal years 2009 and 2010, $63,942,085 of the SH 121 receipt was recognized as revenue each fiscal year. Please see Note 1 H(4). These receipts along with deferred federal revenue, construction and other escrow accounts and other funds collected but not earned make up this balance.

(10) Employees' Compensable Leave Balances

Employees' Compensable Leave Balances represent the liability that becomes "due" upon the occurrence of relevant events such as resignations, retirements, and uses of leave balances by covered employees. Liabilities are reported separately as either current or non-current in the Statement of Net Assets.

(11) Bonds Payable – General Obligation Bonds

General Obligation bonds relate to the Texas Mobility Fund (365) and are accounted for in the Long-Term Liabilities Adjustment Fund Type. Premiums and discounts are reported as "interest and investment income" in the period the bonds are sold. Payables are reported separately as either current or non-current in the statement of net assets.

(12) Bonds Payable – Revenue Bonds

Revenue bonds are accounted for in the State Highway Fund (006), the Turnpike Authority Project Disbursing Account (865), and Local Fund (999). The Revenue bonds related to the State Highway Fund are accounted for in

the Long-Term Liabilities Adjustment Fund Type. Premiums and Discounts are reported as "interest and investment income" in the period the bonds are sold. The bonds payable related to the Turnpike Authority Project Disbursing Account are reported at par less unamortized discount or plus unamortized premium. Interest expense is reported on the accrual basis, with amortization of discount or premium. Payables are reported separately as either current or non-current in the statement of net assets.

(13) Pollution Remediation Obligations

Pollution Remediation Obligations are accounted for in the long-term liabilities adjustment column for governmental activities. These obligations address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities. The obligations are reported separately as either current or non-current in the Statement of Net Assets.

(14) Reservations of Fund Balance

(a) Reserved for Encumbrances - This represents commitments of the value of contracts awarded or assets ordered prior to year-end, but not received as of that date. Encumbrances are not included with expenditures or liabilities. They represent current resources designated for specific expenditures in subsequent operating periods.

(b) Reserved for Imprest Accounts - This represents funds held for travel advances and petty cash as of August 31, 2010.

(c) Reserved for Inventories - This represents the amount of inventories held to be used in future periods.

(d) Reserved for Loans & Contracts – This represents the long term amount of loans and contracts.

(e) Unreserved - This amount represents the unexpended balance at year end which is available for use in subsequent years.

G. Net Assets – The difference between fund assets and liabilities is 'Net Assets' on the government-wide, proprietary fund statements.

(1) Invested In Capital Assets, Net of Related Debt

Invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt (net of unspent proceeds) that are attributed to the acquisition, construction, or improvement of those assets.

(2) Restricted Net Assets

Restricted net assets result when constraints placed on net assets use are either externally imposed by creditors, grantors, contributors, and the like, or imposed by law through constitutional provisions or enabling legislation. Restricted assets expected to be used for debt service payments in the next twelve months are classified as current

assets. There were no restricted net assets as of August 31, 2010.

(3) Unrestricted Net Assets

Unrestricted net assets consist of net assets which do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources, which are imposed by management, but which can be removed or modified. There were no unrestricted net assets as of August 31, 2010.

H. Revenues, Expenditures, Transfers, and Restatements

(1) Taxes

This represents state sales tax from the sale of lubricants (6.25%), as estimated by the Texas Comptroller of Public Accounts, which is deposited to the State Highway Fund.

(2) Federal Revenues

The department receives a substantial portion of its revenues from the Federal Highway Administration, which reimburses the department for certain costs incurred for engineering, construction, right-of-way acquisition, research activities, and general and administrative costs. Federal reimbursement is based on a percentage of the costs expended from state funds on approved projects. The percentage of reimbursement for allowable costs varies from 50 to 100 percent.

The reimbursements by the Federal Highway Administration are based on apportionments to the states from the Federal Highway Trust Fund on a federal fiscal year basis. State plans for construction projects must be approved by the Federal Highway Administration within a given period to be eligible for the apportionments. The below apportionments are shown after recissions. The fiscal year 2009 amount was reduced by two recissions, one of which was reversed after fiscal year 2009. That apportionment was made available in fiscal year 2010 and is included in the fiscal year 2009 amount.

| Fiscal Year | | Apportionments |
|---|---|---|
| 2010 | $ | 3,057,925,060 |
| 2009 | | 2,878,514,243 |
| 2008 | | 2,694,315,668 |
| 2007 | | 2,641,346,075 |
| 2006 | | 2,287,650,482 |

The department receives federal funds from the National Highway Traffic Safety Administration in support of the State Traffic Safety Program. Federal participation consists of reimbursement for costs expended on approved traffic safety projects.

The department receives funds from the U.S. Federal Transit Administration (FTA) for costs incurred in the

administration and technical support of the Public Transportation Program. The FTA sets the maximum amount allowable each fiscal year, and the department is reimbursed for its administrative expenditures up to that amount. The department also receives funds from FTA in support of Rural Public Transportation Projects and the Improved Mobility of Elderly Persons and Persons with Disabilities.

Additionally, the department receives federal funds from the Federal Aviation Administration for the airport improvement program and receives some federal funds directly from the U.S. Department of Transportation for the state and community highway safety program.

The American Recovery and Reinvestment Act of 2009 enabled issuance of taxable Build America Bonds (BABs) by providing a federal interest rate subsidy payment equal to 35% of the interest expense paid on the BABs. Current guidance suggests that this federal payment be characterized as "Federal Revenue" for financial accounting and reporting purposes.

(3) Federal Pass-Through Revenues

Federal pass-through revenues represent amounts passed through to the department from the Texas Department of Public Safety for Department of Homeland Security rail and transit security grants and disaster assistance grants, public assistance grants, from the Texas Health and Human Services Commission for Department of Health and Human Services medical transportation program grants and from the Texas Facilities Commission for General Services Administration federal surplus personal property. See Schedule 1A.

(4) Licenses, Fees, and Permits

This account includes certificate of title fees, motor vehicle registration fees, and outdoor advertising license and permit fees. As of November 1, 2009, all of these revenues, except for outdoor advertising license and permit fees, are being collected by the Texas Department of Motor Vehicles.

The Certificate of Title Act was administered by the department through October 31, 2009, with the various counties of the state acting as its agent. Twenty-eight dollars or $33.00 is charged for the issuance or reissuance of a Certificate of Title. Fifteen or twenty dollars goes to General Revenue Fund Account 5071-Emission Reduction Plan. The county retains $5.00 and remits the remaining $8.00 as follows: three dollars ($3) to the State Highway Fund, and five dollars ($5) to the General Revenue Fund. As of November 1, 2009, these fees are being collected by the Texas Department of Motor Vehicles. Fifteen dollars of each title in a non-attainment county will continue to be deposited to the Texas Mobility Fund.

Through October 31, 2009, motor vehicle registration fees were collected by the county tax assessor-collector and remitted to the department after service fees and a statutory apportionment to the County Road and Bridge Fund, a non-Texas Department of Transportation activity, were deducted. The service fee is $1.90 for each receipt issued. The apportionments to a County Road and Bridge Fund are 100 percent of the first $60,000 of collections net of service fees; 100 percent of net collections equal to $350 per mile of county-maintained roads up to 500 miles ($175,000); 70% of the 5% of the tax and penalties collected on the sales of motor vehicles in the county during the

preceding calendar year; and 50 percent of the next $250,000 of net collections. Thus the maximum amount apportioned to any County Road and Bridge Fund is $360,000 plus 70% of the 5% of the preceding year's motor vehicle sales tax collections. The remainder of the fees is remitted by the counties to the department for deposit in the State Highway Fund. As of November 1, 2009, these fees are being collected by the Texas Department of Motor Vehicles.

For fiscal year 2005, counties retained 100% of the 5% of their Motor Vehicle Sales Tax allocation from their Vehicle Registration collections as part of the county road and bridge formula. Beginning in fiscal year 2006, counties began to retain 10% of the motor vehicles sales tax allocation directly from motor vehicle sales tax collections while the remainder continues to be retained from vehicle registration fees. This annual reallocation will continue until the motor vehicle sales tax allocation is fully funded from Motor Vehicle Sales tax collections.

In fiscal year 2008, TxDOT received $3,197,104,248 in surplus tolls from the North Texas Tollway Authority (NTTA) for the development of SH 121 and received $25,750,778 of CDA receipts from Cintra Zachry Construction for the development of segments 5 and 6 of SH 130. The State's agreements with these entities provide for the leasing of the 'right' to build and operate a toll road to the entity for a specified period of time. Under each of these two agreements, the toll road reverts back to the state at the end of the 50 year period. These receipts are restricted to use only for the benefit of the relevant region or district, but belongs to the State. At the present time, the Governmental Accounting Standards Board (GASB) has not formed an opinion on the accounting for these upfront payments, but plans to in the near future. Since GASB has not formed an opinion, TxDOT will amortize the revenue over the life of the agreement for financial reporting purposes, consistent with governmental entities handling of similar upfront revenue from Public-Private Partnerships. Neither of these receipts was amortized in fiscal year 2008. In fiscal years 2009 and 2010, $63,942,085 of the SH 121 receipt was recognized as revenue each fiscal year. None of the SH 130 CDA receipt was recognized as revenue during fiscal year 2010.

The Texas Mobility Fund fee revenue is comprised of United We Stand License Fees, Motor Vehicle Inspection Fees, Driver Record Information Fees, Driver License Fees, Certificate of Title Fees, and Motor Carrier Act Penalties.

Most revenues in the Texas Highway Beautification fund account in the General Revenue Fund are obtained from outdoor advertising license and permit fees.

(5) Other Revenues

This account includes collection of damages which are recognized on the modified accrual basis, recognizing the receivable and revenue when the damages occurred, rather than when collected.

Section 201.109 of the Transportation Code concerning Revenue Enhancement states that the department shall adopt a program to enhance existing, and to generate alternate, sources of revenue. In accordance with this, the department has initiated an action plan to enhance revenue by leasing right-of-way, such as rest areas, to commercial enterprises.

The department, through its toll road operations, has entered into agreements with local governments whereby the local governments transfer funds to the department to fund purchases of right of way land and related costs. In some instances, funds are paid for in advance by the local governments. TxDOT policy is to defer recognition of this revenue until the right of way parcels are purchased. Recognition of these monies paid in advance by local governments is contingent upon the department purchasing the parcels for the stated purpose in the agreement.

(6) Pass-Through Expenditures

During fiscal year 2010, the department made numerous GASB 24 Federal and State Pass-Through payments to different agencies. See Schedule 1A and Schedule 1B.

(7) Operating Transfers In/Out

During fiscal year 2010, the department had numerous transfers between funds and agencies. Individual interfund and intrafund transfers at August 31, 2010, were as follows:

| | TRANSFERS IN | TRANSFERS OUT | REFERENCE |
|---|---|---|---|
| | $ | $ | |
| Appd Fund 0001, D23 Fund 0001: | | | |
| (Agency 902, Appd Fund 0001) | | (2,938) | (a) |
| Total Transfers for D23 Fund 0001 | | (2,938) | |
| | | | |
| Appd Fund 0006, D23 Fund 0006: | | | |
| (Agency 241, Appd Fund 0006) | | 1,052,257 | (b) |
| (Agency 302, Appd Fund 0006) | | 7,503,504 | (c) |
| (Agency 320, Appd Fund 0006) | | (441,752) | (d) |
| (Agency 347, Appd Fund 0507) | | 309,426 | (e) |
| (Agency 347, Appd Fund 0735) | | 6,296 | (e) |
| (Agency 360, Appd Fund 0006) | | 3,836,745 | (f) |
| (Agency 405, Appd Fund 0001) | | 39,874,724 | (g) |
| (Agency 405, Appd Fund 0006) | | 515,554,790 | (g) |
| (Agency 529, Appd Fund 0006) | | 49,850 | (h) |
| (Agency 582, Appd Fund 0006) | | 81,245,079 | (i) |
| (Agency 601, Appd Fund 0008) | | 237,227,386 | (j) |
| (Agency 601, Appd Fund 0365) | 263,724,988 | | (k) |
| (Agency 601, Appd Fund 0865) | | 35,527,692 | (l) |
| (Agency 608, Appd Fund 0006) | 888,036,684 | | (m) |
| (Agency 727, Appd Fund 0001) | | 7,711,969 | (n) |
| (Agency 902, Appd Fund 0001) | 2,230,071,855 | | (o) |
| Total Transfers for D23 Fund 0006 | 3,381,833,527 | 929,457,966 | |

| | TRANSFERS IN | TRANSFERS OUT | REFERENCE |
|---|---|---|---|
| | $ | $ | |
| Appd Fund 0008, D23 Fund 0010: | | | |
| (Agency 601, Appd Fund 0006) | 237,227,386 | | (j) |
| Total Transfers for D23 Fund 0010 | 237,227,386 | | |
| Appd Fund 0036, D23 Fund 0036: | | | |
| (Agency 454, Appd Fund 0036) | 750,000 | | (p) |
| Total Transfers for D23 Fund 0036 | 750,000 | | |
| Appd Fund 0365, D23 Fund 0375/ 0377: | | | |
| (Agency 601, Appd Fund 0006) | | 263,724,988 | (k) |
| Total Transfers for D23 Fund 0375/0377 | | 263,724,988 | |
| Appd Fund 0865, D23 Fund 0865: | | | |
| (Agency 601, Appd Fund 0006) | 35,527,692 | | (l) |
| Total Transfers for D23 Fund 0865 | 35,527,692 | | |
| Appd Fund 7604, D23 Fund 7604: | | | |
| (Agency 347, D23 Fund 7604) | 25,857,905 | | (q) |
| Total Transfers for D23 Fund 7604 | 25,857,905 | | |
| Total (Exh.II & Exh.IV) | $ 3,681,196,510 | $ 1,193,180,016 | |

(a) This reflects amounts transferred from the Comptroller's Office in accordance with Texas Government Code 2175.191.

(b) This reflects amounts provided from the State Highway Fund to the Judiciary Section of the Texas Comptroller of Public Accounts, in accordance with statutory requirements.

(c) This reflects amounts provided from the State Highway Fund to the Attorney General's Office, in accordance with statutory requirements.

(d) This reflects amounts provided to the State Highway Fund from the Texas Workforce Commission, in accordance with statutory requirements.

(e) This reflects amounts provided from the State Highway Fund for the Master Lease Purchase Program (MLPP) related to equipment capital leases for the aircraft equipment capital leases. Even though this agency makes these MLPP payments, the associated long-term liability is reported on the financial statements of the Texas Public Finance Authority.

(f) This reflects amounts provided from the State Highway Fund to the State Office of Administrative Hearings, in accordance with statutory requirements.

(g) This reflects amounts provided from the State Highway Fund to the Department of Public Safety, in accordance with statutory requirements.

(h) This reflects amounts provided from the State Highway Fund to the Health and Human Services Commission, in accordance with statutory requirements.

(i) This reflects amounts transferred from the State Highway Fund to the Texas Commission on Environmental Quality, in accordance with statutory requirements.

(j) This reflects amounts transferred from the State Highway Fund to the State Highway Debt Service Fund.

(k) This reflects the amounts transferred from the Texas Mobility Fund to the State Highway Fund to speed up the completion of various transportation projects.

(l) This reflects amounts transferred from the State Highway Fund to the Turnpike Authority Project Disbursing Account.

(m) This reflects amounts provided from the Department of Motor Vehicles to the State Highway Fund, in accordance with statutory requirements.

(n) This reflects amounts provided from the State Highway Fund to the Texas Transportation Institute, in accordance with statutory requirements.

(o) This primarily represents the transfer of gallonage taxes on motor fuels sold in Texas, collected by the Texas Comptroller of Public Accounts and transferred to the State Highway Fund. The distribution of these taxes, which are constitutionally dedicated revenues, is as follows:

Gasoline Tax - Generally, twenty cents per gallon is collected on all gasoline sold for highway use. Sales for the exclusive use of the federal government or a public school district in Texas, are exempt.

The Texas Comptroller of Public Accounts retains 1 percent of the gross receipts for administration and enforcement, and after providing for refunds of non-highway use collections, distributes the remainder:

| | |
|---|---|
| a. Available School Fund | 25% |
| b. State Highway Fund | 75%, less $7,300,000 deposited to the County and Road District Highway Fund |

Diesel Fuel Tax - Twenty cents per gallon is collected. Federal government and Texas public school sales are exempt.

The Texas Comptroller of Public Accounts retains 1 percent of gross receipts for administration and enforcement, and after providing for refunds of non-highway use collections, distributes the remainder:

| | |
|---|---|
| a. Available School Fund | 25% |
| b. State Highway Fund | 75% |

Liquefied Gas Tax - Fifteen cents per gallon is collected for gas used in motor vehicles on public highways. Sales for the exclusive use of the federal government, local county government, or a public school district in Texas, are exempt. Users of liquefied gas for propulsion of motor vehicles on public highways are required to prepay the tax each year by purchasing a liquefied gas tax permit decal. The tax is based on the weight of the vehicle and the miles driven. Certain transit companies pay a flat fee of $444 for the liquefied gas tax permit decal.

The Texas Comptroller of Public Accounts retains 1 percent of gross receipts for administration and enforcement, and after providing for refunds of non-highway use collections, distributes the remainder:

| | |
|---|---|
| a. Available School Fund | 25% |
| b. State Highway Fund | 75% |

(p) This reflects amounts provided from the Texas Department of Insurance for Crash Information System expenditures in Fund 0036, in accordance with statutory requirements.

(q) This reflects amounts provided from the Texas Public Finance Authority to the Capital Projects Fund 7604, in accordance with statutory requirements.

(8) Legislative Transfers In/Out

During fiscal year 2010, the following transfer was made to the Department of Motor Vehicles in accordance with statutory requirements. The transfer at August 31, 2010 is reflected below:

| | LEGISLATIVE TRANSFERS IN | LEGISLATIVE TRANSFERS OUT |
|---|---|---|
| | $ | $ |
| Appd Fund 0001, D23 Fund 0001: | | |
| (Agency 608, Appd Fund 0001) | 0 | 14,763,393 |
| Total (Exh.II) | $ 0 | $ 14,763,393 |

## *Note 2 - Capital Assets*

*A summary of changes in Capital Assets for the year ended August 31, 2010 is presented below:*

| | PRIMARY GOVERNMENT | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Balance 09/01/09 | Adjustments | Reclassifications Completed CIP | Reclassifications Inc-Int'agy Trans | Reclassifications Dec-Int'agy Trans | Additions | Deletions | Balance 08/31/10 |
| **GOVERNMENTAL ACTIVITIES** | | | | | | | | |
| **Non-depreciable or Non-amortizable Assets** | | | | | | | | |
| Land and Land Improvements | $ 7,740,350,256 | $ (110,829,589) | $ - | $ - | $ - | $ 281,369,759 | $ (376,279) | $ 7,910,514,147 |
| Infrastructure | 45,858,287,285 | 113,152,444 | 1,723,417,974 | 0 | 0 | 218,968,867 | 0 | 47,913,826,570 |
| Construction in Progress | 3,930,528,363 | (1,857,984) | (2,493,658,170) | 0 | (365,707) | 2,290,836,316 | 0 | 3,725,482,818 |
| Land Use Rights | 0 | 53,539,274 | 0 | 0 | 0 | 6,525,118 | (15,955) | 60,048,437 |
| Total Non-depreciable or Non-amortizable Assets | 57,529,165,904 | 54,004,145 | (770,240,196) | 0 | (365,707) | 2,797,700,060 | (392,234) | 59,609,871,972 |
| **Depreciable Assets** | | | | | | | | |
| Buildings and Building Improvements | 304,187,654 | (7,045,757) | 56,679,358 | 0 | 0 | 0 | 0 | 353,821,255 |
| Infrastructure | 18,381,271,458 | (113,152,445) | 713,092,826 | 0 | 0 | 0 | (130,593,239) | 18,850,618,600 |
| Furniture and Equipment | 174,593,080 | (18,461,287) | 0 | 32,546 | (2,229,962) | 6,378,311 | (4,194,992) | 156,117,696 |
| Vehicle, Boats and Aircraft | 636,192,931 | 75,040 | 0 | 35,894 | (847,482) | 17,138,083 | (25,865,226) | 626,729,240 |
| Other Capital Assets | 10,327,994 | 0 | 468,012 | 0 | 0 | 0 | 0 | 10,796,006 |
| Total Depreciable Assets | 19,506,573,117 | (138,584,449) | 770,240,196 | 68,440 | (3,077,444) | 23,516,394 | (160,653,457) | 19,998,082,797 |
| Less Accumulated Depreciation for: | | | | | | | | |
| Buildings and Building Improvements | (159,415,020) | 6,693,469 | 0 | 0 | 0 | (11,340,763) | 0 | (164,062,314) |
| Infrastructure | (10,128,047,537) | 65,276,189 | 0 | 0 | 0 | (590,763,177) | 114,386,272 | (10,539,148,253) |
| Furniture and Equipment | (120,724,583) | 14,935,787 | 0 | (9,812) | 2,014,625 | (9,187,319) | 3,745,950 | (109,225,352) |
| Vehicles, Boats and Aircraft | (362,723,584) | (86,914) | 0 | (598) | 595,339 | (31,537,095) | 22,254,247 | (371,498,605) |
| Other Capital Assets | (3,250,276) | 0 | 0 | 0 | 0 | (488,851) | 0 | (3,739,127) |
| Total Accumulated Depreciation | (10,774,161,000) | 86,818,531 | 0 | (10,410) | 2,609,964 | (643,317,205) | 140,386,469 | (11,187,673,651) |
| Depreciable Assets, Net | 8,732,412,117 | (51,765,918) | 770,240,196 | 58,030 | (467,480) | (619,800,811) | (20,266,988) | 8,810,409,146 |
| **Amortizable Assets - Intangible** | | | | | | | | |
| Land Use Rights | 0 | 31,450,215 | 0 | 0 | 0 | 3,832,817 | (13,087,260) | 22,195,772 |
| Computer Software | 0 | 18,279,769 | 0 | 8,850 | (211,358) | 396,950 | (348,480) | 18,125,731 |
| Total Amortizable Assets - Intangible | 0 | 49,729,984 | 0 | 8,850 | (211,358) | 4,229,767 | (13,435,740) | 40,321,503 |
| Less Accumulated Amortization for: | | | | | | | | |
| Land Use Rights | 0 | (12,299,455) | 0 | 0 | 0 | (4,348,175) | 12,072,427 | (4,575,203) |
| Computer Software | 0 | (15,655,903) | 0 | (5,015) | 200,585 | (820,847) | 294,326 | (15,986,854) |
| Total Accumulated Amortization | 0 | (27,955,358) | 0 | (5,015) | 200,585 | (5,169,022) | 12,366,753 | (20,562,057) |
| Amortizable Assets - Intangible, Net | 0 | 21,774,626 | 0 | 3,835 | (10,773) | (939,255) | (1,068,987) | 19,759,446 |
| **Governmental Activities Capital Assets, Net** | $ 66,261,578,021 | $ 24,012,853 | $ - | $ 61,865 | $ (843,960) | $ 2,176,959,994 | $ (21,728,209) | $ 68,440,040,564 |

| | PRIMARY GOVERNMENT | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Balance 09/01/09 | Adjustments | Reclassifications Completed CIP | Reclassifications Inc-Int'agy Trans | Reclassifications Dec-Int'agy Trans | Additions | Deletions | Balance 08/31/10 |
| **BUSINESS-TYPE ACTIVITIES** | | | | | | | | |
| **Non-depreciable or Non-amortizable Assets** | | | | | | | | |
| Land and Land Improvements | $ 638,428,380 | $ (7,221,512) | $ - | $ - | $ - | $ 233,197 | $ - | $ 631,440,065 |
| Infrastructure | 1,622,485,833 | (9,767,974) | 18,318,843 | 0 | 0 | 0 | 0 | 1,631,036,702 |
| Construction in Progress | 0 | 0 | (18,318,843) | 0 | 0 | 18,318,843 | 0 | 0 |
| Land Use Rights | 0 | 16,525,986 | 0 | 0 | 0 | 0 | 0 | 16,525,986 |
| Total Non-depreciable or Non-amortizable Assets | 2,260,914,213 | (463,500) | 0 | 0 | 0 | 18,552,040 | 0 | 2,279,002,753 |
| **Depreciable Assets** | | | | | | | | |
| Buildings and Building Improvements | 8,360,006 | 0 | 0 | 0 | 0 | 0 | 0 | 8,360,006 |
| Infrastructure | 421,926,397 | (724,500) | 0 | 0 | 0 | 0 | 0 | 421,201,897 |
| Total Depreciable Assets | 430,286,403 | (724,500) | 0 | 0 | 0 | 0 | 0 | 429,561,903 |
| Less Accumulated Depreciation for: | | | | | | | | |
| Buildings and Building Improvements | (1,268,335) | 0 | 0 | 0 | 0 | (361,000) | 0 | (1,629,335) |
| Infrastructure | (39,859,731) | 14,490 | 0 | 0 | 0 | (16,991,296) | 0 | (56,836,537) |
| Total Accumulated Depreciation | (41,128,066) | 14,490 | 0 | 0 | 0 | (17,352,296) | 0 | (58,465,872) |
| Depreciable Assets, Net | 389,158,337 | (710,010) | 0 | 0 | 0 | (17,352,296) | 0 | 371,096,031 |
| **Business-Type Activities Capital Assets, Net** | $ 2,650,072,550 | $ (1,173,510) | $ - | $ - | $ - | $ 1,199,744 | $ - | $ 2,650,098,784 |

## *NOTE 3 - DEPOSITS, INVESTMENTS, AND REPURCHASE AGREEMENTS*

TxDOT is authorized by statute to make investments following the "prudent person rule." TxDOT has complied, in all material respects, with statutory authorization, bond documents, constraints and commission policies during the period.

**Deposits of Cash in Bank**

As of August 31, 2010, the carrying amount of deposits was $378,629,833 as presented below.

| **Governmental and Business-Type Activities** | |
|---|---|
| Cash in Bank – Carrying Amount | $359,147,534 |
| Total Cash in Bank per AFR | $359,147,534 |
| Governmental Funds Current Assets Cash in Bank | $40,764,819 |
| Proprietary Funds Current Assets Money Market and Similar Funds | 318,382,715 |
| Cash in Bank per AFR | $359,147,534 |

| **Fiduciary Funds** | |
|---|---|
| Cash in Bank – Carrying Amount | $19,482,299 |
| Total Cash in Bank per AFR | $19,482,299 |
| Fiduciary Fund Current Assets Cash in Bank | $46,336 |
| Fiduciary Fund Current Assets Money Market and Similar Funds | 19,435,963 |
| Cash in Bank per AFR | $19,482,299 |

These amounts consist of all cash and cash equivalents in local banks. These amounts are included on the Combined Statement of Net Assets as part of the "Cash and Cash Equivalents" accounts.

As of August 31, 2010, the total bank balance was as follows.

| | | | |
|---|---|---|---|
| Governmental and Business-Type Activities | $359,147,534 | Fiduciary Funds | $19,482,299 |

**Custodial Credit Risk – Deposits**

In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. All of the department's deposits are held in the State Treasury, the Trustee bank, or a depository bank. Deposits of the State of Texas are normally managed by the State Comptroller of Public Accounts (the "Comptroller") and are protected by $250,000 of insurance by the Federal Deposit Insurance Corporation (FDIC). On August 10, 2010, the FDIC Board of Directors adopted a final rule amending its insurance regulations to permanently increase the standard maximum deposit insurance amount from $100,000 to $250,000. The permanent increase became effective July 22, 2010.

Collateral pledged must be equal to at least 105% of the principal amount deposited by the Department. The Comptroller has full responsibility for insuring adequate collateralization of all state deposits, including those held in local banks. On August 31, 2010, the State Treasury deposits were fully collateralized with securities held by an agent of the

Comptroller, in the Department's name, in accordance with the Comptroller's requirements. Depository and custodial accounts held by Wachovia and Frost Bank are both insured as of August 31, 2010.

**Investments**

As of August 31, 2010, the fair value of CTTS investments and maturities are as presented below:

| Investment Type | Maturities (in Years) | | Fair Value |
|---|---|---|---|
| | Less than 1 | More than 5 | Total |
| U.S. Government Agency Obligations | $15,029,000 | | $15,029,000 |
| Repurchase Agreement (Salomon Smith Barney Master GIC, now owned by Citigroup, Inc.) | | $114,999,378 | 114,999,378 |
| Total | $15,029,000 | $114,999,378 | $130,028,378 |

**Custodial Credit Risk - Investments**

Custodial credit risk for investments is the risk that, in the event of the failure of the direct counterparty, the Commission will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Commission's investment policy states that all securities purchased by the Commission shall be designated as assets of the Commission and shall be protected through the use of a third-party custody/safekeeping agent, which may be a Trustee. As of August 31, 2010, the Commission's investments in U.S. Government Agency obligations were held in the Commission's name. The repurchase agreement is collateralized with U.S. Government and Agency securities. Collateral for the repurchase agreement is held by the Bank of New York Mellon Trust Company with the underlying securities being the property of the Citigroup, Inc., (the direct counterparty), held in trust for the Commission. Bank of New York Mellon Trust Company is rated Aaa, AA, and AA- by Moody's, Standard and Poor's (S & P), and Fitch Ratings respectively.

**Credit Risk - Investments**

Direct credit risk for investments is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Commission may not enter into long term investment agreements or other ongoing investment transactions with a final maturity or termination date of longer than six months with any financial institution that initially has a long term rating category of less than "A" and that doesn't have at least one long-term rating of at least "AA" by a nationally recognized investment rating firm according to the Commission's Investment Policy. All investments made by the Commission have been through the list of Qualified Financial Institutions approved by the Commission. The Commission's policy does not limit the amount of investment in obligations of the United States or its agencies. These securities are rated Aaa and AAA by Moody's and S & P rating agencies, therefore the risk of default is considered remote. The repurchase agreement is a guaranteed investment contract (GIC) with Citigroup, Inc. as the counterparty. Citigroup, Inc. is rated A3, A, and A+ by Moody's, (S & P), and Fitch Ratings respectively. In addition, Citigroup, Inc. has collateralized the GIC with U.S. Government and Agency securities.

As of August 31, 2010, TxDOT's investments had the following ratings.

| Investment Type | Fair Value | Moody's Rating | S & P Rating | Fitch Rating |
|---|---|---|---|---|
| U.S. Government Agency Obligations | $15,029,000 | Aaa | AAA | NR* |
| Repurchase Agreement (Salomon Smith Barney Master GIC, now owned by Citigroup, Inc.) | 114,999,378 | A3 | A | A+ |
| Total | $130,028,378 | | | |

*NR= Not Rated

**Concentration of Credit Risk - Investments**

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The only investment that the Commission holds that exceeds 5% of the total investments is the repurchase agreement. This investment is held primarily for the debt service reserve fund, which has a long term duration and a specific purpose. The Commission addresses diversification in the Commission's Investment Policy. Assets held in particular funds shall be diversified to eliminate the risk of loss resulting from over concentration of assets in a specific maturity, a specific issuer or a specific class of securities. Diversification strategies shall be determined and revised periodically by the Investment Officer for all funds.

**Interest Rate Risk - Investments**

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Commission has addressed interest rate risk in its various accounts by matching as closely as possible anticipated cash flows with income and return of principal on investments. Interest rate risk was essentially eliminated in the Capitalized Interest account as investments have been made such that securities mature on debt service payment dates and will not need to be liquidated prior to maturity. For variable rate bonds, an estimated draw amount was used to account for the fluctuating nature of the interest payments at a rate higher than current market in order that securities will not need to be liquidated or sold prior to their stated maturities. In general, all securities held by the Commission are anticipated to be held to maturity, thereby avoiding interest rate risk due to an early redemption. Additionally, security maturities were staggered and in the event the sale of security was required to meet unexpectedly higher construction draws, the proximity of the security to its stated maturity date will minimize the impact of interest rate fluctuations. For investment maturities, see the table on page 37.

**Foreign Currency Risk – Investments**

The department's investments are not exposed to foreign currency risk.

## Derivatives

### *Pay-Variable, Receive-Variable Interest Rate Swaps*

The fair value balances and notional amounts of derivative instruments outstanding at August 31, 2010, classified by type, and the changes in fair value of such derivative instruments for the year then ended as reported in the 2010 financial statements:

| | Changes in Fair Value | | Fair Value at August 31, 2010 | | |
|---|---|---|---|---|---|
| | Classification | Amount | Classification | Amount | Notional |
| **Governmental Activities** | | | | | |
| Investment Derivatives: | | | | | |
| Receive-Fixed Interest Rate Swaps (JPM) | Investment Revenue | $ 1,035,449 | Investment | $ 4,411,326 | $ 200,000,000 |
| Receive-Fixed Interest Rate Swaps (MS) | Investment Revenue | $ 626,713 | Investment | $ 2,170,879 | $ 100,000,000 |
| Receive-Fixed Interest Rate Swaps (GSMMDP) | Investment Revenue | $ 482,941 | Investment | $ 2,314,651 | $ 100,000,000 |
| | | $ 2,145,103 | | $ 8,896,856 | |

Note:
JPM=J.P. Morgan Chase Bank, N.A.
MS=Morgan Stanley Capital Services, Inc.
GSMMDP=Goldman Sachs Mitsui Marine Derivative Products

As of August 31, 2010, the fair value of investment derivative instruments and maturities are as follows:

| | | Investment Maturities (in years) | | | |
|---|---|---|---|---|---|
| Investment Type | Fair Value | Less Than 1 | 1-5 | 6-10 | More Than 10 |
| Investment Derivative Instruments | $8,896,856 | $ - | $ - | $ - | $8,896,856 |

The fair values of the interest rate swaps were estimated using a proprietary pricing service.

The Commission is a party to three pay-variable, receive-variable constant maturity swaps (CMS basis swaps) associated with the Commission's State of Texas General Obligation Mobility Fund Series 2006-A fixed-rate bonds. Under the original terms of the transactions, the Commission pays the Securities Industry and Financial Markets Association (SIFMA) index weekly tax exempt rate and receives 69.42% of the 10 year LIBOR Swap Index taxable rate. In late calendar year 2009 the slope of the 10 year London InterBank Offered Rate (LIBOR) Swap yield curve had steepened, allowing the negotiation of a fixed monthly cash flow annuity benefit on all three transactions. Thus, on December 3, 2009, the exchange of basis payments on the $200 million transaction with J.P. Morgan Chase Bank, N.A. (JPM) and the $100 million transaction with Morgan Stanley Capital Services Inc. (MS) were suspended for a period of approximately three years. The exchange of basis payments on the $100 million transaction with Goldman Sachs Mitsui Marine Derivative Products (GSMMDP) was suspended for a period of approximately three years on December 8, 2009. For the three year suspension period, the exchange of payments will cease and the Commission will receive fixed monthly annuities as consideration for the suspension. The swaps will continue to be outstanding obligations that have value, as indicated through the periodic mark-to-market valuations. At the end of the three year suspension period, the exchange of payment terms for the three transactions will revert back to the provisions originally entered into.

| ORIGINAL TERMS OF THE $400 MILLION TOTAL CMS BASIS SWAPS | | | |
|---|---|---|---|
| *Counterparty* | *Notional Amount* | *Variable Rate Paid* | *Variable Rate Received* |
| JP Morgan Chase Bank, N.A. | $200 million | SIFMA | 69.42% of 10-yr LIBOR |
| Goldman Sachs MM Derivative Products | $100 million | SIFMA | 69.42% of 10-yr LIBOR |
| Morgan Stanley Capital Services, Inc. | $100 million | SIFMA | 69.42% of 10-yr LIBOR |
| | $400 million | | |
| **SUSPENSION PERIOD TERMS EFFECTIVE UNTIL 12/1/2012** | | | |
| *Counterparty* | *Notional Amount* | *Fixed Rate Paid* | *Fixed Rate Received* |
| JP Morgan Chase Bank, N.A. | $200 million | $0 | 1.590% of notional value |
| Goldman Sachs MM Derivative Products | $100 million | $0 | 1.637% of notional value |
| Morgan Stanley Capital Services, Inc. | $100 million | $0 | 1.575% of notional value |
| | $400 million | | |

***Credit Risk.*** Credit risk is the risk that a counterparty will not fulfill its obligations according to the swap agreement. The Commission mitigates credit risk associated with swap transactions by only entering into transactions with highly rated counterparties. Upon entering a derivative transaction, the Commission requires that counterparties have a minimum credit rating of AA-/Aa3 by at least one of the three nationally recognized rating agencies and not on rating/credit watch where a rating downgrade below AA-/Aa3 may be imminent. Additionally, the Commission diversifies exposure to counterparty credit risk through multiple awards. Although the original notional award amount for the CMS basis swap was $400 million, the actual award was split amongst three counterparties.

CMS basis swap agreements contain provisions for collateral posting by counterparties in the event of a credit rating downgrade. A credit rating downgrade was experienced by Morgan Stanley after the original notional award, which rendered that firm ineligible to participate in future derivative transactions with the Commission until their ratings are upgraded.

| COUNTERPARTY CREDIT RATINGS AS OF 8/31/2010 | |
|---|---|
| Counterparty | Fitch/Moody's/Standard & Poor's |
| J.P. Morgan Chase Bank, N.A. | AA-/Aa1/AA- |
| Goldman Sachs Mitsui Marine Derivative Products | NR*/Aa1/AAA |
| Morgan Stanley Capital Services Inc. | A/A2/A |
| *Not Rated | |

Acceptable forms of collateral include cash in the form of U.S. Dollars, negotiable debt obligations issued by the U.S. Treasury Department, and agency securities. Agency securities include negotiable debt obligations which are fully guaranteed as to both principal and interest by the Federal National Mortgage Association, the Government National Mortgage Association or the Federal Home Loan Mortgage Corporation, but excluding 1) interest only and principal only securities, and 2) Collateralized Mortgage Obligations, Real Estate Mortgage Investment Conduits and similar derivative securities. Collateral will be held by the Commission and/or its designated custodian.

***Interest Rate Risk.*** Interest rate risk is the risk that changes in interest rates will adversely affect the fair values of the CMS basis swaps or cash flows of those swaps. The fair values and the cash flows of the CMS swaps are sensitive to interest rate risk. The interest rate risk on the cash flows was eliminated during the suspension period by establishing the fixed annuity for that period. The Commission mitigates interest rate risk by maintaining the unilateral option to terminate any or all of the swaps at any time should interest rates cause sustained negative cash flows or fair values that warrant termination of the swaps.

The Commission assesses interest rate risk by monitoring the changing relationship between SIFMA and 69.42% of the 10-year LIBOR swap index and quantifying potential risk.

**ESTIMATED WORST HISTORICAL RISK AND AVERAGE ANNUAL BENEFIT**

| Fiscal Year | Historical Worst Risk (A) | Average Annual Benefit/ (Cost) (B) |
|---|---|---|
| 2011 | $6,392,000 | $6,392,000 |
| 2012 | 6,392,000 | 6,392,000 |
| 2013 | 1,649,900 | 5,577,500 |
| 2014 | 69,200 | 5,306,000 |
| 2015 | 69,200 | 5,306,000 |
| 2016-2020 | 346,000 | 26,530,000 |
| 2021-2025 | 346,000 | 26,530,000 |
| 2026-2027 | 74,967 | 5,748,167 |
| **Total** | **$15,339,267** | **$87,781,667** |

(A) The worst historical annual spread differential between SIFMA and 69.42% of the 10-year LIBOR swap rate from 1990 to 8/31/2010 is assumed to be 0.0173%.

(B) The historical average annual spread differential between SIFMA and 69.42% of the 10-year LIBOR swap rate from 1990 to 8/31/2010 is assumed to be 1.3265%.

***Foreign Currency Risk.*** The department's investment derivative instruments are not exposed to foreign currency risk.

## *NOTE 4 - SHORT TERM DEBT*

### Changes in Short-Term Liabilities

During the year ended August 31, 2010, the department utilized a Short-Term Borrowing Program using Commercial Paper. The Commercial Paper proceeds are used to cover funding shortfalls for capital expenditures.

| Governmental Activities | Balance 09-01-09 | Additions | Reductions | Balance 08-31-10 |
|---|---|---|---|---|
| Commercial Paper | $300,000,000 | $60,000,000 | $295,000,000 | $65,000,000 |
| Total Governmental Activities | $300,000,000 | $60,000,000 | $295,000,000 | $65,000,000 |

## *NOTE 5 - SUMMARY OF LONG TERM LIABILITIES*

### Changes in Long-Term Liabilities

As detailed below, the following changes occurred in liabilities during the year ended August 31, 2010:

| Governmental Activities | Balance 09-01-09 | Additions | Reductions | Balance 08-31-10 | Principal Due Within One Year |
|---|---|---|---|---|---|
| Compensable Leave | $74,161,571 | $103,236,413 | $101,094,486 | $76,303,498 | $57,379,884 |
| General Obligation Bonds | 6,132,055,000 | 0 | 34,730,000 | 6,097,325,000 | 39,645,000 |
| Premium – General Obligation Bonds | 156,990,287 | 0 | 8,762,477 | 148,227,810 | 8,682,901 |
| Revenue Bonds | 2,791,755,000 | 1,500,000,000 | 104,100,000 | 4,187,655,000 | 109,210,000 |
| Premium – Revenue Bonds | 109,597,954 | 0 | 6,362,681 | 103,235,273 | 6,362,681 |
| Pass-Through Toll Payable | 19,895,000 | 227,781,852 | 205,000 | 247,471,852 | 13,103,486 |
| Pollution Remediation Obligations | 9,081,687 | 2,550,000 | 5,896,825 | 5,734,862 | 377,500 |
| **Total Governmental Activities** | $9,293,536,499 | $1,833,568,265 | $261,151,469 | $10,865,953,295 | $234,761,452 |

| Business-Type Activities | Balance 09-01-09 | Accreted Interest | Additions | Reductions | Balance 08-31-10 | Due Within One Year |
|---|---|---|---|---|---|---|
| TIFIA Note Payable | $972,092,191 | $34,920,474 | | | $1,007,012,665 | $ 0 |
| Revenue Bonds Payable | 1,512,305,484 | 37,881,693 | | | 1,550,187,177 | 0 |
| Unamortized Revenue Bond Premium | 9,017,410 | | | $314,767 | 8,702,643 | 314,767 |
| Unamortized Revenue Bond Discount | (17,221,444) | | $601,143 | | (16,620,301) | (601,143) |
| Unamortized Loss on Refunding | (4,480,966) | | 135,787 | | (4,345,179) | (135,787) |
| **Total Business-Type Activities** | $2,471,712,675 | $72,802,167 | $736,930 | $314,767 | $2,544,937,005 | $(422,163) |

| Component Unit | Balance 09-01-09 | Additions | Reductions | Balance 08-31-10 | Due Within One Year |
|---|---|---|---|---|---|
| Revenue Bonds Payable | | $1,015,000,000 | | $1,015,000,000 | |
| Revenue Bond Premium | | 7,943,409 | $129,997 | 7,813,412 | $357,866 |
| Revenue Bond Discount | | 196,445 | 19,134,040 | (18,937,595) | (646,603) |
| | | $1,023,139,854 | $19,264,037 | $1,003,875,817 | $(288,737) |

**Notes and Loans Payable**

The United States Department of Transportation (USDOT) agreed to lend to the Commission up to $916,760,000 to pay or reimburse a portion of the costs of the Central Texas Turnpike System's 2002 Project (CTTS) under the Secured Loan Agreement. The Secured Loan Agreement was entered into pursuant to the provisions of the Transportation Infrastructure Finance and Innovation Act (TIFIA) of 1998, 23 United States Code, Section 181, et. Seg. (TIFIA). During the availability period for drawdown of the loan, the department drew down a total of $900,000,000 under the Secured Loan Agreement evidenced by the 2002 TIFIA Bond.

The obligations of the Commission under the Secured Loan Agreement are evidenced by the 2002 TIFIA Bond, a Subordinate Lien Obligation under the Indenture, payable from a subordinate lien on the Trust Estate described above; provided, however, that the 2002 TIFIA Bond is not secured by the debt service or debt service reserve funds established under the Indenture for the benefit of the First Tier Obligations, Second Tier Obligations, or other specific Subordinate Lien Obligations issued pursuant to a supplemental indenture under the Indenture. Upon the occurrence of a Bankruptcy Related Event under the Secured Loan Agreement, the 2002 TIFIA Bond would become a First Tier Obligation.

The debt service requirements for Notes payable in the Business-Type Activities are as follows:

| | TIFIA * | | | TOTAL |
|---|---|---|---|---|
| | Principal | Interest | Accreted Interest | |
| 2011 | $ 0 | $ 30,081,956 | $ 0 | $ 30,081,956 |
| 2012 | 0 | 31,690,132 | 0 | 31,690,132 |
| 2013 | 0 | 33,697,991 | 0 | 33,697,991 |
| 2014 | 0 | 35,022,322 | 0 | 35,022,322 |
| 2015 | 0 | 36,442,987 | 0 | 36,442,987 |
| 2016-2020 | 0 | 239,653,470 | 0 | 239,653,470 |
| 2021-2025 | 273,627 | 312,549,638 | 103,271 | 312,926,536 |
| 2026-2030 | 23,106,121 | 332,521,052 | 8,720,597 | 364,347,770 |
| 2031-2035 | 32,449,508 | 290,078,696 | 12,246,932 | 334,775,136 |
| 2036-2040 | 194,146,047 | 199,908,632 | 73,273,636 | 467,328,315 |
| 2041-2042 | 650,024,697 | 32,551,880 | 245,329,088 | 927,905,665 |
| **Total** | **$ 900,000,000** | **$ 1,574,198,756** | **$ 339,673,524** | **$ 2,813,872,280** |

Fixed interest rates vary from 3.125% to 5.510% depending on maturities.
*TIFIA: The first interest payments on the TIFIA loan were made on February 15, 2010 and August 15, 2010. The loan will be paid from revenues from the Central Texas Turnpike System to the extent they are sufficient to pay (a) all interest which will become due and payable on the TIFIA loan on each such date and (b) the principal, if any, of the secured loan which will become due and payable on each such date, therefore this schedule is subject to change each year as actual revenues are received. Per the agreement, principal and interest can be deferred due to availability of revenues. Deferral of interest would cause it to be compounded and added to the outstanding principal amount (negatively amortized), which would increase the principal amount over time.

**Claims and Judgments**

The department's involvement in claims and judgments is discussed in detail in Note 15. Management's opinion is that the probable outcome of claims and judgments against the department will not materially affect the financial position of the department; therefore, no liability amount has been accrued.

**Employees' Compensable Leave**

An employee who terminates his or her employment with the department is entitled to payment for accumulated annual leave up to the maximum allowed. Expenditures for accumulated annual leave balances are recognized in the period paid or taken in governmental fund types. Full-time employees earn annual leave from 8 to 21 hours per month, depending on the respective employee's years of state employment. The maximum number of hours that may be carried forward from the 2010 fiscal year to the next is up to 532 for those with 35 or more years of state employment. For these fund types, the liability for unpaid benefits is recorded in the Statement of Net Assets. No employees are paid from proprietary fund types. No liability is recorded for non-vesting accumulating rights to receive sick pay benefits.

**Pass-Through Toll Payable**

In fiscal year 2010, the Texas Department of Transportation accepted for maintenance completed projects or completed sections of pass-through projects in the City of San Marcos, the City of Weatherford and in Galveston, Grayson, Hays, Montgomery and Williamson counties. Based on the project details, TxDOT capitalized the roadway assets and recognized a long term liability of $227,781,852 for the accepted work. Pass-through toll payments for these projects are expected to begin in fiscal year 2011.

**Pollution Remediation Obligations**

The department is responsible for the cleanup and remediation of several polluted sites. Regulatory requirements established by federal and state law obligate TxDOT to perform these pollution remediation activities. Historical cost averages were used to calculate the estimated pollution remediation obligation liabilities. The pollution remediation activity is summarized below:

- TxDOT has recognized a $2,500,000 pollution remediation obligation to manage contaminated media associated with a federal Superfund site.
- TxDOT has recognized a $2,000,000 pollution remediation obligation related to state municipal solid waste landfill requirements.
- TxDOT has recognized a $455,362 pollution remediation obligation related to State Leaking Petroleum Storage Tank (LPST) cleanup requirements.
- TxDOT has recognized a $394,500 pollution remediation obligation related to the Federal Safe Drinking Water Act requirements.
- TxDOT has recognized a $325,000 pollution remediation obligation related to state cleanup requirements for releases from non-LPST sources.

- TxDOT has recognized a $60,000 pollution remediation obligation to manage contaminated media associated with a state Superfund site.

Federal reimbursements are expected to offset a portion of these estimated costs. When realizable, the federal reimbursements are recognized as federal revenue. The potential for changes due to price increases or reductions, technology or applicable laws or regulations was incorporated into these estimates.

## *NOTE 6 - BONDED INDEBTEDNESS*

**Bonds Payable:**

Detailed supplemental bond information is disclosed in Schedule 2-A, Miscellaneous Bond Information, Schedule 2-B, Changes in Bond Indebtedness, Schedule 2C, Debt Service Requirements-Enterprise Fund, and Schedule 2D, Analysis of Funds Available for Debt Service.

**Governmental Activities**

**A. General Obligation Bonds – Texas Mobility Fund**

Transportation Code, Chapter 201, Subchapter M, "Obligations for Certain Highway and Mobility Projects" authorized the Commission to issue Texas Mobility Fund Bonds. In 2005, the financing program capacity was initially expected to support, and was thus established at, a principal amount of $4 billion to be issued in one or more series of bonds. In 2007, the program capacity was estimated to support a principal amount of $6.5 billion. Consequently, the Master Resolution was amended to accommodate the higher estimated capacity.

Information related to the Texas Mobility Fund General Obligation bonds is summarized below:

*1.* Series 2005-A Fixed Rate Bonds
- Issued 06-08-05
- $900,000,000
- Rated AAA, Aaa, and AA+, by Fitch Ratings, Moody's, and S & P, respectively

*2.* Series 2005-B Variable Rate Bonds
- Issued 06-08-05
- $100,000,000
- Rated AAA/F1+, Aaa/VMIG 1, and AA+/A-2, by Fitch Ratings, Moody's, and S & P, respectively

*3.* Series 2006 Fixed Rate Bonds
- Issued 06-08-06
- $750,000,000
- Rated AAA, Aaa, and AA+, by Fitch Ratings, Moody's, and S & P, respectively

*4.* Series 2006-A Fixed Rate Bonds
- Issued 10-31-06
- $1,040,275,000
- Rated AAA, Aaa, AA+, by Fitch Ratings, Moody's, and S & P, respectively

5. Series 2006-B Variable Rate Bonds
    - Issued 12-13-06
    - $150,000,000
    - Rated AAA/F1+ and Aaa/VMIG 1 by Fitch Ratings and Moody's, respectively
6. Series 2007 Fixed Rate Bonds
    - Issued 06-21-07
    - $1,006,330,000
    - Rated AAA, Aaa, and AA+, by Fitch Ratings, Moody's, and S & P, respectively
7. Series 2008 Fixed Rate Bonds
    - Issued 02-28-08
    - $1,100,000,000
    - Rated AAA, Aaa, AA+, by Fitch Ratings, Moody's, and S & P, respectively
8. Taxable Series 2009-A (Build America Bonds-Direct Payment) Fixed Rate Bonds
    - Issued 08-26-2009
    - $1,208,495,000
    - Rated AAA, Aaa, AA+, by Fitch Ratings, Moody's, and S & P, respectively

**Purpose of the bonds**: To pay, or reimburse the State Highway Fund for the payment of part of the costs of (i) constructing, reconstructing, acquiring, and expanding State highways and (ii) providing participation by the State in the payment of part of the costs of constructing and providing certain publicly owned toll roads and other public transportation projects and (iii) issuing the Bonds.

**Sources of revenue for debt service**: Pursuant to the Enabling Act, the Commission must secure payment of Parity Debt with all or part of the revenues dedicated to and on deposit in the Mobility Fund, and may pledge the full faith and credit of the State to payments due on Parity Debt if revenues in the Mobility Fund are insufficient to make payments due on such obligations. With respect to Parity Debt, the Commission has pledged to the Owners as security for the payment of the Bonds and the previously issued Outstanding Parity Debt, a first lien in the Security, which consists of: (i) all Pledged Revenues; (ii) all Transportation Assistance Bonds in the Portfolio Account and all amounts in the General Account and the Interest and Sinking Account; (iii) any additional account or subaccount within the Mobility Fund that is subsequently established and designated as being included within the Security; (iv) all of the proceeds of the foregoing, including, without limitation, investments thereof; (v) any applicable Credit Agreement to the extent set forth in such Credit Agreement; and (vi) any applicable guarantee of the State. During fiscal year 2010, pledged revenues deposited into the Mobility Fund were federal receipts, United We Stand License Plate Fees, Investment Income, Motor Vehicle Inspection Fees, Driver Record Information Fees, Driver License Fees, and Certificate of Title Fees.

With respect to the Series 2005-B Bonds and the Series 2006-B Bonds, liquidity facilities have been executed with DEPFA Bank PLC (for Series 2005-B), and State Street Bank and Trust along with California Public Employees' Retirement System (for Series 2006-B), to provide liquidity in the event such bonds are tendered for purchase and such bonds are not remarketed by the remarketing agent. The repayment obligations under the liquidity facilities are parity debt and payable from the same source of revenues as the outstanding parity obligations.

**B. Revenue Bonds – State Highway Fund**

Transportation Code, Chapter 222, Subchapter A, authorizes the Commission to issue State Highway Fund Revenue Bonds. The aggregate principal amount of the bonds and other public securities that are issued may not exceed $6 billion. The Commission may only issue bonds or other public securities in an aggregate principal amount of not more than $1.5 billion each year.

Information related to the State Highway Fund Revenue Bonds is summarized below:

*1.* First Tier Revenue Bonds, Series 2006 Fixed Rate
- To fund State highway improvement projects
- Issued 05-03-06
- $600,000,000
- Rated Aaa and AAA by Moody's and S & P, respectively

*2.* First Tier Revenue Bonds, Series 2006-A Fixed Rate
- To fund State highway improvement projects
- Issued 11-21-06
- $852,550,000
- Rated Aaa and AAA by Moody's and S & P, respectively

*3.* First Tier Revenue Bonds, Series 2006-B Variable Rate
- To fund State highway improvement projects
- Issued 11-08-06
- $100,000,000
- Rated Aaa/VMIG1 and AAA/A-1+ by Moody's and S & P, respectively

*4.* First Tier Revenue Bonds, Series 2007 Fixed Rate
- To fund State highway improvement projects
- Issued 10-25-07
- $1,241,845,000
- Rated and Aaa and AAA by Moody's and S & P, respectively

*5.* First Tier Revenue Bonds, Series 2008 Fixed Rate
- To fund State highway improvement projects
- Issued 8-19-08
- $162,995,000
- Rated Aaa and AAA by Moody's and S & P, respectively

6. First Tier Revenue Bonds, Taxable Series 2010 (Build America Bonds-Direct Payment) Fixed Rate
- To fund State Highway improvement projects
- Issued 8-05-10
- $1,500,000,000
- Rated Aaa and AAA by Moody's and S & P, respectively

**Purpose of the bonds:** To pay for (i) financing State highway improvement projects that are eligible for funding with revenues dedicated under Article VIII, Section 7-a of the Texas Constitution and (ii) to pay the costs of issuing the bonds.

**Source of revenue for debt service:** The First Tier Obligations are special, limited obligations of the Commission and are payable from pledged revenues deposited to the credit of the State Highway Fund. Pledged revenues means all State Highway Fund Revenues deposited to the credit of the Fund, together with any additional monies as may in the future be authorized by law to be pledged as security for Senior Obligations. State Highway Revenues means all revenues deposited in, or appropriated or dedicated by law for deposit into, the State treasury to the credit of the Fund, including (i) Dedicated Registration Fees, (ii) Dedicated Taxes, (iii) Dedicated Federal Revenues, (iv) amounts collected or received pursuant to other State Highway Fund Revenue Law, and (v) any interest or earnings from the investment of Dedicated Registration Fees, Dedicated Taxes and Dedicated Federal Revenues; provided that State Highway Fund Revenues do not include moneys and investments deposited in, or appropriated or dedicated by law for deposit into the following funds: (i) the State Infrastructure Bank Account and any Proceeds Fund, Interest and Sinking Fund, Reserve Fund or Rebate Fund and (ii) any special fund, subfund, account or subaccount in the Fund created for the purpose of receiving, holding and administering Restricted Revenues.

With respect to the Series 2006-B Bonds a liquidity facility has been executed with Banco Bilbao Vizcaya Argentaria, S.A., acting through its New York Branch to provide liquidity in the event such bonds are tendered for purchase and such bonds are not remarketed by the remarketing agent. The repayment obligation under the liquidity facility is parity debt and payable from the same source of revenues as the outstanding parity obligations.

**Business-Type Activities**

**A. Revenue Bonds – Central Texas Turnpike System**

The Commission issued $1,149,993,782 of First Tier Revenue Bonds, Series 2002-A, $150,000,000 of First Tier Revenue Bonds, Series 2002-B and $900,000,000 of Bond Appreciation Notes (BANS) on August 29, 2002 for the purpose of paying a portion of the costs of planning, designing, engineering, developing and constructing the initial phase of the Central Texas Turnpike System (CTTS) located in the greater City of Austin, Texas metropolitan area in Travis and Williamson Counties, Texas. The proceeds of the Series 2002-A, 2002-B Bonds and BANS were used, together with certain other funds to (i) finance a portion of the costs of planning, designing, engineering, developing and constructing the 2002 CTTP Project, (ii) pay a portion of capitalized interest during construction and for the first 11 months following the anticipated completion date of the 2002 CTTP Project, (iii) fund a portion of the First Tier Debt Service Fund Requirement, and (iv) pay certain issuance costs of the Series 2002-A, 2002-B Bonds and BANS. The BANS were retired in June 2007 and June 2008 with proceeds from the TIFIA Bond. For further information on the TIFIA Bond, please refer to Note 5. A special mandatory redemption of $2,525,000 of the Series 2002-B Bonds occurred on February 19, 2009. The remaining $147,475,000 of the Series 2002-B Bonds were refunded with proceeds from the CTTS First Tier Revenue Refunding Put Bonds, Series 2009, issued March 5, 2009.

Information related to the Central Texas Turnpike System Revenue Bonds is summarized below:

*I.* First Tier Revenue Bonds, Series 2002A, Fixed Rate (Non-callable Capital Appreciation Bonds, Callable Capital Appreciation Bonds, and Current Interest Bonds)

- To study, design, construct, operate, expand, enlarge, and extend the Central Texas Turnpike Project
- Issued 08-29-02
- $1,149,993,782; all authorized bonds have been issued
- Rated BBB+, Baa1, and BBB+ by Fitch Ratings, Moody's and S & P, respectively

*2.* First Tier Revenue Refunding Put Bonds, Series 2009, Fixed Rate

- To refund the Series 2002-B variable rate bonds and to pay the costs of issuance for the bonds
- Issued 03-05-09
- $149,275,000
- Rated BBB+, Baa1, BBB+ by Fitch Ratings, Moody's and S & P, respectively

**Source of revenue for debt service** – The First Tier Obligations are special, limited obligations of the Commission and are payable from, and secured solely by a first lien on and pledge of the Trust Estate, consisting of (i) all Project Revenues, and to the extent set forth in a supplemental indenture, any Additional Obligation Security, (ii) all Project moneys, including investment earnings, deposited into the Revenue Sub-Fund, the Construction Sub-Fund (except for any amounts held in a sub account containing moneys derived from the State Highway Fund or any moneys received by the Commission that are restricted to another use, such as right-of-way contributions that may be used only for that purpose), the First Tier Debt Service Sub-Fund, the First Tier Debt Service Reserve Sub-Fund, the Rate Stabilization Sub-Fund and the General Reserve Sub-Fund, (iii) any Project insurance proceeds and other moneys required to be deposited in the pledged funds listed in (ii) above and (iv) all payments received by the Commission pursuant to Approved Swap Agreements with respect to First Tier Obligations.

The Commission has committed to provide funds for operations and maintenance on the CTTS to the extent that revenues from the system are not adequate to fund both debt service on the obligations and operations and maintenance on the System.

None of the State of Texas, the Commission, the department, or any other agency or political subdivision of the State of Texas is obligated to pay the principal of, premium, if any, or interest on the CTTS Obligations except from the trust estate. Neither the faith and credit nor the taxing power of the State of Texas or any political subdivision thereof is pledged to the payment of the principal of, premium, if any, or interest on the CTTS Obligations. Neither the Commission nor the department has any taxing power. The bond indenture does not create a mortgage on the System.

**Bonds Payable by Component Units of the Department:**

**A. Private Activity Bonds – Texas Private Activity Bond Surface Transportation Corporation**

Transportation Code, Chapter 431 authorizes the creation of transportation corporations and provides the authority of those corporations to issue bonds to promote and develop public transportation facilities and systems by new and alternative methods. The bonds of such corporations are not obligations of the Department, the Commission, or the State.

Information related to the Texas Private Activity Bond Surface Transportation Corporation (the "Corporation") obligations is summarized below:

*1.* Senior Lien Revenue Bonds (NTE Mobility Partners LLC North Tarrant Express Managed Lanes Project) Series 2009

- Bonds issued to pay for planning, development, design and construction of the North Tarrant Express Facility including among other things: (i) the addition of up to three toll lanes, frontage roads and

auxiliary lanes, (ii) a general purpose lane, (iii) reconstruction of IH-820 and SH 121/SH 183 from I-35W to SH 121, and (iv) direct connectors at I-35/IH-820 interchange.

- Developer: NTE Mobility Partners LLC
- Issued December 10, 2009
- $400,000,000
- Rated Baa2 and BBB- by Moody's and Fitch, respectively
- Senior Loan Agreement dated December 1, 2009

2. Senior Lien Revenue Bonds (LBJ Infrastructure Group LLC IH-635 Managed Lanes Project) Series 2010
   - Bonds issued to pay for planning, development, design and construction of the IH-635 Managed Lanes Project including among other things: (i) construction of three managed toll lanes on IH-635, reconstruction of main lanes, access ramps and frontage roads, (ii) on the IH-635/IH-35E interchange, construction of managed lanes direct connectors, and (iii) on IH-35E, elevated managed lanes.
   - Developer: LBJ Infrastructure Group LLC
   - Issued June 15, 2010
   - $615,000,000
   - Rated Baa3 and BBB- by Moody's and Fitch, respectively
   - Senior Loan Agreement dated June 1, 2010

**Purpose of the bonds:** The bonds were issued, respectively, to pay for construction of the North Tarrant Express Managed Lanes project in Tarrant County, Texas and the IH-635 Managed Lanes project in Dallas County, Texas.

**Source of revenue for debt service:** The Senior Lien Revenue Bonds Series 2009 and Series 2010 are special, limited non-recourse obligations of the Texas Private Activity Bond Surface Transportation Corporation payable solely from payments received by the Corporation from the relevant Developer, NTE Mobility Partners LLC and LBJ Infrastructure Group LLC, respectively, pursuant to the separate Senior Loan Agreements between the Commission and each Developer. Payment of the principal, interest or premium, if any, on the bonds is a valid claim only against the Corporation but solely from the payments received by the Corporation from the relevant Developer pursuant to its Senior Loan Agreement and the pledged revenue sources available for the relevant series of bond. The bonds do not constitute a debt of the State, the Department, the Texas Transportation Commission, or any other political corporation, subdivision, or agency of the State.

### *NOTE 7 - CAPITAL LEASES*

In fiscal year 2004, TxDOT assumed the operational responsibilities of the State Aircraft Pooling Board. In assuming this responsibility, TxDOT assumed capital leases under the Master Lease Purchase Program (MLPP). The liabilities associated with these leases are reported in the financial statements of the Texas Public Finance Authority. However, the capital assets associated with these leases are reported in these statements.

### *NOTE 8 - OPERATING LEASE OBLIGATIONS*

To minimize long-term costs, and to ensure future availability of essential services, the department, in routine transactions, enters into leases which extend beyond the end of the fiscal year. The portion of these obligations extended beyond the current year is not a recognized liability, since the benefits have not been received as of the end of the fiscal year.

However, these leases will be claims against future appropriations, and consist of the agreements below for the future periods presented.

| FISCAL YEAR | EQUIPMENT | FACILITIES | TOTAL |
|---|---|---|---|
| 2011 | $ 5,005,116 | $ 3,929,023 | $ 8,934,139 |
| 2012 | 1,855,663 | 3,016,686 | 4,872,349 |
| 2013 | 763,574 | 1,763,270 | 2,526,844 |
| 2014 | 106,932 | 1,136,244 | 1,243,176 |
| 2015 | 4,968 | 1,136,244 | 1,141,212 |
| 2016-2020 | 1,860 | 5,681,220 | 5,683,080 |
| 2021-2025 | -0- | 5,681,220 | 5,681,220 |
| **TOTAL** | $ 7,738,113 | $ 22,343,907 | $ 30,082,020 |

The facility operating lease figures listed above include leases which are considered operating leases to the department, but are considered capital leases to the Texas Facilities Commission. The portion of the facility operating leases considered capital leases by the Texas Facilities Commission is listed below. The leases are scheduled to expire on June 30, 2012 and November 30, 2013. Even though the leases will expire, the department will continue to be responsible for the ground lease payments and taxes. Effective November 2009, the Texas Department of Motor Vehicles is subleasing a portion of the Riverside Annex. The Texas Department of Transportation will remain liable for the lease on the facility and will be reimbursed by the Texas Department of Motor Vehicles per the Memorandum of Understanding.

| FY 2011 | FY 2012 | FY 2013 | FY 2014 | FY 2015 | FY 2016 - 2020 |
|---|---|---|---|---|---|
| $2,948,616 | $2,750,975 | $1,763,270 | $1,136,244 | $1,136,244 | $5,681,220 |

Included in the expenditures reported in the financial statements are the following amounts of rent paid or due under operating leases:

| Fund Type | Amount |
|---|---|
| Special Revenue Funds | $7,362,690 |

### *NOTE 9 - EMPLOYEES' RETIREMENT PLAN*

The state has joint contributory retirement plans for virtually all its employees. The department participates in the plans administered by the Employees Retirement System of Texas by making monthly payments based on actuarial calculations. Future pension costs are the liabilities of the retirement system. The system does not account for each state agency

separately. Annual financial reports prepared by the system include audited financial statements and actuarial assumptions and conclusions.

### *NOTE 10 - DEFERRED COMPENSATION*

State employees may elect to defer a portion of their earnings for income tax and investment purposes pursuant to authority granted in the TEX. GOV'T. CODE ANN., sec. 609.001.

The state's 457 plan complies with the Internal Revenue Code Sec. 457. Deductions, purchased investments and earnings attributed to the 457 plan are the property of the state subject only to the claims of the state's general creditors. Participant's rights under the plan are equal to those of the general creditors of the state in an amount equal to the fair market value of the 457 account for each participant. The state has no liability under the 457 plan and it is unlikely that plan assets will be used to satisfy the claims of general creditors in the future.

The state also administers another plan; 'TexaSaver' created in accordance with Internal Revenue Code Sec. 401(k). The assets of this plan do not belong to the state. The state has no liability related to this plan.

### *NOTE 11 - POST EMPLOYMENT HEALTH CARE AND LIFE INSURANCE BENEFITS*

See the financial statements of the Employees Retirement System for information regarding post employment health care and life insurance benefits.

### *NOTE 12 - INTERFUND ACTIVITY / TRANSACTIONS*

The department has numerous transactions between funds and agencies. Individual interfund balances at August 31, 2010 were as follows:

Due From/To Other Agencies:

| | DUE FROM OTHER AGENCIES | DUE TO OTHER AGENCIES | SOURCE |
|---|---|---|---|
| GENERAL REVENUE | $ | $ | |
| Appd Fund 0900, D23 Fund 0090: | | | |
| (Agency 902, Appd Fund 0001) | | 216,549 | N/A |
| SPECIAL REVENUE | | | |
| Appd Fund 0006, D23 Fund 0006: | | | |
| (Agency 305, Appd Fund 0044) | 131,386 | | N/A |
| **Transfers** | | | |
| Appd Fund 0006, D23 Fund 0006: | | | |
| (Agency 241, Appd Fund 0006) | | 1,889,942 | Transfer |
| (Agency 302, Appd Fund 0006) | | 1,967,363 | Transfer |
| (Agency 360, Appd Fund 0006) | | 254,189 | Transfer |

| | DUE FROM OTHER AGENCIES | DUE TO OTHER AGENCIES | SOURCE |
|---|---|---|---|
| | $ | $ | |
| (Agency 405, Appd Fund 0001) | | 39,874,724 | Transfer |
| (Agency 582, Appd Fund 5071) | | 7,005,561 | Transfer |
| (Agency 727, Appd Fund 0001) | | 1,224,711 | Transfer |
| (Agency 902, Appd Fund 0001) | 193,667,472 | | Transfer |
| **Federal Pass-Throughs** | | | |
| (Agency 405, Appd Fund 0006) | | 132,515 | Federal P-T |
| (Agency 458, Appd Fund 0001) | | 1,200 | Federal P-T |
| (Agency 555, Appd Fund 9999) | | 8,244 | Federal P-T |
| (Agency 701, Appd Fund 0148) | 4,288 | 83,500 | Federal P-T |
| (Agency 711, Appd Fund 9999) | | 10,045 | Federal P-T |
| (Agency 716, Appd Fund 9999) | | 79,635 | Federal P-T |
| (Agency 721, Appd Fund 9999) | | 173,716 | Federal P-T |
| (Agency 727, Appd Fund 9999) | | 761,563 | Federal P-T |
| (Agency 753, Appd Fund 9999) | | 277,588 | Federal P-T |
| (Agency 754, Appd Fund 9999) | | 94,522 | Federal P-T |
| (Agency 760, Appd Fund 9999) | | 21,965 | Federal P-T |
| (Agency 808, Appd Fund 0001) | | 632,085 | Federal P-T |
| **State Pass-Throughs** | | | |
| (Agency 711, Appd Fund 9999) | | 9,949 | State P-T |
| CAPITAL PROJECTS | | | |
| Appd Fund 7604, D23 Fund 7604: | | | |
| (Agency 347, Appd Fund 7604) | 512,097 | | Transfer |
| **Total Due From/To Other Agencies (Exh I)** | $ 194,315,243 | $ 54,719,566 | |

Due From/To Other Funds:

| | DUE FROM OTHER FUNDS | DUE TO OTHER FUNDS | SOURCE |
|---|---|---|---|
| GENERAL REVENUE | $ | $ | |
| Appd Fund 0900, D23 Fund 0090: | | | |
| (Agency 601, Appd Fund 0006) | | 489,754 | N/A |
| SPECIAL REVENUE | | | |
| Appd Fund 0006, D23 Fund 0006: | | | |
| (Agency 601, Appd Fund 0365) | 41,967,127 | | N/A |
| (Agency 601, Appd Fund 0865) | 1,584,144 | 1,842 | N/A |

| | DUE FROM OTHER FUNDS | DUE TO OTHER FUNDS | SOURCE |
|---|---|---|---|
| | $ | $ | |
| (Agency 601, Appd Fund 0900) | 489,754 | | N/A |
| Appd Fund 0365, D23 Fund 0375: | | | |
| (Agency 601, Appd Fund 0006) | | 41,967,127 | N/A |
| ENTERPRISE FUND | | | |
| Appd Fund 0865, D23 Fund 0865: | | | |
| (Agency 601, Appd Fund 0006) | 1,842 | 1,584,144 | N/A |
| **Total Due From/To Other Funds (Exh I and III)** | $ 44,042,867 | $ 44,042,867 | |

Operating Transfers In/Out (*):

| | TRANSFERS IN | TRANSFERS OUT |
|---|---|---|
| | $ | $ |
| Appd Fund 0001, D23 Fund 0001: | | |
| (Agency 902, Appd Fund 0001) | | (2,938) |
| **Total Transfers for D23 Fund 0001** | | (2,938) |
| Appd Fund 0006, D23 Fund 0006: | | |
| (Agency 241, Appd Fund 0006) | | 1,052,257 |
| (Agency 302, Appd Fund 0006) | | 7,503,504 |
| (Agency 320, Appd Fund 0006) | | (441,752) |
| (Agency 347, Appd Fund 0507) | | 309,426 |
| (Agency 347, Appd Fund 0735) | | 6,296 |
| (Agency 360, Appd Fund 0006) | | 3,836,745 |
| (Agency 405, Appd Fund 0001) | | 39,874,724 |
| (Agency 405, Appd Fund 0006) | | 515,554,790 |
| (Agency 529, Appd Fund 0006) | | 49,850 |
| (Agency 582, Appd Fund 5071) | | 81,245,079 |
| (Agency 601, Appd Fund 0008) | | 237,227,386 |
| (Agency 601, Appd Fund 0365) | 263,724,988 | |
| (Agency 601, Appd Fund 0865) | | 35,527,692 |
| (Agency 608, Appd Fund 0006) | 888,036,684 | |
| (Agency 727, Appd Fund 0001) | | 7,711,969 |
| (Agency 902, Appd Fund 0001) | 2,230,071,855 | |
| **Total Transfers for D23 Fund 0006** | 3,381,833,527 | 929,457,966 |
| Appd Fund 0008, D23 Fund 0010: | | |
| (Agency 601, Appd Fund 0006) | 237,227,386 | |
| **Total Transfers for D23 Fund 0010** | 237,227,386 | |

| | TRANSFERS IN | TRANSFERS OUT |
|---|---|---|
| | $ | $ |
| Appd Fund 0036, D23 Fund 0036: | | |
| (Agency 454, Appd Fund 0036) | 750,000 | |
| **Total Transfers for D23 Fund 0036** | 750,000 | |
| Appd Fund 0365, D23 Fund 0375/0377: | | |
| (Agency 601, Appd Fund 0006) | | 263,724,988 |
| **Total Transfers for D23 Fund 0375/0377** | | 263,724,988 |
| Appd Fund 0865, D23 Fund 0865: | | |
| (Agency 601, Appd Fund 0006) | 35,527,692 | |
| **Total Transfers for D23 Fund 0865** | 35,527,692 | |
| Appd Fund 7604, D23 Fund 7604: | | |
| (Agency 347, D23 Fund 7604) | 25,857,905 | |
| **Total Transfers for D23 Fund 7604** | 25,857,905 | |
| **Total Operating Transfers (Exh. II and IV)** | $ 3,681,196,510 | $ 1,193,180,016 |

Legislative Transfers In/Out (*)

| | LEGISLATIVE TRANSFERS IN | LEGISLATIVE TRANSFERS OUT |
|---|---|---|
| | $ | $ |
| Appd Fund 0001, D23 Fund 0001: | | |
| (Agency 608, Appd Fund 0001) | 0 | 14,763,393 |
| **Total Legislative Transfers (Exh. II)** | $ 0 | $ 14,763,393 |

* See Note 1 H(7) and Note 1 H(8) for detailed information on Transfers In/Out and Legislative Transfers In/Out.

### *NOTE 13 - CONTINUANCE SUBJECT TO REVIEW*

The Department is currently subject to a continuance review. Under the Texas Sunset Act, the Department will be abolished effective September 1, 2011, unless continued in existence by the 82nd Legislature as provided by the Act. If abolished, the Department may continue until September 1, 2012 to close out its operations. In the event that the Department is abolished pursuant to the Texas Sunset Act or other law, Section 325.017(f), Texas Government Code, acknowledges that such action will not alter the obligation of the State to pay bonded indebtedness and all other obligations of the abolished agency.

## *NOTE 14 – ADJUSTMENTS TO FUND BALANCES AND NET ASSETS*

In the Capital Asset Adjustment Fund Type, the $24,012,853 restatement of fixed assets is caused by corrections to property in fiscal year 2010. When an asset is incorrectly accounted for in one fiscal year and corrected in a subsequent fiscal year, the value and accumulated depreciation, if depreciable, must be adjusted.

In the Central Texas Turnpike System's Statement of Revenues, Expenses and Changes in Net Assets, the ($1,173,510) restatement is the result of fixed asset corrections in fiscal year 2010.

During fiscal year 2010, a change was made to the Central Texas Turnpike System's (Fund 865) reporting entity due to the implementation of a Master Lockbox and Custodial Account Agreement between TxDOT and the Bank of New York Mellon Trust Company. This change in reporting entity affected the accounting treatment of the custodial cash deposited from TxTAG customers and other transactions related to toll activity. The result is a restatement to Beginning Cash and Cash Equivalents in the Statement of Cash Flows of ($16,146,489) and the creation of the Toll Revenue Custodial Account (Fund 997).

During fiscal year 2010, the Governmental Accounting Standards Board implemented GASB Statement No. 53. One of the requirements of GASB Statement No. 53 is to recognize derivative investment instruments on the Statement of Net Assets and changes in fair value of the derivative investment instruments on the Statement of Activities. This change in accounting principle required the restatement in the Other Adjustment Fund Type beginning net assets, by $6,751,753.

## *NOTE 15 – CONTINGENCIES AND COMMITMENTS*

### Contingent Liabilities

A. Litigation

| Type of Suit | Number of Suits | Amount in Controversy |
|---|---|---|
| Contract | 9 | Amounts claimed range from $10,601 to $7,137,996. Total claims with amounts indicated came to approximately $11,634,710. |
| Inverse Condemnation | 28 | Amounts claimed range from $5,000 to $14,500. Total claims with amounts indicated came to approximately $19,500. Twenty-six of the 28 indicated only an approximate amount of the claim or did not specify the amount. |
| Declaratory Judgment | 2 | Amounts of claims not specified. |
| Employment Law and Related Lawsuits | 18 | Monetary amounts have not been specified in the majority of these cases. Liability against the department is limited to $300,000. However, there is no limit on attorney fees and front pay. |
| Tort Claims | 102 | Statutory limits of liability on these cases are $250,000 per person or $500,000 per accident. Amounts claimed range from $5,331 to $500,000. Total claims, including estimates of liability limits where no amounts were specified, came to approximately $29,216,520. |
| Workers' Comp | 1 | Amounts of claims were not specified. |
| Miscellaneous | 1 | Amount of claim is $648. |

The type and volume of activity for which the department is responsible exposes it to a large number of lawsuits. The department has vigorously contested lawsuits brought against it and has usually prevailed or made settlements substantially less than the amounts originally sought.

Settlements are paid by the Texas Comptroller of Public Accounts from the Claims and Refunds Appropriation. Attorney General records indicate that the lawsuits listed above were pending as of August 31, 2010. The department management's opinion is that the probable outcome of these cases will not materially affect the financial position of the department.

B. Claims by Contractors

The type and volume of activity for which the department is responsible exposes it to claims by contractors. The department will most likely settle these claims at substantially less than the amount originally sought. However, if a settlement between the department's claims committee and the contractor can not be reached, these claims will result in future litigation. The department management's opinion is that the probable outcome of these claims will not materially affect the financial position of the department. As of August 31, 2010 the contingent liability as a result of claims by contractors was $8,203,872.

C. Federal Reimbursements and Grants

The federal eligibility for funds received by the department is subject to review by federal agencies. While the reviews may result in refunds or adjustments, past reviews have resulted in only minor adjustments which had no material financial impact.

D. Sick Leave

Sick leave, which can be accumulated indefinitely, is earned at the rate of eight hours per month, and is paid only to an employee when actually ill, or to the employee's estate upon death of the employee. The maximum sick leave that may be paid to an estate is one-half of the employee's accumulated hours, or 336 hours, whichever is less. A liability for sick leave entitlement is not recorded in the General Long-Term Debt Account Group, since experience indicates the probability of a material effect on any given year's operations as a result of deaths, or an abnormally high rate of illnesses, is minimal.

E. Derivatives

The Department has invested in derivative instruments. [See Note 3]

## Significant Commitments

### Construction Contracts and Comprehensive Development Agreement Obligations

To ensure future availability of essential services, the department, in routine transactions, enters into construction contracts and comprehensive development agreements which extend beyond the end of the fiscal year. These are not

recognized liabilities because the terms of the contracts or agreements have not been met and benefits have not been received as of the end of the fiscal year. However, these contracts and comprehensive development agreements will be claims against future appropriations and consist of the following estimated amounts. The amounts shown below do not include pass-through toll agreements.

| | FY 2011 | FY 2012 | FY 2013 | FY 2014 | FY 2015 | FY 2016-2020 | TOTALS |
|---|---|---|---|---|---|---|---|
| Comprehensive Development Agreements | $313,484,685 | $388,345,337 | $284,706,748 | $317,151,599 | $368,139,678 | $58,672,956 | $1,730,501,003 |
| Construction Contracts | $3,040,251,245 | $1,401,343,689 | $754,836,583 | $323,114,856 | $254,843,206 | $66,613,813 | $5,841,003,392 |

**Pass-Through Toll Agreements**

As a means of financing state highway capital improvements and related maintenance costs, TxDOT has entered into pass-through toll agreements with a number of local entities. Under these agreements, the local entities will finance, design and construct certain roadway projects and may maintain them for a specified period of time. Upon completion of the projects, TxDOT will make payments (i.e. pass-through toll payments) to the entities based on traffic utilization of the roadways and other payment requirements governed by the agreements. Motorists traveling these roadways will not be required to pay a toll. In fiscal year 2010, a long term liability of $227,781,852 was recognized for completed or partially completed agreements (See Note 5.) Liabilities for uncompleted agreements have not been recognized; however, the maximum amounts of future obligations for the executed agreements as of August 31, 2010 are listed below:

| 2011 | 2012 | 2013 | 2014 | 2015 | 2016-2020 | 2021-2025 | TOTAL |
|---|---|---|---|---|---|---|---|
| $ 104,522,219 | $ 127,546,880 | $ 145,425,335 | $ 145,425,335 | $ 161,735,335 | $ 647,556,384 | $ 83,600,389 | $ 1,415,811,877 |

## *NOTE 16 - SUBSEQUENT EVENTS*

On September 29, 2010, the Commission issued $977,810,000 in State of Texas Highway Improvement General Obligation Bonds Series 2010 for the purpose of (i) paying, or reimbursing the State Highway Fund for payment of, all or part of the costs of highway improvement projects, (ii) paying the costs of administering projects authorized under Section 222.004 of the Texas Transportation Code, and (iii) paying the cost or expense of the issuance of the Series 2010 bonds. The interest rate on the Series 2010 bonds range from 2.00 to 5.00 percent and the final maturity date is April 1, 2040.

On October 1, 2010, Moody's downgraded the credit rating of Depfa plc which provides the liquidity support for the Texas Mobility Fund Series 2005-B bonds. Consequently, Moody's also downgraded the enhanced short term demand rating on the TMF Series 2005-B bonds from VMIG 1 to VMIG 3. However, the long term underlying rating on the Series 2005-B bonds remains Aaa.

As of November 20, 2010, the Texas Department of Transportation is negotiating terms to extend a toll equity loan of an aggregate maximum amount of approximately $4.094 billion to the North Texas Tollway Authority (NTTA) to use toward the State Highway 161 project in Dallas to enhance the project feasibility and expedite delivery. The loan will be drawn down to pay eligible project costs if sufficient funds for certain costs were unavailable to NTTA. The loan is limited to payment of mutually-approved projected facility costs including design, construction, operation, and maintenance of the project. The amounts that could be borrowed each year will not exceed a maximum permitted amount, defined in the loan agreement, not to exceed 100% of the projected toll revenue stream for that period in the mutually-approved investment grade traffic and revenue study, updated every two years. North Texas Tollway Authority will pay $458 million as an upfront payment to Texas Department of Transportation which will be reserved for transportation projects selected by local leaders in the Dallas-Fort Worth Metroplex. This upfront payment also includes reimbursement for construction of Segments 2 and 3 of State Highway 161. If there is a draw on the toll equity loan, the interest rate would be the ten-year AAA MMD rate plus 100 basis points. If timely repayment is not made, the interest rate will escalate to the LIBOR plus 200. A mechanism beginning the eleventh year after debt is issued will allow for an annual revenue share that will equal 3 percent of the amount North Texas Tollway Authority could draw on the loan in that particular year. Any unpaid annual fees would accrue without interest and roll forward to the next year to be paid once revenues are available or to be paid at the point of termination of the toll equity loan agreement. The commission has authorized the loan to be made, but the loan agreement terms have not been finalized.

### *NOTE 17 - RISK MANAGEMENT*

The department is exposed to a wide range of risks, due to the size, scope, and nature of its activities. Some of these risks include, but are not limited to, property and casualty losses, workers' compensation and health benefit claims, theft, damage of assets, etc.

The department retains these risks, and manages them through self-insurance and safety programs, which are the responsibility of the Occupational Safety Division [See page 82].

### *NOTE 18 - MANAGEMENT DISCUSSION AND ANALYSIS*

As permitted by GASB Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments, the State has adopted the modified approach for reporting its highway system. As required by this Statement, the Texas Department of Transportation (TxDOT) conducts condition assessments on the highway system under its Texas Maintenance Assessment Program (TxMAP). TxMAP is conducted on a yearly basis (GASB requirement is every three years) and results in overall condition levels for the Interstate and Non-Interstate highway systems. In conjunction with the TxMAP, the Texas Transportation Commission has adopted condition levels of 80% for the Interstate system, 75% for the Non-Interstate system, and 80% for the Central Texas Turnpike System. The condition assessment results for FY 2010 reflect condition levels of 83.6% (81.47% in FY 2009) for the Interstate system and 77.9% (76.5% in FY 2009) for the Non-Interstate system. For the Central Texas Turnpike System, the condition assessment results for FY 2010 reflect condition levels of 87.9% (90.5% in FY 2009).

The modified approach also requires that the State estimate the expenditures that will be required to maintain the highway system at or above the adopted condition levels. For FY 2010, TxDOT computed estimates of $568.5 million for

the Interstate system, $3.0 billion for the Non-Interstate system, and $11.4 million for the Central Texas Turnpike System. Actual expenditures were $333.3 million for the Interstate system, $1.4 billion for the Non-Interstate system, and $7.0 million for the Central Texas Turnpike System.

## *NOTE 19 - THE FINANCIAL REPORTING ENTITY*

### Component Units

The accompanying financial statements include the financial position and results of operations of all organizations, activities, and functions considered to be within the scope of the department's reporting entity.

As required by generally accepted accounting principles, two transportation corporations are shown as component units of the department because of the significance of their financial relationship with the department. Although the corporations are separate legal entities, the department exercises sufficient authority over the assets, management and operations, to require their inclusion in the accompanying financial statements. The financial activities of the corporations are shown as local fund 999 and presented in a blended format on the department's financial statements [See Note 1-C(4)]. Even though the Texas Private Activity Bond Surface Transportation Corporation does not have formal financial statements, complete financial information for the Grand Parkway Association can be obtained by contacting the corporation directly:

Grand Parkway Association
4544 Post Oak Place, Suite 222
Houston, Texas 77027

The Texas Department of Transportation is a component unit of the state of Texas, and of the statewide Consolidated Annual Financial Report to be issued by the Texas Comptroller of Public Accounts. As such, the department will be audited by the state auditor only to the extent necessary to express an opinion on the financial position of the state as a whole. Accordingly, the state auditor will not express an opinion on the financial statements contained in this report.

### Related Parties

The department currently has no related parties to report.

## *NOTE 20 - STEWARDSHIP, COMPLIANCE, & ACCOUNTABILITY*

The State Highway Fund, Fund 006, had a negative balance as of August 31, 2009. This negative fund balance was primarily due to a difference in timing between the recognition of the expenditure of funds received from the North Texas Tollway Authority (NTTA) and the recognition of revenue for those funds. In fiscal year 2008, NTTA paid the Texas Department of Transportation (TxDOT) approximately $3.2 billion in exchange for the right to develop and toll SH 121 for a period of 50 years. As of August 31, 2010, TxDOT had expended over $1 billion of these funds but only recognized $128 million of the funds as revenue, since the recognition of the funds as revenue is occurring over the period for which the rights to toll the roadway have been transferred to NTTA. In approximately 50 years, the roadway will be transferred back to TxDOT. The unamortized portion of the funds received from NTTA is reported as deferred revenue.

The State Highway Fund has a positive fund balance as of August 31, 2010, because of $1.5 billion of bonds issued by TxDOT in August of 2010. [See Note 6]

***NOTE 21 – N/A***

***NOTE 22 - DONOR-RESTRICTED ENDOWMENTS***

The department did not have any donor-restricted endowments.

***NOTE 23 - EXTRAORDINARY AND SPECIAL ITEMS***

The department did not have any special or extraordinary items during fiscal year 2010.

***NOTE 24 - DISAGGREGATION OF RECEIVABLE AND PAYABLE BALANCES***

Federal Receivables as of August 31, 2010 were $326,925,381. Of this amount, $298,105,003 is current and $28,820,378 is non-current. Although these amounts are shown as Contracts Payable on the paper copy annual report, the Comptroller's Office has requested this liability be shown as Other Current Liabilities in the Uniform Statewide Accounting System. As of August 31, 2010, Retainage Contracts Payable was $57,414,362 in the State Highway Fund. See Note 1F(8).

***NOTE 25 - TERMINATION BENEFITS***

For the fiscal year ended August 31, 2010, the department did not have any termination benefits related payments.

***NOTE 26 - SEGMENT INFORMATION***

TxDOT has only a single enterprise fund (Fund 865) related to the construction, operation, and maintenance of the Central Texas Turnpike System; therefore, segment information is not being reported.

# Required Supplementary Information

As permitted by GASB Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments, the State has adopted the modified approach for reporting its highway system. Under the modified approach, depreciation is not reported and certain preservation and maintenance costs are expensed.

The modified approach requires that the State:

- Maintain an asset management system that includes an up-to date inventory of eligible infrastructure assets,
- Perform condition assessments of the eligible infrastructure assets and summarize the results using a measurement scale in order to document that the eligible infrastructure assets are being preserved approximately at (or above) the condition level established and disclosed by the government, and
- Estimate each year the annual amount needed to maintain and preserve the eligible infrastructure assets at the condition level established and disclosed by the government.

Although bridges are an integral part of the highway system, the State has elected to depreciate bridges. Therefore, they are not reported using the modified approach.

## Condition Assessments

The Texas Department of Transportation (TxDOT) performs yearly condition assessments through its Texas Maintenance Assessment Program (TxMAP). Under this program, visual inspections are conducted on approximately 10% of the Interstate system and 5% of the Non-Interstate system (US, State, and FM roadways). For each section of highway observed, twenty-one elements separated into three highway components are assessed scores from 0 to 5 (0 = N/A, 1 = Failed, 2 = Poor, 3 = Fair, 4 = Good, 5 = Excellent) in order to determine the condition of the highways. Each element within a component is weighted according to importance and each component is weighted according to importance to determine the overall condition of the highways. The overall score is converted to a percentage measurement for reporting (1 = 20%, 2 = 40%, 3 = 60%, 4 = 80%, 5 = 100%).

## Assessed Conditions

TxDOT has adopted a minimum condition level of 80% for the Interstate System, 75% for the Non-Interstate system, and 80% for the Central Texas Turnpike System based on TxMAP assessments.

| Year | Interstate Condition (Minimum 80%) | Non-Interstate Condition (Minimum 75%) | Central Texas Turnpike System (Minimum 80%) |
|---|---|---|---|
| 2010 | 83.6% | 77.9% | 87.9% |
| 2009 | 81.4% | 76.5% | 90.5% |
| 2008 | 83.7% | 79.0% | 91.7% |
| 2007 | 84.1% | 79.5% | N/A |
| 2006 | 83.4% | 78.0% | N/A |

# Required Supplementary Information

## Estimated and Actual Costs for Maintenance

The table below provides a comparison between TxDOT's estimate of maintenance expenditures required to maintain the highway system at or above the adopted condition levels and the actual expenditures.

| Interstate Highways | 2010 | 2009 | 2008 | 2007 | 2006 |
|---|---|---|---|---|---|
| Estimate | $568,455,968 | $534,263,128 | $502,127,903 | $438,460,363 | $469,817,714 |
| Actual | $333,253,166 | $326,304,671 | $438,236,618 | $471,924,721 | $434,087,757 |

| Other Highways | 2010 | 2009 | 2008 | 2007 | 2006 |
|---|---|---|---|---|---|
| Estimate | $3,005,712,533 | $2,687,869,178 | $2,455,243,159 | $1,702,612,423 | $1,608,015,154 |
| Actual | $1,423,734,251 | $1,519,109,684 | $1,649,316,888 | $1,881,284,935 | $1,750,437,888 |

| Central Texas Turnpike System | 2010 | 2009 | 2008* | 2007 | 2006 |
|---|---|---|---|---|---|
| Estimate | $11,371,334 | $9,178,651 | $6,909,785 | N/A | N/A |
| Actual | $6,972,452 | $7,261,987 | $5,411,318 | N/A | N/A |

## Factors Affecting Condition Assessments

TxDOT continues to develop its methods for determining such estimates. As additional experience is acquired in the estimation and reporting processes, TxDOT hopes to achieve a greater correlation between the estimated maintenance expenditures needed to maintain the highway system at or above the adopted condition levels and the condition level of the highways. In comparing actual expenditures to estimated expenditures, factors such as increases in traffic, legislative mandates, budgetary constraints, and environmental effects (rainfall, drought, hurricane, freeze thaw, etc) should be considered as they may have a major impact on needed funds and the condition of Texas roads.

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# Combining Financial Statements

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# Exhibit A-1

## COMBINING BALANCE SHEET -ALL GENERAL AND CONSOLIDATED FUNDS
## August 31, 2010

| | GENERAL FUND ACCOUNT (0001)* U/F (0001) | TRAFFIC SAFETY-CRASH RECORDS INFORMATION SYSTEMS ACCOUNT (0036)* U/F (0036) |
|---|---|---|
| | $ | $ |
| **ASSETS:** | | |
| Current Assets: | | |
| Cash and Cash Equivalents: | | |
| Cash on Hand | | |
| Cash in State Treasury | | |
| Legislative Appropriations | 12,242,917 | |
| Loans and Contracts [Note 1 F(4)] | 54,590 | |
| Total Current Assets | 12,297,507 | 0 |
| Non-Current Assets: | | |
| Loans and Contracts [Note 1 F(4)] | 291,207 | |
| Total Non-Current Assets | 291,207 | 0 |
| **TOTAL ASSETS:** | **12,588,714** | **0** |
| **LIABILITIES AND FUND BALANCES** | | |
| Liabilities: | | |
| Current Liabilities: | | |
| Payables: | | |
| Accounts Payable | 94,252 | |
| Payroll Payable | 116,013 | |
| Due to Other Funds (Note 12) | | |
| Due to Other Agencies (Note 12) | | |
| Total Current Liabilities | 210,265 | 0 |
| **TOTAL LIABILITIES:** | 210,265 | 0 |
| **FUND FINANCIAL STATEMENT-FUND BALANCES** | | |
| FUND BALANCES (DEFICITS): | | |
| Reserved For: | | |
| Loans & Contracts | 291,207 | |
| Unreserved: | | |
| Undesignated: | | |
| Future Operations | 12,087,242 | |
| Consolidated Funds | | |
| **TOTAL FUND BALANCES** | 12,378,449 | 0 |
| **TOTAL LIABILITIES & FUND BALANCE** | $ **12,588,714** | $ **0** |

* Appropriated Fund is noted as (XXXX), USAS D23 Fund is noted as U/F (XXXX)

The accompanying notes to the financial statements are an integral part of this financial statement.

| | TEXAS HIGHWAY BEAUTIFICATION ACCOUNT (0071)* U/F (0071) | SUSPENSE FUND ACCOUNT (0900)* U/F (0090) | TOTAL |
|---|---|---|---|
| | $ | $ | $ |
| | 605 | | 605 |
| | 804,371 | 706,303 | 1,510,674 |
| | | | 12,242,917 |
| | | | 54,590 |
| | 804,976 | 706,303 | 13,808,786 |
| | | | 291,207 |
| | 0 | 0 | 291,207 |
| | **804,976** | **706,303** | **14,099,993** |
| | 5,137 | | 99,389 |
| | 81,791 | | 197,804 |
| | | 489,754 | 489,754 |
| | | 216,549 | 216,549 |
| | 86,928 | 706,303 | 1,003,496 |
| | 86,928 | 706,303 | 1,003,496 |
| | | | 291,207 |
| | | | 12,087,242 |
| | 718,048 | | 718,048 |
| | 718,048 | 0 | 13,096,497 |
| $ | **804,976** | $ **706,303** | $ **14,099,993** |

# Exhibit A-2

## COMBINING STATEMENT OF REVENUES, EXPENDITURES, & CHANGES IN FUND BALANCES -ALL GENERAL AND CONSOLIDATED FUNDS

**For the fiscal year ended August 31, 2010**

| | GENERAL FUND ACCOUNT (0001)* U/F (0001) | TRAFFIC SAFETY-CRASH RECORDS INFORMATION SYSTEMS ACCOUNT (0036)* U/F (0036) |
|---|---|---|
| **REVENUES:** | $ | $ |
| Legislative Appropriations: | | |
| Original Appropriations | 46,277,498 | |
| Additional Appropriations | 891,988 | |
| Licenses, Fees and Permits [Note 1 H(4)] | | |
| Sale of Goods & Services | 892,028 | |
| **TOTAL REVENUES** | 48,061,514 | 0 |
| **EXPENDITURES:** | | |
| Salaries and Wages | 2,323,869 | |
| Payroll Related Costs | 860,928 | |
| Professional Fees and Services | 116,399 | 13,357 |
| Travel | 57,834 | |
| Materials and Supplies | 218,062 | |
| Communications and Utilities | 3,879 | |
| Repairs and Maintenance | | 736,639 |
| Rentals and Leases | 3,764 | |
| State Grant Pass Through Expenditures | 901 | |
| Intergovernmental Payments | 1,402,952 | |
| Other Expenditures | 30,018 | 4 |
| Interest on State Bonds | 15,675,730 | |
| Capital Outlay | 4,358,182 | |
| **TOTAL EXPENDITURES** | 25,052,518 | 750,000 |
| **EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES** | 23,008,996 | (750,000) |
| **OTHER FINANCING SOURCES (USES):** | | |
| Operating Transfers In [Note 1 H(7)] | | 750,000 |
| Operating Transfers Out [Note 1 H(7)] | 2,938 | |
| Legislative Transfers Out [Note 1 H(8)] | (14,763,393) | |
| Sale of Capital Assets | 3,570,153 | |
| TOTAL OTHER FINANCING SOURCES (USES) | (11,190,302) | 750,000 |
| NET CHANGE IN FUND BALANCES | 11,818,694 | 0 |
| **FUND FINANCIAL STATEMENT-FUND BALANCES** | | |
| **FUND BALANCES, Sept. 1, 2009** | 1,507,894 | 0 |
| Appropriations Lapsed | (948,139) | |
| **FUND BALANCES, Aug. 31, 2010 (Exhibit A-1)** | $ 12,378,449 | $ 0 |

* Appropriated Fund is noted as (XXXX), USAS D23 Fund is noted as U/F (XXXX)
The accompanying notes to the financial statements are an integral part of this financial statement.

| TEXAS HIGHWAY BEAUTIFICATION ACCOUNT (0071)* U/F (0071) | SUSPENSE FUND ACCOUNT (0900)* U/F (0090) | TOTAL |
|---|---|---|
| $ | $ | $ |
| | | 46,277,498 |
| | | 891,988 |
| 609,973 | | 609,973 |
| | | 892,028 |
| 609,973 | 0 | 48,671,487 |
| 458,319 | | 2,782,188 |
| 219,714 | | 1,080,642 |
| 21,682 | | 151,438 |
| 284 | | 58,118 |
| | | 218,062 |
| 750 | | 4,629 |
| | | 736,639 |
| | | 3,764 |
| | | 901 |
| | | 1,402,952 |
| 2,504 | | 32,526 |
| | | 15,675,730 |
| | | 4,358,182 |
| 703,253 | 0 | 26,505,771 |
| (93,280) | 0 | 22,165,716 |
| | | 750,000 |
| | | 2,938 |
| | | (14,763,393) |
| | | 3,570,153 |
| 0 | 0 | (10,440,302) |
| (93,280) | 0 | 11,725,414 |
| 811,328 | 0 | 2,319,222 |
| | | (948,139) |
| $ 718,048 | $ 0 | $ 13,096,497 |

# EXHIBIT B-1
# COMBINING BALANCE SHEET - SPECIAL REVENUE FUNDS
# August 31, 2010

| | STATE HIGHWAY FUND (0006)* U/F (0006, 0016-0019, 0121-0122, 0130 and 0513-0515) | STATE INFRA-STRUCTURE BANK (0006)* U/F (0099) |
|---|---|---|
| | $ | $ |
| **ASSETS** | | |
| Current Assets: | | |
| Cash and Cash Equivalents: | | |
| Cash on Hand | 615,156 | |
| Cash in Bank | 39,987,864 | |
| Cash in State Treasury | 4,319,636,962 | 82,854,285 |
| Receivables: | | |
| Federal | 288,395,030 | |
| Other Intergovernmental | 63,565,109 | |
| Interest and Dividends | | 11,019,794 |
| Accounts Receivable | 26,016,591 | |
| Due from Other Funds (Note 12) | 44,041,025 | |
| Due from Other Agencies (Note 12) | 193,803,146 | |
| Consumable Inventories | 109,141,146 | |
| Loans and Contracts [Note 1 F(4)] | | 9,039,000 |
| Total Current Assets | 5,085,202,029 | 102,913,079 |
| Non-current Assets: | | |
| Federal Receivable | 28,820,378 | |
| Loans and Contracts [Note 1 F(4)] | 31,935,010 | 251,612,603 |
| Other Non-Current Assets | | 5,633,447 |
| Total Non-Current Assets | 60,755,388 | 257,246,050 |
| **TOTAL ASSETS** | **5,145,957,417** | **360,159,129** |
| **LIABILITIES AND FUND BALANCES:** | | |
| Liabilites: | | |
| Current Liabilities: | | |
| Payables: | | |
| Accounts Payable | 801,602,766 | |
| Contracts Payable [Note 1 F(8)] | 57,414,362 | |
| Payroll Payable | 58,397,973 | |
| Due to Other Funds (Note 12) | 1,842 | |
| Due to Other Agencies (Note 12) | 54,503,017 | |
| Deferred Revenues [Note 1 F(9)] | 3,244,105,515 | |
| Short Term Debt (Note 4) | 65,000,000 | |
| Total Current Liabilities | 4,281,025,475 | 0 |
| **TOTAL LIABILITIES** | **4,281,025,475** | **0** |
| **FUND FINANCIAL STATEMENT-FUND BALANCES** | | |
| FUND BALANCES (DEFICITS): | | |
| Reserved For: | | |
| Encumbrances | 131,350,158 | |
| Inventories | 109,141,146 | |
| Imprest | 143,158 | |
| Loans & Contracts | 31,935,010 | 251,612,603 |
| Unreserved Designated for: | | |
| Highway Construction and Maintenance | 592,362,470 | |
| State Infrastructure Bank | | 108,546,526 |
| Undesignated: | | |
| Texas Transportation Corporations | | |
| **TOTAL FUND BALANCES** | **864,931,942** | **360,159,129** |
| **TOTAL LIABILITIES & FUND BALANCES:** | **$ 5,145,957,417** | **$ 360,159,129** |

* Appropriated Fund is noted as (XXXX), USAS D23 Fund is noted as U/F (XXXX)

The accompanying notes to the financial statements are an integral part of this financial statement.

| FEDERAL AMERICAN RECOVERY & REINVESTMENT FUND (0006)* U/F (0369) | TEXAS MOBILITY FUND (0365)* U/F (0365, 0367, 368, 370, 371. 372, 375, 377) | TEXAS TRANSPORTATION CORPORATIONS (9999)* U/F (0999) | TOTAL |
|---|---|---|---|
| $ | $ | $ | $ |
| | | | 615,156 |
| | | 776,955 | 40,764,819 |
| | 1,390,311,368 | | 5,792,802,615 |
| | 9,709,973 | | 298,105,003 |
| | | | 63,565,109 |
| | | | 11,019,794 |
| | 532,667 | 211,371 | 26,760,629 |
| | | | 44,041,025 |
| | | | 193,803,146 |
| | | | 109,141,146 |
| | | 12,738,576 | 21,777,576 |
| 0 | 1,400,554,008 | 13,726,902 | 6,602,396,018 |
| | | | 28,820,378 |
| | | 969,874,023 | 1,253,421,636 |
| | | | 5,633,447 |
| 0 | 0 | 969,874,023 | 1,287,875,461 |
| **0** | **1,400,554,008** | **983,600,925** | **7,890,271,479** |
| | 34,889 | 192,109 | 801,829,764 |
| | | | 57,414,362 |
| | | | 58,397,973 |
| | 41,967,127 | | 41,968,969 |
| | | | 54,503,017 |
| | | | 3,244,105,515 |
| | | | 65,000,000 |
| 0 | 42,002,016 | 192,109 | 4,323,219,600 |
| **0** | **42,002,016** | **192,109** | **4,323,219,600** |
| | | | 131,350,158 |
| | | | 109,141,146 |
| | | | 143,158 |
| | | 969,874,023 | 1,253,421,636 |
| | 1,358,551,992 | | 1,950,914,462 |
| | | | 108,546,526 |
| | | 13,534,793 | 13,534,793 |
| **0** | **1,358,551,992** | **983,408,816** | **3,567,051,879** |
| $ **0** | $ **1,400,554,008** | $ **983,600,925** | $ **7,890,271,479** |

# EXHIBIT B-2

## COMBINING STATEMENT OF REVENUES, EXPENDITURES, & CHANGES IN FUND BALANCES -SPECIAL REVENUE FUNDS

**For the fiscal year ended August 31, 2010**

| | STATE HIGHWAY FUND (0006)* U/F (0006, 0016-0019, 0121-0122, 0130 and 0513-0515) | STATE INFRA-STRUCTURE BANK (0006)* U/F (0099) |
|---|---|---|
| **REVENUES:** | $ | $ |
| Taxes | 40,356,000 | |
| Federal Revenues | 1,769,065,005 | |
| Federal Pass Through Revenues | 22,022,375 | |
| State Pass Through Revenues | 74,465 | |
| Licenses, Fees and Permits [Note 1 H(4)] | 220,221,514 | |
| Interest & Investment Income | 41,999,592 | 11,689,768 |
| Land Income | 6,409,404 | |
| Settlement of Claims | 223,259 | |
| Sales of Goods and Services | 203,085,940 | |
| Other Revenues | 5,838,669 | |
| **TOTAL REVENUES** | 2,309,296,223 | 11,689,768 |
| **EXPENDITURES:** | | |
| Salaries and Wages | 586,938,512 | |
| Payroll Related Costs | 214,350,484 | |
| Professional Fees and Services | 242,930,694 | |
| Travel | 3,804,326 | |
| Materials and Supplies | 321,980,431 | |
| Communications and Utilities | 52,637,938 | |
| Repairs and Maintenance | 1,217,294,804 | |
| Rentals and Leases | 10,510,477 | |
| Printing and Reproduction | 3,145,966 | |
| Claims and Judgments | 11,189,471 | |
| Federal Pass Through Expenditures | 10,930,353 | |
| State Grant Pass Through Expenditures | 54,895 | |
| Intergovernmental Payments | 379,763,046 | |
| Public Assistance Payments | 23,109,292 | |
| Other Expenditures | 208,029,225 | |
| Principal on State Bonds | | |
| Principal on Pass-Through Tolls | 205,000 | |
| Interest on State Bonds | | |
| Other Financing Fees | 13,241,374 | |
| Capital Outlay | 2,120,039,450 | |
| **TOTAL EXPENDITURES** | 5,420,155,738 | 0 |
| **EXCESS (DEFICIT) OF REVENUES OVER (UNDER) EXPENDITURES** | (3,110,859,515) | 11,689,768 |
| **OTHER FINANCING SOURCES (USES):** | | |
| Operating Transfers In [Note 1 H (7)] | 3,381,833,527 | |
| Operating Transfers Out [Note 1 H (7)] | (929,457,966) | |
| Bond & Note Issued | 1,727,781,852 | |
| Insurance Recoveries | 10,557,622 | |
| Sale of Capital Assets | 4,531,775 | |
| **TOTAL OTHER FINANCING SOURCES (USES)** | 4,195,246,810 | 0 |
| **NET CHANGE IN FUND BALANCES** | 1,084,387,295 | 11,689,768 |
| **FUND FINANCIAL STATEMENT-FUND BALANCES** | | |
| **FUND BALANCES, Sept. 1, 2009** | **(219,455,353)** | **348,469,361** |
| **FUND BALANCES, Aug. 31, 2010 (Exh. B-1)** | $ **864,931,942** | $ **360,159,129** |

* Appropriated Fund is noted as (XXXX), USAS D23 Fund is noted as U/F (XXXX)

The accompanying notes to the financial statements are an integral part of this financial statement.

| FEDERAL AMERICAN RECOVERY & REINVESTMENT FUND (0006)* U/F (0369) | TEXAS MOBILITY FUND (0365)* U/F (0365, 0367, 368, 370, 371, 372, 375, 377) | TEXAS TRANSPORTATION CORPORATIONS (9999)* | TOTAL |
|---|---|---|---|
| $ | $ | $ | $ |
| | | | 40,356,000 |
| 875,418,798 | 23,627,600 | | 2,668,111,403 |
| | | | 22,022,375 |
| | | | 74,465 |
| | 320,404,949 | | 540,626,463 |
| | 18,272,918 | 63 | 71,962,341 |
| | | | 6,409,404 |
| | | | 223,259 |
| | | | 203,085,940 |
| | | 1,422,483 | 7,261,152 |
| 875,418,798 | 362,305,467 | 1,422,546 | 3,560,132,802 |
| | | | 586,938,512 |
| | | | 214,350,484 |
| | 420,361 | 663,214 | 244,014,269 |
| | | | 3,804,326 |
| | | | 321,980,431 |
| | | | 52,637,938 |
| | | | 1,217,294,804 |
| | | | 10,510,477 |
| | | | 3,145,966 |
| | | | 11,189,471 |
| | | | 10,930,353 |
| | | | 54,895 |
| 39,073,129 | | | 418,836,175 |
| | | | 23,109,292 |
| 137,482,699 | 4,937 | 337,913 | 345,854,774 |
| | 34,730,000 | | 34,730,000 |
| | | | 205,000 |
| | 260,764,636 | 15,020,871 | 275,785,507 |
| | 642,839 | 6,175,899 | 20,060,112 |
| 698,862,970 | | | 2,818,902,420 |
| 875,418,798 | 296,562,773 | 22,197,897 | 6,614,335,206 |
| 0 | 65,742,694 | (20,775,351) | (3,054,202,404) |
| | | | 3,381,833,527 |
| | (263,724,988) | | (1,193,182,954) |
| | | 1,003,809,369 | 2,731,591,221 |
| | | | 10,557,622 |
| | | | 4,531,775 |
| 0 | (263,724,988) | 1,003,809,369 | 4,935,331,191 |
| 0 | (197,982,294) | 983,034,018 | 1,881,128,787 |
| **0** | **1,556,534,286** | **374,798** | **1,685,923,092** |
| **$ 0** | **$ 1,358,551,992** | **$ 983,408,816** | **$ 3,567,051,879** |

# EXHIBIT C

## COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES - AGENCY FUNDS
## For the fiscal year ended August 31, 2010

| | Balances September 1, 2009 | Additions | Deductions | Balances August 31, 2010 |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| ***UNAPPROPRIATED RECEIPTS*** | | | | |
| **General Revenue Fund (0001), U/F (1001) *** | | | | |
| Assets: | | | | |
| Current: | | | | |
| Cash on Hand | 0 | 36,503,439 | 36,503,439 | 0 |
| Total Assets | 0 | 36,503,439 | 36,503,439 | 0 |
| Liabilities: | | | | |
| Current: | | | | |
| Funds Held for Others | 0 | 36,503,439 | 36,503,439 | 0 |
| Total Liabilities | 0 | 36,503,439 | 36,503,439 | 0 |
| ***OTHER AGENCY FUNDS*** | | | | |
| **Proportional Registration Distributive Fund (0021), U/F (0021)** | | | | |
| Assets: | | | | |
| Current: | | | | |
| Cash on Hand | 196,521 | (1,272,296) | (1,075,775) | 0 |
| Cash in State Treasury | 4,019,341 | (1,075,775) | 2,943,566 | 0 |
| Total Assets | 4,215,862 | (2,348,071) | 1,867,791 | 0 |
| Liabilities: | | | | |
| Current: | | | | |
| Other Intergovernmental Payables | 4,215,862 | (1,272,296) | 2,943,566 | 0 |
| Total Liabilities | 4,215,862 | (1,272,296) | 2,943,566 | 0 |
| **Child Support-Employee Deduction Account (0807), U/F (0807)** | | | | |
| Assets: | | | | |
| Current: | | | | |
| Cash in State Treasury | 247,812 | 3,525,532 | 3,533,219 | 240,125 |
| Total Assets | 247,812 | 3,525,532 | 3,533,219 | 240,125 |
| Liabilities: | | | | |
| Current: | | | | |
| Funds Held for Others | 247,812 | 3,525,532 | 3,533,219 | 240,125 |
| Total Liabilities | 247,812 | 3,525,532 | 3,533,219 | 240,125 |
| **Employees' Savings Bond Account (0901), U/F (0901)** | | | | |
| Assets: | | | | |
| Current: | | | | |
| Cash in State Treasury | 27,994 | 267,530 | 272,000 | 23,524 |
| Total Assets | 27,994 | 267,530 | 272,000 | 23,524 |
| Liabilities: | | | | |
| Current: | | | | |
| Funds Held for Others | 27,994 | 267,530 | 272,000 | 23,524 |
| Total Liabilities | 27,994 | 267,530 | 272,000 | 23,524 |

* Appropriated Fund is noted as (XXXX), USAS D23 Fund is noted as U/F (XXXX)

The accompanying notes to the financial statements are an integral part of this financial statement.

# COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES - AGENCY FUNDS (Concluded)

| | Balances September 1, 2009 | Additions | Deductions | Balances August 31, 2010 |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| ***OTHER AGENCY FUNDS*** | | | | |
| **County/Political Subdivision, Local Government Road/Airport Trust Account (0927), U/F (0927)** | | | | |
| Assets: | | | | |
| Current: | | | | |
| Cash in State Treasury | 266,426,362 | 129,006,062 | 150,094,535 | 245,337,889 |
| Total Assets | 266,426,362 | 129,006,062 | 150,094,535 | 245,337,889 |
| Liabilities: | | | | |
| Current: | | | | |
| Funds Held for Others | 266,426,362 | 129,006,062 | 150,094,535 | 245,337,889 |
| Total Liabilities | 266,426,362 | 129,006,062 | 150,094,535 | 245,337,889 |
| **Direct Deposit Correction Account (0980), U/F (0980 and 9014)** | | | | |
| Assets: | | | | |
| Current: | | | | |
| Cash in State Treasury | 1,385 | 1,857,329 | 1,858,614 | 100 |
| Total Assets | 1,385 | 1,857,329 | 1,858,614 | 100 |
| Liabilities: | | | | |
| Current: | | | | |
| Funds Held for Others | 1,385 | 1,857,329 | 1,858,614 | 100 |
| Total Liabilities | 1,385 | 1,857,329 | 1,858,614 | 100 |
| **Toll Revenue Custodial Account Account (9999), U/F (0997)** | | | | |
| Assets: | | | | |
| Current: | | | | |
| Cash on Hand | 0 | 159,647 | 0 | 159,647 |
| Cash in Bank | 0 | 16,070,390 | 16,024,054 | 46,336 |
| Money Market and Similar Funds | 0 | 127,128,514 | 107,692,551 | 19,435,963 |
| Total Assets | 0 | 143,358,551 | 123,716,605 | 19,641,946 |
| Liabilities: | | | | |
| Current: | | | | |
| Funds Held for Others | 0 | 143,358,551 | 123,716,605 | 19,641,946 |
| Total Liabilities | 0 | 143,358,551 | 123,716,605 | 19,641,946 |
| ***TOTALS - ALL AGENCY FUNDS*** | | | | |
| **Assets:** | | | | |
| Current: | | | | |
| Cash on Hand | 196,521 | 35,390,790 | 35,427,664 | 159,647 |
| Cash in Bank | 0 | 16,070,390 | 16,024,054 | 46,336 |
| Cash in State Treasury | 270,722,894 | 133,580,678 | 158,701,934 | 245,601,638 |
| Money Market and Similar Funds | 0 | 127,128,514 | 107,692,551 | 19,435,963 |
| **Total Assets** | 270,919,415 | 312,170,372 | 317,846,203 | 265,243,584 |
| **Liabilities:** | | | | |
| Current: | | | | |
| Other Intergovernmental Payables | 4,215,862 | (1,272,296) | 2,943,566 | 0 |
| Funds Held for Others | 266,703,553 | 314,518,443 | 315,978,412 | 265,243,584 |
| **Total Liabilities** | $ 270,919,415 | $ 313,246,147 | $ 318,921,978 | $ 265,243,584 |

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# Addendum

# General Comments

## History

The Texas Legislature created the State Highway Department in 1917 to grant financial aid to counties for highway construction and maintenance. The 64th Legislature (1975) created the State Department of Highways and Public Transportation by combining the authorities and responsibilities of the Texas Mass Transportation Commission and the State Highway Department. On May 5, 1976, the functions of the Governor's Office of Traffic Safety were transferred to the department by Executive Order D.B. 28. In 1979, another executive order, WBC 12, combined all statewide traffic safety programs into one traffic safety unit in the department.

The 72nd Legislature (1991) formed the Texas Department of Transportation (TxDOT) by merging the State Department of Highways and Public Transportation, the Texas Department of Aviation (effective September 1, 1991) and the Texas Motor Vehicle Commission (effective September 1, 1992). In 1993, the administration and reporting requirements of the TxDOT Oil Overcharge programs were transferred by contract from the General Services Commission's State Energy Conservation Office to TxDOT. Also in 1995, trucking regulation was transferred from the Texas Railroad Commission to TxDOT (effective September 1, 1995). Finally, the Texas Turnpike Authority was abolished and became a division with TxDOT in 1997.

The 81st Legislature (2009) established the Texas Department of Motor Vehicles (TxDMV), shifting the then-TxDOT divisions and offices of Vehicle Titles and Registration, Motor Vehicles, Auto Burglary and Theft Prevention Authority and a portion of the Motor Carrier Division to the TxDMV (effective November 1, 2009). In December 2009, TxDOT created the TxDOT Rail Division to facilitate the development and interconnectivity of the rail system in Texas (effective September 1, 2009).

The agency is charged with developing and maintaining a statewide multimodal transportation network and other transportation-related duties.

## TxDOT Mission

The TxDOT mission is to provide safe and efficient movement of people and goods, enhance economic viability and improve the quality of life for the people that travel in the state of Texas by maintaining existing roadways and collaborating with private and local entities to plan, design, build and maintain expanded transportation infrastructure.

## TxDOT Vision

To be a trusted, performance-driven organization committed to collaborating with internal and external partners to deliver a modern, interconnected and multimodal transportation system that enhances the quality of life for Texas citizens and increases the competitive position for Texas industry.

## TxDOT Values

TxDOT will do the following: honor our commitments to the citizens of Texas with accountability and transparency; provide the best value for every dollar spent; earn and maintain the respect and trust of

Texas citizens by listening, seeking to understand and being responsive to our customers and stakeholders; promote innovation, creativity and collaboration; promote high ethical conduct and a commitment to compliance with the law with our employees and partners; communicate openly and honestly; protect the safety of the traveling public, our employees and the workers who build, operate and maintain our transportation system; value diversity through inclusion, opportunity and respect; and support employee professional development.

# Organization

(An organization chart and a listing of administrative and key personnel as of August 31, 2010, are presented on pages 88-97.)

TxDOT is governed by the five-member Texas Transportation Commission and an executive director elected by the commission. Commission members, serving overlapping six-year terms, are appointed by the governor with the advice and consent of the Texas Senate. The executive director is the chief executive officer, assisted by one deputy executive director, three assistant executive directors and a chief financial officer. An internal audit office performs periodic independent audits of department operations.

The department conducts its primary activities in 25 geographical districts. The differing needs of local populations make decentralization of department operations necessary. Each district, managed by a district engineer, is responsible for the design, location, construction and maintenance of its area transportation systems. Local field offices within districts are known as area offices. TxDOT district offices are located in Abilene, Amarillo, Atlanta, Austin, Beaumont, Brownwood, Bryan, Childress, Corpus Christi, Dallas, El Paso, Fort Worth, Houston, Laredo, Lubbock, Lufkin, Odessa, Paris, Pharr, San Angelo, San Antonio, Tyler, Waco, Wichita Falls and Yoakum.

In 2009, four Regional Support Centers were created to consolidate overlapping functions between districts. The RSCs provide operations and project delivery support to the districts. Twenty functional divisions and six offices headquartered in Austin provide administrative and technical support to the districts.

# Headquarters Divisions and Offices

## Aviation Division

The Aviation Division (AVN) serves as a focal point for statewide air transportation matters. The division's primary day to day activities are directed toward providing engineering, technical and financial assistance to communities for planning, constructing and maintaining airports. The division develops and maintains a long-range statewide aviation facilities plan and programs federal and state assistance for airport development. Aviation education programs are conducted regularly by the division to foster and promote safety and professionalism in all aspects of aviation. The division is actively involved in working with communities to improve scheduled air service opportunities. The division and the department are advised by a six-member Aviation Advisory Committee appointed by the Texas Transportation Commission. In addition, AVN provides aircraft flight services to transport state officials and maintenance support to maintain other state agencies' aircraft. In addition, AVN provides air

transportation services for state employees for business purposes and aircraft maintenance services for state owned aircraft.

## Bridge Division

The Bridge Division (BRG) provides assistance to TxDOT districts in matters regarding bridge project development, design, plan preparation, plan review, construction, maintenance, and inspection. Bridge project development encompasses elements such as preliminary engineering, programming, and guidance for developing bridge projects across the state. The division is responsible for reviewing preliminary bridge layouts and construction plans, specifications, and estimates for bridges designed by both department personnel and consulting engineering firms. Design and plan preparation responsibilities include bridges, geotechnical structures, overhead sign bridges and other traffic structures. The division provides assistance with bridge construction and maintenance problems, damaged structures, and construction inspection services. In addition, BRG manages the federally mandated bridge inspection program for the state's 50,000 bridges and also oversees programs for the replacement and rehabilitation of on- and off-system structurally deficient and functionally obsolete bridges. The division manages the various bridge databases as well as develops policies, standards, manuals, structural software, and guidelines to ensure the safety of Texas bridges and the mobility of the traveling public.

## Construction Division

The Construction Division (CST) provides oversight for construction contract administration including payment, construction regulatory compliance, and inspection and testing for all department construction contracts. The division is responsible for contractor pre-qualification, bid proposal issuance and construction and maintenance contracts letting. The division provides consultation and support to districts in the areas of project management, administration, inspection and testing from pre-letting through final project acceptance. The division provides materials quality assurance and testing for construction and maintenance materials. The division oversees pavement design activities, and is responsible for the management and maintenance of the department's Pavement Management Information System. The division is also responsible for coordination with the Federal Highway Administration (FHWA) to assure the overall effectiveness of the construction oversight program.

## Design Division

The Design Division (DES) provides guidance in the development of all highway construction projects on interstate, state, rural and urban highway systems. The division's design responsibilities begin with the preliminary stage of each project, and continue through the detailed design stages to the completion of plans, specifications and estimates up to release for construction bidding. More specifically, this division develops geometric design criteria; prepares design standards; provides federal oversight responsibility for project development; develops landscape design; and processes and assembles plans and bid proposals. The division also provides guidance and oversight of the engineering, architectural and surveying contracting program.

## Environmental Affairs Division

The Environmental Affairs Division (ENV) oversees the department's environmental program. ENV is responsible for recommending policies and developing guidance and procedures for project investigations, public involvement, environmental, social and economic studies as part of the project development process. ENV is the department's environmental liaison with state and federal resource agencies, environmental and special-interest groups, and the public. ENV staff also provides high level professional and technical support to address environmental issues associated with construction and maintenance projects and internal facility operations. ENV also administers contracts to support projects statewide. The division is responsible for activities associated with TxDOTs role as a member of a number of regulatory liaison committees such as the Coastal Coordination Council and Task Force on Economic Growth and Endangered Species. ENV manages the department's internal "Clean Air Plan" and the external "Drive Clean Across Texas" public outreach and education campaign.

## Finance Division

The Finance Division (FIN) is responsible for TxDOT's accounting, forecasting, budgeting, financial reporting, payment for all goods and services, and processing of all receipts and revenues. The division analyzes financial effects of proposed legislation on TxDOT and policy analysis and review. The division administers the State Infrastructure Bank, debt management, investments, and bond programs of the department. The division is also responsible for the programming, scheduling, and letting management of all transportation projects.

## General Services Division

The General Services Division (GSD) is the central purchasing office for the department, operating with one of the most qualified state agency purchasing staff in Texas with three quarters of purchasing personnel statewide state certified and 100% of purchasing leads and purchasing managers state and nationally certified. GSD provides oversight authority for negotiated contracts including development of policies and procedures and providing support services for professional services contracts. GSD coordinates services that provide business opportunity information, training, workshops and other outreach activities for contractors, TxDOT staff and other organizations that assist in promoting contract opportunities with TxDOT and the state of Texas.

GSD manages four regional distribution centers located in Austin, Athens, Post and Seguin supporting the supply and material needs for the approximately 400 department facilities located throughout the state. GSD oversees the management of TxDOT's personal property, including the equipment fleet, and coordinates the statewide alternative fuels, recycling, document and records management, mail and surplus property functions. The GSD general shops construct customized equipment and furnishings necessary for the districts, regions, divisions and offices.

Other statewide support services include electronic publishing, reprographic services and the operation of a full cost recovery offset print shop which also serves over 40 other state agencies. GSD manages the on-line publication of the department's manuals, forms, and construction, maintenance, facilities and aviation plans on TxDOT's Internet and intranet sites.

## Government and Public Affairs Division

The Government and Public Affairs Division (GPA) comprises five sections: State and Federal Legislative Affairs, Community Relations, Communications, International Relations and Media Relations. The State and Federal Legislative Affairs Section manages all of the agency's business before the Texas Legislature and its federal portfolio before the United States Congress and federal agencies. The Community Relations Section focuses on integrating the public in the agency's work. Communications guides external customer services and internal agency workforce communications. International Relations monitors infrastructure developments and activities along the U.S.-Mexico border and global actions that may impact the movement of goods in Texas in order to advise senior agency leadership. Media Relations works with all forms of media to ensure that the agency is properly represented before the press and that those channels are engaged appropriately, including social media.

## Human Resources Division

The Human Resources Division (HRD) provides leadership and strategic direction for statewide compensation, training and benefits programs. The division develops and administers external talent acquisition programs and provides applicant services; measures human resource performance objectives through workforce metrics and trend analyses; manages and delivers technical and soft skills professional training for all employees and offers an extensive distance learning portal through online and video teleconferencing systems across the state; administers a substance abuse and violence prevention program; steers employee performance management through continuing development and utilization of a progressive disciplinary approach; coordinates employee benefits and employee assistance programs; maintains the business title classification system to ensure compensation equities and career progression. The division also assists in the department's quality initiatives and manages employee awards and recognition at the state and national level.

## Maintenance Division

The Maintenance Division (MNT) administers and oversees the statewide maintenance budget, maintenance condition assessment, maintenance contracts, the State Use program and other maintenance programs and activities. It is responsible for oversight of the department's ferry operations, development and maintenance of safety rest areas, vegetation and roadside pest management, department facilities management and leasing, building operations and security services, facilities energy and water conservation, and statewide planning. The division also coordinates the department's disaster emergency management operations and inspects aggregate quarries and pits.

## Motor Carrier Division

The Motor Carrier Division (MCD) issues permits for, and routes, oversize/overweight loads, enforces provisions of TRC Chapters 621 and 623 by investigating alleged size/weight violations, and assessing administrative penalties for violations of size/weight laws and department rules. Efforts are coordinated with local law enforcement and the Texas Department of Public Safety regarding the transport of

oversize/overweight cargo and size/weight violations, and with the Texas Attorney General's Office regarding administrative penalties. Effective November 1, 2009, HB 3097 (81st Texas Legislature) transferred functions relating to motor carrier operating authority, household goods mover consumer protection, and associated enforcement of TRC 643 and 645 to the Texas Department of Motor Vehicles.

## Occupational Safety Division

The Occupational Safety Division (OCC) manages TxDOT's self-insured programs for workers' compensation, tort and liability insurance claims. The division is also responsible for overseeing and administering risk management programs associated with employee health and safety, including industrial hygiene assessments, hazardous materials awareness, pre-employment physicals and parts of the substance abuse program. The division directs its efforts toward creating and implementing risk-based approaches to identify exposures and establish strategies, such as Return-to-Work, intended to reduce incidents, fatalities and financial losses in support of the core mission and goals of the department.

The Workers' Compensation section uses licensed adjusters to personally handle employee claims regarding their injuries. The payments made to injured employees and providers are paid within the guidelines set forth by the Texas Department of Insurance, Division of Workers' Compensation.

The Liability section of OCC investigates all third party property damage and bodily injury claims involving department fleet vehicles and equipment for the entire state. This includes the investigation, the liability decision, negotiation and resolution of the claim. The Tort Section manages all claim notices that are actual or alleged property damages, injuries or death to persons outside the department.

The Safety and Industrial Hygiene section provides leadership to protect employees and the traveling public by developing risk management policies, procedures and guidelines in addition to conducting safety training and on-site safety surveys involving construction and maintenance job operations. The division utilizes employee safety professionals and field representatives to help maintain and reinforce uniform proactive incident prevention methods for all employees in their respective work environments.

## Public Transportation Division

The Public Transportation Division (PTN) is responsible for encouraging, fostering and assisting public transportation in Texas. The division grants state and federal funds for public transportation and, in partnership with the Federal Transit Administration, supports and monitors transportation programs which support public transportation for elderly individuals and individuals with disabilities, non-urbanized areas, small urbanized areas, intercity bus, job access and reverse commute, new freedom, and various capital projects including transit vehicle procurement and facility construction. The division sponsors and monitors research and development in public transportation. PTN also provides technical assistance, training and planning support to the transit industry and metropolitan planning organizations, in addition to overseeing transit rail safety. Beginning September 1, 2003, PTN was charged with the responsibility of regional planning for public transportation and oversees and assists regions within the state as they proceed to develop local regional plans. The Public Transportation Advisory Committee is a statutory advisory committee charged with representing the transportation providers, users, and the general public. Effective September 1, 2009, PTAC is appointed by the Governor, Lt. Governor, and Speaker of the House and provides advice and recommendations to the commission on public transportation issues and proposed transit policies. The committee consists of nine members.

## Rail Division

The Rail Division (RRD) was established in December 2009 in response to a renewed and growing interest in rail transportation for both the movement of people and goods. RRD has oversight of rail planning, research, and development. As a state partner with the Federal Railroad Administration, RRD has state oversight authority of the safety of railroad operations, infrastructure, equipment, and hazardous materials movements. RRD also implements the rail related policies and legislation, and administers federal and state funds allocated to rail projects in Texas. The Division also monitors potential rail line abandonments in Texas, as well as coordinates the state's involvement in and response to abandonment filings.

The governor has assigned the responsibility for rail planning in the state to TxDOT. The legislature assigned the coordination of all passenger rail activities within the state, including commuter and local transit, to the Department in 2009, through the passage of SB 1382. These assignments have been delegated to RRD.

RRD has specific responsibilities for the following rail functions in Texas:

- administering lease and operating agreements on state-owned facilities and managing construction contracts for state or federally funded projects on those facilities, as well as private facilities;
- performing infrastructure and operational analysis of both state and privately owned rail facilities to develop needs assessments as part of the project development process;
- developing and planning for high speed rail and commuter rail studies;
- analyzing local, state and national railroad/multimodal trends, policies, and legislation;
- acting as the departmental liaison to railroad companies, intermodal interests, the FRA, local governments and the public in services and issues relating to rail planning in Texas;
- research and planning for more efficient utilization of Texas rail freight systems;
- has the authority to implement rail improvements by entering into public-private partnership agreements to provide investments in freight rail relocation projects, rail facility improvements, rail line consolidations or new passenger rail developments, and,
- administering the state rail safety inspection program in conjunction with the FRA.

## Right of Way Division

The Right of Way Division (ROW) is responsible for the oversight of statewide programs for the acquisition of right of way and other real property interests required for the development of TxDOT transportation projects.

The Right of Way Division is also responsible for the development and promulgation of right of way program policies and procedures to assure consistent state wide performance in accordance with the United States Code, Title 42 - The Public Health and Welfare, Chapter 61—Uniform relocation assistance and real property acquisition policies for federal and federally assisted programs ("The Uniform Act") and the Uniform Standards of Professional Appraisal Practice (USPAP).

The Division also maintains a cooperative liaison with the Texas Office of the Attorney General for the consistent statewide conduct of eminent domain proceedings in accordance with constitutional guarantees for the protection of private property rights required for a public transportation project.

The Division administers the accommodation of utilities that are displaced as the result of a transportation improvement project. The Division administers the Relocation Assistance Program, leasing of TxDOT right of way, professional service contracts for right of way acquisition services, and also coordinates the disposal of surplus real property.

The Right of Way Division is responsible for the oversight of the relocation assistance program for residents, tenants, and businesses displaced as a result of the right of way acquisition. The Division is also responsible for asset management and inventory control.

The Division is responsible for the qualification and procurement of professional services for right of way acquisition and utility accommodation.

The Right of Way Division is responsible for the centralized administration of the statewide program for regulatory control of outdoor advertising signs in accordance with the Federal and State Highway Beautification laws.

## Technology Services Division

The Technology Services Division (TSD) supports the information technology (IT) needs of TxDOT's administrative and engineering activities. TSD provides development and technical support for enterprise administrative and engineering applications, tier two and three level support for all desktop core technology applications, management and operation of one of the largest voice and data telecommunications networks in the state, oversight of outsourced services to the Department of Information Resources and Team for Texas, direction and management of the IT security program, photogrammetry services for department design activities, and training and end-user support for engineering and surveying applications. TSD also establishes and manages the department's core technology architecture; establishes enterprise wide IT policies, standards, and directions; and ensures TxDOT compliance with state information resource (IR) requirements. The TSD director serves as the department's chief information officer, IR manager and information security officer.

## Texas Turnpike Authority Division

The Texas Turnpike Authority Division (TTA) leads TxDOT's efforts to use innovative methods to deliver and operate transportation systems statewide. The division's responsibilities include the procurement, development and execution of Comprehensive Development Agreements, which are public-private partnerships for the financing, design, construction and operation of tolled highways.

TTA operates the Central Texas Turnpike System toll roads in the Austin area as well as toll roads in Tyler and Laredo. This includes the management of a Customer Service Center and TxTag services statewide. The division also conducts corridor planning activities for I-35 and the future I-69. This work involves coordination and support for two corridor advisory committees and nine segment committees, which allow citizens direct involvement in the department's planning efforts. TTA also works closely with other tolling entities throughout the state.

## Traffic Operations Division

The Traffic Operations Division (TRF) is responsible for the engineering design of traffic control devices, roadway illumination, radio operations, traffic signals, the review and analysis of speed zone requests, the review of traffic engineering related aspects of construction plans, and the collection and analysis of crash records. The division assists and supports the districts in the research, development, and implementation of Intelligent Transportation Systems, administers the Texas Traffic Safety Program, the Highway Safety Improvement Program, the Texas Safety Bond Program, and the Safe Routes to School Program. The division also develops, publishes and distributes the Texas Manual on Uniform Traffic Control Devices.

## Transportation Planning and Programming Division

The Transportation Planning and Programming Division (TPP) administers the Statewide Long-Range Transportation Plan, the Statewide Transportation Improvement Program, the Metropolitan Planning Organization planning activities, Economically Disadvantaged Counties program, Border Colonia Access Program, Texas State Planning and Research Work Program (Part I) and the Texas Transportation Corporation Act. The division provides data support for planning and design. TPP is responsible for the federal Highway Performance Monitoring System, corridor feasibility studies, urban transportation planning, road utility districts, international bridges, road inventory, railroad crossing inventory, reference marker locations, mapping and map distribution, traffic volume analysis, traffic forecasting, travel demand modeling, vehicle weight and classification studies and speed and origin-destination studies. The division coordinates multimodal/intermodal transportation issues including bicycle and pedestrian planning. TPP is also responsible for activities related to fulfilling TxDOT's role as the state's nonfederal sponsor of the Gulf Intracoastal Waterway. The division is the liaison to the Texas Transportation Commission for the Port Authority Advisory Committee, the Border Trade Advisory Committee and the Bicycle Advisory Committee.

## Travel Information Division

The Travel Information Division (TRV) is the state's central authority for providing information to the traveling public about the highway system and scenic, historic, and recreational opportunities in Texas. The division administers programs to stimulate travel to and within the state, and its employees serve as the state's front-line ambassadors.

TRV publishes the state's official travel magazine, *Texas Highways*; produces and publishes travel literature for the state of Texas, including the *Texas State Travel Guide*, the *Texas Official Travel Map*, the *Texas Accommodations Guide* and the *Texas Events Calendar*; and provides fulfillment activities for Texas travel information inquiries. TRV operates the twelve Texas Travel Information Centers at strategic locations around the state; offers road condition and travel planning information through the Highway Condition Reporting System at 800/452-9292; and assists the public during state emergencies. TRV provides audiovisual services for the department; produces travel and department photographs, slide programs and videos; and maintains a still-photo library. The division also administers the department's litter prevention programs - the Don't Mess with Texas public education campaign, the Adopt-a-Highway program, and the contract with the non-profit organization Keep Texas Beautiful.

## Audit Office

The Audit Office (AUD) is an independent appraisal function for internal operations (Internal Audit Section) and for negotiated and cost reimbursement contracts and grants with external entities (External Audit Section). In addition to TxDOT policy and procedure, AUD is governed by professional auditing standards, and reviewed every three years for compliance with these standards by members of other transportation department audit offices. External Audit's work covers 375 contracts a year by site audits, desk reviews, exception ratios, evaluations and pre-negotiation reports. This includes about $225 million of billed contract costs involving federal, state, and local government funds. Audit exceptions average $1.5 million per year. Internal Audit assists management by conducting independent and objective reviews of TxDOT operations and procedures to ensure operations are functioning as intended. Also, AUD provides oversight to Internal Auditors (auditors) in districts, divisions and regional centers.

## Office of Civil Rights

The Office of Civil Rights (OCR) conducts investigations of employee grievances, investigations requested by TxDOT Administration and management, and investigations requested by FHWA and other federal agencies alleging discrimination, including the Americans with Disabilities Act (ADA) and Title VII of the Civil Rights Act of 1964, and non-discrimination. OCR administers the Contractor Equal Employment Opportunity (EEO) Compliance Program, including Title VI of the Civil Rights Act of 1964, and conducts compliance audits/reviews. OCR develops and manages the Affirmative Action Plan/EEO Program and workforce diversity initiatives. OCR is responsible for ensuring equal opportunity in employment, promotions, training, benefits, and participation in business activities and services to the public. The OCR director serves as EEO officer and ADA Coordinator. OCR also monitors, executes, and evaluates TxDOT's compliance with the Disadvantaged Business Enterprise (DBE) and Small Business Enterprise (SBE) Programs. OCR establishes agency and contract goals, certifies firms for each program, ensures program compliance on contracts through monitoring and corrective measures, and gathers and reports on the progress of these programs.

## Office of General Counsel

The Office of General Counsel (OGC) provides legal counsel to the Texas Transportation Commission and TxDOT administration, districts, divisions and offices. The OGC drafts legislation and administrative rules, testifies before legislative committees, and serves as legal counsel at commission meetings.

## Internal Compliance Program Office

The Commission directed the department to implement an Internal Compliance Program (ICP). The department did this by creating a Compliance Office (CO) under the general supervision of the Deputy Executive Director. The Internal Compliance Program (ICP) or Compliance Office (CO) directs and assigns the investigation of employee misconduct, identifies areas in which the department may be at risk of fraud or other non-compliance with laws, proposes rules of conduct for employees and businesses that do business with the department, coordinates ethics training, and reviews department ethical policies for compliance.

## Research and Technology Implementation Office

The Research and Technology Implementation Office (RTI) manages the Cooperative Research Program, with the great majority of the research being conducted by state-supported universities. It also coordinates product evaluation for the department and manages the Implementation Program to provide funding for specific innovations output by the Research Program. This office also serves as TxDOT's liaison for national research efforts and results.

## Strategic Policy and Performance Management Office

The Strategic Policy and Performance Management Office (SPPM) is responsible for the development and publication of the agency's performance-based Strategic Plan. The Office develops and maintains the agency's reporting of performance results through reports published on the TxDOT Tracker page of the TxDOT web site. In addition, the office assists executive administration in the development of new program and policy initiatives.

# Administrative and Key Personnel as of August 31, 2010

## Governing Commissions, Boards and Statutory Advisory Committees

**Texas Transportation Commission**

| | | |
|---|---|---|
| Deirdre Delisi, Chair | Austin | (512) 305-9509 |
| Ned S. Holmes | Houston | (512) 305-9509 |
| Ted Houghton | El Paso | (512) 305-9509 |
| Fred Underwood | Lubbock | (512) 305-9509 |
| William Meadows | Fort Worth | (512) 305-9509 |

**Aviation Advisory Committee**

*(Members appointed by the Texas Transportation Commission and serve at the pleasure of the commission)*

| | | |
|---|---|---|
| Gordon B. Richardson, Chairman | Caldwell | (979) 567-3003 |
| Peter C. Huff, Vice Chairman | McKinney | (972) 562-7450 |
| Robert H. Bruce | Boerne | (830) 981-2345 |
| Mike Collier | Lakeway | (512) 261-8845 |
| Joe Crawford | Abilene | (325) 671-8013 |
| Greg Jones | The Woodlands | (281) 419-1271 |

**Bicycle Advisory Committee**

*(Members appointed by the Texas Transportation Commission and serve staggered terms)*

| | | |
|---|---|---|
| Tommy Eden | Austin | (512) 440-1433 |
| Sheila Holbrook-White | Austin | (512) 699-8136 |
| Annie Melton | Dallas | (214) 828-2144 |
| Regina Garcia | Houston | (713) 522-9306 |
| Margaret Charlesworth | San Angelo | (325) 486-1920 |
| Howard Peak | San Antonio | (210) 351-3309 |
| Annie-Marie Williamson | Wichita Falls | (940) 642-5868 |

**Border Trade Advisory Committee**

*(Members appointed by the Texas Transportation Commission to serve staggered terms)*

| | | |
|---|---|---|
| Raul Salinas | Laredo | (956) 791-7400 |
| Pat Ahumada | Brownsville | (956) 453-3695 |
| Jimmy Goates | Odessa | (432) 367-8907 |
| Jesse Medina | Pharr | (956) 781-1263 |
| Pete Sepulveda, Jr. | Cameron County | (956) 982-5414 |
| George Ramon | McAllen | (956) 843-2471 |
| Jose F. Galvan | Brownsville | (956) 548-2415 |
| Sam R. Sparks | Progreso | (956) 565-6361 |
| Sam F. Vale | Rio Grande City | (956) 487-5606 |
| Bill Ruth | El Paso | (915) 832-4101 |
| Said Larbi-Cherif | El Paso | (915) 858-4673 |
| Michael O'Toole | Austin | (512) 416-2240 |
| Robert Harrison | Austin | (512) 232-3113 |
| Rafael M. Aldrete | El Paso | (915) 532-3759 |
| David Allex | Harlingen | (956) 425-6199 |
| Efrain Valdez | Del Rio | (830) 774-8558 |

| | | |
|---|---|---|
| Chad Foster | Eagle Pass | (830) 773-1111 |
| Rosalva Guerra | Zapata | (956) 765-9920 |
| Judy Hawley | Corpus Christi | (361) 643-7469 |
| Hope Andrade | Presiding Officer | (512) 463-5770 |
| Eddie Aldrete | San Antonio | (210) 518-2516 |
| Jorge Canavati | San Antonio | (210) 362-7814 |
| Roger Creery | Laredo | (956) 722-0563 |

**Port Authority Advisory Committee**
*(Members appointed by the Texas Transportation Commission to three-year staggered terms)*

| | | |
|---|---|---|
| John P. LaRue, Chair | Port of Corpus Christi Authority | (361) 885-6189 |
| Gene Bouillion, Vice Chair | Port of Orange | (409) 883-4363 |
| Spencer Chambers | Port of Houston | (713) 670-2606 |
| Michael G. Wilson | Port Mansfield/Willacy County | (956) 689-3332 |
| John R. Roby | Port of Beaumont | (409) 835-5367 |
| Eduardo A. Campirano | Port of Brownsville | (956) 831-4592 |
| AJ "Pete" Reixach Jr. | Port of Freeport | (979) 233-2667 |

**Public Transportation Advisory Committee**
*(Members appointed by the Governor, Lieutenant Governor and Speaker of the House)*

| | | |
|---|---|---|
| Michelle Bloomer, Chair | Arlington | (817) 608-2329 |
| Al Abeson | Fort Worth | (512) 374-5230 |
| Frank Castellanos | Brownsville | (956) 973-3110 |
| Christina Melton Crain | Dallas | (214) 739-7933 |
| Janet Everheart | Lamesa | (806) 872-8354 |
| Vince Huerta | El Paso | (915) 532-3415 |
| J.R. Salazar, Vice Chair | Coleman | (325) 625-4491 |

**TxDOT Corridor Advisory Committees**

*(On March 27, 2008, the Texas Transportation Commission approved the selection of members to serve on two citizens Advisory Committees. The Corridor Advisory Committees represent a cross-section of community and business leaders, landowners, local transportation experts and other interested parties. Each Committee will advise the Texas Department of Transportation in the planning of two priority corridors, Interstate 35 and Interstate 69. The committees will study and prepare reports on the impacts of corridor development, including economic, political, societal and population trends; the use of existing, new and upgraded facilities; road and rail solutions; and financing options).*

**Interstate 35 Corridor Advisory Committee**

| | | |
|---|---|---|
| Steve Bonnette | San Antonio | (512) 463-1670 |
| Tim Brown | Belton | (512) 463-1670 |
| Maria Elena Camarillo | San Antonio | (512) 463-1670 |
| William Conley | Fort Worth | (512) 463-1670 |
| Sheila Cox | Gainesville | (512) 463-1670 |
| John Erwin | Hillsboro | (512) 463-1670 |
| Don Greene | Lorena | (512) 463-1670 |
| Leslie Bender Jutzi | Grand Prairie | (512) 463-1670 |
| Tom Krampitz | Dallas | (512) 463-1670 |
| Peter LeCody | Coppell | (512) 463-1670 |
| Karen Marstaller | Waco | (512) 463-1670 |
| Ross Milloy | Austin | (512) 463-1670 |
| Susan Narvaiz | San Marcos | (512) 463-1670 |
| Donna Parker | Fort Worth | (512) 463-1670 |
| Raul Perales | Laredo | (512) 463-1670 |
| Charmaigne Seymour | Georgetown | (512) 463-1670 |
| Chris Steuart | Saginaw | (512) 463-1670 |
| Lana Wolff | Arlington | (512) 463-1670 |

**Interstate 35 Segment Committee One**

| | | |
|---|---|---|
| Kenneth Barr | Tarrant County | (512) 463-1670 |
| Bruce Beaty | Rockwall County | (512) 463-1670 |
| Bryan Beck | Forth Worth | (512) 463-1670 |
| Mark Burroughs | Denton | (512) 463-1670 |
| Ray Clark | Kaufman County | (512) 463-1670 |
| William L. Conley, Jr. | North Texas Commission | (512) 463-1670 |
| Chad Davis | Wise County | (512) 463-1670 |
| Robert Hanna | Weatherford | (512) 463-1670 |
| Greg Hirsch | Dallas County | (512) 463-1670 |
| Gary Hollowell | Cooke County | (512) 463-1670 |
| John L. Horn | Hunt County | (512) 463-1670 |
| Sheffield Kadane | Dallas | (512) 463-1670 |
| Jeffrey C. Neal | North Central Texas Council of Govt. | (512) 463-1670 |
| John Polster | Denton County | (512) 463-1670 |
| Mark Riley | Parker County | (512) 463-1670 |
| Keith Self | Collin County | (512) 463-1670 |
| Kenneth Sicking | Texas Farm Bureau | (512) 463-1670 |
| Barry L. Sullivan | Gainesville | (512) 463-1670 |
| Bill Whitfield | McKinney | (512) 463-1670 |

| | | |
|---|---|---|
| Robert H. Wood | Sherman/Denison MPO | (512) 463-1670 |

**Interstate 35 Segment Committee Two**

| | | |
|---|---|---|
| Kenneth Barr | Tarrant County | (512) 463-1670 |
| Bryan Beck | Fort Worth | (512) 463-1670 |
| Don Beeson | Johnson County | (512) 4631670 |
| Robert Braswell | McLennan County | (512) 463-1670 |
| John C. Brunk | Dallas | (512) 463-1670 |
| Richard Cortese | Bell County | (512) 463-1670 |
| Russell Devorsky | Waco MPO | (512) 463-1670 |
| Rob Franke, P.E. | Dallas County | (512) 463-1670 |
| Wayne Gent | Kaufman County | (512) 463-1670 |
| Leonard Heathington | Hood County | (512) 463-1670 |
| Marty Janczak | Temple | (512) 463-1670 |
| William A. Jones, III | Killeen/Temple Urban Transportation Study | (512) 463-1670 |
| Barbra Leftwich | Ellis County | (512) 463-1670 |
| Clyde Melick | Waxahachie | (512) 463-1670 |
| Jeffrey C. Neal | North Central Texas Council of Governments | (512) 463-1670 |
| W. Gwynn Orr | Hill County | (512) 463-1670 |
| Marc Scott | McLennan County Texas Farm Bureau | (512) 463-1670 |
| Steven Sharp | Falls County | (512) 463-1670 |
| Greg Solomon | Hillsborro Area Chamber of Commerce | (512) 463-1670 |

**Interstate 35 Segment Committee Three**

| | | |
|---|---|---|
| Rachel Clampffer | Bastrop County | (512) 463-1670 |
| Marilynn Dierschke | Texas Farm Bureau | (512) 463-1670 |
| Trey Fletcher | Pflugerville | (512) 463-1670 |
| Atlee Fritz | Seguin | (512) 463-1670 |
| Dan A. Gattis | Williamson County | (512) 463-1670 |
| Dan Gibson | City of Lockhart | (512) 463-1670 |
| Joe Gieselman | Travis County | (512) 463-1670 |
| Tom Hornseth | Comal County | (512) 463-1670 |
| Bill Jones | Guadalupe County | (512) 463-1670 |
| Amy Madison | Economic Development San Marcos | (512) 463-1670 |
| Neto Madrigal | Caldwell County | (512) 463-1670 |
| Shannon Mattingly | City of New Braunfels | (512) 463-1670 |
| Gabe Sansing | City of Georgetown | (512) 463-1670 |
| Rod Smith | New Braunfels Chamber of Commerce | (512) 463-1670 |
| Robert Spillar, P. E. | Austin | (512) 463-1670 |
| Phil Tate | Manor | (512) 463-1670 |
| William Weeper | San Antonio/Bexar County MPO | (512) 463-1670 |
| Thomas E. Word, Jr., P.E. | City of Round Rock | (512) 463-1670 |
| Lisa Wright | Hays Environmental Health Dept. | (512) 463-1670 |

**Interstate 35 Segment Committee Four**

| | | |
|---|---|---|
| Tommy Adkisson | San Antonio/Bexar County MPO | (512) 463-1670 |
| Leroy Alves | Seguin Chamber of Commerce | (512) 463-1670 |
| Diana J. Bautista | Atascosa County | (512) 463-1670 |
| Kelly Carroll | Medina County | (512) 463-1670 |

| | | |
|---|---|---|
| Kevin Connor | South San Antonio Chamber of Commerce | (512) 463-1670 |
| Rosalva Guerra | Zapata County | (512) 463-1670 |
| Steve Grau | Greater San Antonio Chamber of Commerce | (512) 463-1670 |
| Rosalva Guerra | Zapata County | (512) 463-1670 |
| Gene Ann Herrin | Seguin | (512) 463-1670 |
| Harvey Hild | Guadalupe County | (512) 463-1670 |
| Ralph L. Morgan | Frio County | (512) 463-1670 |
| Kathy Palmer | St. Hedwig | (512) 463-1670 |
| Ray Pfannstiel | Texas Farm Bureau | (512) 463-1670 |
| Marvin Quinney | Wilson County | (512) 463-1670 |
| Joel Rodriguez | La Salle County | (512) 463-1670 |
| Keith Selman | Webb County | (512- 463-1670 |
| Keith Selman | Laredo Urban Transportation Study | (512) 463-1670 |
| Keith Selman | Laredo | (512- 463-1670 |

**Interstate 69 Corridor Advisory Committee**

| | | |
|---|---|---|
| Nolan Alders | Nacogdoches | (512) 463-1670 |
| Will Armstrong | Victoria | (361) 575-1485 |
| James Carlow | New Boston | (903) 628-6718 |
| Alan Clark | Houston | (713) 627-3200 |
| Carbett "Trey" Duhon | Waller | (936) 931-9627 |
| Jim Edmonds | Houston | (713) 670-2629 |
| David Garza | San Benito | (956) 361-8209 |
| Jim Gonzales | Richmond | (281) 342-5456 |
| Jack Gordon | Lufkin | (936) 633-0299 |
| Judy Hawley | Portland | (512) 463-1670 |
| Cynthia Lelelo | Marshall | (903) 923-3323 |
| James McAllen | Edinburg | (512) 463-1670 |
| Arnold Saenz | Alice | (361) 668-5706 |
| David Silva | Beeville | (361) 362-3260 |
| Chandra Spenrath | El Campo | (979) 543-6727 |
| Steve Stewart | Houston | (713) 747-4909 |
| Bill Summers | Weslaco | (956) 968-3141 |
| John Thompson | Livingston | (936) 327-6813 |

**Interstate 69 Segment Committee One**

| | | |
|---|---|---|
| David Anderson | Panola County | (903) 693-0391 |
| Richard Anderson | Harrison County | (903) 935-8401 |
| Bob Barton | Rusk County | (936) 347-2745 |
| Bill Brown | Jefferson | (512) 463-1670 |
| Rick Campbell | Shelby County | (512) 463-1670 |
| William Cork | Red River Redevelopment Authority | (903) 223-9841 |
| Joe English | Nacogdoches County | (936) 560-7755 |
| Stephen J. Frost | Cass County | (903) 628-8466 |
| James Greer | Marshall Texas Chamber of Commerce | (903) 935-8402 |
| William Holley | Tenaha | (936) 248-2543 |
| Jerry Hufffman | Angelina County | (936) 634-6644 |
| Jim Jeffers | Nacogdoches | (936) 559-2501 |

| | | |
|---|---|---|
| Brad McCaleb | Texarkana MPO | (903) 798-3927 |
| Michael Meador, P.E. | Texas Farm Bureau | (512) 463-1670 |
| Medford, Phillip M. | Lufkin | (936) 632-6661 |
| Robert H. Murray. P.E. | Bowie County | (903) 838-8533 |
| Karen Owen | Longview MPO | (903) 237-1062 |
| Phil Parker | Marion County | (903) 665-3261 |
| Jerry Sparks | Texarkana | (512) 463-1670 |
| Charles Thomas | Carthage | (903) 693-4345 |
| Charles R. Wilcox | Atlanta | (512) 463-1670 |

**Interstate 69 Segment Committee Two**

| | | |
|---|---|---|
| Don Brandon | Chambers County | (409) 267-8379 |
| Bill Brown | Diboll | (936) 829-3342 |
| Spencer Chambers | Port of Houston Authority | (713) 670-2606 |
| Andy Dill | Montgomery County | (281) 354-0051 |
| Ed Emmett | Harris County | (713) 755-4015 |
| Clarke Evans | Livingston | (936) 327-5736 |
| Phil Fitzgerald | Liberty County | (936) 336-4665 |
| Jerry Huffman | Angelina County | (936) 634-6644 |
| Kim Icenhower | Fort Bend County | (713) 504-4378 |
| Michael Jacobs, Jr. | Splendora | (512) 463-1670 |
| Ashby Johnson | Houston-Galveston Area Council | (713) 993-2474 |
| Lloyd Kirkham | Cleveland | (512) 463-1670 |
| Michael Kramer | Houston | (713) 837-7781 |
| Sidney Murphy | Livingston-Polk County Chamber of Commerce | (936) 327-4929 |
| Tom Paben | Texas Farm Bureau | (512) 463-1670 |
| Mandy Risinger | Corrigan | (936) 398-4126 |
| Jay Snook | Polk County | (936) 327-4896 |
| Douglas W. Spruill | Humble | (512) 463-1670 |
| Jim Wehmeier | Lufkin/Angelina Economic Dev. Corp. | (936) 633-0221 |
| Royce Wells | San Jacinto | (512) 463-1670 |

**Interstate 69 Segment Committee Three**

| | | |
|---|---|---|
| Leonard T. Anzaldua | Refugio County | (361) 526-2835 |
| Spencer Chambers | Port of Houston Authority | (713) 670-2606 |
| Laura Fischer | Bee County | (512) 463-1670 |
| Mike Fitzgerald | Galveston County | (409) 770-5554 |
| D. Dale Fowler | Victoria | (361) 485-3190 |
| Stephen Gertson | Texas Farm Bureau | (512) 463-1670 |
| Joe D. Hermes | Edna | (361) 782-3529 |
| Ray Jaso | Refugio | (361) 526-5361 |
| E. J. King | Brazoria County | (512) 463-1670 |
| Michael Kramer | Houston | (512) 463-1670 |
| Santiago Martinez | Beeville | (361) 358-5236 |
| Ray Miller | Victoria MPO | (361) 485-3360 |
| Domingo Montalvo, Jr. | Wharton | (979) 532-2491 |
| John W. Murrile | Wharton County | (979) 532-4612 |
| Donald R. Pozzi | Victoria County | (361) 575-4558 |
| Tony Rigdon | Port of Victoria | (361) 570-8855 |

| | | |
|---|---|---|
| Phillip Spenrath | El Campo | (979) 541-9638 |
| Harrison Stafford, II | Jackson County | (361) 782-2352 |
| Ric Tinney | Goliad | (361) 645-2276 |
| Lane Ward | Fort Bend County | (512) 463-1670 |
| Patricia Waskowiak | Houston-Galveston Area Council | (713) 627-3200 |

**Interstate 69 Segment Committee Four**

| | | |
|---|---|---|
| Frank Brogan | Port of Corpus Christi | (361) 885-6133 |
| Roy Cantu | Kleberg County | (361) 296-3623 |
| Charlie Cardenas, P.E. | Corpus Christi | (361) 826-3552 |
| Ralph Coker | Nueces County | (512) 463-1670 |
| Susan Durham | Jim Wells County | (361) 522-5194 |
| Teclo J. Garcia | McAllen | (956) 681-1001 |
| Angie Garza | Hidalgo County MPO | (512) 463-1670 |
| Eddy Hernandez | Brownsville MPO | (956) 983-6130 |
| Wesley Jacobs | Falfurrias | (361) 325-2420 |
| Stanley Laskowski | Kingsville | (361) 595-8001 |
| Pat Liston | Harlingen-San Benito MPO | (512) 463-1670 |
| Sergio T. Lopez | Port of Brownsville | (956) 838-1252 |
| Troy Nedbalek | Texas Farm Bureau | (512) 463-1670 |
| Tom Niskala | Corpus Christi MPO | (361) 884-0687 |
| Joseph F. Phillips | Hidalgo County | (512) 463-1670 |
| Raul M. Ramirez | Brooks County | (361) 325-5470 |
| Daniel O. Rios, P.E. | Lower Rio Grande Partnership | (956) 926-5000 |
| Anne Shepard | Harlingen | (956) 423-8755 |
| Terry Simpson | San Patricio County | (361) 364-9301 |
| Edna Tamayo | Cameron County | (956) 427-8069 |
| Louis E. Turcotte, III | Kenedy County | (361) 294-5372 |

**Interstate 69 Segment Committee Five**

| | | |
|---|---|---|
| Terry Arnold | Corpus Christi MPO | (361) 883-4391 |
| Arnoldo Cantu | Freer | (361) 394-5201 |
| Tim Clower | Nueces County | (361) 880-4111 |
| Roberto Elizondo | Duval County | (512) 463-1670 |
| Rosalva Guerra | Zapata County | (956) 765-9920 |
| Richard Borchard | Port of Corpus Christi | (512) 463-1670 |
| Pearson Knolle | Texas Farm Bureau | (512) 463-1670 |
| Nelda Martinez | Corpus Christi | (361) 826-3105 |
| Josephine Miller | San Patricio Economic Develop. Corp. | (361) 643-4744 |
| Adolph Poenisch | McMullen County | (512) 463-1670 |
| Rodrigo Ramon, Jr. | Robstown | (361) 387-4589 |
| Rito Silva | Alice | (361) 668-7209 |
| L. Arnold Saenz | Jim Wells County | (361) 668-5706 |
| Keith Selman | Laredo | (956) 794-1613 |
| Keith Selman | Laredo Urban Transportation Study | (956) 794-1613 |
| Terry Simpson | San Patricio | (361) 364-9301 |
| Sylvia Steele | George West | (512) 463-1670 |

**Administration**
*(All are in the 512 area code unless otherwise noted)*

| | | |
|---|---|---|
| Executive Director | Amadeo Saenz, Jr., P.E. | 305-9501 |
| Deputy Executive Director | Steven E. Simmons, P.E. | 305-9502 |
| Chief Financial Officer | James M. Bass | 305-9507 |

Assistant Executive Directors

| | | |
|---|---|---|
| • District Operations | David B. Casteel, P. E. | 305-9503 |
| • Engineering Operations | John A. Barton, P.E | 305-9504 |
| • Support Operations | Steven E. Simmons, P.E. (Interim) | 305-9502 |

**Division Directors**
*(All divisions are in the 512 area code)*

| | | |
|---|---|---|
| Aviation | David S. Fulton | 416-4501 |
| Bridge | David P. Hohmann, P. E. | 416-2210 |
| Construction | Russel W. Lenz, P.E. | 416-2559 |
| Design | Mark A. Marek, P.E. | 416-2653 |
| Environmental Affairs | Dianna F. Noble, P.E. | 416-2734 |
| Finance | Brian Ragland, CPA | 486-5555 |
| General Services | Scott Burford | 302-2401 |
| Government and Public Affairs | Coby Chase | 463-1620 |
| Human Resources | George A. Ebert | 486-5304 |
| Maintenance | Toribio Garza, Jr., P.E. | 416-3048 |
| Motor Carrier | Carol Davis | 465-3559 |
| Occupational Safety | Jerral Wyer | 416-3385 |
| Public Transportation | Eric Gleason | 374-5233 |
| Rail | William Glavin | 486-5230 |
| Right of Way | John P. Campbell, P.E. | 416-2918 |
| Technology Services | Judy B. Skeen, P.E. | 465-7491 |
| Texas Turnpike Authority | Mark E. Tomlinson, P. E. | 936-0903 |
| Traffic Operations | Carol T. Rawson, P.E. | 416-3200 |
| Transportation Planning and Programming | James L. Randall, P.E. | 486-5003 |
| Travel | Doris Howdeshell | 486-5900 |

**Office Directors**
*(All offices are in the 512 area code)*

| | | |
|---|---|---|
| Audit | Owen Whitworth | 463-8637 |
| Civil Rights | George A. Ebert (Interim) | 475-3117 |
| General Counsel | Bob Jackson | 463-8630 |
| Internal Compliance Program | Steve E. Simmons, P. E. (Interim) | 305-9502 |
| Research and Technology Implementation | Rick Collins, P.E. | 465-7632 |
| Strategic Policy and Performance Management | Mary E. Meyland | 305-9508 |

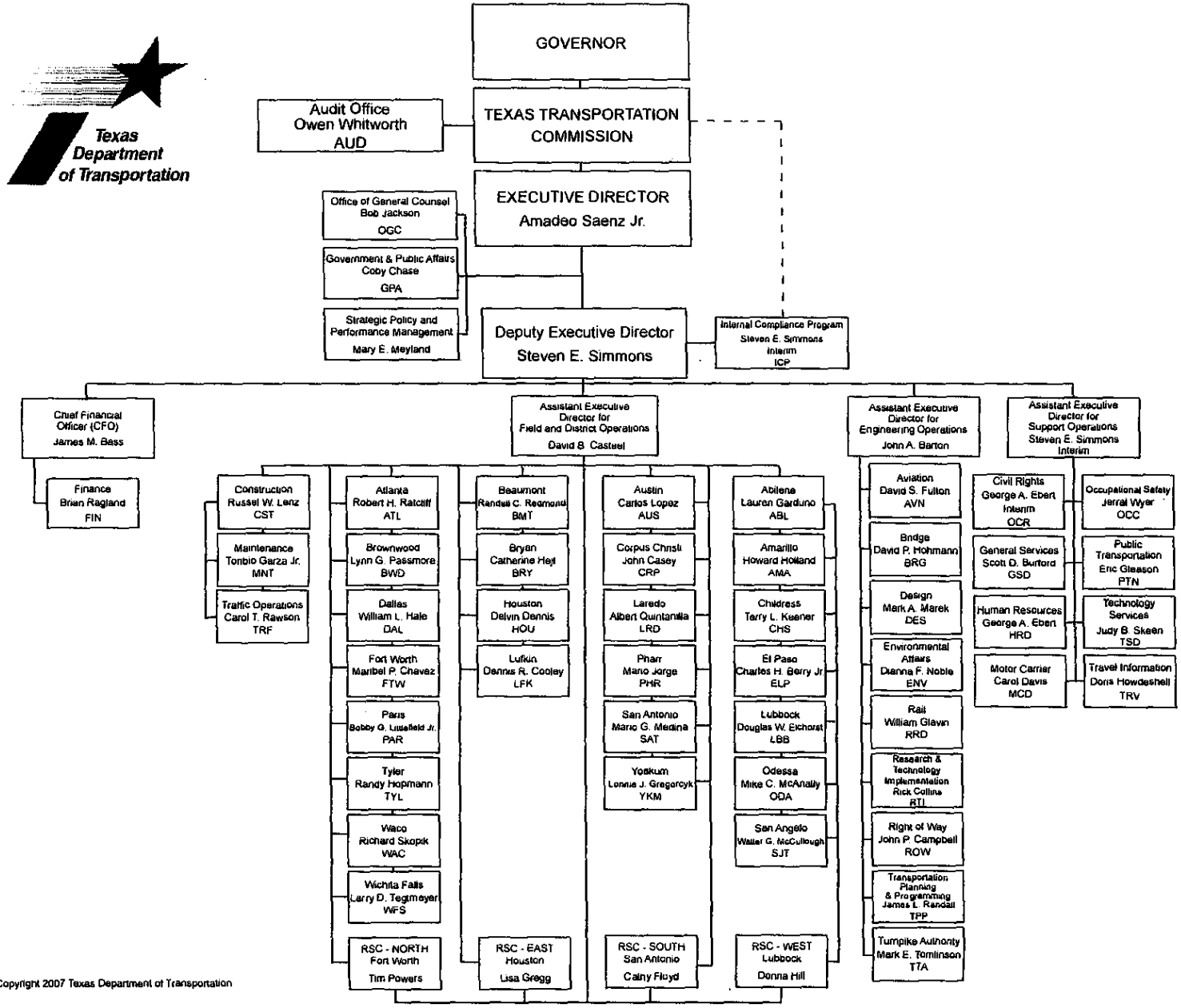
**District Engineers**

| | | |
|---|---|---|
| Abilene | Lauren Garduño, P. E. | (325) 676-6802 |
| Amarillo | Howard Holland, P. E. | (806) 356-3201 |
| Atlanta | Robert H. Ratcliff, P.E. | (903) 799-1220 |
| Austin | Carlos Lopez, P.E. | (512) 832-7022 |
| Beaumont | Randall C. Redmond, P.E. | (409) 898-5731 |
| Brownwood | Lynn G. Passmore, P.E. | (915) 643-0411 |

| | | |
|---|---|---|
| Bryan | Catherine Hejl, P.E. | (979) 778-9714 |
| Childress | Terry L. Keener, P.E. | (940) 937-7145 |
| Corpus Christi | John A. Casey, P.E. | (361) 808-2275 |
| Dallas | William L. Hale, P.E. | (214) 320-6110 |
| El Paso | Charles H. Berry, Jr., P.E. | (915) 790-4204 |
| Fort Worth | Maribel P. Chavez, P.E. | (817) 370-6512 |
| Houston | Delvin Dennis, P.E. | (713) 802-5001 |
| Laredo | Albert Quintanilla, P.E. | (956) 712-7410 |
| Lubbock | Douglas W. Eichorst II, P.E. | (806) 748-4419 |
| Lufkin | Dennis R. Cooley, P.E. | (936) 633-4321 |
| Odessa | Mike C. McAnally, P. E. | (432) 498-4711 |
| Paris | Bobby G. Littlefield, Jr., P.E. | (903) 737-9206 |
| Pharr | Mario R. Jorge, P.E. | (956) 702-6100 |
| San Angelo | Walter G. McCullough, P. E. | (325) 947-9200 |
| San Antonio | Mario G. Medina, P.E. | (210) 615-5801 |
| Tyler | Randy C. Hopmann, P.E. | (903) 510-9100 |
| Waco | Richard J. Skopik, P.E. | (254) 867-2700 |
| Wichita Falls | Larry D. Tegtmeyer, P.E. | (940) 720-7700 |
| Yoakum | Lonnie J. Gregorcyk, P.E. | (361) 293-4332 |

*** UNAUDITED ***

August 31, 2010

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# Schedules

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# Schedule 1A

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
## Year Ended August 31, 2010

| Federal Grantor/ Pass-Through Grantor/ Program Title | Federal CFDA Number | Pass-Through From Agency Number | State Entities | Other Entities | Direct Program Amount |
|---|---|---|---|---|---|
| | | | $ | $ | $ |
| *Federal Aviation Administration (FAA):* | | | | | |
| Direct Program: | | | | | |
| Airport Improvement Program - ARRA | 20.106 | | | | 8,800,797 |
| Airport Improvement Program | 20.106 | | | | 69,985,014 |
| Pass-Through Funds to Other Entities: | | | | | |
| Airport Improvement Program | 20.106 | | | | 577,594 |
| Total FAA: | | | 0 | 0 | 79,363,405 |
| *Federal Motor Carrier Safety Administration:* | | | | | |
| Direct Program: | | | | | |
| Border Enforcement Grants | 20.233 | | | | 269 |
| Commercial Vehicle Information Systems and Networks | 20.237 | | | | 157,721 |
| Total Federal Motor Carrier Safety Administration: | | | 0 | 0 | 157,990 |
| *Federal Transit Administration (FTA):* | | | | | |
| Direct Program: | | | | | |
| Formula Grants For Other Than Urbanized Areas | 20.509 | | | | 1,531,194 |
| State Planning and Research | 20.515 | | | | 1,055,005 |
| Pass-Through Funds: | | | | | |
| State Planning and Research | | | | | |
| Texas A & M University | 20.515 | | | | 10,045 |
| Federal Transit Metropolitan Planning Grants | 20.505 | | | | 6,964,384 |
| Formula Grants For Other Than Urbanized Areas - ARRA | 20.509 | | | | 30,272,332 |
| Formula Grants For Other Than Urbanized Areas | 20.509 | | | | 29,092,695 |
| Public Transportation Research | 20.514 | | | | 50,427 |
| State Planning and Research | 20.515 | | | | 370,677 |
| Total FTA: | | | 0 | 0 | 69,346,759 |
| *General Services Administration (GSA):* | | | | | |
| Pass-Through Funds: | | | | | |
| Donation of Federal Surplus Personal Property (NON-MONETARY) | | | | | |
| Pass-Through from Texas Facilities Commission | 39.003 | 303 | 24 | | |
| Total GSA: | | | 24 | 0 | 0 |
| *Department of Homeland Security (DHS):* | | | | | |
| Pass-Through Funds: | | | | | |
| Rail and Transit Security Grant Program | | | | | |
| Texas Department of Public Safety | 97.075 | 405 | 513,668 | | |
| Total DHS: | | | 513,668 | 0 | 0 |
| *Other Clusters* | | | | | |
| *Medicaid Cluster:* | | | | | |
| *Department of Health and Human Services (HHS):* | | | | | |
| Pass-Through Funds: | | | | | |
| Medical Assistance Program | | | | | |
| Pass-Through from Texas Health and Human Services Comm. | 93.778 | 529 | 5,501,736 | | |
| Total HHS: | | | 5,501,736 | 0 | 0 |

- Continued on Next Page

| Total Pass-Through From and Direct Program | Pass-Through To Agency Number | Pass-Through To State Entities | Pass-Through To Other Entities | Expenditures | Total Pass-Through To and Expenditures Amount |
|---|---|---|---|---|---|
| $ | $ | $ | $ | $ | $ |
| 8,800,797 | | | | 8,800,797 | 8,800,797 |
| 69,985,014 | | | | 69,985,014 | 69,985,014 |
| 577,594 | | | 577,594 | | 577,594 |
| 79,363,405 | | 0 | 577,594 | 78,785,811 | 79,363,405 |
| 269 | | | | 269 | 269 |
| 157,721 | | | | 157,721 | 157,721 |
| 157,990 | | 0 | 0 | 157,990 | 157,990 |
| 1,531,194 | | | | 1,531,194 | 1,531,194 |
| 1,055,005 | | | | 1,055,005 | 1,055,005 |
| 10,045 | 711 | 10,045 | | | 10,045 |
| 6,964,384 | | | 6,964,384 | | 6,964,384 |
| 30,272,332 | | | 30,272,332 | | 30,272,332 |
| 29,092,695 | | | 29,092,695 | | 29,092,695 |
| 50,427 | | | 50,427 | | 50,427 |
| 370,677 | | | 370,677 | | 370,677 |
| 69,346,759 | | 10,045 | 66,750,515 | 2,586,199 | 69,346,759 |
| 24 | | | | 24 | 24 |
| 24 | | 0 | 0 | 24 | 24 |
| 513,668 | | | | 513,668 | 513,668 |
| 513,668 | | 0 | 0 | 513,668 | 513,668 |
| 5,501,736 | | | | 5,501,736 | 5,501,736 |
| 5,501,736 | | 0 | 0 | 5,501,736 | 5,501,736 |

- Continued on Next Page

# SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
## Year Ended August 31, 2010

| Federal Grantor/ Pass-Through Grantor/ Program Title | Federal CFDA Number | Pass-Through From Agency Number | State Entities | Other Entities | Direct Program Amount |
|---|---|---|---|---|---|
| | | | $ | $ | $ |
| *Public Assistance Cluster:* | | | | | |
| *Department of Homeland Security (DHS):* | | | | | |
| Pass-Through Funds: | | | | | |
| Disaster Grants - Public Assistance | | | | | |
| Texas General Land Office | 97.036 | | | | (6,392) |
| Texas Department of Public Safety | 97.036 | 405 | 16,006,971 | | |
| Total DHS: | | | 16,006,971 | 0 | (6,392) |
| *Federal Transit Cluster:* | | | | | |
| *Federal Transit Administration (FTA):* | | | | | |
| Pass-Through Funds to Other Entities: | | | | | |
| Federal Transit - Capital Investment Grants | 20.500 | | | | 5,516,057 |
| Federal Transit - Formula Grants | 20.507 | | | | 180,258 |
| Total FTA: | | | 0 | 0 | 5,696,315 |
| *Transit Services Programs Cluster:* | | | | | |
| *Federal Transit Administration (FTA):* | | | | | |
| Direct Program: | | | | | |
| Capital Assistance Program for Elderly Persons and Persons with Disabilities | 20.513 | | | | 577,856 |
| Job Access - Reverse Commute | 20.516 | | | | 238,939 |
| New Freedom Program | 20.521 | | | | 267,205 |
| Pass-Throughs to Other Entities: | | | | | |
| Capital Assistance Program for Elderly Persons and Persons with Disabilities | 20.513 | | | | 7,677,225 |
| Job Access - Reverse Commute | 20.516 | | | | 3,743,379 |
| New Freedom Program | 20.521 | | | | 1,514,159 |
| Total FTA: | | | 0 | 0 | 14,018,763 |
| *Highway Planning and Construction Cluster:* | | | | | |
| *Federal Highway Administration (FHWA):* | | | | | |
| Direct Program: | | | | | |
| Highway Planning and Construction - ARRA | 20.205 | | | | 814,425,127 |
| Highway Planning and Construction | 20.205 | | | | 1,460,577,962 |
| Pass-Through Funds: | | | | | |
| Highway Planning and Construction | | | | | |
| Texas A & M University | 20.205 | | | | 212,886 |
| Prairie View A & M University | 20.205 | | | | 8,951 |
| University of Texas - Austin | 20.205 | | | | 414,559 |
| Texas Transportation Institute | 20.205 | | | | 300,710 |
| Texas Parks and Wildlife | 20.205 | | | | 228,425 |
| Texas Historical Commission | 20.205 | | | | 1,333,982 |
| Pass-Through to Other Entities - ARRA | 20.205 | | | | 21,920,542 |
| Pass-Through to Other Entities | 20.205 | | | | 138,447,989 |
| Total FHWA: | | | 0 | 0 | 2,437,871,133 |

- Continued on Next Page

| Total Pass-Through From and Direct Program | Pass-Through To Agency Number | Pass-Through To State Entities | Pass-Through To Other Entities | Expenditures | Total Pass-Through To and Expenditures Amount |
|---|---|---|---|---|---|
| $ | $ | $ | $ | $ | |
| (6,392) | 305 | (6,392) | | | (6,392) |
| 16,006,971 | | | | 16,006,971 | 16,006,971 |
| 16,000,579 | | (6,392) | 0 | 16,006,971 | 16,000,579 |
| 5,516,057 | | | 5,516,057 | | 5,516,057 |
| 180,258 | | | 180,258 | | 180,258 |
| 5,696,315 | | 0 | 5,696,315 | 0 | 5,696,315 |
| 577,856 | | | | 577,856 | 577,856 |
| 238,939 | | | | 238,939 | 238,939 |
| 267,205 | | | | 267,205 | 267,205 |
| 7,677,225 | | | 7,677,225 | | 7,677,225 |
| 3,743,379 | | | 3,743,379 | | 3,743,379 |
| 1,514,159 | | | 1,514,159 | | 1,514,159 |
| 14,018,763 | | 0 | 12,934,763 | 1,084,000 | 14,018,763 |
| 814,425,127 | | | | 814,425,127 | 814,425,127 |
| 1,460,577,962 | | | | 1,460,577,962 | 1,460,577,962 |
| 212,886 | 711 | 212,886 | | | 212,886 |
| 8,951 | 715 | 8,951 | | | 8,951 |
| 414,559 | 721 | 414,559 | | | 414,559 |
| 300,710 | 727 | 300,710 | | | 300,710 |
| 228,425 | 802 | 228,425 | | | 228,425 |
| 1,333,982 | 808 | 1,333,982 | | | 1,333,982 |
| 21,920,542 | | | 21,920,542 | | 21,920,542 |
| 138,447,989 | | | 138,447,989 | | 138,447,989 |
| 2,437,871,133 | | 2,499,513 | 160,368,531 | 2,275,003,089 | 2,437,871,133 |

- Continued on Next Page

# SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
## Year Ended August 31, 2010

| Federal Grantor/ Pass-Through Grantor/ Program Title | Federal CFDA Number | Pass-Through From Agency Number | Pass-Through From State Entities | Pass-Through From Other Entities | Direct Program Amount |
|---|---|---|---|---|---|
| | | | $ | $ | $ |
| *Department of Transportation (DOTS):* | | | | | |
| Direct Program: | | | | | |
| Highway Planning and Construction | 20.205 | | | | 568,635 |
| Total DOTS: | | | 0 | 0 | 568,635 |
| *Highway Safety Cluster:* | | | | | |
| *National Highway Traffic Safety Admin. (NHTSA):* | | | | | |
| Pass-Through Funds: | | | | | |
| State and Community Highway Safety Program | | | | | |
| Texas Alcoholic Beverage Commission | 20.600 | | | | 381 |
| Texas Department of State Health Services | 20.600 | | | | 664,861 |
| Texas Cooperative Extension | 20.600 | | | | 32,353 |
| Texas A & M Engineering Extension Service | 20.600 | | | | 1,510,356 |
| Texas Transportation Institute | 20.600 | | | | 1,330,759 |
| University of Houston - Downtown | 20.600 | | | | 103,417 |
| Alcohol Impaired Driving Countermeasures Incentive Grants | | | | | |
| Texas Alcoholic Beverage Commission | 20.601 | | | | 41,705 |
| Texas Transportation Institute | 20.601 | | | | 415,148 |
| Sam Houston State University | 20.601 | | | | 489,427 |
| Texas State University | 20.601 | | | | 188,303 |
| University of Houston - Downtown | 20.601 | | | | 188,063 |
| Occupant Protection Incentive Grants | | | | | |
| Texas A & M University - Corpus Christi | 20.602 | | | | 89,366 |
| Safety Belt Performance Grants | | | | | |
| Texas Department of Public Safety | 20.609 | | | | 1,303,422 |
| Texas Department of State Health Services | 20.609 | | | | 569,536 |
| Texas Cooperative Extension | 20.609 | | | | 241,914 |
| Texas Education Agency | 20.609 | | | | 171,740 |
| Texas Transportation Institute | 20.609 | | | | 360,183 |
| Sam Houston State University | 20.609 | | | | 4,000 |
| Texas A & M University - Corpus Christi | 20.609 | | | | 8,500 |
| State Traffic Safety Information System Improvement Grants | | | | | |
| Texas Department of State Health Services | 20.610 | | | | 414,685 |
| Incentive Grant Program to Increase Motorcyclist Safety | | | | | |
| Texas Transportation Institute | 20.612 | | | | 299,066 |
| Pass-Through to Other Entities | | | | | |
| State and Community Highway Safety Program | 20.600 | | | | 14,629,349 |
| Alcohol Impaired Driving Countermeasures Incentive Grants | 20.601 | | | | 7,779,615 |
| Occupant Protection Incentive Grants | 20.602 | | | | 882,805 |
| Safety Belt Performance Grants | 20.609 | | | | 3,989,069 |
| State Traffic Safety Information System Improvement Grants | 20.610 | | | | 1,759,172 |
| Total NHTSA: | | | 0 | 0 | 37,467,195 |
| Total Other Clusters | | | 21,508,707 | 0 | 2,495,615,649 |
| TOTAL FEDERAL ASSISTANCE | | | $ 22,022,399 | $ 0 | $ 2,644,483,803 |

| Total Pass-Through From and Direct Program | Pass-Through To Agency Number | Pass-Through To State Entities | Pass-Through To Other Entities | Expenditures | Total Pass-Through To and Expenditures Amount |
|---|---|---|---|---|---|
| $ | $ | $ | $ | $ | |
| 568,635 | | | | 568,635 | 568,635 |
| 568,635 | | 0 | 0 | 568,635 | 568,635 |
| 381 | 458 | 381 | | | 381 |
| 664,861 | 537 | 664,861 | | | 664,861 |
| 32,353 | 555 | 32,353 | | | 32,353 |
| 1,510,356 | 716 | 1,510,356 | | | 1,510,356 |
| 1,330,759 | 727 | 1,330,759 | | | 1,330,759 |
| 103,417 | 784 | 103,417 | | | 103,417 |
| 41,705 | 458 | 41,705 | | | 41,705 |
| 415,148 | 727 | 415,148 | | | 415,148 |
| 489,427 | 753 | 489,427 | | | 489,427 |
| 188,303 | 754 | 188,303 | | | 188,303 |
| 188,063 | 784 | 188,063 | | | 188,063 |
| 89,366 | 760 | 89,366 | | | 89,366 |
| 1,303,422 | 405 | 1,303,422 | | | 1,303,422 |
| 569,536 | 537 | 569,536 | | | 569,536 |
| 241,914 | 555 | 241,914 | | | 241,914 |
| 171,740 | 701 | 171,740 | | | 171,740 |
| 360,183 | 727 | 360,183 | | | 360,183 |
| 4,000 | 753 | 4,000 | | | 4,000 |
| 8,500 | 760 | 8,500 | | | 8,500 |
| 414,685 | 537 | 414,685 | | | 414,685 |
| 299,066 | 727 | 299,066 | | | 299,066 |
| 14,629,349 | | | 14,629,349 | | 14,629,349 |
| 7,779,615 | | | 7,779,615 | | 7,779,615 |
| 882,805 | | | 882,805 | | 882,805 |
| 3,989,069 | | | 3,989,069 | | 3,989,069 |
| 1,759,172 | | | 1,759,172 | | 1,759,172 |
| 37,467,195 | | 8,427,185 | 29,040,010 | 0 | 37,467,195 |
| 2,517,124,356 | | 10,920,306 | 208,039,619 | 2,298,164,431 | 2,517,124,356 |
| $ 2,666,506,202 | | $ 10,930,351 | $ 275,367,728 | $ 2,380,208,123 | $ 2,666,506,202 |

# SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Concluded)
# Year Ended August 31, 2010

### Note 1 - Nonmonetary Assistance

The "Donation of Federal Surplus Personal Property" is presented at 23.3% of the federal acquisition cost of $ 103.71. The surplus property is passed through from the Texas Facilities Commission. The federal grantor agency is the General Services Administration (GSA) and the federal CFDA number is 39.003. The estimated fair value for fiscal year 2010 is $24.16. The difference of the values of the surplus property recorded on the federal schedule and Exhibit II (Federal Revenues) is a reconciling item below.

### Note 2 - Reconciliation

Per Combined Statement of Revenues, Expenditures, and Changes in Fund Balances/Statement of Activities - Governmental Funds (Exh. II) :

| | |
|---|---|
| Federal Revenues before Other Adjustments (Exh. II) | $2,668,111,403 |
| Federal Pass Through Revenues (Exh. II) | 22,022,375 |
| Subtotal | $2,690,133,778 |
| | |
| Reconciling Items: | |
| Federal Surplus Personal Property Donation (Non-Monetary) | $24 |
| Build America Bonds Federal Subsidy | (23,627,600) |
| | |
| Total Pass-Through and Expenditures per Federal Schedule | $2,666,506,202 |

### Note 7 - Federal Deferred Revenue

| | |
|---|---|
| Federal Deferred Revenue 9/1/09 | $20,994,026 |
| Increase ( Decrease) | 7,826,352 |
| Federal Deferred Revenue 8/31/10 | $28,820,378 |

The federal deferred revenue ending balance of $28,820,378 pertains to federal expenditures which were incurred and are reimbursable from the Federal Highway Administration but the federal revenue is not collectable within 60 days after the end of the fiscal year. Federal CFDA number 20.205 applies to this $28,820,378.

# Schedule 1B

## SCHEDULE OF STATE PASS-THROUGH GRANTS FROM/TO STATE AGENCIES
## Year Ended August 31, 2010

**Pass-Through From:**

| | | |
|---|---|---|
| Disaster Grants | | |
| Texas Department of Public Safety (Agency #405) | $ | 74,465 |
| Total Pass-Through From Other Agencies -Per Exhibit II | $ | 74,465 |

**Pass-Through To:**

| | | |
|---|---|---|
| Texas Automobile Theft Prevention Authority Grants | | |
| Texas Department of Public Safety (Agency #405) | $ | 24,582 |
| Texas Department of Criminal Justice (Agency #696) | | 2,157 |
| Routine Airport Maintenance Grants | | |
| Texas A&M University (Agency #711) | | 33,658 |
| Public Transportation Grants | | |
| Texas Workforce Commission (Agency #320) | | (4,601) |
| Total Pass-Through To Other Agencies -Per Exhibit II | $ | 55,796 |

# SCHEDULE 2A

## Miscellaneous Bond Information
## For the Fiscal Year Ended August 31, 2010

**Governmental Activities**

| Description of Issue | Bonds Issued to Date | Range of Interest Rates | | Scheduled Maturities First Year | Scheduled Maturities Last Year | First Call Date |
|---|---|---|---|---|---|---|
| General Obligation Bonds: | | | | | | |
| Series 2005-A Fixed Rate Bonds (Serial and Term) | $900,000,000 | 3.90% | 5.00% | 2006 | 2035 | 4/1/2015 |
| Series 2005-B Variable Rate Bonds | 100,000,000 | variable | | 2030 | 2030 | 4/1/2006 |
| Series 2006 Fixed Rate Bonds (Serial and Term) | 750,000,000 | 3.625% | 5.00% | 2007 | 2036 | 4/1/2016 |
| Series 2006-A Fixed Rate Bonds (Serial and Term) | 1,040,275,000 | 4.00% | 5.00% | 2007 | 2035 | 4/1/2017 |
| Series 2006-B Variable Rate Bonds | 150,000,000 | variable | | 2035 | 2036 | 4/1/2007 |
| Series 2007 Fixed Rate Bonds (Serial and Term) | 1,006,330,000 | 4.00% | 5.00% | 2008 | 2037 | 4/1/2017 |
| Series 2008 Fixed Rate Bonds | 1,100,000,000 | 4.00% | 5.00% | 2009 | 2030 | 4/1/2018 |
| Series 2009-A Fixed Rate Bonds | 1,208,495,000 | 5.367% | 5.517% | 2020 | 2039 | * |
| Revenue Bonds: | | | | | | |
| Series 2006 Fixed Rate Bonds | 600,000,000 | 4.00% | 5.00% | 2007 | 2026 | 4/1/2016 |
| Series 2006-A Fixed Rate Bonds | 852,550,000 | 4.00% | 5.25% | 2008 | 2025 | 4/1/2016 |
| Series 2006-B Variable Rate Bonds | 100,000,000 | variable | | 2025 | 2026 | 4/1/2007 |
| Series 2007 Fixed Rate Bonds | 1,241,845,000 | 4.00% | 5.00% | 2009 | 2027 | 4/1/2017 |
| Series 2008 Fixed Rate Bonds | 162,995,000 | 3.50% | 5.25% | 2010 | 2028 | 4/1/2018 |
| Series 2010 Fixed Rate Bonds | 1,500,000,000 | 5.028% | 5.178% | 2023 | 2030 | ** |
| TOTAL | $10,712,490,000 | | | | | |

* The Series 2009-A Fixed Rate Bonds are subject to redemption prior to their respective maturities at the option of the Commission.

** The Series 2010 Fixed Rate Bonds are subject to redemption prior to their respective maturities at the option of the Commission.

**Business-Type Activities**

| Description of Issue | Bonds Issued to Date | Range of Interest Rates | | Scheduled Maturities First Year | Scheduled Maturities Last Year | First Call Date |
|---|---|---|---|---|---|---|
| Revenue Bonds: | | | | | | |
| First Tier Revenue Bonds Series 2002 - A | | | | | | |
| Non-Callable Capital Appreciation Bonds | $443,320,786 | 4.47% | 5.75% | 2012 | 2030 | n/a |
| Callable Capital Appreciation Bonds | 249,716,391 | 6.00% | 6.10% | 2025 | 2038 | 8/15/2012 |
| Current Interest Bonds | 707,875,000 | 5.00% | 5.75% | 2038 | 2042 | 8/15/2012 |
| First Tier Revenue Refunding Put Bonds Series 2009 | 149,275,000 | 5.00% | | 2042 | 2042 | 2/15/2011 |
| TOTAL | $1,550,187,177 | | | | | |

**Component Unit Activities**

| Description of Issue | Bonds Issued to Date | Range of Interest Rates | | Scheduled Maturities First Year | Scheduled Maturities Last Year | First Call Date |
|---|---|---|---|---|---|---|
| Revenue Bonds: | | | | | | |
| NTE Mobility Partners LLC | $400,000,000 | 6.875% | 7.50% | 2030 | 2039 | 12/31/19 |
| LBJ Infrastructure Group LLC | 615,000,000 | 7.00% | 7.50% | 2030 | 2040 | 06/30/20 |
| TOTAL | $1,015,000,000 | | | | | |

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# SCHEDULE 2B
# Changes in Bonded Indebtedness
# For the Fiscal Year Ended August 31, 2010

**Governmental Activities**

| Description of Issue | Bonds Outstanding 9/1/2009 | Bonds Issued | Bonds Matured or Retired | Bonds Refunded or Extinguished | Bonds Outstanding 8/31/2010 |
|---|---|---|---|---|---|
| General Obligation Bonds: | | | | | |
| Series 2005-A Fixed Rate Bonds (Serial & Term) | $834,520,000 | | $16,185,000 | | $818,335,000 |
| Series 2005-B Variable Rate Bonds | 88,385,000 | | 2,985,000 | | 85,400,000 |
| Series 2006 Fixed Rate Bonds (Serial & Term) | 706,515,000 | | 13,485,000 | | 693,030,000 |
| Series 2006-A Fixed Rate Bonds (Serial & Term) | 1,039,705,000 | | 1,325,000 | | 1,038,380,000 |
| Series 2006-B Variable Rate Bonds | 150,000,000 | | | | 150,000,000 |
| Series 2007 Fixed Rate Bonds (Serial & Term) | 1,004,935,000 | | 250,000 | | 1,004,685,000 |
| Series 2008 Fixed Rate Bonds (Serial & Term) | 1,099,500,000 | | 500,000 | | 1,099,000,000 |
| Series 2009-A Fixed Rate Bonds | 1,208,495,000 | | 0 | | 1,208,495,000 |
| Revenue Bonds: | | | | | |
| State Highway Fund First Tier Revenue Bonds | | | | | |
| Series 2006 Fixed Rate Bonds | 540,060,000 | | 20,995,000 | | 519,065,000 |
| Series 2006-A Fixed Rate Bonds | 787,880,000 | | 34,680,000 | | 753,200,000 |
| Series 2006-B Variable Rate Bonds | 100,000,000 | | 0 | | 100,000,000 |
| Series 2007 Fixed Rate Bonds | 1,200,820,000 | | 43,020,000 | | 1,157,800,000 |
| Series 2008 Fixed Rate Bonds | 162,995,000 | | 5,405,000 | | 157,590,000 |
| Series 2010 Fixed Rate Bonds | 0 | 1,500,000,000 | | | 1,500,000,000 |
| TOTAL GOVERNMENTAL | $8,923,810,000 | $1,500,000,000 | $138,830,000 | $0 | $10,284,980,000 |

| Unamortized Premium | Unamortized Discount | Unamortized Gain/(Loss) on Refunding | Net Bonds Outstanding 8/31/2010 | Principal Amounts Due Within One Year |
|---|---|---|---|---|
| $31,529,642 | $195,487 | | $849,669,155 | $16,995,000 |
| | | | 85,400,000 | 3,085,000 |
| 17,269,813 | | | 710,299,813 | 14,115,000 |
| 29,222,866 | | | 1,067,602,866 | 2,275,000 |
| | | | 150,000,000 | |
| 18,113,183 | | | 1,022,798,183 | 250,000 |
| 52,287,793 | | | 1,151,287,793 | 2,925,000 |
| | | | 1,208,495,000 | |
| | | | 519,065,000 | 22,030,000 |
| 40,652,168 | | | 793,852,168 | 36,415,000 |
| | | | 100,000,000 | |
| 53,763,451 | | | 1,211,563,451 | 45,090,000 |
| 8,819,654 | | | 166,409,654 | 5,675,000 |
| | | | 1,500,000,000 | |
| $251,658,570 | $195,487 | $0 | $10,536,443,083 | $148,855,000 |

# SCHEDULE 2B
# Changes in Bonded Indebtedness
# (Continued)

**Business-Type Activities**

| Description of Issue | Bonds Outstanding 9/1/2009 | Bonds Issued | Bonds Matured or Retired | Bonds Refunded or Extinguished | Bonds Outstanding 8/31/2010 |
|---|---|---|---|---|---|
| Revenue Bonds: | | | | | |
| First Tier Revenue Bonds Series 2002 - A | | | | | |
| Non-Callable Capital Appreciation Bonds | $419,948,091 | $23,372,695 * | | | $443,320,786 |
| Callable Capital Appreciation Bonds | 235,207,393 | 14,508,998 * | | | 249,716,391 |
| Current Interest Bonds | 707,875,000 | | | | 707,875,000 |
| First Tier Revenue Bonds Series 2002 - B | | | | | |
| Weekly Demand Bonds | 0 | | | | 0 |
| First Tier Refunding Put Bonds Series 2009 | 149,275,000 | | | | 149,275,000 |
| TOTAL BUSINESS-TYPE | $1,512,305,484 | $37,881,693 | $0 | $0 | $1,550,187,177 |

| Unamortized Premium | Unamortized Discount | Unamortized Gain/ (Loss) on Refunding | Net Bonds Outstanding 8/31/2010 | Principal Amounts Due Within One Year |
|---|---|---|---|---|
| $2,003,711 | $3,826,686 | | $441,497,811 | $0 |
| 1,173,819 | 2,241,758 | | 248,648,452 | 0 |
| 5,525,113 | 10,551,857 | | 702,848,256 | 0 |
| 0 | 0 | | 0 | 0 |
| 0 | 0 | ($4,345,179) | 144,929,821 | 0 |
| $8,702,643 | $16,620,301 | ($4,345,179) | $1,537,924,340 | $0 |

**Component Unit Activities**

| Description of Issue | Bonds Outstanding 9/1/2009 | Bonds Issued | Bonds Matured or Retired | Bonds Refunded or Extinguished | Bonds Outstanding 8/31/2010 |
|---|---|---|---|---|---|
| Revenue Bonds: | | | | | |
| NTE Mobility Partners LLC | $0 | $400,000,000 | | | $400,000,000 |
| LBJ Infrastructure Group LLC | 0 | 615,000,000 | | | 615,000,000 |
| TOTAL COMPONENT UNIT | $0 | $1,015,000,000 | $0 | $0 | $1,015,000,000 |

| Unamortized Premium | Unamortized Discount | Unamortized Gain/ (Loss) on Refunding | Net Bonds Outstanding 8/31/2010 | Principal Amounts Due Within One Year |
|---|---|---|---|---|
| $3,001,703 | $5,202,413 | | $397,799,290 | |
| 4,811,709 | 13,735,182 | | 606,076,527 | |
| $7,813,412 | $18,937,595 | $0 | $1,003,875,817 | $0 |

* Accretion does not appear on Schedule 2B

# SCHEDULE 2C

## DEBT SERVICE REQUIREMENTS

**For the Fiscal Year Ended August 31, 2010**

| Governmental Activities<br>Description of Issue | | 2011 | 2012 | 2013 | 2014 | 2015 | 2016-2020 |
|---|---|---|---|---|---|---|---|
| **TMF General Obligation Bonds** | | | | | | | |
| Series 2005-A | | | | | | | |
| Principal | $ | 16,995,000 | 17,845,000 | 18,735,000 | 19,670,000 | 20,655,000 | 118,320,000 |
| Interest | | 39,275,702 | 38,425,953 | 37,533,703 | 36,596,953 | 35,613,452 | 163,023,837 |
| Series 2005-B | | | | | | | |
| Principal | | 3,085,000 | 3,185,000 | 3,290,000 | 3,400,000 | 3,510,000 | 19,370,000 |
| Interest | | 504,688 | 485,927 | 466,555 | 446,540 | 425,865 | 1,794,624 |
| Series 2006 | | | | | | | |
| Principal | | 14,115,000 | 14,785,000 | 15,485,000 | 16,225,000 | 16,940,000 | 98,065,000 |
| Interest | | 34,229,050 | 33,557,113 | 32,859,912 | 32,115,563 | 31,405,037 | 143,651,187 |
| Series 2006-A | | | | | | | |
| Principal | | 2,275,000 | 3,215,000 | 4,185,000 | 5,115,000 | 6,045,000 | 64,985,000 |
| Interest | | 49,726,500 | 49,635,500 | 49,506,900 | 49,339,500 | 49,134,900 | 239,954,200 |
| Series 2006-B | | | | | | | |
| Principal | | 0 | 0 | 0 | 0 | 0 | 0 |
| Interest | | 390,000 | 390,000 | 390,000 | 390,000 | 390,000 | 1,950,000 |
| Series 2007 | | | | | | | |
| Principal | | 250,000 | 250,000 | 250,000 | 2,350,000 | 5,130,000 | 61,205,000 |
| Interest | | 48,759,263 | 48,749,262 | 48,739,263 | 48,729,262 | 48,635,263 | 237,273,063 |
| Series 2008 | | | | | | | |
| Principal | | 2,925,000 | 7,490,000 | 11,245,000 | 13,625,000 | 15,645,000 | 108,930,000 |
| Interest | | 53,298,200 | 53,166,575 | 52,792,075 | 52,229,825 | 51,548,575 | 243,972,375 |
| Series 2009-A | | | | | | | |
| Principal | | 0 | 0 | 0 | 0 | 0 | 420,000 |
| Interest | | 66,582,669 | 66,582,669 | 66,582,669 | 66,582,669 | 66,582,669 | 332,913,346 |
| **SHF Revenue Bonds** | | | | | | | |
| Series 2006 | | | | | | | |
| Principal | | 22,030,000 | 23,105,000 | 24,240,000 | 25,435,000 | 26,680,000 | 154,635,000 |
| Interest | | 25,835,100 | 24,760,100 | 23,623,850 | 22,429,850 | 21,184,850 | 84,681,500 |
| Series 2006-A | | | | | | | |
| Principal | | 36,415,000 | 38,155,000 | 40,075,000 | 42,070,000 | 44,185,000 | 254,140,000 |
| Interest | | 36,787,425 | 35,041,675 | 33,133,925 | 31,130,175 | 29,015,250 | 111,859,275 |
| Series 2006-B | | | | | | | |
| Principal | | 0 | 0 | 0 | 0 | 0 | 0 |
| Interest | | 330,000 | 330,000 | 330,000 | 330,000 | 330,000 | 1,650,000 |
| Series 2007 | | | | | | | |
| Principal | | 45,090,000 | 47,295,000 | 49,585,000 | 51,960,000 | 54,500,000 | 315,775,000 |
| Interest | | 57,494,375 | 55,289,875 | 53,000,125 | 50,625,875 | 48,084,750 | 197,154,250 |
| Series 2008 | | | | | | | |
| Principal | | 5,675,000 | 5,955,000 | 6,255,000 | 6,530,000 | 6,835,000 | 39,365,000 |
| Interest | | 7,899,900 | 7,616,150 | 7,318,400 | 7,042,625 | 6,735,250 | 28,492,838 |
| Series 2010 | | | | | | | |
| Principal | | 0 | 0 | 0 | 0 | 0 | 0 |
| Interest | | 50,625,978 | 77,226,067 | 77,226,068 | 77,226,067 | 77,226,068 | 386,130,339 |
| Total | | 620,593,850 | 652,536,866 | 656,848,445 | 661,594,904 | 666,436,929 | 3,409,710,834 |
| Less Interest | | 471,738,850 | 491,256,866 | 483,503,445 | 475,214,904 | 466,311,929 | 2,174,500,834 |
| Total Principal | $ | 148,855,000 | 161,280,000 | 173,345,000 | 186,380,000 | 200,125,000 | 1,235,210,000 |

| 2021-2025 | 2026-2030 | 2031-2035 | 2036-2040 | 2041-2045 | Requirements |
|---|---|---|---|---|---|
| 147,210,000 | 187,880,000 | 271,025,000 | 0 | 0 | 818,335,000 |
| 134,137,688 | 93,466,437 | 39,814,738 | 0 | 0 | 617,888,463 |
| 22,775,000 | 26,785,000 | 0 | 0 | 0 | 85,400,000 |
| 1,165,413 | 425,608 | 0 | 0 | 0 | 5,715,220 |
| 125,125,000 | 159,160,000 | 203,130,000 | 30,000,000 | 0 | 693,030,000 |
| 116,594,563 | 82,557,000 | 38,584,750 | 1,425,000 | 0 | 546,979,175 |
| 171,500,000 | 313,520,000 | 467,540,000 | 0 | 0 | 1,038,380,000 |
| 213,900,000 | 159,183,850 | 66,988,500 | 0 | 0 | 927,369,850 |
| 0 | 0 | 19,890,000 | 130,110,000 | 0 | 150,000,000 |
| 1,950,000 | 1,950,000 | 1,928,453 | 197,333 | 0 | 9,925,786 |
| 107,895,000 | 166,530,000 | 251,525,000 | 409,300,000 | 0 | 1,004,685,000 |
| 217,503,063 | 186,037,262 | 141,196,499 | 34,150,500 | 0 | 1,059,772,700 |
| 165,495,000 | 239,800,000 | 332,530,000 | 201,315,000 | 0 | 1,099,000,000 |
| 211,380,125 | 162,963,625 | 96,681,538 | 15,334,662 | 0 | 993,367,575 |
| 16,950,000 | 58,120,000 | 116,035,000 | 1,016,970,000 | 0 | 1,208,495,000 |
| 331,685,108 | 323,018,476 | 301,206,960 | 189,654,323 | 0 | 1,811,391,558 |
| 197,355,000 | 45,585,000 | 0 | 0 | 0 | 519,065,000 |
| 41,961,750 | 2,279,250 | 0 | 0 | 0 | 246,756,250 |
| 298,160,000 | 0 | 0 | 0 | 0 | 753,200,000 |
| 40,013,350 | 2,081,000 | 0 | 0 | 0 | 319,062,075 |
| 25,755,000 | 74,245,000 | 0 | 0 | 0 | 100,000,000 |
| 1,614,587 | 142,922 | 0 | 0 | 0 | 5,057,509 |
| 402,845,000 | 190,750,000 | 0 | 0 | 0 | 1,157,800,000 |
| 110,077,500 | 14,422,500 | 0 | 0 | 0 | 586,149,250 |
| 50,190,000 | 36,785,000 | 0 | 0 | 0 | 157,590,000 |
| 17,674,912 | 3,928,312 | 0 | 0 | 0 | 86,708,387 |
| 218,615,000 | 1,281,385,000 | 0 | 0 | 0 | 1,500,000,000 |
| 375,378,212 | 234,023,050 | 0 | 0 | 0 | 1,355,061,849 |
| 3,764,906,271 | 4,047,024,292 | 2,348,076,438 | 2,028,456,818 | 0 | 18,856,185,647 |
| 1,815,036,271 | 1,266,479,292 | 686,401,438 | 240,761,818 | 0 | 8,571,205,647 |
| 1,949,870,000 | 2,780,545,000 | 1,661,675,000 | 1,787,695,000 | 0 | 10,284,980,000 |

# SCHEDULE 2C

## DEBT SERVICE REQUIREMENTS

**For the Fiscal Year Ended August 31, 2010**

| **Business Type Activities**<br>Description of Issue | | 2011 | 2012 | 2013 | 2014 | 2015 | 2016-2020 |
|---|---|---|---|---|---|---|---|
| **CTTS Revenue Bonds** | | | | | | | |
| Series 2002-A | | | | | | | |
| Principal | $ | 0 | 4,505,000 | 7,710,000 | 10,155,000 | 12,605,000 | 167,510,000 |
| Interest | | 37,161,837 | 37,161,838 | 37,161,837 | 37,161,838 | 37,161,837 | 185,809,188 |
| Series 2009 | | | | | | | |
| Principal | | 0 | 0 | 0 | 0 | 0 | 0 |
| Interest | | 7,463,750 | 7,463,750 | 7,463,750 | 7,463,750 | 7,463,750 | 37,318,750 |
| Total | | 44,625,587 | 49,130,588 | 52,335,587 | 54,780,588 | 57,230,587 | 390,637,938 |
| Less Interest | | 44,625,587 | 44,625,588 | 44,625,587 | 44,625,588 | 44,625,587 | 223,127,938 |
| Total Principal | $ | 0 | 4,505,000 | 7,710,000 | 10,155,000 | 12,605,000 | 167,510,000 |

| **Component Unit Activities**<br>Description of Issue | | 2011 | 2012 | 2013 | 2014 | 2015 | 2016-2020 |
|---|---|---|---|---|---|---|---|
| **TxPABSTC Revenue Bonds** | | | | | | | |
| NTE Mobility Partners LLC | | | | | | | |
| Principal | $ | | | | | | |
| Interest | | 13,936,891 | 27,873,781 | 27,873,781 | 27,873,782 | 27,873,781 | 139,368,906 |
| LBJ Infrastructure Group LLC | | | | | | | |
| Principal | | | | | | | |
| Interest | | 22,851,256 | 43,757,725 | 43,757,725 | 43,757,725 | 43,757,725 | 218,788,625 |
| Total | | 36,788,147 | 71,631,506 | 71,631,506 | 71,631,507 | 71,631,506 | 358,157,531 |
| Less Interest | | 36,788,147 | 71,631,506 | 71,631,506 | 71,631,507 | 71,631,506 | 358,157,531 |
| Total Principal | $ | 0 | 0 | 0 | 0 | 0 | 0 |

| 2021-2025 | 2026-2030 | 2031-2035 | 2036-2040 | 2041-2045 | Requirements |
|---|---|---|---|---|---|
| 294,190,000 | 509,610,000 | 631,160,000 | 779,525,000 | 267,995,000 | 2,684,965,000 |
| 185,809,187 | 185,809,188 | 185,809,187 | 162,271,313 | 18,308,925 | 1,109,626,175 |
| 0 | 0 | 0 | 0 | 149,275,000 | 149,275,000 |
| 37,318,750 | 37,318,750 | 37,318,750 | 37,318,750 | 14,927,500 | 238,840,000 |
| 517,317,937 | 732,737,938 | 854,287,937 | 979,115,063 | 450,506,425 | 4,182,706,175 |
| 223,127,937 | 223,127,938 | 223,127,937 | 199,590,063 | 33,236,425 | 1,348,466,175 |
| 294,190,000 | 509,610,000 | 631,160,000 | 779,525,000 | 417,270,000 | 2,834,240,000 |

| 2021-2025 | 2026-2030 | 2031-2035 | 2036-2040 | 2041-2045 | Requirements |
|---|---|---|---|---|---|
| | | 166,755,000 | 233,245,000 | 0 | 400,000,000 |
| 139,368,906 | 139,368,907 | 116,724,000 | 50,235,281 | 0 | 710,498,016 |
| | | 254,430,000 | 360,570,000 | 0 | 615,000,000 |
| 218,788,625 | 218,788,625 | 187,254,313 | 85,076,775 | 1,441,475 | 1,128,020,594 |
| 358,157,531 | 358,157,532 | 725,163,313 | 729,127,056 | 1,441,475 | 2,853,518,610 |
| 358,157,531 | 358,157,532 | 303,978,313 | 135,312,056 | 1,441,475 | 1,838,518,610 |
| 0 | 0 | 421,185,000 | 593,815,000 | 0 | 1,015,000,000 |

# SCHEDULE 2D
# Analysis of Funds for Debt Service
# For the Fiscal Year Ended August 31, 2010

## Governmental Activities

| Description of Issue | Application of Funds: Principal | Application of Funds: Interest |
|---|---|---|
| State of Texas Gen Obl Bds | $ 34,730,000 | $ 267,756,638 |
| Total | $ 34,730,000 | $ 267,756,638 |

| Description of Issue | Pledged and Other Sources and Related Expenditures for FY 2010: Net Available for Debt Service: Total Pledged and Other Sources | Net Available for Debt Service: Operating Expenses/ Expenditures and Capital Outlay | Debt Service: Principal | Debt Service: Interest |
|---|---|---|---|---|
| SHF First Tier Revenue Bds | $ 5,442,494,159 | (A) | $ 104,100,000 | $ 133,385,526 |
| Total | $ 5,442,494,159 | $ - | $ 104,100,000 | $ 133,385,526 |

(A) - Expenditures associated with pledged sources were $6,085,683,716

## Business-Type Activities

| Description of Issue | Pledged and Other Sources and Related Expenditures for FY 2010: Net Available for Debt Service: Total Pledged and Other Sources | Net Available for Debt Service: Operating Expenses/ Expenditures and Capital Outlay | Debt Service: Principal | Debt Service: Interest |
|---|---|---|---|---|
| First Tier Revenue Bonds | $ 79,944,067 | (B) | $ - | $ 44,625,588 |
| Total | $ 79,944,067 | $ - | $ - | $ 44,625,588 |

(B) - Expenditures associated with pledged sources were $206,671,293

| | |
|---|---|
| Construction in Progress & Right of Way as of 8/31/2009 | $638,428,380 |
| Buildings / Infrastructure, Net of Accumulated Depreciation | 2,010,456,170 |
| *FY 2010 Activity:* | |
| Capital Outlay | 18,552,040 |
| Depreciation | (17,337,806) |
| *Total Capital Assets* | 2,650,098,784 |
| Less: Roadways | (1,631,036,702) |
| Less: Land Use Rights | (16,525,986) |
| Less: Buildings - net of accumulated depreciation $1,629,335 | (6,730,671) |
| Less: Infrastructure - net of accumulated depreciation $56,836,537 | (364,365,360) |
| *Right of Way per Exhibit III* | $631,440,065 |

## Component Unit

| Description of Issue | Pledged and Other Sources and Related Expenditures for FY 2010: Net Available for Debt Service: Total Pledged and Other Sources | Net Available for Debt Service: Operating Expenses/ Expenditures and Capital Outlay | Debt Service: Principal | Debt Service: Interest |
|---|---|---|---|---|
| Component Unit Revenue Bonds | $ - | (C) | $ - | $ 15,020,871 |
| Total | $ - | $ - | $ - | $ 15,020,871 |

(C) - Expenditures associated with pledged sources were $0

Texas
Department
of Transportation

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**Texas Department of Transportation**
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# APPENDIX D

## PGBT WE (SH 161)
## TOLL RATE SCHEDULES

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# APPENDIX D

## PGBT WE (SH 161)
## TOLL RATE SCHEDULES

**PGBT WE – CURRENT TOLL RATES**

| | 2-Axle Passenger Cars and Trucks | | 3-Axle Vehicles and Vehicle Combinations | | 4-Axle Vehicles and Vehicle Combinations | | 5-Axle Vehicles and Vehicle Combinations | | 6 or More Axle Vehicles and Special Permits | |
|---|---|---|---|---|---|---|---|---|---|---|
| **Toll Gantry** | **TollTag** | **ZipCash** | **TollTag** | **ZipCash** | **TollTag** | **ZipCash** | **TollTag** | **ZipCash** | **TollTag** | **ZipCash** |
| Conflans Road | $0.22 | $0.42 | $0.44 | $0.84 | $0.66 | $1.26 | $0.88 | $1.68 | $1.10 | $2.10 |
| Shady Grove Road | $0.38 | $0.58 | $0.76 | $1.16 | $1.14 | $1.74 | $1.52 | $2.32 | $1.90 | $2.90 |
| Lower Tarrant (North of Gantry) | $0.39 | $0.59 | $0.78 | $1.18 | $1.17 | $1.77 | $1.56 | $2.36 | $1.95 | $2.95 |
| Lower Tarrant Mainlane Gantry | $0.78 | $1.17 | $1.56 | $2.34 | $2.34 | $3.51 | $3.12 | $4.68 | $3.90 | $5.85 |
| Lower Tarrant (South of Gantry) | $0.22 | $0.42 | $0.44 | $0.84 | $0.66 | $1.26 | $0.88 | $1.68 | $1.10 | $2.10 |

**PGBT WE – TOLL RATES EFFECTIVE FROM JULY 1, 2011**

| | 2-Axle Passenger Cars and Trucks | | 3-Axle Vehicles and Vehicle Combinations | | 4-Axle Vehicles and Vehicle Combinations | | 5-Axle Vehicles and Vehicle Combinations | | 6 or More Axle Vehicles and Special Permits | |
|---|---|---|---|---|---|---|---|---|---|---|
| **Toll Gantry** | **TollTag** | **ZipCash** | **TollTag** | **ZipCash** | **TollTag** | **ZipCash** | **TollTag** | **ZipCash** | **TollTag** | **ZipCash** |
| Conflans Road | $0.23 | $0.45 | $0.46 | $0.90 | $0.69 | $1.35 | $0.92 | $1.80 | $1.15 | $2.25 |
| Shady Grove Road | $0.40 | $0.62 | $0.80 | $1.24 | $1.20 | $1.86 | $1.60 | $2.48 | $2.00 | $3.10 |
| Lower Tarrant (North of Gantry) | $0.41 | $0.63 | $0.82 | $1.26 | $1.23 | $1.89 | $1.64 | $2.52 | $2.05 | $3.15 |
| Lower Tarrant Mainlane Gantry | $0.83 | $1.25 | $1.66 | $2.50 | $2.49 | $3.75 | $3.32 | $5.00 | $4.15 | $6.25 |
| Lower Tarrant (South of Gantry) | $0.23 | $0.45 | $0.46 | $0.90 | $0.69 | $1.35 | $0.92 | $1.80 | $1.15 | $2.25 |

**PGBT WE – TOLL RATES EFFECTIVE FROM OPENING OF PHASE 4 MAINLANES (EXPECTED OCTOBER 2012) THROUGH JUNE 30, 2013**

| | 2-Axle Passenger Cars and Trucks | | 3-Axle Vehicles and Vehicle Combinations | | 4-Axle Vehicles and Vehicle Combinations | | 5-Axle Vehicles and Vehicle Combinations | | 6 or More Axle Vehicles and Special Permits | |
|---|---|---|---|---|---|---|---|---|---|---|
| **Toll Gantry** | **TollTag** | **ZipCash** | **TollTag** | **ZipCash** | **TollTag** | **ZipCash** | **TollTag** | **ZipCash** | **TollTag** | **ZipCash** |
| Conflans Road | $0.23 | $0.45 | $0.46 | $0.90 | $0.69 | $1.35 | $0.92 | $1.80 | $1.15 | $2.25 |
| Shady Grove Road | $0.40 | $0.62 | $0.80 | $1.24 | $1.20 | $1.86 | $1.60 | $2.48 | $2.00 | $3.10 |
| Lower Tarrant (North of Gantry) | $0.41 | $0.63 | $0.82 | $1.26 | $1.23 | $1.89 | $1.64 | $2.52 | $2.05 | $3.15 |
| Lower Tarrant Mainlane Gantry | $0.89 | $1.34 | $1.78 | $2.68 | $2.67 | $4.02 | $3.56 | $5.36 | $4.45 | $6.70 |
| Lower Tarrant (South of Gantry) | $0.23 | $0.45 | $0.46 | $0.90 | $0.69 | $1.35 | $0.92 | $1.80 | $1.15 | $2.25 |
| Dalworth Street | $0.23 | $0.45 | $0.46 | $0.90 | $0.69 | $1.35 | $0.92 | $1.80 | $1.15 | $2.25 |
| Marshall Drive | $0.44 | $0.66 | $0.88 | $1.32 | $1.32 | $1.98 | $1.76 | $2.64 | $2.20 | $3.30 |
| Pioneer Parkway | $0.56 | $0.84 | $1.12 | $1.68 | $1.68 | $2.52 | $2.24 | $3.36 | $2.80 | $4.20 |
| Arkansas Mainlane Gantry | $0.94 | $1.41 | $1.88 | $2.82 | $2.82 | $4.23 | $3.76 | $5.64 | $4.70 | $7.05 |
| Arkansas Lane (South of Gantry) | $0.33 | $0.55 | $0.66 | $1.10 | $0.99 | $1.65 | $1.32 | $2.20 | $1.65 | $2.75 |
| Mayfield Road | $0.23 | $0.45 | $0.46 | $0.90 | $0.69 | $1.35 | $0.92 | $1.80 | $1.15 | $2.25 |

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# APPENDIX E

# SUMMARY OF CERTAIN PROVISIONS OF THE SPS TRUST AGREEMENT

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## APPENDIX E

## SUMMARY OF CERTAIN PROVISIONS OF THE SPS TRUST AGREEMENT

The following are selected provisions of the SPS Trust Agreement. These excerpts should be qualified by reference to other portions of the SPS Trust Agreement referred to elsewhere in this Official Statement, and all references and summaries pertaining to the SPS Trust Agreement in this Official Statement are, separately and in whole, qualified by reference to the exact terms of the SPS Trust Agreement, a copy of which may be obtained from the Authority. Provisions included herein are in substantially final form, but may change prior to closing and may thereafter be amended in accordance with the terms of the SPS Trust Agreement.

**Definitions**

"*Additional First Tier Obligations*" – those additional First Tier Obligations authorized to be issued, entered into, or incurred under the SPS Trust Agreement, which are on a parity with any then Outstanding First Tier Obligations insofar as the lien on the Trust Estate is concerned.

"*Additional Obligation Security*" – any credit enhancement for specified Obligations and any funds received or obligations payable to the Authority, other than the Revenues or advances received by the Trustee or the Authority pursuant to the TELA, which the Authority chooses to include as security for specified First Tier Obligations, Second Tier Obligations or Third Tier Obligations pursuant to a Supplemental Agreement.

"*Additional Obligations*" – Additional First Tier Obligations and/or Second Tier Obligations, as the context may require.

"*Additional Second Tier Obligations*" – those additional Second Tier Debt Obligations, Second Tier Credit Agreements and related Second Tier Payment Obligations, authorized to be issued, entered into, or incurred under the SPS Trust Agreement, which are on a parity with any then Outstanding Second Tier Obligations insofar as the lien on the Trust Estate is concerned.

"*Aggregate Eligible Costs*" – as of the date of issuance of the Series 2011 Bonds, $1,036,289,553, and thereafter will be the aggregate amount of Eligible Costs (as defined in the TELA) expended or incurred, or reasonably anticipated to be expended or incurred, by the Authority as set forth in the most recent Notice of Aggregate Eligible Costs filed with the Trustee pursuant to the SPS Trust Agreement.

"*Annual Operating Budget*" – the annual operating budget, as amended or supplemented, adopted or in effect for each fiscal year as provided in the SPS Trust Agreement and described under the caption "**Covenants — Annual Operating Budget**" herein, which budget is also required to comply with the requirements of the TIFIA Loan Agreement for as long as the TIFIA Note is not fully and indefeasibly paid pursuant to the SPS Trust Agreement (as described under the caption "**GENERAL INFORMATION REGARDING THE OBLIGATIONS — Defeasance**" in the forepart to this Official Statement) (which requirements may be modified, amended or waived at the sole discretion of the TIFIA Lender).

"*Balloon Indebtedness*" – a Series of Obligations of which 25% or more of the original Principal matures in the same fiscal year and is not required by a Supplemental Agreement or other proceedings pursuant to which such Obligations were issued to be amortized by payment or redemption prior to that fiscal year (excluding any contingent mandatory redemptions), *provided that* such Obligations will not constitute Balloon Indebtedness and will be assumed to amortize in accordance with its stated terms if the Trustee is provided a certificate of the Chief Financial Officer certifying that such Obligations are not to be treated as Balloon Indebtedness or if a Supplemental Agreement provides that such Obligations are not to be treated as Balloon Indebtedness.

"*bank*" any bank, trust company, or national banking association organized or operating under the laws of any state of the United States of America or of the United States of America.

"*Board Representative*" – the Executive Director, the Deputy Executive Director, the Chief Financial Officer, and such other individuals so designated by the Authority to perform the duties of the Board Representative under the SPS Trust Agreement.

"*Business Day*" – any day other than a Saturday or Sunday or a day on which banking institutions are required or authorized by law or executive order to remain closed in the State of Texas or the City of New York or in the city in which the designated office of the Trustee or the Depositary is located; *provided, however*, such term may have a different meaning for purposes of a Credit Agreement.

"*Capital Expenditures*" – amounts properly capitalized on the books and records of the Authority in accordance with GAAP, including, but not limited to, the cost of constructing, improving and reconstructing improvements and betterments to all parts of the PGBT WE Project, as determined by the Authority, including expenditures made pursuant to lease-purchase arrangements, additional lanes, tunnels, interchanges, toll plazas, toll gantries, bridges, connecting roads, transit interface facilities, safety rails, safety improvements, illumination, signage, and any equipment and other improvements, including technological equipment, hardware and software, deemed necessary or desirable by the Authority, *provided, however*, that Capital Expenditures will not include Operating Expenses or Major Maintenance Expenses.

"*Cash Flows*" – with respect to any fiscal year, the aggregate Revenues derived (or with respect to a prospective fiscal year, estimated Revenues to be derived) from the ownership and operation of the Project in any such year, less the Operating Expenses incurred (or with respect to a prospective fiscal year, the estimated Operating Expenses to be incurred) in any such year; *provided that* Major Maintenance Expenses and Capital Expenditures are not included in the determination of Cash Flows.

"*Chief Financial Officer*" – the Chief Financial Officer or such other individuals designated by the Board to perform the duties of the Chief Financial Officer under the SPS Trust Agreement.

"*Code*" – the Internal Revenue Code of 1986, as amended.

"*Construction Step-In*" – the exercise by TxDOT of its rights pursuant to **Section 6.02(e)** of the TELA upon written notice to the Trustee to step-in and undertake completion of construction of the Project.

"*Construction Step-In Construction Costs Limit*" – (a) with respect to the PGBT WE Project, $54,491,858, and (b) with respect to the SWP/CTP Project, the amount set forth in a Supplemental Agreement delivered in accordance with the SPS Trust Agreement.

"*Construction Step-In Evaluation Costs*" – costs that TxDOT incurs for inspection and evaluation in connection with the exercises of its Construction Step-In rights.

"*Construction Step-In Evaluation Costs Limit*" – (a) with respect to the PGBT WE Project, $35,000,000, and (b) with respect to the SWP/CTP Project, the amount set forth in a Supplemental Agreement delivered in accordance with the SPS Trust Agreement.

"*Consulting Engineers*" – the civil engineer or engineering firm or corporation at the time employed by the Authority pursuant to the provisions of the SPS Trust Agreement (as described in **clause (a)** under the caption "**Covenants — Employment of Consulting Engineers and Traffic Engineers**" herein) to carry out the duties imposed by the SPS Trust Agreement on the Consulting Engineers.

"*Controlling Creditor*" – subject to the SPS Trust Agreement, TxDOT.

"*Cost*" or "*Cost of the Project*" – all obligations and expenses and all items of cost which are set forth in the SPS Trust Agreement (as described in **clause (d)** under the caption "**SECURITY AND SOURCES OF PAYMENT FOR THE OBLIGATIONS — Construction Fund and BANs Construction Fund**" in the forepart to this Official Statement) (or are otherwise authorized to be incurred or paid under the Turnpike Act).

"*Credit Agreement*" – a Second Tier Credit Agreement or a Third Tier Credit Agreement, as applicable.

"*Credit Provider*" – any bank, financial institution, insurance company, surety bond provider, or other entity, public or private, which provides, executes, issues, or otherwise is a provider of a Credit Agreement.

"*Debt Service Requirements*" – for any fiscal year (a) the aggregate amount of interest on and Principal of Outstanding Obligations specified for the purposes for which Debt Service Requirements are to be calculated for such fiscal year, other than any Credit Agreement, that are due in such fiscal year and (b) with respect to any Credit Agreement, the Payment Obligations relating thereto that are due in such fiscal year, in each case as limited and calculated in the following manner:

(i) Except as modified below, for any fiscal year, the aggregate amount of interest on and Principal of Outstanding Obligations which was paid or mandatorily redeemed or is scheduled to accrue and be paid or mandatorily redeemed on September 1 of such fiscal year is required to be excluded from the calculation of debt service for such fiscal year, and the aggregate amount of interest on and Principal of Outstanding Obligations which was paid or mandatorily redeemed or is scheduled to accrue and be paid or mandatorily redeemed on the September 1 immediately following such fiscal year is required to be included in the calculation of debt service for such fiscal year;

(ii) As to any future fiscal year such requirements are required to be calculated solely on the basis of Obligations Outstanding as of the date of calculation plus any Obligations then proposed to be issued as Additional Obligations;

(iii) If any of the Obligations constitute Balloon Indebtedness or Short-Term Indebtedness, then such amounts thereof as constitute Balloon Indebtedness or Short-Term Indebtedness are required to be treated as if such Obligations are to be amortized in substantially equal annual installments of Principal and interest over the useful life of the improvements financed with the proceeds of such Balloon Indebtedness or Short-Term Indebtedness as calculated by, and set forth in, a certificate of the Chief Financial Officer. Anything to the contrary herein notwithstanding except as set forth in **clause (iv)** below, during the fiscal year in which the final maturity date of such Balloon Indebtedness occurs, or, in the case of Short-Term Indebtedness, in each fiscal year, all of the Principal thereof is required to be considered to be due on the final maturity date of such Balloon Indebtedness or Short-Term Indebtedness unless the Authority provides to the Trustee, prior to the beginning of such fiscal year, a certificate of a Financial Consultant certifying that, in its judgment, the Authority will be able to refund such Balloon Indebtedness or Short-Term Indebtedness through the issuance of Additional Obligations, in which event the Balloon Indebtedness or Short-Term Indebtedness is required to be amortized over the term of such proposed refunding Additional Obligations and deemed to bear the interest rate specified in the certificate of the Financial Consultant;

(iv) Notwithstanding anything to the contrary in **clause (iii)** above, with respect to Balloon Indebtedness for which, as of the date of delivery of such Balloon Indebtedness or other date of calculation, there is a firm commitment to purchase Obligations, or to make disbursements or honor draws under an Outstanding Obligation, the proceeds of which will be used to refund or pay such Balloon Indebtedness, debt service on such Balloon Indebtedness is required to be deemed to be the Debt Service Requirements for such Obligations;

(v) So long as the TIFIA Note is Outstanding, debt service on the TIFIA Note for any future period within a fiscal year and for any future fiscal year will be the Principal and interest payments set forth in the loan amortization schedule in **Appendix Two** to the TIFIA Note (as the same may be revised from time to time in accordance with the TIFIA Loan Agreement) regardless of the aggregate amount of funds disbursed to the Authority under the TIFIA Loan as of the date of calculation of Debt Service Requirements; and

(vi) Notwithstanding the foregoing, all amounts which are deposited to the credit of the First Tier Capitalized Interest Account or the Interest Accounts (or a sub-account thereof) from original proceeds from the sale of any First Tier Obligations, Second Tier Debt Obligations or Third Tier Obligations, as applicable, or deposited or required to be deposited to the credit of the First Tier Capitalized Interest Account or the Interest Accounts (or a sub-account thereof) from any other lawfully available source (but excluding advances under the TELA and Revenues), and which are used or scheduled to be used to pay interest on such Obligations during any fiscal year, are deemed to reduce the Debt Service Requirements for any such fiscal year to the extent of such deposits; and the amount of such

deposits are required to be excluded from and will not constitute Debt Service Requirements for any such fiscal year; and

(v) Debt Service Requirements exclude any termination or similar payments owed or paid by the Authority under any Credit Agreement.

"*Depositary*" – Wells Fargo Bank, National Association as the depositary bank under the Master Custodial Account Agreement, and any successor or replacement depositary bank thereunder.

"*Direct Agreement*" – the Direct Agreement, dated as of April 1, 2011, by and among TxDOT, the TIFIA Lender, the Authority and the Trustee.

"*Draw Request*" – a draw request in the form of **Appendix A** to the SPS Trust Agreement.

"*Eligible Project Costs*" – has the meaning assigned to such term in the TIFIA Loan Agreement.

"*Event of Default*" – has the meaning set forth under the caption "**Events of Default and Remedies — Events of Default**" herein.

"*Excluded Fund*" – each of the Construction Fund, the BANs Construction Fund, the First Tier Debt Service Fund, the Second Tier Debt Service Fund, the Third Tier Debt Service Fund and the TIFIA Prepayment Account.

"*Financial Consultant*" – a nationally recognized firm of independent professional financial consultants having a favorable reputation for skill and experience in the field of financial consultation.

"*Financial Model*" – each of (i) the Financial Model (as defined in the TELA) delivered to TxDOT pursuant to the TELA and (ii) the Base Case Financial Model (as defined in the TIFIA Loan Agreement) as included in the Financial Plan (as defined in the TIFIA Loan Agreement) delivered to the TIFIA Lender pursuant to the TIFIA Loan Agreement.

"*Financing Documents*" – the SPS Trust Agreement, the TIFIA Loan Agreement, the TELA, the Direct Agreement, the Master Custodial Account Agreement, the Toll Equity Note, the Series 2011 Bonds and the TIFIA Note.

"*First Supplemental Agreement*" – the First Supplemental Agreement to the SPS Trust Agreement, dated as of even date therewith.

"*First Tier Obligations*" – the Series 2011 Bonds, and any bond, note, or other obligation, issued, incurred or entered into pursuant to the SPS Trust Agreement as Additional First Tier Obligations.

"*Funds and Accounts*" – the various funds and accounts (other than the BANs Construction Fund, including the BAN Capitalized Interest Account therein) created under the SPS Trust Agreement.

"*GAAP*" – those principles of accounting promulgated by the Financial Accounting Standards Board, the Governmental Accounting Standards Board or the standards of the Office of Management and Budget Circular A-133, Audits of States, Local Government and Non-Profit Organizations, as applicable, or which have other substantial authoritative support and are applicable in the circumstances as of the date of a report, as such principles are from time to time supplemented and amended.

"*Insolvency Laws*" – the United States Bankruptcy Code, 11 U.S.C. §101 *et seq*., as from time to time amended and in effect, and any state bankruptcy, insolvency, receivership, liquidation, reorganization or similar law now or hereafter in effect.

"*Interest Accounts*" – the First Tier Interest Account, the Second Tier Interest Account and the Third Tier Interest Account.

"*Major Maintenance Expenses*" – the reasonable and necessary expenses (but excluding non-cash expenses such as depreciation, depletion and amortization) of repair and maintenance of the Project that do not occur at annual or shorter periods, as reasonably determined by the Authority (or TxDOT during an O&M Step-In) for preserving or extending the useful life of the Project and to provide for the repair and maintenance of the Project as required by the Project Agreement Standards, including, without limiting the generality of the foregoing, reasonable and necessary expenses for periodic roadway resurfacing and repair, replacement of toll

collection, vehicle identification, toll integration and video enforcement equipment, and all administrative and engineering expenses relating thereto; *provided, however*, that Major Maintenance Expenses excludes Capital Expenditures and Operating Expenses; *provided further*, that the Authority must comply with 23 U.S.C. § 116(d) in connection with any such Major Maintenance Expenses.

"*Major Maintenance Reserve Requirement*" – the sum of (a) the amount equal to 100% of the Major Maintenance Expenses projected to be incurred in the next fiscal year from the date of calculation as set forth in the Project Budget, (b) the amount equal to 80% of the Major Maintenance Expenses project to be incurred in the second fiscal year from the date of calculation as set forth in the Project Budget, (c) the amount equal to 50% of the Major Maintenance Expenses projected to be incurred in third fiscal year from the date calculation as set forth in the Project Budget, (d) the amount equal to 25% of the Major Maintenance Expenses projected to be incurred in the fourth fiscal year from the date of calculation as set forth in the Project Budget, and (e) the amount equal to 10% of the Major Maintenance Expenses projected to be incurred in the fifth fiscal year from the date of calculation as set forth in the Project Budget.

"*Master Custodial Account Agreement*" – that certain Master Custodial Account Agreement dated April 1, 2011 by and between the Authority and the Depositary relating to the deposit and transfer of Project Revenues, together with the MCAA Joinder Agreement thereto, and any similar agreement as a replacement or substitute therefor.

"*Maximum Available Annual Amount*" – has the meaning assigned to such term in the TELA.

"*MCAA Joinder Agreement*" – that certain Joinder Agreement dated April 1, 2011 between the Authority and the Depositary relating to the Special Projects System.

"*Non-Appropriation Event*" – the failure of TxDOT to honor a Draw Request by the Trustee for an advance under the TELA due solely to the fact that funds had not been appropriated to TxDOT by the Texas State Legislature in a manner that would allow its use for such purpose.

"*Notice of Aggregate Eligible Costs*" – a notice of Aggregate Eligible Costs filed with the Trustee pursuant to the SPS Trust Agreement.

"*O&M Step-In*" – the exercise by TxDOT of its rights pursuant to **Section 6.02(d)** of the TELA upon written notice to the Trustee to step-in and operate and maintain the Project.

"*Obligations*" – the First Tier Obligations, Second Tier Obligations and Third Tier Obligations.

"*Operating Expenses*" – all reasonable current expenses incurred and paid or payable by the Authority (or TxDOT during an O&M Step-In) required for the operation and maintenance of the Project, including without limitation costs for operation, maintenance and repair, consumables, payments under any lease or rental payments properly considered to be operating expenses, payments pursuant to agreements for the management of the Project, taxes, premiums payable on any insurance, payments for oversight services, all administrative, engineering and policing costs, costs for any security, toll collection and enforcement expenses, fees and expenses of the Trustee, the Traffic Engineers, the Consulting Engineers, the insurance consultant, legal and accounting expenses, and any other reasonable and necessary expense paid for the operations and maintenance of the Project; *provided, however*, that Operating Expenses does not include Capital Expenditures, Major Maintenance Expenses, Debt Service Requirements, the redemption price of any Obligation, and any non-cash charges, such as depreciation, amortization or other bookkeeping entries of a similar nature.

"*Outstanding*" – when used with reference to the Obligations, at any date of which the amount of the Outstanding Obligations is to be determined, the aggregate of all Obligations secured by the SPS Trust Agreement, except:

(a) Obligations paid, cancelled or delivered to the Trustee for cancellation at or prior to such date;

(b) Obligations for the full payment of the Principal of, premium, if any, and interest on which cash has been theretofore deposited with the Trustee and which (i) have matured by their terms, or otherwise have become payable, but have not been surrendered for payment or (ii) have been purchased by the Trustee but have not been presented for payment;

(c) Obligations which are deemed paid pursuant to the SPS Trust Agreement (as described in the first paragraph under the caption "**GENERAL INFORMATION REGARDING THE OBLIGATIONS — Defeasance**" in the forepart to this Official Statement); and

(d) Obligations in exchange or in lieu of which other Obligations have been delivered under the SPS Trust Agreement.

"*Owner*" or "*Holder*" – with respect to Obligations other than Credit Agreements, the registered owner of such Obligations as shown on the registration records and books related thereto, and with respect to any Credit Agreement, the applicable Credit Provider.

"*Payment Obligations*" – Second Tier Payment Obligations and Third Tier Payment Obligations.

"*Permitted Ancillary Projects*" – a contract or lease with a person for the use of part of the Project, including the right-of-way adjoining the paved portion, for a gas station, garage, store, hotel, restaurant, parking facility, train station, railroad track, billboard, telephone line or facility, telecommunication line or facility, data transmission line or facility, or electric line or facility.

"*Permitted Investments*" – :

(a) Government Obligations;

(b) certificates of deposit, including certificates of deposit of the Trustee, where the certificates are collaterally secured by securities of the type described in **item (a)** of this definition and held by a third party as escrow agent or custodian, of a market value not less than the amount of the certificates of deposit so secured, including interest, but this collateral is not required to the extent the certificates of deposit are insured by an agency of the United States of America;

(c) repurchase agreements when collateralized by securities of the type described in **item (a)** of this definition and held by a third party as escrow agent or custodian, of a market value not less than the amount of the repurchase agreement so collateralized, including interest;

(d) money market funds, including money market funds affiliated with the Trustee, that invest solely in obligations of the United States of America, its agencies and instrumentalities, and having a rating by S&P of AAAm-G or AAA-m or if rated by Moody's, having a rating of Aaa; and

(e) collateralized investment agreement or other contractual agreements with corporations, financial institutions or national associations within the United States of America, *provided that* the senior long-term debt of such corporations, institutions or associations is rated AAA by a Rating Agency.

Investments may be made in Permitted Investments through an eligible investment pool as permitted by Texas Government Code, Chapter 2256, as amended.

"*PGBT WE Project*" – the turnpike project of the Authority, designated as the Western Extension to the President George Bush Turnpike, which is a turnpike project approximately eleven and one-half miles long in the SH 161 corridor extending from SH 183 South to IH 20 along the western boundary of Dallas County, including all bridges, tunnels, overpasses, underpasses, interchanges, toll plazas, toll gantries, and administration, storage, and other buildings, facilities, and improvements which the Authority has deemed necessary for the operation of the PGBT WE Project, together with all property rights, easements and interests acquired by the Authority for the construction or the operation of the PGBT WE Project all in accordance with the terms of the SPS Trust Agreement and the PGBT WE Project Agreement.

"*PGBT WE Project Agreement*" – the Project Agreement State Highway 161 dated July 30, 2009, between the Authority and TxDOT regarding the development, construction, operation, maintenance and financing of the PGBT WE Project, as supplemented and amended.

"*Principal*" – (i) the principal amount or maturity amount of the Series 2011 Bonds, the TIFIA Note, the Toll Equity Note or of any additional bond, note or other evidences of debt issued, incurred or entered into pursuant to the SPS Trust Agreement (including, for the avoidance of doubt, with respect to each such bond, note or other evidence of debt, interest that is capitalized and added to the principal amount thereof in accordance therewith and any amount of interest compounded in accordance therewith), and (ii) the amount of any Payment

Obligation; *provided, however*, that when used in connection with determining whether Owners of a percentage of the Principal amount of Outstanding Obligations have given any consent, order, request, direction or other act, "Principal" will have the meaning set forth in **clause (i)** of this definition.

"*Project*" or "*System*" or "*Special Projects System*" – the PGBT WE Project; *provided, however*, that this term includes, only upon such time as all the conditions in the SPS Trust Agreement for the issuance of Additional Obligations have been met with respect to the financing in whole or in part of the SWP/CT Project, the SWP/CT Project or such portion so financed; *provided further*, that at such time as neither the Authority nor TxDOT has any further obligations pursuant to the TELA and the TIFIA Lender no longer owns any Outstanding Obligations as a result of the indefeasible payment in full of the Obligations in connection with the TIFIA Loan Agreement, or provision for such payment being made, in accordance with the SPS Trust Agreement (as described under the caption "**GENERAL INFORMATION REGARDING THE OBLIGATIONS — Defeasance**" in the forepart to this Official Statement), then the definition of Project, System and Special Projects System may be expanded to also include any additional project that the Authority may designate in a Supplemental Agreement.

"*Project Agreement*" – the PGBT WE Project Agreement, *provided, however*, that this term includes, only upon such time as all the conditions for the issuance of Additional Obligations have been met with respect to the financing in whole or in part of the SWP/CT Project, the SWP/CT Project Agreement; *provided further*, that at such time as the definition of Project, System or Special Projects System may be expanded to include any additional project that the Authority may designate in a Supplemental Agreement pursuant to the terms of such definition, then the definition of Project Agreement may be expanded to include the project agreement for any such additional project.

"*Project Agreement Standards*" – (a) the minimum standards for operation and maintenance of the PGBT WE Project as set forth in the Project Agreement; *provided that* the Authority's "System-wide Design Guidelines" for landscaping and aesthetics that the Authority is permitted to implement under **Section 9(b)** of the Project Agreement are not considered to be minimum standards and the Authority's "Roadside Customer Service" are considered to be minimum standards, and (b) in the event that SWP/CT Project is added to the System in accordance with the terms of the SPS Trust Agreement, the minimum standards for operation and maintenance of the SWP/CT Project as set forth in the TELA.

"*Project Budget*" – the Project Budget mutually approved by the Authority and TxDOT attached to the SPS Trust Agreement as **Appendix B**, as may be amended and supplemented in connection with the issuance of Additional Obligations pursuant to the SPS Trust Agreement.

"*Project Capacity Improvements*" – the capacity improvements to the PGBT WE Project as required under **Section 8(e)** of the PGBT WE Project Agreement and provided in **Exhibit D** to the SPS Trust Agreement.

"*Project Capacity Improvements Capital Expenditures*" – Capital Expenditures for the Project Capacity Improvements.

"*Project Delivery Office*" – the manager for the Project, which may be an employee of or consultant to the Authority.

"*Project Revenues*" – all tolls, fees or charges collected or received for the use of the Project as well as fines and penalties and interest thereon collected as a result of a failure to pay any tolls, fees or charges for the use of the Project; *provided, however*, that any of the amounts described above collected or received by the Authority and required to be paid to TxDOT as revenue sharing payments pursuant to the Project Agreement do not constitute "Project Revenues" for the purposes of the SPS Trust Agreement.

"*Real Property*" – any land, rights therein (including options), rights of way, franchises, easements, rights of entry, leasehold interests, mineral interests, structures and property presently attached to the realty or other interests in or appertaining to any land, and any estate therein, either temporary or for a fixed period or permanent; and the term real property also includes all other property, if any, considered as real property under the laws of the State of Texas.

"*Required Creditors*" – as of any date of determination, the Owners of not less than a majority in Principal amount of the First Tier Obligations then Outstanding and the Owners of not less than a majority in Principal amount of the Second Tier Obligations then Outstanding.

"*Revenues*" – Project Revenues, investment income from the Funds and Accounts, business interruption insurance payments, liquidated damages and any other amounts received by the Authority relating to the use and operation of the Project; *provided, however*, that any of the amounts described above collected by the Authority and required to be paid to TxDOT as revenue sharing payments pursuant to the Project Agreement do not constitute "Revenues" for the purposes of the SPS Trust Agreement.

"*Second Supplemental Agreement*" – the Second Supplemental Agreement to the SPS Trust Agreement, dated as of even date therewith.

"*Second Tier Credit Agreement*" – the TIFIA Loan Agreement; *provided, however*, that this term may also refer to, only upon such time as all the conditions in the SPS Trust Agreement for the issuance of Additional Obligations have been met with respect to the financing in whole or in part of the SWP/CT Project, any SWP/CT TIFIA Loan Agreement.

"*Second Tier Debt Obligations*" – the TIFIA Note and any bond, note, or other evidences of debt issued, incurred or entered into pursuant to the SPS Trust Agreement as Additional Second Tier Obligations.

"*Second Tier Obligations*" – collectively, the Second Tier Debt Obligations and the Second Tier Payment Obligations.

"*Second Tier Payment Obligations*" – all payment obligations or amounts payable by the Authority of any kind or nature under a Second Tier Credit Agreement, other than payment obligations evidenced by a Second Tier Debt Obligation; and all such Second Tier Payment Obligations are deemed to constitute Principal of Second Tier Obligations, and are required to be paid from the Second Tier Principal Account; *provided, however*, that, if expressly so provided in a Second Tier Credit Agreement, some or all of the amounts payable under a Second Tier Credit Agreement may be designated to be Third Tier Payment Obligations.

"*Series*" – one or more Obligations issued at the same time and having the same parity insofar as the lien of the Trust Estate is concerned and any Obligations thereafter authenticated and delivered in lieu of or in substitution for such Obligations, or sharing some other common term or characteristic, and designated as a separate Series of Obligations.

"*Service Commencement Date*" – the date when all phases of the PGBT WE Project are open for normal and continuous operations and use by the traveling public.

"*Shortfall Amount*" – has the meaning set forth under the caption "**SECURITY AND SOURCES OF PAYMENT FOR THE OBLIGATIONS — Security and Sources of Payment for the Bonds — Funds and Accounts — Revenue Fund**" in the forepart to this Official Statement.

"*Short-Term Indebtedness*" – all Obligations with a final maturity date of less than 365 days from the date of issuance.

"*Stated Maturity*" – for any Obligation, the scheduled maturity date or final mandatory sinking fund redemption date of such Obligation.

"*Supplemental Agreement*" – the First Supplemental Agreement, the Second Supplemental Agreement, the Third Supplemental Agreement, and any other supplemental agreement to the SPS Trust Agreement, now or hereafter duly authorized and entered into in accordance with the provisions of the SPS Trust Agreement (as described under the caption "**Supplemental Agreements**" herein).

"*SWP/CT Project*" – the turnpike project of the Authority, or such portion thereof financed with proceeds of Additional Obligations, designated as the Southwest Parkway/Chisholm Trail Project, which is a turnpike project approximately 27.6 miles long in the SH 121 corridor extending from IH 30 near the Central Business District in the City of Fort Worth to US 67 in the City of Cleburne, including all bridges, tunnels, overpasses, underpasses, interchanges, toll plazas, toll gantries, and administration, storage, and other buildings, facilities, and improvements which the Authority has deemed necessary for the operation of the SWP/CT Project, together with

all property rights, easements and interests acquired by the Authority for the construction or the operation of the SWP/CT Project all in accordance with the terms of the SPS Trust Agreement and the SWP/CT Project Agreement.

"*SWP/CT Project Agreement*" – the Project Agreement Southwest Parkway/Chisholm Trail Project dated October 27, 2010, between the Authority and TxDOT regarding the development, construction, operation, maintenance and financing of the SWP/CT Project, as supplemented and amended.

"*SWP/CT TIFIA Loan Agreement*" – to the extent approved by the TIFIA Lender, any Secured Loan Agreement or other loan agreement, as supplemented and amended, between the Authority and the TIFIA Lender relating to the financing of the Costs of the SWP/CT Project which is required to be designated in a Supplemental Agreement as a Second Tier Credit Agreement for purposes of the SPS Trust Agreement.

"*Third Supplemental Agreement*" – the Third Supplemental Agreement to the SPS Trust Agreement, dated as of even date therewith.

"*Third Tier Credit Agreement*" – the TELA.

"*Third Tier Debt Obligations*" – the Toll Equity Note and any bond, note, or other evidences of debt issued, incurred or entered into pursuant to the SPS Trust Agreement as additional Third Tier Debt Obligations.

"*Third Tier Obligations*" – collectively, the Third Tier Debt Obligations and the Third Tier Payment Obligations.

"*Third Tier Payment Obligations*" – unless otherwise specifically stated in a Supplemental Agreement, all amounts payable by the Authority under a Third Tier Credit Agreement, other than payment obligations evidenced by a Third Tier Debt Obligation; and all such Third Tier Payment Obligations will be deemed to constitute Principal of Third Tier Obligations, and are required to be paid from the Third Tier Principal Account and specified in a Supplemental Agreement; and all payment obligations under a Second Tier Credit Agreement which are expressly designated to be Third Tier Payment Obligations are required to be treated as and constitute Third Tier Payment Obligations for all purposes under the SPS Trust Agreement; *provided, however*, that expenses incurred by TxDOT upon an O&M Step-In or a Construction Step-In will not constitute Third Tier Payment Obligations; *provided, further*, that any amounts payable by the Authority to TxDOT with respect to (i) the Authority's indemnity obligation under **Section 8.02(f)** of the Toll Equity Loan Agreement and (ii) the Authority's obligation to pay Operating Expenses, Major Maintenance Expenses and Capital Expenditures in any given Draw Period in excess of the amounts of such expenses and expenditures as set forth in the Project Budget for such Draw Period or, to the extent such expenses and expenditures relate to operation and maintenance of the Project, at standards higher than the Project Agreement Standards, will not constitute Third Tier Payment Obligations.

"*Third Tier Subordination Event*" – any of the following have occurred and are continuing:

(a) a failure by TxDOT to make an advance under the TELA for any reason upon receiving a Draw Request, including, without limitation, in connection with a Non-Appropriation Event, it being understood, however, that TxDOT's obligation to make an advance under the TELA is subject to the TxDOT Exposure Limitations;

(b) the entry of any final order discharging or setting aside the TxDOT Obligations, the TELA or the Direct Agreement in a proceeding brought under the U.S. Bankruptcy Code;

(c) the entry of any order in a receivership proceeding or any other judicial proceeding authorizing the repudiation or setting aside of, or permitting or authorizing non-compliance with, the TxDOT Obligations, the TELA or the Direct Agreement for any period of time;

(d) the filing of any motion, request or other pleading by TxDOT seeking the discharge or the setting aside of any of the TxDOT Obligations, the TELA or the Direct Agreement;

(e) (i) TxDOT violates, breaches, repudiates or claims to be invalid or unenforceable any of the TxDOT Obligations or TxDOT's other obligations, agreements and waivers under the Direct Agreement and, with respect to a violation or breach of TxDOT's waivers under **Section 4(b)(v)** of the

Direct Agreement, such violation or breach has not been cured to the reasonable satisfaction of the TIFIA Lender within 30 days after TxDOT's receipt of a notice under **Section 907(b)** of the SPS Trust Agreement (as described in **clause (b)** under the caption "**Concerning the Trustee — Notice of Default; Notice of Third Tier Subordination Event**" herein) of such violation or breach or (ii) any such obligations are determined by a court of competent jurisdiction to be invalid or unenforceable; or

(f) a default in the payment of any amount due with respect to a First Tier Obligation or a Second Tier Obligation (other than the portion of interest payable at the "Default Rate" as defined in the TIFIA Loan Agreement in excess of the stated interest rate in **Section 6** of the TIFIA Loan Agreement) has occurred notwithstanding the submission by the Trustee of a complete, executed Draw Request to TxDOT as required under the SPS Trust Agreement;

*provided, however*, that a Third Tier Subordination Event described in any of the above clauses will no longer be continuing as of the date the notice described in **clause (x)(iii)** below is delivered by TxDOT to the Trustee and the TIFIA Lender only if the conditions set forth in either **clause (x) or (y)** below are satisfied on or before the date on which such notice is delivered by TxDOT:

(x) (i) (A) with respect to a Third Tier Subordination Event described in **clauses (a) or (f)** above, the cause of such event has been remedied, TxDOT has provided the Trustee and the TIFIA Lender with reasonable evidence that future requests for advances under the TELA can reasonably be expected to be honored by TxDOT and the First Tier Obligations and Second Tier Obligations will be paid when due and, with respect to a Third Tier Subordination Event described in **clause (f)**, payment has been made of such amount due;

(B) with respect to a Third Tier Subordination Event described in **clauses (b), (c) and (e)(ii)**, such order or determination has been vacated or reversed, and either (1) any such action is final and non-appealable, or (2) TxDOT has provided the Trustee and the TIFIA Lender with a written undertaking not to appeal such action if appealable;

(C) with respect to a Third Tier Subordination Event described in **clause (d)**, such motion, request or other pleading has been withdrawn or dismissed with prejudice; or

(D) with respect to a Third Tier Subordination Event described in **clause (e)(i)**, such violation, breach, repudiation or claim has been cured to the reasonable satisfaction of the TIFIA Lender; and

(ii) the TxDOT Obligations, the TELA and the Direct Agreement remain in full force and effect and TxDOT confirms in writing to the TIFIA Lender, the Authority and the Trustee its continuing obligations in respect of the TxDOT Obligations and under such agreements; and

(iii) TxDOT delivers to the Trustee and to the TIFIA Lender a written notice (A) specifying and representing the satisfaction of the relevant conditions set forth in this **clause (x)** and (B) providing the documentation reasonably necessary to evidence such satisfaction; or

(y) such event is remedied otherwise to the satisfaction of the TIFIA Lender in its discretion;

*provided, further*, that the satisfaction of the conditions set forth above that are necessary for the cessation of a continuance of any Third Tier Subordination Event described in any of **clauses (a) through (f)** above do not constitute a waiver in respect of any other Third Tier Subordination Event described in any other clause or the same Third Tier Subordination Event occurring at a later date.

"*Tier*" – the designation of priority of an Obligation, with First Tier Obligations being the most senior, Second Tier Obligations being the second most senior, and Third Tier Obligations being the third most senior.

"*TIFIA Loan Agreement Default*" – an "Event of Default" as defined in the TIFIA Loan Agreement.

"*TIFIA Note Prepayment Start Date*" – March 1, 2023.

"*Toll Equity Note*" – the note entitled "Special Projects System Third Tier Revenue Note, Series 2011 (Toll Equity Loan Agreement)" authorized by the Third Supplemental Agreement and issued as a Third Tier Debt Obligation to evidence the Toll Equity Loan, as may be amended or supplemented pursuant to the SPS Trust Agreement.

"*Toll Rate Schedule*" – the schedule of tolls, fees or charges to be collected for the use of the Project established by the Board, including scheduled future increases or decreases that are approved by the Board.

"*Traffic Engineers*" – the traffic engineer or engineering firm or corporation at the time employed by the Authority pursuant to the provisions of Section 704(b) of the SPS Trust Agreement (as described in **clause (b)** under the caption "**Covenants — Employment of Consulting Engineers and Traffic Engineers**" herein) to carry out the duties imposed by the SPS Trust Agreement on the Traffic Engineers.

"*Trust Estate*" – the meaning given such term in the granting clause to the SPS Trust Agreement.

"*TxDOT Obligations*" – the meaning assigned to such term in the Direct Agreement.

"*TxDOT Requisition Requirements*" – the requirements that TxDOT must follow to requisition funds during a Construction Step-In as described in the SPS Trust Agreement.

"*Unanimous Voting Matters*" – the meaning given to such term as described under the caption "**Supplemental Agreements — Modification with Consent; Restrictions; Supplemental Agreements**" herein.

"*Value of Permitted Investments*" – the amortized value of any Permitted Investments, *provided, however*, that all United States of America, United States Treasury Obligations — State and Local Government Series are required to be valued at par and those obligations which are redeemable at the option of the holder are required to be valued at the price at which such obligations are then redeemable. The computations made under this paragraph include accrued interest on the investment securities paid as a part of the purchase price thereof and not collected. For the purposes of this definition "amortized value," when used with respect to a security purchased at par means the purchase price of such security and when used with respect to a security purchased at a premium above or discount below par, means as of any subsequent date of valuation, the value obtained by dividing the total premium or discount by the number of interest payment dates remaining to maturity on any such security after such purchase and by multiplying the amount as calculated by the number of interest payment dates having passed since the date of purchase and (i) in the case of a security purchased at a premium, by deducting the product thus obtained from the purchase price, and (ii) in the case of a security purchased at a discount, by adding the product thus obtained to the purchase price.

**Subordination of Third Tier Obligations**

Upon the occurrence and during the continuance of a Third Tier Subordination Event, the Third Tier Obligations will be subordinated to the prior payment in full of the First Tier Obligations and the Second Tier Obligations and any other obligations in connection therewith, whether for Principal, interest, commissions, charges, expenses, fees, claims, indemnities or otherwise and whether direct or indirect, absolute or contingent, due or to become due, now existing or hereafter arising in each case strictly in accordance with the terms thereof, and including interest and fees that accrue after the commencement of any proceeding in connection with a Bankruptcy-Related Event, regardless of whether such interest and fees are allowed claims in such proceeding (collectively, the "*Senior Project Obligations*"), to the extent and in the manner hereinafter described herein:

(a) Except during the continuance of a Third Tier Subordination Event, the Owners of Third Tier Obligations may receive, to the extent expressly permitted in the description of the Funds and Accounts in the forepart to this Official Statement, payments from the Authority on account of the Third Tier Obligations; *provided, however*, that the Authority may not make any voluntary prepayments under **Section 2.05(a)** of the TELA until such time as the Senior Project Obligations are indefeasibly paid in full; *provided, further*, that during the continuance of a Third Tier Subordination Event, the Trustee may not make or transfer, and the Owners of Third Tier Obligations have no right to demand, accept or take any action to collect any payment or any other property on account of any Third Tier Obligations whatsoever and, regardless of whether a Third Tier Subordination Event has occurred and is continuing or

not, there will be no limitation on TxDOT exercising remedies to collect, enforce and receive amounts due from the Authority payable from sources other than the Trust Estate as provided in **Section 8.14** of the TELA.

(b) During the continuance of a Third Tier Subordination Event, the holders of all Senior Project Obligations will be entitled to receive payment in full in cash of all Senior Project Obligations on the dates and in the amounts when due (including all interest and expenses accruing after the commencement of a proceeding relating to the Authority under any Insolvency Law or in connection with a Bankruptcy-Related Event, whether or not constituting an allowed claim in such proceeding ("*Post-Petition Interest*")) and the Owners of Third Tier Obligations will be entitled to receive payment of any Third Tier Obligations that may be due and payable no earlier than the date upon which any continuing Third Tier Subordination Event is cured.

(c) During the continuance of a Third Tier Subordination Event, the Trustee is authorized and empowered (but without any obligation to so do), (i) in the name of the Owners of Third Tier Obligations, to collect and enforce payments, and to submit claims in respect of, the Third Tier Obligations and to deposit any amounts received thereon into the Revenue Fund and to apply any such amount deposited therein pursuant to the SPS Trust Agreement, including for payment of the Senior Project Obligations (including any and all Post-Petition Interest), (ii) to require the Owners of Third Tier Obligations to collect, enforce and receive payments on account of, and to submit claims in respect of, the Third Tier Obligations as trustee for the holders of all Senior Project Obligations and deliver such payments promptly to the Trustee for deposit into the Revenue Fund with any such deposited amount applied pursuant to the SPS Trust Agreement, including for payment of the Senior Project Obligations (including all Post-Petition Interest), and (iii) to vote the Third Tier Obligations in favor of or in opposition to any matter which may come before any meeting of creditors of the Authority generally or in connection with, any Bankruptcy-Related Event or proceeding thereunder); *provided that*, subject to **clauses (a)** and **(b)** above, no amounts or payments received by the Trustee pursuant to this **clause (c)** will be considered a payment or cancellation of the related Third Tier Obligations and such Third Tier Obligations will continue to be Outstanding (and, for the avoidance of doubt, no such payments or amounts will give rise to subrogation, reimbursement or similar rights in favor of the Owner of Third Tier Obligations in respect of any Senior Project Obligations). The Owners of Third Tier Obligations agree to execute and deliver to the Trustee all such further instruments confirming the above authorization, and all such powers of attorney, proofs of claim, assignments of claim and other instruments, and to take all such other action, as may be necessary or as may be requested by the Trustee in order to enable the Trustee to enforce all claims upon or in respect of the Third Tier Obligations. Regardless of whether a Third Tier Subordination Event has occurred and is continuing or not, there will be no limitation on TxDOT exercising remedies to collect, enforce and receive amounts due from the Authority payable from sources other than the Trust Estate as provided in **Section 8.14** of the TELA without the involvement of or any responsibility owed to the Trustee, by TxDOT

(d) During the continuance of a Third Tier Subordination Event, until the Senior Project Obligations have been paid indefeasibly in full, the Owners of Third Tier Obligations have no right to receive or obtain from the Authority (whether directly or indirectly), by set-off or in any other manner, and the Authority may not make, payment of all or any of the Third Tier Obligations; *provided* there will be no limitation on TxDOT exercising remedies to collect, enforce and receive amounts due from the Authority payable from sources other than the Trust Estate as provided in **Section 8.14** of the TELA.

(e) During the continuance of a Third Tier Subordination Event, the Owners of Third Tier Obligations may not commence, or join with any creditor in commencing, or assist the Authority in commencing, any proceeding under any Insolvency Law or in connection with a Bankruptcy-Related Event, except that such Owners may join the Trustee in such action provided such action is authorized by the determination of the Required Creditors (it being understood that this will not be construed to prevent TxDOT from exercising its remedy to seek the appointment of a receiver under **Section 6.02(c)** of the TELA or from exercising any other remedy in accordance with the Direct Agreement).

(f) During the continuance of a Third Tier Subordination Event, no payment or distribution to the Trustee for the benefit of the holders of the Senior Project Obligations will entitle the Owners of Third Tier Obligations to exercise any right of subrogation in respect thereof until the Senior Project Obligations have been paid indefeasibly in full.

(g) The Owners of Third Tier Obligations have no right to take any action prejudicial to or inconsistent with the lien priority position of the holders of the Senior Project Obligations with respect to the Trust Estate created by the SPS Trust Agreement.

(h) During the continuance of a Third Tier Subordination Event, to the extent not deposited in the accounts as set forth in the SPS Trust Agreement, all payments or distributions upon or with respect to the TELA that are received by the Authority are required to be held by the Authority in trust for the benefit of the Owners of the First Tier Obligations and Second Tier Obligations, to be segregated from other funds and property held by the Authority and to be paid over to the Trustee promptly in the same form as so received (with any necessary endorsement) to be applied by the Trustee for payment, repayment or prepayment in accordance with the priorities set forth in the SPS Trust Agreement, and regardless of whether a Third Tier Subordination Event has occurred and is continuing or not, there will be no limitation on TxDOT exercising remedies to collect, enforce and receive amounts due from the Authority payable from sources other than the Trust Estate as provided in **Section 8.14** of the TELA.

(i) Nothing described herein will, regardless of the occurrence or continuance of a Third Tier Subordination Event, prohibit or prevent payment to TxDOT of expenses incurred by TxDOT during any Construction Step-In or O&M Step-In in accordance with the terms of the SPS Trust Agreement.

**Depositaries, Security and Investment**

*Depositaries; Deposits as Trust Funds; Qualifications; Security*. All money paid to or deposited with the Trustee and any Depositary or Depositaries under the provision of the SPS Trust Agreement, or deposited with any Depositary to the credit of the Trustee, is required to be held and applied only in accordance with the provisions of the SPS Trust Agreement, and will not be subject to lien or attachment by any creditor of the Authority.

Except as may be otherwise provided in therein, all money received by the Authority pursuant to the SPS Trust Agreement, whether as proceeds from the sale of Obligations or as Revenues, will be deemed to be trust funds, to be held and applied solely as provided in the SPS Trust Agreement. Any officer to whom, or any bank or trust company to which, such money is required to be paid is required to act as trustee of such money and is required to hold and apply same for the purposes thereof, subject to such regulation as the Turnpike Act and the SPS Trust Agreement provide.

All money held by and deposited with the Trustee (including all money held on time deposit, under certificates of deposit, or under any other similar arrangements), and not invested as provided in the SPS Trust Agreement, is required to be continuously secured, for the benefit of the Authority and the Owners of the Obligations, by lodging with its own trust department, as collateral security, direct obligations of, or obligations the principal of and the interest on which are unconditionally guaranteed by, the United States Government, or indirect obligations of the United States of America such as bonds or other obligations issued by any Federal Agency, including the following Federal Agencies: Export-Import Bank of the United States, United States Postal Service, Government National Mortgage Association, Federal National Mortgage Association, or Federal Home Loan Banks (with all of the foregoing obligations together with repurchase agreements secured by the foregoing obligations, being collectively herein called and defined as "*Federal Securities*" having a market value (exclusive of accrued interest) not less than the amount of such deposit).

*Investments*. All money held for the credit of the Construction Fund and the BANs Construction Fund are required, as nearly as may be practicable, to be invested and reinvested by the Trustee, at the written direction of the Authority, in Permitted Investments which are required to mature, or which are subject to redemption by the holder thereof at the option of such holder, in such amounts and at such times as will be required to provide money when needed to pay the Costs payable from the Construction Fund and the BAN Construction Fund.

Money held for the credit of the Rate Stabilization Fund, the Major Maintenance Reserve Fund, the Capital Expenditures Reserve Fund and the General Fund are required, as nearly as may be practicable, to be invested and reinvested by the Trustee, at the written direction of the Authority, in Permitted Investments which shall mature, or shall be subject to redemption by the holder thereof at the option of such holder, not later than the earlier of (x) five years after the date of such investment and (y) the date on which the moneys may reasonably be expected to be needed for the purposes of the SPS Trust Agreement.

Money held for the credit of the Operating Fund, the Major Maintenance Fund, the Capital Expenditures Fund, the Revenue Fund, the First Tier Debt Service Fund, the Second Tier Debt Service Fund and the Third Tier Debt Service Fund shall be invested and reinvested by the Trustee, at the written direction of the Authority, in Permitted Investments which shall mature, or which shall be subject to redemption by the holder thereof at the option of such holder, not later than the respective dates which will allow money to be available in each of said Funds and Accounts for use at the appropriate times and for the purposes for which they were created.

To ensure that cash on hand is invested, if the Authority does not give the Trustee written or timely instructions with respect to investments of funds, the Trustee shall invest cash balances in the Wells Fargo Advantage 100% U.S. Treasury Money Market Fund so long as such money market fund is a fund described on **clause (d)** of the definition of Permitted Investments or a comparable cash management fund that invests only in Permitted Investments of the type described in **clause (d)** of the definition of that term if the foregoing fund shall become unavailable for any reason or if a substitute Trustee is a party to the SPS Trust Agreement. The Trustee is specifically authorized to implement its automated cash investment system to assure that cash on hand is invested and to charge its normal cash management fees, which may be deducted from income earned on investments. The Trustee may make any and all investments through its own bond or securities department or the bond or securities department of any affiliate of the Trustee.

In lieu of the investments as provided above, and at the option of the Authority, and in any other case where the Authority deems it advisable, the Authority may make interest bearing time deposits, invest in certificates of deposit, or make other similar arrangements with the Trustee in connection with money in any fund or account created by the SPS Trust Agreement, as may be permitted by law, and which will allow money to be available in each of the Funds and Accounts, the BANs Construction Fund and the BAN Capitalized Interest Account for use at the appropriate times and for the purposes for which they were created, *provided that* all such time deposits, certificates of deposit, and other similar agreements shall be secured in the manner provided under the caption "**Depositaries, Security and Investment — Depositaries; Deposits as Trust Funds; Qualifications; Security**" herein for uninvested money.

*Investments and Deposits*. Except as otherwise provided therein, obligations purchased as an investment of money in any fund or account created under the provisions of the SPS Trust Agreement and all time deposits or similar arrangements made in connection therewith, will be deemed at all times to be a part of such fund or account, and the interest accruing thereon and any profit realized from any investment shall be credited to such fund or account, and any loss resulting from any investment shall be charged to such fund or account.

The Trustee and the Authority, as the case may be, shall sell at the best price obtainable in the exercise of reasonable diligence, and present for payment or redemption, any obligations so purchased, whenever and to the extent it shall be necessary so to do, in order to provide money required to meet any payment or transfer from any Fund or Account. The Trustee and the Authority, as the case may be, are required to present for payment all such obligations when they mature or when they shall be called for redemption and the proceeds thereof are required to be reinvested promptly, unless needed to meet any such payment or transfer. Neither the Trustee nor the Authority shall be liable or responsible for making any such investment or for any loss resulting from any such investment, but any resulting deficiency in any fund or account shall be restored from the first money available therefor in accordance with the provisions set forth under the captions "**SECURITY AND SOURCES OF PAYMENT FOR THE OBLIGATIONS — Security and Sources of Payment for the Bonds — Master Custodial Account Agreement; Agreements with Other Turnpikes**" and " **— Funds and Accounts — Revenue Fund**" in the forepart to this Official Statement. The Trustee shall advise the Authority in writing, on or before the fifth day of each month, of the details of all money and investments held by them for the credit of any such fund or account.

The provisions of the SPS Trust Agreement which relate to the deposit and to the investment of money are required to be subject to the provisions of any applicable laws of the State of Texas.

All Permitted Investments purchased as an investment of any fund or account created under the SPS Trust Agreement are required to be valued at the amortized value thereof (at the "Value of Permitted Investments" as defined in the SPS Trust Agreement).

Notwithstanding any other provisions of the SPS Trust Agreement, if investment income derived from any fund or account maintained pursuant hereto is required to be rebated to the United States of America, as required by the tax covenants of the Authority described under the caption "**SECURITY AND SOURCES OF PAYMENT FOR THE OBLIGATIONS — Security and Sources of Payment for the Bonds — Funds and Accounts — Payment of Rebate**" in the forepart to this Official Statement, in order to prevent any Obligations from being "arbitrage bonds," such investment income shall be so rebated from the appropriate fund or account, and the amounts of such rebates shall not be considered to be Revenues. The Trustee shall forthwith, upon the request and direction of the Authority, transmit any such rebate amounts held by it to the United States of America at the written direction of the Authority.

**Covenants**

*Payments; Pledge; Perfection of Security Interest.*

(a) Payments. The Authority covenants in the SPS Trust Agreement that it will promptly pay the Principal of and the interest on every Obligation at the places, on the dates and in the manner provided in the SPS Trust Agreement and in said Obligations, and any premium required for the retirement of said Obligations by redemption, according to the true intent and meaning thereof.

(b) Pledge. The Principal, interest (except interest paid from proceeds of the Obligations) and premiums on the Obligations shall constitute limited obligations of the Authority payable solely in the priorities described in the SPS Trust Agreement and from the Trust Estate, which is pledged to the payment thereof in the manner and to the extent particularly specified in the SPS Trust Agreement, and nothing in the Obligations or in the SPS Trust Agreement shall be construed as pledging any funds or assets of the Authority other than those included in the Trust Estate for their payment. The Obligations issued or secured under the SPS Trust Agreement shall not constitute general obligations of the Authority.

(c) Perfection of Security Interest. Chapter 1208, Texas Government Code, applies to the issuance of the Obligations and the pledge of, lien on and security interest in the Trust Estate granted by the Authority under the SPS Trust Agreement, and such pledge of, lien on and security interest in the Trust Estate are therefore valid, effective, and perfected. If Texas law is amended at any time while the Obligations are outstanding and unpaid such that the pledge of, lien on and security interest in the Trust Estate granted by the Authority under the SPS Trust Agreement is to be subject to the filing requirements of Chapter 9, Business & Commerce Code, then in order to preserve to the Owners the perfection of the pledge of, lien on and security interest in the Trust Estate, the Authority agrees to take such measures as it determines are reasonable and necessary under Texas law to comply with the applicable provisions of Chapter 9, Texas Business & Commerce Code, to perfect such pledge of, lien on and security interest in the Trust Estate, *provided, however*, that the Authority and the Trustee are required to take reasonably required measures to perfect such pledge of, lien on and security interest in the Trust Estate as directed by the Owners of not less than 25% of the aggregate Principal amount of the Obligations then Outstanding.

*Rights of Trustee or of Owners Not to be Impaired*. The Authority covenants and agrees in the SPS Trust Agreement that, until the Obligations and the interest thereon are fully and indefeasibly paid or provision for such payment has been made pursuant to the provisions described under the caption "**GENERAL INFORMATION REGARDING THE OBLIGATIONS — Defeasance**" in the forepart to this Official Statement, none of the Revenues will be used for any purpose other than as provided in the SPS Trust Agreement and no contract or contracts will be entered into or any action taken by which the rights of the Trustee or of the Owners will be impaired or diminished, except as provided in the SPS Trust Agreement.

*Further Instruments and Action*. The Authority covenants in the SPS Trust Agreement that it will, from time to time, execute and deliver such further instruments and take such further action as may be required to carry out the purposes of the SPS Trust Agreement, including but not limited to delivering to the Trustee from time to

time a certificate signed by a Board Representative informing the Trustee of the Capital Expenditures Reserve Requirement, the Major Maintenance Reserve Requirements, and the Rate Stabilization Fund Requirement.

*Employment of Consulting Engineers and Traffic Engineers.*

(a) Consulting Engineers. The Authority covenants in the SPS Trust Agreement that, until the Obligations and the interest thereon shall have been paid or provision for such payment shall have been made, it will employ Consulting Engineers for the purpose of performing and carrying out the duties imposed on the Consulting Engineers by the SPS Trust Agreement.

(b) Traffic Engineers. The Authority covenants in the SPS Trust Agreement that, until the Obligations and the interest thereon shall have been paid or provision for such payment shall have been made, it will, for the purpose of performing and carrying out the duties imposed on the Traffic Engineers by the SPS Trust Agreement, employ from time to time where required by the SPS Trust Agreement, an independent engineer or engineering firm or corporation, other than the Consulting Engineers, having a nation-wide and favorable repute for skill and experience in such work.

*Construction and Completion of the PGBT WE Project.*

(a) Acquisition of Property. The Authority covenants in the SPS Trust Agreement that it will acquire such Real Property and other property as it may deem necessary or advisable in connection with the construction of the PGBT WE Project and that when and where it is deemed necessary, advisable, and feasible by the Authority it will exercise the right of condemnation in order to acquire any Real Property or other property located either within or without the boundaries of any county, city, town, village, or other political subdivision of the State of Texas and owned either privately or by any county, city, town, village, or other political subdivision of the State of Texas.

(b) Completion. The Authority further covenants in the SPS Trust Agreement that it will construct and complete the PGBT WE Project substantially as described in the engineering report of the Consulting Engineers, dated May 25, 2010, which has been filed with and is approved by the Authority in the SPS Trust Agreement, with such changes in or additions to the PGBT WE Project as may be recommended by the Consulting Engineers and approved by the Authority, *provided that* such changes or additions will not, in the opinion of the Traffic Engineers, materially adversely affect the revenues of the PGBT WE Project or the volume or character of the traffic expected to use the PGBT WE Project; and further *provided that* the cost of such changes or additions will not, together with all other costs of the PGBT WE Project, in the opinion of the Consulting Engineers, exceed the amount then available therefor. The Authority covenants in the SPS Trust Agreement that the PGBT WE Project is required to be constructed and completed with all expedition practicable in accordance with plans and specifications which shall have been approved by the Authority and by the Consulting Engineers and in conformity with law.

(c) Performance Bonds. The Authority covenants and agrees in the SPS Trust Agreement that the proceeds of any performance bond or payment bonds furnished by any person, firm, or corporation with whom it may contract for labor or materials in connection with the construction of the PGBT WE Project or any part thereof will forthwith, upon receipt of such proceeds, be applied toward the completion of the contract in connection with which such performance bond and a payment bond shall have been furnished.

*Use and Operation of the Project*. The Authority covenants in the SPS Trust Agreement that it will establish and enforce reasonable rules and regulations governing the use of the Project and the operation thereof, that all compensation, salaries, fees and wages paid by it in connection with the maintenance, repair and operation of the Project will be reasonable, that no more persons will be employed by it than are reasonably necessary, that it will maintain and operate the Project in an efficient and economical manner, that, from the Revenues of the Project and other amounts available therefor, it will at all times maintain the same in good repair and in sound operating condition and will make all necessary repairs, renewals and replacements, and that it will comply with all valid acts, rules, regulations, orders and directions of any legislative, executive, administrative or judicial body applicable to the Project.

*Compliance; No Liens; Payment of Charges*. (a) The Authority covenants in the SPS Trust Agreement that it will duly observe and comply with all valid requirements of any governmental authority relative to the

Project or any part thereof, that it will not create or suffer to be created any lien or charge upon the Project or any part thereof or upon the Trust Estate, except the lien and charge of the Obligations secured by the SPS Trust Agreement, unless any such lien or charge is consented to by the TIFIA Lender pursuant to provisions of **clause (b)** of this Section and is junior and subordinate in all respects to the lien and charge of the Obligations secured by the SPS Trust Agreement, it being understood that, subject to **clause (b)** of this Section the Authority may issue bonds, notes or other obligations payable from, or secured by, money in the General Account and the Current Year Revenue Account of the General Fund to the extent now or hereafter permitted by law without violating the foregoing covenant. The Authority further covenants in the SPS Trust Agreement that, from such Revenues or other available funds, it will pay or cause to be discharged, or will make adequate provision to satisfy and discharge, within sixty (60) days after the same accrues, all lawful claims and demands for labor, materials, supplies or other objects which, if unpaid, could reasonably be expected by law to become a lien upon the Project or any part thereof, the tolls or other revenues derived from the ownership and operation of the Project or any part thereof or upon the Trust Estate, *provided, however*, that nothing in this Section contained will require the Authority to pay or cause to be discharged, or make provision for, any such lien or charge so long as the validity thereof is contested in good faith and by appropriate legal proceedings.

(b) The Authority may issue bonds, notes or other obligations payable from, or secured by, money in the General Account and the Current Year Revenue Account of the General Fund or otherwise create a lien or charge junior and subordinate to the lien and charge of the Obligations as described in **clause (a)** of this Section only if the Authority has filed with the Trustee evidence of the written consent required of the TIFIA Lender in accordance with the TIFIA Loan Agreement, and any such lien or charge is created, or such bonds, notes or other obligations are payable or secured, only in accordance with the terms of such TIFIA Lender consent.

*Covenant Against Sale or Encumbrance; Exception*. The Authority covenants in the SPS Trust Agreement that, until such time as the Obligations and interest thereon have been indefeasibly paid in full or provision for such payment shall have been made pursuant to the provisions described under the caption "**GENERAL INFORMATION REGARDING THE OBLIGATIONS — Defeasance**" in the forepart to this Official Statement, and except as in the SPS Trust Agreement otherwise permitted, the Authority will not sell, lease or otherwise dispose of or encumber the Project or any part thereof and will not create or permit to be created any charge or lien on the Trust Estate unless such charge or lien on the Trust Estate is made junior and subordinate in all respects to the charge and lien in the SPS Trust Agreement made for the benefit of the Obligations in accordance with the provisions described under the caption " — **Compliance; No Liens; Payment of Charges**" herein; *provided that* the Authority may enter into Permitted Ancillary Projects. The Authority may also, from time to time, sell, exchange or otherwise dispose of any machinery, fixtures, apparatus, tools, instruments or other movable property acquired by it from the proceeds of Obligations or from Revenues or otherwise, if the Authority determines that such articles are no longer needed or are no longer useful in connection with the construction or operation and maintenance of the Project, and the proceeds thereof are applied to the replacement of the properties so sold or disposed of or are paid to the Trustee to be held for the credit of the Construction Fund, the Major Maintenance Reserve Fund, or the Capital Expenditures Reserve Fund, as the Authority may direct. The Authority may from time to time sell, exchange or otherwise dispose of any real property or release, relinquish or extinguish any interest therein as the Authority by resolution declares is not needed or serves no useful purpose in connection with the maintenance and operation of the Project, and the proceeds thereof, if any, are applied as hereinabove provided for the proceeds of the sale or disposal of movable property. Notwithstanding the foregoing, it is acknowledged and agreed in the SPS Trust Agreement that nothing therein shall prevent the Authority from re-conveying or allowing the reversion of property leased or otherwise acquired upon the termination of the lease or agreement pursuant to which such property was originally acquired.

Upon any disposition of property under the provisions of this Section, the Authority is required to notify the Trustee thereof and the amount and disposition of the proceeds thereof.

*Inspection by Consulting Engineers*. The Authority covenants in the SPS Trust Agreement that it will cause the Consulting Engineers to make an inspection of the Project on or before the 90th day prior to the end of each fiscal year and to submit to the Authority a report setting forth (a) their findings whether the Project has been maintained in good repair, working order and condition, and (b) their advice and recommendations as to the proper maintenance, repair, and operation of the Project during the ensuing fiscal year and an estimate of the amount of money necessary for such purposes, including their recommendations as to the total amounts and

classifications of items and amounts that should be provided for Operating Expenses and Major Maintenance Expenses in the Annual Operating Budget for the next ensuing fiscal year. Copies of such reports shall be filed with the Trustee and TxDOT.

*Annual Operating Budget*. The Authority covenants in the SPS Trust Agreement to adopt, prior to the beginning of each fiscal year, an Annual Operating Budget, specifying in reasonable detail all projected Revenues, Operating Expenses, Major Maintenance Expenses and Project Capacity Improvements Capital Expenditures and any projected advances under the TELA for such fiscal year on a monthly basis. The Authority may at any time adopt an amended or supplemental Annual Operating Budget for the remainder of the then current fiscal year, and when so adopted the Annual Operating Budget as so amended or supplemented shall be treated as the Annual Operating Budget under the provisions of the SPS Trust Agreement. The Authority is required to file a copy of each Annual Operating Budget and each amended or supplemented Annual Operating Budget with the Trustee.

If for any reason the Authority has not adopted the Annual Operating Budget before the first day of any fiscal year, the budget for the preceding fiscal year will, until the adoption of the Annual Operating Budget for the then current fiscal year, be deemed to be in force and will be treated as the Annual Operating Budget under the provisions of the SPS Trust Agreement.

*Annual Operating Budget During O&M Step-In*. TxDOT may, to the extent that the Authority fails to do so, establish the Annual Operating Budget for each fiscal year during an O&M Step-In.

*Records, Audits.*

(a) Records. The Authority is required to keep proper books of records and accounts in which complete and correct entries are required to be made of transactions relating to the Project in accordance with GAAP or pursuant to applicable federal or state laws or regulations, and with all other applicable federal and state requirements then in effect for entities similar to the Authority and enterprises similar to the Project.

(b) Audits. The Authority covenants in the SPS Trust Agreement that following the end of each fiscal year it will cause an audit to be made of its books and records relating to the Project for the fiscal year by nationally recognized firm of independent public accountants. Reports of each audit are required to be filed by the Authority with the Trustee within 140 days from the end of each fiscal year.

*Aggregate Eligible Costs*. The Authority covenants in the SPS Trust Agreement to recalculate and determine the Aggregate Eligible Costs (i) as of the date of Substantial Completion of the PGBT WE Project, (ii) as of the date which is five years after the date of Substantial Completion of the PGBT WE Project, and (iii) as of the end of each fiscal year thereafter, in each case pursuant to, and in accordance with, **Section 2.03** of the TELA. Upon any such recalculation and determination of the Aggregate Eligible Costs, the Authority is required to file with the Trustee a written notice acknowledged and agreed to by TxDOT of the Aggregate Eligible Costs as of the date of such recalculation and determination. The Aggregate Eligible Costs as of the date of Substantial Completion of the PGBT WE Project will equal the Project Budget, as adjusted for the actual amounts expended, as compared to the estimated amounts to be expended in the Project Budget, for Eligible Costs prior to the date of Substantial Completion of the PGBT WE Project.

During any Construction Step-In or O&M Step-In, TxDOT is required to provide to the Authority all information necessary for the Authority to recalculate and determine the Aggregate Eligible Costs as required as described herein. During any Construction Step-In or O&M Step-In, in the event the Authority fails to recalculate and determine the Aggregate Eligible Costs as required hereunder, TxDOT is required, to extent it has knowledge of the necessary information, to recalculate and determine the Aggregate Eligible Costs as required hereunder and file with the Trustee a written notice of the Aggregate Eligible Costs as of the date of such recalculation and determination.

*Toll Uniformity; Free Passage.*

(a) Toll Uniformity. The Authority covenants in the SPS Trust Agreement that tolls with respect to the Project will be classified in a reasonable way to cover all traffic, so that the tolls will be uniform in application to all traffic falling within any reasonable class as determined by the Authority; *provided that* the foregoing shall not be interpreted to restrict the Authority's right, in its discretion in connection with its management of the

Project, to establish and maintain flexible toll schedules including, but not limited to, provisions for utilizing or otherwise taking into account, peak and nonpeak pricing, introductory pricing, vehicle weight, number of axles, method of payment, frequency, car pooling, electronic and other toll collection technologies, traffic management systems and similar classifications.

Any change in classification that results in a reduced toll or any new classification will be subject to the Traffic Engineers approving the same before it is implemented unless the same is temporary (i.e., having a duration of less than one year from the effective date). In all events, the Authority will not make a change in classification or any new classification unless the Authority determines that such change is not expected to result in the receipt of Cash Flows in amounts less than that required by the rate covenant described in the forepart to this Official Statement.

(b) Free Passage. Notwithstanding the provisions of **clause (a)** above, no free vehicular passage or reduced tolls will be permitted over the Project within a class, other than its approaches and service roads, or any portion of the Project designated toll-free, except that, in its discretion, the Authority may:

(1) reduce tolls through the use of commutation or other tickets or privileges based upon frequency or volume if the reduction is expected to result in an increase in Cash Flows;

(2) grant free passage to employees, board members, consultants and contractors of the Authority in accordance with the policy of the Authority;

(3) grant free passage to those persons or vehicles as required by the laws of the State of Texas; and

(4) grant free passage to those persons using the Project during an emergency mode in accordance with the policy of the Authority.

(c) No Requirement for Identical Tolls. The Authority's covenant in the SPS Trust Agreement as to uniformity of tolls will not be construed as requiring that tolls for any given class of traffic shall be identical in amount throughout the entire Project for trips of approximately identical lengths. The Authority may fix and place in effect a Toll Rate Schedule for any given class of traffic wherein the tolls charged for travel on a given section of the Project may be different from the tolls charged on another section of the Project notwithstanding the fact that both of said sections are of identical or approximately identical length. The Authority intends that the PGBT WE Project and the SWP/CT Project each be a self-supporting project, and the Authority may establish tolls accordingly.

(d) Traffic Engineer Analysis. As used in this Section, approval by the Traffic Engineers means that the Traffic Engineers have undertaken an analysis of the impact of the contemplated action of the Authority and determined that it would not adversely affect the ability of the Authority to meet the rate covenant described in the forepart to this Official Statement. The Authority is required to file a copy of each approval by the Traffic Engineers with the Trustee promptly after receipt.

**Events of Default and Remedies**

*Remedies Applicable*. The Owners are entitled to the remedies provided as described under this caption.

*Events of Default*. Each of the following events is declared an "Event of Default" by the SPS Trust Agreement:

(a) failure to pay any installment of interest on any Obligation when the same becomes due and payable;

(b) failure to pay the Principal of or premium, if any, on the Obligations Outstanding when the same becomes due and payable, either at maturity or by proceedings for redemption or otherwise; or

(c) the occurrence of a Bankruptcy Related Event with respect to the Authority; or

(d) default in the due and punctual performance of any other of the covenants, conditions, agreements and provisions contained in the SPS Trust Agreement on the part of the Authority to be performed, and such default continues for sixty (60) days after written notice specifying such default and requiring same to be

remedied has been given to the Authority by the Trustee, which may give such notice in its discretion and is required to give such notice at the written request of the Owners of not less than ten percent (10%) in Principal amount of the Obligations then Outstanding; or

(e) so long as any Second Tier Payment Obligations are Outstanding under the TIFIA Loan Agreement or there is any principal or interest balance under the TIFIA Note, receipt by the Trustee of written notice from the TIFIA Lender of the occurrence and continuance of a TIFIA Loan Agreement Default.

*Enforcement of Remedies*. Subject to the provisions relating to the Controlling Creditor, upon the happening and continuance of any Event of Default, then and in every such case the Trustee may proceed, and upon the written request of the Owners of not less than twenty percent (20%) in Principal amount of the Obligations then Outstanding hereunder is required to proceed, subject to the provisions described under the caption "**Concerning the Trustee — Indemnity; Action Without Indemnity; Reimbursement**" herein to protect and enforce its rights and the rights of the Owners under the SPS Trust Agreement by such suits, actions or special proceedings in equity or at law, or by proceedings in the office of any board or officer having jurisdiction, either for mandamus or the specific performance of any covenant or agreement contained in the SPS Trust Agreement or in aid or execution of any power therein granted or for the enforcement of any proper legal or equitable remedy, as the Trustee, being advised by counsel, shall deem most effectual to protect and enforce such rights. Notwithstanding anything to the contrary contained in the SPS Trust Agreement, acceleration of the Principal of or interest on the Obligations upon the occurrence of an Event of Default is not a remedy available under the SPS Trust Agreement and in no event will the Trustee, the Owners or other parties have the ability, upon the occurrence of an Event of Default, to declare immediately due and payable the Principal of or interest on the Obligations.

In the enforcement of any remedy under the SPS Trust Agreement the Trustee will be entitled to sue for, enforce payment of and receive any and all amounts then or during any default becoming, and at any time remaining, due from the Authority for Principal, interest or otherwise under any of the provisions of the SPS Trust Agreement or of the Obligations and unpaid, with interest on overdue payments at the rate or rates of interest borne by such Obligations, together with any and all costs and expenses of collection and of all proceedings under the SPS Trust Agreement and under such Obligations, without prejudice, to any other right or remedy of the Trustee or of the Owners, and to recover and enforce judgment or decree against the Authority, but solely as provided in the SPS Trust Agreement and in such Obligations, for any portion of such amounts remaining unpaid, with interest, costs and expenses, and to collect (but solely from money in the First Tier Debt Service Fund, Second Tier Debt Service Fund or Third Tier Debt Service Fund, as applicable and any other Funds and Accounts and other money available for such purposes) in any manner provided by law, the money adjudged or decreed to be payable.

*Pro Rata Application of Funds*. If at any time the money in the First Tier Debt Service Fund, the Second Tier Debt Service Fund, the Third Tier Debt Service Fund, or any other funds established under the SPS Trust Agreement is not sufficient to pay the Principal of or the interest on the Obligations as the same become due and payable, such money, together with any money then available or thereafter becoming available for such purpose, whether through the exercise of the remedies provided for as described under this caption or otherwise, is required to be applied (subject to the provisions relating to a Third Tier Subordination Event in the SPS Trust Agreement and the provisions described under the captions "**Concerning the Trustee — Indemnity; Action Without Indemnity; Reimbursement**" and " **— Compensation and Indemnification**" herein) as follows; *provided, however*, amounts on deposit in a fund or account (i) dedicated to the payment or security of the First Tier Obligations, the Second Tier Obligations or Third Tier Obligations or (ii) constituting Additional Obligation Security for the benefit of one or more specific Series of Obligations will not be applied as provided below but are required to be used only for the purpose for which such deposits were made:

(a) Unless the Principal of all the First Tier Obligations is then due and payable, all such money is required to be applied first: to the payment to the persons entitled thereto of all installments of interest then due and payable on the First Tier Obligations, in the order of the maturity of the installments of such interest, and, if the amount available is not sufficient to pay in full any particular installment, then to the payment ratably, according to the amounts due on such installment, to the persons entitled thereto, without any discrimination or preference except as to any difference in the respective rates of interest specified in the First Tier Obligations; and

second: to the payment of the Principal of any First Tier Obligations which have matured, and, if the amount available is not sufficient to pay all of such matured First Tier Obligations, then to the payment thereof ratably, according to the amount due.

(b) If the Principal of all the First Tier Obligations is then due and payable, all such money is required to be applied to the payment of the Principal and interest then due and unpaid upon the First Tier Obligations, without preference or priority of Principal over interest or of interest over Principal, or of any installment of interest over any other installment of interest, or of any First Tier Obligation over any other First Tier Obligation, ratably, according to the amounts due respectively for Principal and interest, to the persons entitled thereto without any discrimination or preference except as to any difference in the respective rates of interest specified in the First Tier Obligations.

(c) If there is no default existing in the payment of the Principal of, premium, if any, or interest on the First Tier Obligations but the Principal of, premium, if any, or interest on Second Tier Obligations has not been paid when due, unless the Principal of all the Second Tier Obligations is then due and payable, all such money is required to be applied first: to the payment to the persons entitled thereto of all installments of interest then due on the Second Tier Obligations, in the order of the maturity of the installments of such interest, and, if the amount available is not sufficient to pay in full any particular installment, then to the payment ratably, according to the amounts due on such installment, to the persons entitled thereto, without any discrimination or preference except as to any difference in the respective rates of interest specified in the Second Tier Obligations; and second: to the payment of the Principal of any Second Tier Obligations which have matured, and, if the amount available is not sufficient to pay all of such matured Second Tier Obligations, then to the payment thereof ratably, according to the amount due.

(d) If there is no default existing in the payment of the Principal of, premium, if any, or interest on the First Tier Obligations, but the Principal of all the Second Tier Obligations is then due and payable, all such money is required to be applied to the payment of the Principal and interest then due and unpaid upon the Second Tier Obligations, without preference or priority of Principal over interest or of interest over Principal, or of any installment of interest over any other installment of interest, or of any Second Tier Obligation over any other Second Tier Obligation, ratably, according to the amounts due respectively for Principal and interest, to the persons entitled thereto without any discrimination or preference except as to any difference in the respective rates of interest specified in the Second Tier Obligations.

(e) If there is no default existing in the payment of the Principal of, premium, if any, or interest on the First Tier Obligations and Second Tier Obligations but the Principal of, premium, if any, or interest on Third Tier Obligations has not been paid when due, unless the Principal of all the Third Tier Obligations is then due and payable, all such money is required to be applied first: to the payment to the persons entitled thereto of all installments of interest then due on the Third Tier Obligations, in the order of the maturity of the installments of such interest, and, if the amount available is not sufficient to pay in full any particular installment, then to the payment ratably, according to the amounts due on such installment, to the persons entitled thereto, without any discrimination or preference except as to any difference in the respective rates of interest specified in the Third Tier Obligations; and second: to the payment of the Principal of any Third Tier Obligations which have matured, and, if the amount available is not sufficient to pay all of such matured Third Tier Obligations, then to the payment thereof ratably, according to the amount due.

(f) If there is no default existing in the payment of the Principal of, premium, if any, or interest on the First Tier Obligations and Second Tier Obligations, but the Principal of all the Third Tier Obligations is then be due and payable, all such money is required to be applied to the payment of the Principal and interest then due and unpaid upon the Third Tier Obligations, without preference or priority of Principal over interest or of interest over Principal, or of any installment of interest over any other installment of interest, or of any Third Tier Obligation over any other Third Tier Obligation, ratably, according to the amounts due respectively for Principal and interest, to the persons entitled thereto without any discrimination or preference except as to any difference in the respective rates of interest specified in the Third Tier Obligations.

Whenever money is to be applied by the Trustee pursuant to the provisions of this Section, such money is required to be applied by the Trustee at such times, and from time to time, as the Trustee in its sole discretion determines, having due regard to the amount of such money available for application and the likelihood of

additional money becoming available for such application in the future; the deposit of such money with the Trustee, or otherwise setting aside such money, in trust for the proper purpose shall constitute proper application by the Trustee; and the Trustee will incur no liability whatsoever to the Authority, to any Owner or to any other person for any delay in applying any such money, so long as the Trustee acts with reasonable diligence, having due regard to the circumstances, and ultimately applies the same in accordance with such provisions of the SPS Trust Agreement as may be applicable at the time of application by the Trustee. Whenever the Trustee exercises such discretion in applying such money, it is required to fix the date (which is required to be an interest payment date unless the Trustee deems another date more suitable) upon which such application is to be made and upon such date interest on the amounts of Principal to be paid on such date will cease to accrue. The Trustee is required to give such notice as it may deem appropriate of the fixing of any such date, and will not be required to make payment to the Owner of any unpaid Obligation or the interest thereon unless such Obligation is presented to the Trustee for appropriate endorsement or for cancellation if fully paid.

*Effect of Discontinuance of Proceedings*. In case any action taken by the Trustee on account of any default has been discontinued or abandoned for any reason, then and in every such case the Authority, the Trustee, and the Owners are required to be restored to their former positions and rights under the SPS Trust Agreement, respectively, and all rights, remedies, powers and duties of the Trustee are required to continue as though no such action had been taken.

*Control of Proceedings*. Anything in the SPS Trust Agreement to the contrary notwithstanding but subject to the provisions of **clause (b)** under the caption " **— Restrictions upon Action by Individual Owner; Right to Receive Payment**" and the provisions relating to the rights of the Controlling Creditor herein, the Controlling Creditor will have the right, subject to the provisions described under the caption "**Concerning the Trustee — Indemnity; Action Without Indemnity; Reimbursement**," by an instrument or concurrent instruments in writing executed and delivered to the Trustee, to direct the method and place of conducting all remedial actions to be taken by the Trustee under the SPS Trust Agreement, *provided that* such direction will not be otherwise than in accordance with law or the provisions of the SPS Trust Agreement, and that the Trustee is required to have the right to decline to follow any such direction which in the opinion of the Trustee would be unjustly prejudicial to Owners not parties to such direction.

*Restrictions upon Action by Individual Owner; Right to Receive Payment*. (a) Except as provided in this Section, no Owner of any of the Obligations will have any right to institute any suit, action, mandamus or other proceeding in equity or at law for the execution of any trust under the SPS Trust Agreement or the protection or enforcement of any right under the SPS Trust Agreement or any resolution of the Authority authorizing the issuance of Obligations, or any right under the Turnpike Act or the laws of Texas, unless such Owner previously has given to the Trustee written notice of the Event of Default on account of which such suit or action is to be taken, and unless the Owners of not less than twenty percent (20%) in Principal amount of the Obligations then Outstanding have made written request of the Trustee after the right to exercise such powers or right of action, as the case may be, has accrued, and the Trustee has not complied with such request and accepted the offer of indemnity referred to below either to proceed to exercise the powers granted in the SPS Trust Agreement or granted by the Turnpike Act or by the laws of Texas, or to institute such action, suit or proceeding in its or their name within 60 days after the receipt of such notice and the offer of indemnity referred to below, and unless, also, there has been offered to the Trustee reasonable security and indemnity satisfactory to it against the costs, expenses and liabilities to be incurred therein or thereby, and unless Owners of a majority in aggregate Principal amount of the then Outstanding Obligations have not given the Trustee a direction inconsistent with such request within such 60-day period; and such notification, request and offer of indemnity are declared by the SPS Trust Agreement in every such case, at the option of the Trustee, to be conditions precedent to the execution of the powers and trusts of the SPS Trust Agreement or for any other remedy thereunder or under the Turnpike Act or the laws of Texas. It is understood and intended that no one or more Owners of the Obligations secured by the SPS Trust Agreement will have any right in any manner whatsoever by his or their action to affect, disturb or prejudice the security of the SPS Trust Agreement, or to enforce any right thereunder or under the Turnpike Act or the laws of Texas with respect to the Obligations or the SPS Trust Agreement, except in the manner therein provided, and that all proceedings at law or in equity shall be instituted, had and maintained in the manner therein provided and for the benefit of all Owners of the Outstanding Obligations, except as otherwise permitted therein with reference to overdue and unpaid Principal, interest or redemption premium.

(b) Notwithstanding any other provision of the SPS Trust Agreement, the right of any Owner to receive payment of Principal and interest on an Obligation, on or after the respective due dates expressed in the Obligations or to bring suit for the enforcement of any such payment on or after such respective dates, will not be impaired or affected without the consent of such Owner; *provided that* an Owner will not have the right to institute any such suit for the enforcement of payment if and to the extent that the institution or prosecution thereof or the entry of judgment therein would, under applicable law, result in the surrender, impairment, waiver or loss of the lien of this Trust Agreement upon any property subject to such lien except as otherwise permitted by the SPS Trust Agreement.

*Actions by Trustee*. All rights of action under the SPS Trust Agreement or under any of the Obligations, enforceable by the Trustee, may be enforced by it without the possession of any of the Obligations or the production thereof on the trial or other proceeding relative thereto, and any such suit, action or proceeding instituted by the Trustee is required to be brought in its name for the benefit of all the Owners of such Obligations, subject to the provisions of the SPS Trust Agreement.

*No Remedy Exclusive*. No remedy conferred in the SPS Trust Agreement upon or reserved to the Trustee or to the Owners of the Obligations is intended to be exclusive of any other remedy or remedies, and each and every such remedy is required to be cumulative and is required to be in addition to every other remedy given thereunder or now or hereafter existing at law or in equity or by statute.

*No Waiver; Exercise of Powers and Remedies; Waiver of Default*. No delay or omission of the Trustee or of any Owner of the Obligations to exercise any right or power accruing upon any default will impair any such right or power or will be construed to be a waiver of any such default or any acquiescence therein; and every power and remedy given by the SPS Trust Agreement to the Trustee and the Owners of the Obligations, respectively, may be exercised from time to time and as often as may be deemed expedient.

The Trustee may, and upon written request of the Owners of not less than a majority in Principal amount of the Obligations then Outstanding is required to, waive any default (except any TIFIA Loan Agreement Default, which will only be waived upon obtaining the written consent of the TIFIA Lender), which in its opinion has remedied before the completion of the enforcement of any remedy under the SPS Trust Agreement, but no such waiver will extend to or affect any other existing or any subsequent default or defaults or impair any rights or remedies consequent thereon.

*Notice of Default*. The Trustee is required to mail to each Owner of record written notice of the occurrence of any Event of Default, promptly after a responsible officer has knowledge of any such Event of Default. If in any fiscal year the total amount of deposits to the First Tier Debt Service Fund, Second Tier Debt Service Fund or Third Tier Debt Service Fund is less than the amounts required so to be deposited under the provisions of the SPS Trust Agreement, the Trustee, on or before the first day of the second month of the next succeeding fiscal year, shall mail to all Owners of record written notice of the failure to make such deposits. The Trustee will not, however, be subject to any liability to any Owner by reason of its failure to mail any notice required by this Section.

**Concerning the Trustee**

*Acceptance of Trusts*. The Trustee accepts and agrees in the SPS Trust Agreement to execute the trusts imposed upon it by the SPS Trust Agreement. If an Event of Default has occurred and is continuing, the Trustee will exercise such of the rights and powers vested in it by the SPS Trust Agreement, and use the same degree of care and skill in its exercise, as a prudent person would exercise or use under the circumstances in the conduct of such person's own affairs. Except during the continuance of an Event of Default, the duties of the Trustee will be determined solely by the express provisions of the SPS Trust Agreement, and the Trustee need perform only those duties that are specifically set forth in the SPS Trust Agreement and no others, and no implied covenants or obligations will be read into the SPS Trust Agreement against the Trustee.

The Trustee may not be relieved from liabilities for its own negligent action, its own negligent failure to act, or its own willful misconduct, except that the Trustee will not be liable for any error of judgment made in good faith by a responsible officer, unless it is proved that the responsible officer was negligent in ascertaining the pertinent facts, and the Trustee will not be liable with respect to any action taken in good faith in accordance with

a direction received by it pursuant to the provisions described under the caption "**Events of Default and Remedies — Control of Proceedings**" and in certain circumstances relating to the Controlling Creditor.

*Indemnity; Action Without Indemnity; Reimbursement*. The Trustee is under no obligation to institute any suit, or to take any remedial proceeding under the SPS Trust Agreement, or to enter any appearance or in any way defend in any suit in which it may be made defendant, or to take any steps in the execution of the trusts thereby created or in the enforcement of any rights and powers thereunder, until it is indemnified to its satisfaction against any and all costs and expenses, outlays and counsel fees and other reasonable disbursements, and against all liability; *provided, however*, that in no event will the Trustee request or require indemnification as a condition to taking any action in connection with any draw request under the TELA, to making any deposits, payments or transfers when required under the SPS Trust Agreement, or to delivery of any notice when required thereunder. The Trustee may, nevertheless, begin suit, or appear in and defend suit, or do anything else in its judgment proper to be done by it, without indemnity, and in any such case the Authority is required to reimburse the Trustee for all costs and expenses, outlays and counsel fees and other reasonable disbursements properly incurred in connection therewith. If the Authority fails to make such reimbursement, the Trustee may reimburse itself from any money in its possession under the provisions of the SPS Trust Agreement (other than money in the Excluded Funds) and will be entitled to a preference therefor over any of the Obligations Outstanding thereunder.

*Limitation on Liabilities and Responsibilities of Trustee*. The Trustee is under no obligation to effect or maintain insurance or to renew any policies of insurance or to inquire as to the sufficiency of any policies of insurance carried by the Authority, or to report, or make or file claims or proof of loss for, any loss or damage insured against or which may occur.

*No Liability for Failure to Act or for other Deposits*. The Trustee will not be liable or responsible because of the failure of the Authority or of any of its employees or agents to make any collections or deposits or to perform any act herein required of the Authority, or its employees or agents or because of the loss of any money arising through the insolvency or the act or default or omission of any Depositary or any escrow agent or paying agent other than itself, in which such money has been deposited under the provisions of the SPS Trust Agreement. The Trustee is not responsible for the application of any of the proceeds of the Obligations or any other money deposited with it and paid out, invested, withdrawn or transferred in accordance with the provisions of the SPS Trust Agreement. The immunities and exemptions from liability of the Trustee hereunder extends to its directors, officers, employees and agents.

*Compensation and Indemnification*. The Authority is required to pay to the Trustee reasonable compensation for all services performed by it, its attorneys, agents and employees under the SPS Trust Agreement and the performance of their powers and duties thereunder, and is required to indemnify and save the Trustee harmless against any liabilities which it may incur, except to the extent any such liabilities result from the negligence, willful misconduct of the Trustee or violation of law. If the Authority fails to make any such payment, the Trustee may make such payments from any money in its possession under the SPS Trust Agreement (other than money in the Excluded Funds) and will be entitled to a preference therefor over any of the Obligations Outstanding. If any such payment from any of the Funds and Accounts other than the Excluded Funds results in a shortfall in the amount required to be on deposit in such Funds and Accounts, the Trustee is required to transfer funds equal to such shortfall amount to such Funds and Accounts, first, from funds in the Revenue Fund and second from such other Funds and Accounts that are indicated as being available to cover such shortfalls in accordance with the provisions described under the caption "**SECURITY AND SOURCES OF PAYMENT FOR THE OBLIGATIONS**" in the forepart to this Official Statement.

*Notice of Default; Notice of Third Tier Subordination Event*. Except as otherwise provided in the SPS Trust Agreement, the Trustee will not be obliged to take notice or be deemed to have notice of any Event of Default thereunder, unless notified in writing of such Event of Default by the Owners of not less than twenty percent (20%) in Principal amount of the Obligations then Outstanding. Except for the occurrence of an event under **clauses (a) or (f)** of the definition of "Third Tier Subordination Event," and subject to **Section 16** of the Direct Agreement, the Trustee will not be obligated to take notice or be deemed to have notice of a Third Tier Subordination Event thereunder unless notified in writing of such event by the Owners of not less than twenty percent (20%) in Principal amount of the First Tier Obligations and Second Tier Obligations in the aggregate then Outstanding; *provided, however*, that with respect to any Third Tier Subordination Event described in **clauses (b),**

**(c), (d) or (e)(ii)** of the definition of such term, notification by such Owners is required to include a copy of the relevant order, court determination, motion, request or other pleading described in the relevant clause or clauses under which a Third Tier Subordination Event has occurred.

*Reliance on Certain Documents*. The Trustee may conclusively rely and will be fully protected in acting or refraining from acting in accordance with the terms of the SPS Trust Agreement, upon any resolution, Board Representative's Certificate or any other certificate, statement, instrument, opinion, report, notice, request, consent, order, bond, debenture, note, coupon, Obligation or other paper or document (whether in its original or facsimile form) believed in good faith by it to be genuine and correct and to have been signed or presented by the proper party or parties.

*Other Rights of the Trustee*.

The Trustee may act through its attorneys, accountants, experts and such other professionals as the Trustee deems necessary, advisable or appropriate and will not be responsible for the misconduct or negligence of any attorney, accountant, expert or other such professional appointed with due care.

Unless otherwise specifically provided in the SPS Trust Agreement, any demand, request, direction or notice from the Authority or TxDOT will be sufficient if signed by a Board Representative or an officer of TxDOT identified by TxDOT to the Trustee as authorized to deal with the Trustee.

The Trustee may consult with counsel selected by the Trustee with due care, and any advice from such counsel with respect to compliance with the provisions of the SPS Trust Agreement will be full and complete authorization and protection in respect of any action taken, suffered or omitted to be taken by it hereunder, reasonably and in good faith, in accordance with such advice.

The permissive right of the Trustee to take any action under the SPS Trust Agreement will not be construed as a duty to so act.

*Resignation*. The Trustee may resign and be discharged from the trusts created by the SPS Trust Agreement, by notice in writing to the Authority and mailed to each Owner of record not less than sixty (60) days before such resignation is to take effect, but such resignation will take effect immediately upon the appointment of a new Trustee, if such new Trustee is appointed before the time limited by such notice and accepts such trusts; *provided, however*, such resignation will not become effective until and unless a successor trustee is appointed and accepts such trusts. If no successor trustee has been appointed and accepted such trusts within ninety (90) days after the date the resignation is expected to take effect, the schedule of fees and charges of the Trustee then in effect will terminate, and the Trustee may establish such fees and charges for its services as it deems necessary to reasonably compensate it for such services under the circumstances then existing.

*Removal of Trustee*. The Trustee may be removed at any time by an instrument or instruments in writing, signed by the Owners of not less than a majority in Principal amount of the Obligations then Outstanding and filed with the Authority. No removal of a Trustee will be effective until and unless a qualified successor trustee has been appointed and accepted the trusts under the SPS Trust Agreement. The Trustee may also be removed at any time, for any reason, in the sole discretion of the Authority, by a resolution duly adopted by the Authority; *provided that* such resolution names a successor Trustee in accordance with this Section, and directs the successor Trustee to mail written notice of such change in Trustee to each registered Owner on or before the next interest payment date or redemption date, whichever is first to occur.

*Appointment of Successor Trustee*. If at any time the Trustee resigns, or is removed, dissolved or otherwise becomes incapable of acting, or the bank or trust company acting as Trustee is taken over by any governmental official, agency, department or board, the position of Trustee will thereupon become vacant. If the position of Trustee becomes vacant for any reason, the Authority is required to appoint a Trustee to fill such vacancy, subject to the consent of TxDOT, which consent TxDOT may not unreasonably withhold.

At any time within sixty (60) days after any such vacancy has occurred, the owners of a majority in Principal amount of the Obligations then Outstanding, by an instrument or concurrent instruments in writing, signed by such Owners or their attorneys in fact and filed with the Authority, may appoint a successor Trustee, which will supersede any Trustee theretofore appointed by the Authority. Copies of each such instrument are

required to be delivered promptly by the Authority to the predecessor Trustee and to the Trustee so appointed by the Owners.

Any Trustee appointed is required to be a bank or trust company duly organized and doing business under the laws of the United States of America and located in the State of Texas, authorized under such laws to exercise corporate trust powers and subject to examination by federal or state authority, of good standing, and having, at the time of its appointment, a combined capital and surplus aggregating not less than $100,000,000.00.

Any Trustee which is replaced by a successor Trustee promptly is required to turn over to such successor Trustee all funds, books, and records pertaining to the SPS Trust Agreement.

**Supplemental Agreements**

*Supplemental Agreements by Authority and Trustee*. The Authority and the Trustee may, from time to time and at any time, subject to the provisions described under the caption " **— Supplemental Agreements Part of Trust Agreement; Consent of TIFIA Lender and TxDOT**," but without the consent of the Owners of the Obligations, enter into such agreements supplemental to the SPS Trust Agreement as will not be in conflict with the terms and provisions thereof (which Supplemental Agreements shall thereafter form a part thereof),

(a) to cure any ambiguity or formal defect or omission in the SPS Trust Agreement or in any Supplemental Agreement, or

(b) to grant to or confer upon the Trustee for the benefit of the Owners any additional rights, remedies, powers, authority or security that may lawfully be granted to or conferred upon the Owners or the Trustee, *provided that* the terms of such supplemental agreement shall not adversely affect the interest of any Owners, or

(c) to close the SPS Trust Agreement against or provide limitations and restrictions, in addition to the limitations and restrictions contained in the SPS Trust Agreement, with respect to the future issuance of Additional Obligations, or

(d) to set forth additional provisions, if deemed necessary or advisable, in connection with the issuance of the Additional Obligations permitted under the SPS Trust Agreement to finance the acquisition, development, design, construction, equipping, operation or maintenance of all or any such portion of the SWP/CT Project, including provisions for (i) the addition of all or any portion of the SWP/CT Project to the Special Projects System, (ii) the use and functioning of a Construction Fund for the SWP/CT Project, (iii) the Construction Step-In Construction Costs Limit and the Construction Step-In Evaluation Costs Limit for the SWP/CTP Project, (iv) the addition of certain other funds and accounts necessary or convenient for effecting the payment of Principal of or interest on such Obligations or creation and maintenance of reserve funds for such Obligations, and (v) the use of loan agreements, reimbursement agreements, commitments to purchase obligations, purchase or sale agreements, or similar agreements related to such Additional Obligations, with all amounts payable by the Authority thereunder that are Additional Obligations deemed to constitute Principal payments of First Tier Obligations, Second Tier Obligations or Third Tier Obligations, as applicable, payable from the First Tier Principal Account, Second Tier Principal Account or Third Tier Principal Account, as applicable, secured on a parity with the First Tier Obligations, Second Tier Obligations or Third Tier Obligations, as applicable, or

(e) to comply with additional requirements only to the extent necessary in the reasonable opinion of bond counsel to preserve the exemption from federal income taxation of interest on any Obligations issued as "tax exempt" obligations under Section 103 of the Code, or

(f) to make any changes or amendments requested by a Rating Agency, as a condition to and only to the extent necessary for the issuance or maintenance of a rating, which changes or amendments do not materially adversely affect the interests of any of the Owners of the Outstanding Obligations, or

(g) upon direction of the Authority, *provided that* the Trustee receives a written confirmation from each Rating Agency then maintaining a rating on the First Tier Obligations and the Second Tier Obligations to the effect that the execution and delivery of such Supplemental Agreement will not in and of itself cause such Rating

Agency to reduce or withdraw the then current rating on the First Tier Obligations and the Second Tier Obligations;

*provided, however*, that no such amendment will have the effect of amending a provision of the SPS Trust Agreement with respect to Unanimous Voting Matters.

*Modification with Consent; Restrictions; Supplemental Agreements*. Subject to the terms and provisions described in this Section and under the caption " — **Supplemental Agreements Part of Trust Agreement; Consent of TIFIA Lender and TxDOT**," and not otherwise, the Owners of not less than a majority in aggregate Principal amount of the Obligations then Outstanding, or in case less than all of the Obligations then Outstanding are affected by the modification or amendment, the Owners of not less than a majority in aggregate Principal amount of the Obligations so affected and Outstanding, will have the right, from time to time to consent to and approve the execution by the Authority and the Trustee of such agreement or agreements supplemental to the SPS Trust Agreement as deemed necessary or desirable by the Authority for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in the SPS Trust Agreement or in any Supplemental Agreement. Notwithstanding the foregoing or the provisions relating to Controlling Creditor rights, nothing contained in the SPS Trust Agreement will permit, or will be construed as permitting, (a) an extension of the time of payment of Principal of or the interest on any Obligation issued thereunder, or (b) a reduction in the Principal amount of any Obligation or the redemption premium or the rate of interest thereon, or (c) the creation of a lien upon or a pledge of any part of the Trust Estate other than the lien or pledge created by the SPS Trust Agreement (except as otherwise expressly permitted in the SPS Trust Agreement), or (d) a preference or priority of any First Tier Obligations, Second Tier Obligations or Third Tier Obligations, as the case may be, over any other First Tier Obligations, Second Tier Obligations, or Third Tier Obligations (except, in the case of Third Tier Obligations, as is set forth in the Supplemental Agreement pursuant to which a Series of Third Tier Obligations are issued), or (e) a reduction in the aggregate Principal amount of the Obligations required for consent to such Supplemental Agreement or for any other consent, direction or determination required in this Trust Agreement, or, (f) a deprivation of an Owner to the lien on the Trust Estate granted by the SPS Trust Agreement, or (g) a modification of any term of the SPS Trust Agreement relating to drawings under, enforcement rights and remedies concerning, consent rights pertaining to or otherwise affecting the rights of the Trustee in, or the pledge to the Trustee for the benefit of the Owners of the Obligations of, the TELA (except for modifications in any Supplemental Agreement entered into in accordance with **clause (d)** under the caption " **— Supplemental Agreements by Authority and Trustee**"), without the consent of the Owners of not less than 100% in aggregate Principal amount of the Obligations Outstanding that are affected thereby (the "*Unanimous Voting Matters*"). Nothing herein described, however, will be construed as making necessary the approval by Owners of the execution of any Supplemental Agreement or Agreements as described under the caption " **— Supplemental Agreements by Authority and Trustee**").

If at any time the Authority requests the Trustee to enter into any Supplemental Agreement for any of the purposes of this Section, the Trustee is required to, at the expense of the Authority, cause such notice to be sent to all Owners of Obligations then Outstanding at their addresses as they appear on the registration books kept by the Trustee. Said notice is required to briefly set forth the nature of the proposed Supplemental Agreement and to state that a copy thereof is on file at the office of the Trustee for inspection by all Owners. The Trustee will not, however, be subject to any liability to any Owner by reason of its failure to send the notice required by this Section, and any such failure will not affect the validity of such Supplemental Agreement when consented to and approved as provided herein.

Whenever, at any time within one (1) year after the date the notice is sent, the Authority delivers to the Trustee an instrument or instruments purporting to be executed by the Owners of not less than a majority in aggregate Principal amount of the Obligations then Outstanding, which instrument or instruments refer to the proposed Supplemental Agreement described in such notice and specifically consent to and approve the execution thereof in substantially the form of the copy thereof referred to in such notice as on file with the Trustee, the Trustee may execute such Supplemental Agreement in substantially such form, without liability or responsibility to any Owner of any Obligation, whether or not such Owner has actually consented thereto.

If the Owners of not less than a majority in aggregate Principal amount of the Obligations Outstanding at the time of the execution (or, in the case that less than all of the Obligations then Outstanding are affected by the

modification or amendment, the Owners of not less than a majority in aggregate Principal amount of the Obligations so affected and Outstanding at the time of the execution) of such Supplemental Agreement have consented to and approved the execution thereof as herein provided, no Owner of any Obligation will have any right to object to the execution of such Supplemental Agreement, or to object to any of the terms and provisions contained therein or the operation thereof, or in any manner to question the propriety of the execution thereof, or to enjoin or restrain the Trustee or the Authority from executing the same or from taking any action pursuant to the provisions thereof.

*Supplemental Agreements Part of Trust Agreement; Consent of TIFIA Lender and TxDOT*. The Trustee is authorized to join with the Authority in the execution of any such Supplemental Agreement and to make the further agreements and stipulations which may be contained therein pursuant to the provisions described under the captions " **— Supplemental Agreements by Authority and Trustee**" and " **— Modification with Consent; Restrictions; Supplemental Agreements**" herein. Any Supplemental Agreement executed in accordance with the provisions hereof shall thereafter form a part of the SPS Trust Agreement, and all the terms and conditions contained in any such Supplemental Agreement as to any provision authorized to be contained will be part of the terms and conditions of the SPS Trust Agreement for any and all purposes, *provided that*, notwithstanding any other provision of the SPS Trust Agreement, prior to execution of such Supplemental Agreement and as a condition to the effectiveness thereof, the Authority will have filed with the Trustee evidence of (i) any consent required of the TIFIA Lender pursuant to the TIFIA Loan Agreement with respect to such Supplemental Agreement, and (ii) any consent required of TxDOT pursuant to the TELA with respect to such Supplemental Agreement. In case of the execution and delivery of any Supplemental Agreement, express reference may be made thereto in the text of any Obligations issued thereafter, if deemed necessary or desirable by the Trustee or the Authority.

Upon the execution of any Supplemental Agreement pursuant to the provisions described under the captions "Supplemental Agreements by Authority and Trustee," "Modification with Consent; Restrictions; Supplemental Agreements," and "Supplemental Agreements Part of Trust Agreement; Consent of TIFIA Lender and TxDOT" herein, the SPS Trust Agreement will be modified and amended in accordance therewith, and the respective rights, duties, and obligations under the SPS Trust Agreement of the Authority and the Trustee and all Owners of Obligations then Outstanding shall thereafter be determined, exercised and enforced thereunder, subject in all respects to such modifications and amendments.

*Reliance by Trustee on Opinion of Counsel*. The Trustee is entitled to receive, and will be fully protected in relying upon, the opinion of any counsel approved by it, who may be counsel for the Authority, as conclusive evidence that any proposed Supplemental Agreement complies with the provisions of the SPS Trust Agreement, and that such Supplemental Agreement is authorized or permitted under the provisions described under this caption "**Supplemental Agreements**." The Trustee may, but is not obligated to, sign any Supplemental Agreement if in the sole discretion of the Trustee such Supplemental Agreement adversely affect the rights, duties, liabilities or immunities of the Trustee.

**Miscellaneous Provisions**

*Successorship of Authority*. In the event of the dissolution of the Authority, all of the covenants, stipulations, obligations, and agreements contained in the SPS Trust Agreement by or in behalf of or for the benefit of the Authority will bind or inure to the benefit of the successor or successors of the Authority from time to time and any officer, board, commission, authority, agency or instrumentality to whom or to which any power or duty affecting such covenants, stipulations, obligations and agreements is transferred by or in accordance with law. It is further specifically *provided that* in such event all Funds and Accounts and the BANs Construction Fund established by and pursuant to the SPS Trust Agreement (which Trust Agreement constitutes the "proceedings" authorizing and securing the Obligations) will remain with the Trustee.

*Manner of Giving Notice, Etc*. Any notice, demand, direction, request or other instrument authorized or required by the SPS Trust Agreement to be given to or filed with the Authority or the Trustee will be deemed to have been sufficiently given or filed for all purposes of the SPS Trust Agreement if and when sent by registered mail, return receipt requested to the Authority, if addressed to North Texas Tollway Authority, 5900 West Plano Parkway, Suite 100, Plano, TX 75093, Attention: Chief Financial Officer or at such other address as may be designated in writing by the Authority to the Trustee; and to the Trustee, at its corporate trust office.

All documents received by the Trustee under the provisions of the SPS Trust Agreement will be retained in its possession, subject at all reasonable times and upon reasonable notice to the inspection of the Authority, the Consulting Engineers, any Owner, and the agents and representatives thereof.

*Rights under the SPS Trust Agreement*. Except as otherwise expressly provided therein, nothing in the SPS Trust Agreement expressed or implied is intended or will be construed to confer upon any person, firm or corporation other than the parties thereto, any Credit Provider, TxDOT, the TIFIA Lender, and the Owners of the Obligations any right, remedy or claim, legal or equitable, under or by reason of the SPS Trust Agreement or any provision thereof, the SPS Trust Agreement and all its provisions being intended to be and being for the sole and exclusive benefit of the foregoing.

*Credit of State or any Political Subdivision Not Pledged*. The Obligations and the interest thereon do not constitute a debt of the State of Texas or of any political subdivision thereof, and neither the State of Texas, the Authority or any political subdivision of the State of Texas are obligated to pay the Obligations or the interest thereon except from the Revenues of the Project and other sources solely as provided in the SPS Trust Agreement, and neither the faith and credit nor the taxing power of the State of Texas or any political subdivision thereof is pledged to the payment of the Principal of or the interest on the Obligations.

*Effect of Partial Invalidity*. In case any one or more of the provisions of the SPS Trust Agreement or of the Obligations are held to be illegal or invalid, such illegality or invalidity will not affect any other provision of the SPS Trust Agreement or of said Obligations, but the SPS Trust Agreement and said Obligations will be construed and enforced as if such illegal or invalid provision had not been contained therein. In case any covenant, stipulation, obligation or agreement contained in the Obligations or in the SPS Trust Agreement are held to be in violation of law, then such covenant, stipulation, obligation, or agreement will be deemed to be the covenant, stipulation, obligation or agreement of the Authority to the full extent permitted by law.

*Effect of Covenants, Etc*. All covenants, stipulations, obligations and agreements of the Authority contained in the SPS Trust Agreement are deemed to be covenants, stipulations, obligations and agreements of the Authority to the full extent authorized by the Turnpike Act and other applicable laws and permitted by the Constitution of Texas. No covenant, stipulation, obligation or agreement contained in the SPS Trust Agreement will be deemed to be a covenant, stipulation, obligation or agreement of any present or future member, agent or employee of the Authority in his individual capacity, and neither the members of the Authority nor any official executing the Obligations will be liable personally on the Obligations or be subject to any personal liability or accountability by reason of the issuance or execution thereof.

*Obligations Held by Authority*. Obligations held by or for the account of the Authority or any person controlling, controlled by or under common control with the Authority will not be deemed to be Outstanding for purposes of any consent or other action to be taken by the Owners or the Owners of a specified percentage of Outstanding Obligations; *provided, however*, in determining whether the Trustee is protected in making a determination whether the Owners of the requisite Principal amount of Outstanding Obligations are present at a meeting of Owners for quorum purposes or have consented to or voted in favor of any request, demand, authorization, direction, notice, consent, waiver, amendment or modification under the SPS Trust Agreement, or relying upon any such quorum, consent or vote, only Obligations which a responsible officer actually knows to be owned by such persons will not be considered outstanding.

*Sovereign Immunity*. The Authority has not waived sovereign immunity pursuant to Section 1371.059(c), Texas Government Code, as amended, from suit for the purpose of adjudicating a claim to enforce the Obligations or for damages for breach of the Obligations.

*Further Assurances*. The Authority agrees in the SPS Trust Agreement that it will, from time to time, execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered, such supplements to the SPS Trust Agreement and such further instruments as may reasonably be required for carrying out the expressed intention of the SPS Trust Agreement and as may be necessary or desirable for assuring, conveying, granting, assigning, securing and confirming the security interest (whether now existing or hereafter arising) granted by or on behalf of the Authority to the Trustee for the benefit of the holders of the Obligations, and the subject of each security interest is and will be free and clear of any other security interest thereon or with respect thereto prior to, or of equal rank with the security interests created by the SPS Trust Agreement, other than liens entitled to

priority as a matter of law or as permitted by the SPS Trust Agreement, and all corporate action on the part of the Authority to that end will be duly and validly taken at such time. The Authority will, at all times, to the extent permitted by law, defend, preserve and protect the security interests granted pursuant to the SPS Trust Agreement and all the rights of the Trustee for the benefit of the holders of the Obligations thereunder against all claims and demands of all persons whomsoever.

*Governing Law; Jurisdiction*. The Trust Agreement is required to be construed and interpreted in accordance with the laws of the State of Texas. All suits and actions arising out of the SPS Trust Agreement are required to be instituted in a court in the State of Texas.

*Actions Relating to Certain Financing Documents*. (a) Notwithstanding any other provision in the SPS Trust Agreement to the contrary, including certain provisions relating to Controlling Creditor rights, but subject to **clauses (b) and (e)** below, without the prior written direction or consent of the Required Creditors, (i) neither the Authority nor the Trustee may sell, assign, delegate or otherwise transfer any of its rights or obligations under the TELA or consent to or accept any such assignment, delegation or other transfer of rights and obligations under the TELA; (ii) the Trustee may not assume any obligation of the Authority under the TELA and (iii) neither the Authority or the Trustee may amend, modify or supplement the TELA in a manner that is materially adverse to the Owners of Obligations.

(b) Notwithstanding any other provision in the SPS Trust Agreement to the contrary, but subject to **clause (c)** below, neither the consent of the Required Creditors nor of the Trustee is required for any amendment, modification or supplement to the TELA for any commensurate increase in the Rate Stabilization Fund Requirement, the Maximum Available Aggregate Amount, the Maximum Available Annual Amount for any fiscal year or the Project Budget for any fiscal year, as may be required in connection with the issuance of Additional Obligations pursuant to the SPS Trust Agreement to finance the acquisition, development, design, construction, equipping, operation or maintenance of all or any portion of the SWP/CT Project, or for any other amendment, modification or supplement to the TELA in connection therewith so long as such other amendment, modification or supplement does not adversely modify the obligations of TxDOT to pay any Draw Request under the TELA.

(c) Prior to the execution of any amendment, modification or supplement to the TELA, and as a condition to the effectiveness thereof, the Authority must file with the Trustee evidence of any consent required of the TIFIA Lender pursuant to the TIFIA Loan Agreement or Direct Agreement with respect thereto.

(d) In the event that the Project Budget is amended or supplemented in accordance with **Section 213** of the SPS Trust Agreement and this Section, such amended and supplemented Project Budget will replace and be substituted for the existing Project Budget attached to the SPS Trust Agreement as **Appendix B**.

(e) For the avoidance of doubt, no term or provision of the SPS Trust Agreement providing for the grant of waivers or consent or acceptance of a cure by any party other than the Trustee will be deemed or interpreted by any person to require the direction or consent of the Required Creditors in addition to the party whose consent is required.

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# APPENDIX F-1

## SCHEDULE OF ACCRETED VALUES
## FOR THE SERIES 2011B BONDS

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# APPENDIX F-1

## SCHEDULE OF ACCRETED VALUES FOR THE SERIES 2011B BONDS

| Date | Capital Appreciation Bonds Maturing September 1, 2037 bearing interest at a rate of 7.55% | Capital Appreciation Bonds Maturing September 1, 2043 bearing interest at a rate of 7.60% |
|---|---|---|
| 4/28/2011 | 709.80 | 447.95 |
| 9/1/2011 | 728.00 | 459.55 |
| 3/1/2012 | 755.50 | 477.00 |
| 9/1/2012 | 784.00 | 495.10 |
| 3/1/2013 | 813.60 | 513.95 |
| 9/1/2013 | 844.30 | 533.45 |
| 3/1/2014 | 876.20 | 553.75 |
| 9/1/2014 | 909.25 | 574.80 |
| 3/1/2015 | 943.60 | 596.65 |
| 9/1/2015 | 979.20 | 619.30 |
| 3/1/2016 | 1,016.20 | 642.85 |
| 9/1/2016 | 1,054.55 | 667.25 |
| 3/1/2017 | 1,094.35 | 692.60 |
| 9/1/2017 | 1,135.65 | 718.95 |
| 3/1/2018 | 1,178.55 | 746.25 |
| 9/1/2018 | 1,223.05 | 774.60 |
| 3/1/2019 | 1,269.20 | 804.05 |
| 9/1/2019 | 1,317.10 | 834.60 |
| 3/1/2020 | 1,366.85 | 866.35 |
| 9/1/2020 | 1,418.45 | 899.25 |
| 3/1/2021 | 1,472.00 | 933.40 |
| 9/1/2021 | 1,527.55 | 968.90 |
| 3/1/2022 | 1,585.20 | 1,005.70 |
| 9/1/2022 | 1,645.05 | 1,043.95 |
| 3/1/2023 | 1,707.15 | 1,083.60 |
| 9/1/2023 | 1,771.60 | 1,124.80 |
| 3/1/2024 | 1,838.50 | 1,167.50 |
| 9/1/2024 | 1,907.90 | 1,211.90 |
| 3/1/2025 | 1,979.90 | 1,257.95 |
| 9/1/2025 | 2,054.65 | 1,305.75 |
| 3/1/2026 | 2,132.20 | 1,355.35 |
| 9/1/2026 | 2,212.70 | 1,406.85 |
| 3/1/2027 | 2,296.25 | 1,460.35 |
| 9/1/2027 | 2,382.95 | 1,515.80 |
| 3/1/2028 | 2,472.90 | 1,573.40 |
| 9/1/2028 | 2,566.25 | 1,633.20 |
| 3/1/2029 | 2,663.10 | 1,695.30 |
| 9/1/2029 | 2,763.65 | 1,759.70 |
| 3/1/2030 | 2,867.95 | 1,826.55 |
| 9/1/2030 | 2,976.25 | 1,896.00 |
| 3/1/2031 | 3,088.60 | 1,968.05 |
| 9/1/2031 | 3,205.20 | 2,042.80 |
| 3/1/2032 | 3,326.20 | 2,120.45 |
| 9/1/2032 | 3,451.75 | 2,201.00 |
| 3/1/2033 | 3,582.05 | 2,284.65 |
| 9/1/2033 | 3,717.30 | 2,371.45 |
| 3/1/2034 | 3,857.60 | 2,461.60 |
| 9/1/2034 | 4,003.25 | 2,555.15 |
| 3/1/2035 | 4,154.35 | 2,652.25 |
| 9/1/2035 | 4,311.20 | 2,753.00 |
| 3/1/2036 | 4,473.95 | 2,857.65 |
| 9/1/2036 | 4,642.80 | 2,966.20 |
| 3/1/2037 | 4,818.10 | 3,078.95 |
| 9/1/2037 | 5,000.00 | 3,195.95 |
| 3/1/2038 | — | 3,317.40 |
| 9/1/2038 | — | 3,443.45 |
| 3/1/2039 | — | 3,574.30 |
| 9/1/2039 | — | 3,710.10 |
| 3/1/2040 | — | 3,851.10 |
| 9/1/2040 | — | 3,997.45 |
| 3/1/2041 | — | 4,149.35 |
| 9/1/2041 | — | 4,307.05 |
| 3/1/2042 | — | 4,470.70 |
| 9/1/2042 | — | 4,640.60 |
| 3/1/2043 | — | 4,816.95 |
| 9/1/2043 | — | 5,000.00 |

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# APPENDIX F-2

## SCHEDULE OF ACCRETED VALUES
## FOR THE SERIES 2011C BONDS

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# APPENDIX F-2

## SCHEDULE OF ACCRETED VALUES FOR THE SERIES 2011C BONDS

| Date | 10-Year Convertible Capital Appreciation Bonds bearing interest at a rate of 6.75% | 12-Year Convertible Capital Appreciation Bonds bearing interest at a rate of 7.00% |
|---|---|---|
| 4/28/2011 | 2,516.55 | 2,138.90 |
| 9/1/2011 | 2,574.30 | 2,189.75 |
| 3/1/2012 | 2,661.15 | 2,266.40 |
| 9/1/2012 | 2,751.00 | 2,345.75 |
| 3/1/2013 | 2,843.80 | 2,427.85 |
| 9/1/2013 | 2,939.80 | 2,512.80 |
| 3/1/2014 | 3,039.00 | 2,600.75 |
| 9/1/2014 | 3,141.60 | 2,691.80 |
| 3/1/2015 | 3,247.60 | 2,786.00 |
| 9/1/2015 | 3,357.25 | 2,883.50 |
| 3/1/2016 | 3,470.55 | 2,984.45 |
| 9/1/2016 | 3,587.65 | 3,088.90 |
| 3/1/2017 | 3,708.75 | 3,197.00 |
| 9/1/2017 | 3,833.90 | 3,308.90 |
| 3/1/2018 | 3,963.30 | 3,424.70 |
| 9/1/2018 | 4,097.10 | 3,544.55 |
| 3/1/2019 | 4,235.35 | 3,668.65 |
| 9/1/2019 | 4,378.30 | 3,797.05 |
| 3/1/2020 | 4,526.05 | 3,929.95 |
| 9/1/2020 | 4,678.80 | 4,067.50 |
| 3/1/2021 | 4,836.75 | 4,209.85 |
| 9/1/2021 | 5,000.00 | 4,357.20 |
| 3/1/2022 | — | 4,509.70 |
| 9/1/2022 | — | 4,667.55 |
| 3/1/2023 | — | 4,830.90 |
| 9/1/2023 | — | 5,000.00 |
| 3/1/2024 | — | — |
| 9/1/2024 | — | — |
| 3/1/2025 | — | — |
| 9/1/2025 | — | — |
| 3/1/2026 | — | — |
| 9/1/2026 | — | — |
| 3/1/2027 | — | — |
| 9/1/2027 | — | — |
| 3/1/2028 | — | — |
| 9/1/2028 | — | — |
| 3/1/2029 | — | — |
| 9/1/2029 | — | — |
| 3/1/2030 | — | — |
| 9/1/2030 | — | — |
| 3/1/2031 | — | — |
| 9/1/2031 | — | — |
| 3/1/2032 | — | — |
| 9/1/2032 | — | — |
| 3/1/2033 | — | — |
| 9/1/2033 | — | — |
| 3/1/2034 | — | — |
| 9/1/2034 | — | — |
| 3/1/2035 | — | — |
| 9/1/2035 | — | — |
| 3/1/2036 | — | — |
| 9/1/2036 | — | — |
| 3/1/2037 | — | — |
| 9/1/2037 | — | — |
| 3/1/2038 | — | — |
| 9/1/2038 | — | — |
| 3/1/2039 | — | — |
| 9/1/2039 | — | — |
| 3/1/2040 | — | — |
| 9/1/2040 | — | — |
| 3/1/2041 | — | — |
| 9/1/2041 | — | — |
| 3/1/2042 | — | — |
| 9/1/2042 | — | — |
| 3/1/2043 | — | — |
| 9/1/2043 | — | — |

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# APPENDIX G

# TOLL EQUITY LOAN AGREEMENT (EXCLUDING APPENDICES)

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# TOLL EQUITY LOAN AGREEMENT

dated as of April 1, 2011

between

**North Texas Tollway Authority,**
as Borrower,

and

**Texas Department of Transportation,**
as TxDOT,

**relating to**

**SH 161 PROJECT**

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# TOLL EQUITY LOAN AGREEMENT

This TOLL EQUITY LOAN AGREEMENT (this "Agreement"), dated as of April 1, 2011 (the "Effective Date") is made by and between the North Texas Tollway Authority (the "Borrower") and the Texas Transportation Commission, acting by and through the Texas Department of Transportation ("TxDOT"), and constitutes a credit agreement under Chapter 1371, Texas Government Code.

## PRELIMINARY STATEMENTS:

(1) On April 19, 2008, the Borrower and TxDOT entered into the Agreement Regarding a Negotiated Value for State Highway 161 (the "Negotiated Value Agreement").

(2) Pursuant to the Negotiated Value Agreement, the parties agreed to certain matters relating to the development, construction, operation, maintenance and financing of the SH 161 corridor extending from SH 183 South to IH 20 along the western boundary of Dallas County, a total length of approximately eleven and one-half (11.5) miles as a "turnpike project" under Chapter 366, Texas Transportation Code, off of the state highway system (the "Project").

(3) On July 30, 2009, the Borrower and TxDOT entered into that certain Project Agreement State Highway 161, as amended (the "Project Agreement") assigning certain rights and responsibilities with respect to the development, construction, operation, maintenance and financing of the Project in accordance with the Negotiated Value Agreement as modified by the Project Agreement.

(4) In order to provide financing for a portion of the development and construction of the Project and to make certain payments to TxDOT under and pursuant to the Project Agreement, the Borrower intends to issue, pursuant to a Trust Agreement, to be dated on or about the Closing Date, between the Trustee (as defined herein) and the Borrower (said Trust Agreement and any amendments or supplements thereto, the "Trust Agreement"), the Borrower's first tier revenue bonds for the Project (the "Series 2011 First Tier Bonds"), and the Borrower's second tier revenue note for the Project (the "Series 2011 TIFIA Note") which evidences a loan from the United States Department of Transportation to the Borrower pursuant to the Transportation Infrastructure Finance and Innovation Act of 1998 (defined in the Trust Agreement as the "TIFIA Loan").

(5) To provide support for the Borrower's efforts to develop, construct, operate, maintain and provide financing for the Project, TxDOT has agreed to establish a toll equity loan commitment in favor of the Trustee on the Borrower's behalf (the "Toll Equity Loan Commitment") all in accordance with that certain Final Term Sheet for TxDOT Toll Equity Loan for SH 161 Project, NTTA Project Delivery, and Disposition of Southwest Parkway and Chisholm Trail (the "Final Term Sheet") and the terms of this Agreement.

(6) TxDOT is entering into this Agreement pursuant to the provisions of Section 222.103, Texas Transportation Code, and Texas Administrative Code Title 43, Part 1, Chapter 27, Subchapter E.

NOW, THEREFORE, in consideration of the premises and other good and valuable consideration, including the covenants, terms and conditions hereinafter appearing and in order to induce TxDOT to establish the Toll Equity Loan Commitment, the parties agree as follows:

## ARTICLE I.
## DEFINITIONS

Section 1.01 Certain Defined Terms. Capitalized terms used in this Agreement shall have the meanings set forth in this Section 1.01 below (such meanings to be equally applicable to both the singular and plural forms of the terms defined). All other capitalized terms to the extent not otherwise defined herein shall have the respective meanings given to them in the Trust Agreement or the Project Agreement, as applicable. In the event of any conflict in definitions between the Trust Agreement and the Project Agreement, the terms contained in the Project Agreement shall control; provided that if such terms relate to the terms or amount of payment of principal of or interest on the Senior Project Debt or the pledge of Revenues or other security provided to the holders of the Senior Project Debt, the terms of the Trust Agreement shall control.

"Additional Senior Project Debt" means any Project Debt issued by the Borrower to finance the construction of the Project Capacity Improvements as provided herein.

"Agreement" means this Toll Equity Loan Agreement and any amendments or supplements hereto in accordance with the terms hereof.

"Annual Operating Budget" has the meaning set forth in Section 5.01(d) hereof.

"Bankruptcy Event" means (a) commencement by a Person of any case or other proceeding (i) under any existing or future law of any jurisdiction, domestic or foreign, relating to bankruptcy, insolvency, reorganization or relief of debtors, seeking to have an order for relief entered with respect to it, or seeking to adjudicate it a bankrupt or insolvent, or seeking reorganization, arrangement, adjustment, winding up, liquidation, dissolution, composition or other relief with respect to it or its debts, or (ii) seeking appointment of a receiver, trustee, custodian or other similar official for it or for all or any substantial part of its assets, or seeking to make a general assignment for the benefit of its creditors; or (b) commencement against such Person of any case or other proceeding of a nature referred to in clause (a) above which (i) results in the entry of an order for relief or any such adjudication or appointment or (ii) remains undismissed, undischarged or unbonded for a period of 60 days; or (c) commencement against such Person of any case or other proceeding seeking issuance of a warrant of attachment, execution or similar process against all or any substantial part of its assets which results in the entry of an order for any such relief which shall not have been vacated,

discharged, or stayed or bonded pending appeal within 60 days from the entry thereof; or (d) such Person shall take any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the acts set forth in clause (a), (b) or (c) above; or (e) such Person shall admit in writing its inability to pay its debts as they become due.

"Base Price Index" means the CPI for August, 2010.

"Bond Purchase Contract" means the Bond Purchase Contract between the Borrower and the initial purchaser(s) of the Series 2011 First Tier Bonds.

"Borrower" means North Texas Tollway Authority.

"Borrower's Accountant" means any nationally recognized accounting firm reasonably acceptable to TxDOT.

"Capital Expenditures" means amounts, other than Project Costs, but including Costs of Project Capacity Improvements, properly capitalized on the books and records of the Authority in accordance with GAAP for the cost of designing, constructing, improving and reconstructing improvements and betterments to all parts of the Project, as determined by the Borrower, including, but not limited to, expenditures made pursuant to lease-purchase arrangements, additional lanes, tunnels, interchanges, toll plazas, toll gantries, bridges, connecting roads, transit interface facilities, safety rails, safety improvements, illumination, signage, and any equipment and other improvements, including technological equipment, hardware and software, deemed necessary or desirable by the Borrower, *provided*, *however*, that Capital Expenditures shall not include Operating Expenses or Major Maintenance Expenses.

"Closing Date" means the date the Series 2011 Project Debt is issued, authenticated and delivered in accordance with the Trust Agreement.

"CPI" means the Consumer Price Index based on All Urban Consumers (CPI-U) applicable to the South Urban area, published by the Bureau of Labor Statistics of the United States Department of Labor or any successor agency thereto, or any other measure thereafter employed by said Bureau or agency in lieu of such index that measures the cost of living in such geographic area.

"Default" means each event which, with the giving of notice or lapse of time, or both, would constitute an Event of Default.

"Design-Build Contract" means the Design/Build Agreement (SH 161 Project) bearing contract No. 02622-SH161—00-DB-PM between the Borrower and the Design-Build Contractor.

"Design-Build Contractor" means Prairie Link Constructors Joint Venture, or its successor or assign, in its capacity as the company with primary responsibility to provide design and construction services under the Design-Build Contract.

"Direct Agreement" means the direct agreement entered into between TxDOT, the Borrower and the Design-Build Contractor or the contingent assignment of the Borrower's rights to TxDOT as consented to by the Design-Build Contractor, all in relation to the Design-Build Contract.

"Draw Period" means each 12-month period (September 1 to August 31) set forth in Appendix B attached hereto.

"Effective Date" has the meaning set forth in the preamble to this Agreement.

"Eligible Costs" means amounts expended or incurred, or reasonably anticipated to be expended or incurred, by the Borrower for Project Costs, Capital Expenditures, Major Maintenance and Operating Expenses (not to exceed amounts set forth in the Project Budget) and for the Upfront Payment.

"Environmental Claim" means any notice, claim or demand (collectively, a "claim") by any Person alleging or asserting liability for investigatory costs, cleanup or other remedial costs, legal costs, environmental consulting costs, governmental response costs, damages to natural resources or other property, personal injuries, fines or penalties related to (a) the presence, or release into the environment, of any Hazardous Substance located within the right of way or emanating from the right of way relating to the construction, operation or maintenance of the Project, whether or not owned by the Person against whom such claim is made, or (b) any violation of, or alleged violation of, or liability arising under any Environmental laws that relate to the construction, operation or maintenance of the Project. The term "Environmental Claim" shall include, without limitation, any claim by any Person or Government Authority for investigation, enforcement, cleanup, removal, response, remedial or other actions or damages pursuant to any Environmental laws, and any claim by any third party seeking damages, contribution, indemnification, cost recovery, compensation or injunctive relief under any Environmental laws that relate to construction, operation or maintenance of the Project.

"Environmental laws" means any laws as modified and supplemented and in effect from time to time regulating or imposing liability or standards of conduct concerning or relating to the regulation, use or protection of human health or other living organisms, the environment, Hazardous Substances or natural resources related to the environment, or may at any time hereafter be, in effect, including, by way of example and not limitation, the Comprehensive Environmental Response, Compensation and Liability Act of 1980, 42 USC Section 9601 et seq., the Resource Conservation and Recovery Act, 42 USC 6901 et seq., the Federal Clean Water Act, 33 USC Section 1351 et seq., the Occupational Safety and Health Act, 29 USC Section 651 et seq., as currently in force or as hereafter amended.

"Event of Default" (a) with respect to the Borrower, has the meaning assigned to that term in Section 6.01 of this Agreement, and (b) with respect to TxDOT, has the meaning assigned to that term in Section 7.05 of this Agreement.

"Finance Documents" means each of the Trust Agreement, the Series 2011 First Tier Bonds, this Agreement, the TIFIA Loan Agreement, the Series 2011 TIFIA Note, the Master Custodial Account Agreement and the Toll Equity Loan Note.

"Financial Model" means the financial model prepared by the Borrower as of the date specified in Section 3.01(b) hereof and delivered to TxDOT as provided in Section 3.01(b) hereof which contains the details of the proposed Series 2011 Project Debt, the Project Budget, the Maximum Available Annual Amount and the Maximum Available Aggregate Amount, as updated after the Pricing Date from time to time in accordance with Section 5.02(b)(ii) and (iii) hereof.

"Fiscal Year" means, presently, each 12-month period ending August 31, or any other period agreed to by the Borrower and TxDOT as the Fiscal Year for the Project.

"force majeure" has the meaning set forth in the last paragraph of Section 6.01 hereof.

"Future Offering Document" means any offering document delivered in connection with the sale and delivery of any Additional Senior Project Debt or Refunding Bonds.

"Generally Accepted Accounting Principles" or "GAAP" means those principles of accounting promulgated by the Financial Accounting Standards Board, the Governmental Accounting Standards Board or the standards of the Office of Management and Budget Circular A-133, Audits of States, Local Government and Non-profit Organizations, as applicable, or which have other substantial authoritative support and are applicable in the circumstances as of the date of a report, as such principles are from time to time supplemented and amended.

"Governmental Approval" means all authorizations, covenants, approvals, waivers, exceptions, variances, filings, permits, orders, licenses, exemptions and declarations of or with any Governmental Authority, including to the extent required under Environmental laws.

"Government Authority" means any court, federal, state or local government, department, commission, board, bureau, agency or other regulatory or governmental authority.

"Guaranteed Substantial Completion Date" means October 11, 2012.

"Hazardous Substances" means but is not limited to, any solid, liquid, gas, odor, heat, sound, vibration, radiation or other substance or emission which is at the time of the application of this definition, or could be considered as a public health matter, a contaminant, pollutant, dangerous substance, toxic substance, hazardous waste, solid waste, hazardous material or hazardous substance which is or becomes regulated by applicable Environmental laws or which is classified as "hazardous" or "toxic," a "pollutant" or a "contaminant" or words of similar import under applicable Environmental

laws (including but not limited to gasoline, diesel fuel or other petroleum hydrocarbons, polychlorinated biphenyls, asbestos and urea formaldehyde foam insulation and naturally asbestos-containing soils or sulfidic geological materials).

"Insurance Consultant" means such insurance consultant appointed under the provisions of this Agreement which may be the Consulting Engineer with TxDOT consent, which consent shall not be unreasonably withheld.

"Interest Rate" means for any day, the rate per annum equal to the ten-year "Aaa (pure)" rate provided by Municipal Market Data and published in The Bond Buyer under the caption "Municipal Market Data General Obligation Yields", plus 100 basis points; provided, however, if the ten year "Aaa (pure)" rate is no longer provided by Municipal Market Data, the rate to be used in its place shall be that rate which most closely replicates such rate, as agreed to by the Borrower and TxDOT; provided further, however, that the rate shall never exceed the Maximum Rate.

"LIBOR" means the offered rate per annum (rounded up to the nearest one one-thousandth of one percent (0.001%) for deposits in U.S. dollars for a one-month period that appears on the Telerate Page 3750 at approximately 11:00 a.m., London time, on the date of determination, or if such date is not a date on which dealings in U.S. dollars are transacted in the London interbank market, then on the next preceding day on which such dealings were transacted in such market.

"Major Maintenance Expenses" means the reasonable and necessary expenses (but excluding non-cash expenses such as depreciation, depletion and amortization) of repair and maintenance of the Project that do not occur at annual or shorter periods, as determined by the Borrower, including, without limiting the generality of the foregoing, periodic roadway resurfacing and repair, replacement of toll collection, vehicle identification, toll integration and video enforcement equipment, and all administrative and engineering expenses relating to the repair and maintenance of the Project and any other maintenance expenses required to be paid by the Borrower, *provided*, *however*, that Major Maintenance Expenses shall exclude Capital Expenditures and Operating Expenses.

"Master Custodial Account Agreement" means that certain master custodial account agreement by and between the Borrower and Wells Fargo Bank, NA, relating to the deposit and transfer of Project Revenues.

"Material Adverse Effect" means a material adverse effect on (i) the operations or financial condition of the Project, (ii) the authority or ability of the Borrower to perform any of its obligations under this Agreement or any Transaction Document, or (iii) the validity or enforceability against the Borrower of this Agreement or any Transaction Document.

"Maturity Date" means each date on which a principal amount of the Senior Project Debt is due and payable.

"Maximum Available Aggregate Amount" means the maximum amount of nominal funds available to the Borrower in the form of advances under the Toll Equity Loan Commitment in accordance with the terms of this Agreement and as set forth in Section 2.01 hereof.

"Maximum Available Annual Amount" means the maximum amount of nominal funds available to the Borrower in the form of advances under the Toll Equity Loan Commitment in any given Draw Period in accordance with the terms of this Agreement and as set forth in Appendix B attached hereto.

"Maximum Permitted Amount" means the lesser of (i) debt service payments associated with the Senior Project Debt for the applicable period for which an advance is requested, plus Operating Expenses, Major Maintenance Expenses and Capital Expenditures up to the amounts for the applicable period as set forth in the Project Budget, but minus balances available in the Capitalized Interest Fund for the payment of interest on the Series 2011 First Tier Bonds for the applicable period to the extent that a portion of a requested advance is to be used to pay interest on the Series 2011 First Tier Bonds, minus any Revenues deposited into the Revenue Fund during the applicable period, minus any available amounts in the Annual Operating Budget Account of the Operating Fund, Annual Operating Budget Account of the Major Maintenance Fund, Annual Operating Budget Account of the Capital Expenditures Fund, Major Maintenance Reserve Fund, Rate Stabilization Fund, Capital Expenditures Reserve Fund, General Account of the General Fund and the Current Year Revenue Account of the General Fund; and (ii) the Maximum Available Annual Amount for the applicable period for which an advance is requested, minus balances in the Capitalized Interest Fund for the payment of interest on the Series 2011 First Tier Bonds for the applicable period to the extent that a portion of a requested advance is to be used to pay interest on the Series 2011 First Tier Bonds, minus any Revenues deposited into the Revenue Fund during the applicable period, minus any available amounts in the Annual Operating Budget Account of the Operating Fund, Annual Operating Budget Account of the Major Maintenance Fund, Annual Operating Budget Account of the Capital Expenditures Fund, Major Maintenance Reserve Fund, Rate Stabilization Fund, Capital Expenditures Reserve Fund, General Account of the General Fund and the Current Year Revenue Account of the General Fund.

"Maximum Rate" means the maximum net effective interest rate permitted by applicable law to be paid on obligations issued or incurred by the Borrower in the exercise of its borrowing powers as prescribed in Chapter 1204, Texas Government Code, as amended, or any successor statute, determined on the basis of a weighted average interest cost for all advances.

"Note Issuance Date" means the date the Toll Equity Loan Note is issued by the Borrower after satisfaction of the requirements set forth in Section 3.01 hereof.

"Note Maturity Date" means for the principal amount of each advance under the Toll Equity Loan Commitment the date which is 40 years after the Closing Date.

"Official Statement" means the Official Statement, relating to the Series 2011 First Tier Bonds, together with any supplements thereto.

"Operating Expenses" means all reasonable current expenses incurred and paid or payable by the Borrower in relation to the Project, including without limitation costs for operation, maintenance and repair, consumables, payments under any lease or rental payments properly considered to be operating expenses, payments pursuant to the agreements for the management, operation and maintenance of the Project, taxes, premiums payable on any insurance, payments for oversight services, all administrative, engineering and policing costs, costs for any security, toll collection and enforcement expenses, fees and expenses of the Trustee, the Paying Agent, the Traffic Engineers, the Consulting Engineers, the Insurance Consultant, legal and accounting expenses, and any other reasonable expense paid for the operations and maintenance of the Project; *provided, however*, that Operating Expenses shall not include Capital Expenditures, Major Maintenance Expenses, Debt Service Requirements, the redemption price of any Bond, and any non-cash charges, such as depreciation, amortization or other bookkeeping entries of a similar nature.

"Operating Period" means the date beginning on the Service Commencement Date and ending on the Termination Date.

"Outstanding" shall have the meaning ascribed to such term in the Trust Agreement.

"Permitted Ancillary Projects" means a contract or lease with a Person for the use of part of the Project, including the right-of–way adjoining the paved portion, for a gas station, garage, store, hotel, restaurant, parking facility, train station, railroad track, billboard, telephone line or facility, telecommunication line or facility, data transmission line or facility, or electric line or facility.

"Permitted Investments" shall have the meaning ascribed to such term in the Trust Agreement.

"Person" means any individual, joint venture, corporation, company, voluntary association, partnership, limited liability company, trust, joint stock company, unincorporated organization, association, government, or any agency, instrumentality, or political subdivision thereof, or any other form of entity.

"Preliminary Official Statement" means the Preliminary Official Statement, relating to the Series 2011 First Tier Bonds, together with any supplements thereto.

"Pricing Date" means the date of the execution of the Bond Purchase Contract.

"Project" shall have the meaning given to such term in paragraph 2 of the Preliminary Statements hereto.

"Project Agreement" shall have the meaning given to such term in paragraph 3 of the Preliminary Statements hereto.

"Project Agreement Standards" means the minimum standards for operation and maintenance of the Project set forth in the Project Agreement; provided that the Borrower's "System-wide Design Guidelines" for landscaping and aesthetics that the Borrower is permitted to implement under Section 9(b) of the Project Agreement shall not be considered to be minimum standards and the Borrower's "Roadside Customer Service" shall be considered to be minimum standards.

"Project Budget" means the amounts estimated to be spent in each year for Project Costs, Operating Expenses, Major Maintenance Expenses and Capital Expenditures, mutually approved by the Borrower and TxDOT as of the date hereof as set forth in Appendix D attached hereto.

"Project Capacity Improvements" means the capacity improvements to the Project as required under Section 8(e) of the Project Agreement and provided in Exhibit D to the Project Agreement.

"Project Costs" means Costs for initial construction of the Project.

"Project Debt" means any bond, note or other evidence of indebtedness secured by Revenues and/or amounts held in any fund or account and pledged under the Trust Agreement.

"Project Documents" means, collectively, the Project Agreement and the Design-Build Contract.

"Project Revenues" means all tolls, fees or charges collected or received for the use of the Project as well as fines and penalties and interest thereon collected as a result of a failure to pay any tolls, fees or charges for the use of the Project; provided, however, that any of the amounts described above collected or received by the Borrower and required to be paid to TxDOT as revenue sharing payments pursuant to the Project Agreement shall not constitute "Project Revenues" for the purposes of this Agreement or the Trust Agreement.

"Project Reserve Funds" means each of the Revenue Fund, First Tier Debt Service Fund, Second Tier Debt Service Fund, Major Maintenance Reserve Fund, Capital Expenditures Reserve Fund, Rate Stabilization Fund and General Fund as described and defined in the Trust Agreement.

"Refunding Bonds" means any bond issued to redeem or defease, in whole or in part, the outstanding principal amount of the Senior Project Debt, the interest on and principal of which is eligible to be paid from advances under the Toll Equity Loan Commitment.

"Revenues" means Project Revenues, investment income from amounts on deposit in the Trust Agreement Funds, business interruption insurance payments, liquidated damages and any other amounts received by the Borrower relating to the use and operation of the Project; provided, however, that any of the amounts described above collected by the Borrower and required to be paid to TxDOT as revenue sharing payments pursuant to the Project Agreement shall not constitute "Revenues" for the purposes of this Agreement or the Trust Agreement.

"Senior Project Debt" means as at any date, the Series 2011 Project Debt and any Additional Senior Project Debt and Refunding Bonds incurred as of such date and as permitted in this Agreement.

"Series 2011 First Tier Bonds" has the meaning assigned to that term in paragraph (4) of the Preliminary Statements hereof.

"Series 2011 Project Debt" means the Series 2011 First Tier Bonds and the Series 2011 TIFIA Note.

"Series 2011 TIFIA Note" has the meaning assigned to that term in paragraph (4) of the Preliminary Statements hereof.

"Service Commencement Date" means the date when all Phases of the Project are open for normal and continuous operations and use by the traveling public.

"Substantial Completion" means the date when the Borrower has completed or caused the completion of all acquisition, equipping and construction of the Authority Structures, other than the low volume direct connectors in Phase 4, in accordance with the requirements of the Project Agreement, such that the Authority Structures, other than the low volume direct connectors in Phase 4, are in a condition that the Project can be used for normal and safe vehicular travel in all lanes and at all points of entry and exit, with a fully operable electronic toll collection system meeting the technical standards of the Project Agreement.

"SWP/CT Project" means the proposed tollway project known as the Scenario 1C Southwest Parkway/Chisholm Trail project more particularly described in Exhibit 1 attached to this Agreement.

"Term" means the period of time between the Effective Date and the Termination Date.

"Termination Date" means the earlier of (i) the final Maturity Date of the Senior Project Debt or (ii) the date of the defeasance or refunding in whole of the Senior Project Debt, the effect of which is to terminate the Toll Equity Loan Commitment.

"TIFIA Lender" means the United States Department of Transportation, acting through the Federal Highway Administrator.

"TIFIA Loan" has the meaning assigned to that term in paragraph (4) of the Preliminary Statements hereof.

"TIFIA Loan Agreement" means the agreement between the Borrower and the TIFIA Lender relating to the TIFIA Loan.

"Toll Equity Loan" means the aggregate outstanding amount of all advances drawn under the Toll Equity Loan Commitment, as provided in this Agreement.

"Toll Equity Loan Commitment" means the obligation on the part of TxDOT to make advances of funds available to the Trustee on behalf of the Borrower as provided in Section 2.01 hereof, subject to the requirements of this Agreement.

"Toll Equity Loan Commitment Establishment Date" means the date on which the Toll Equity Loan Commitment is established in favor of the Trustee on behalf of the Borrower as described in Section 2.01 hereof.

"Toll Equity Loan Note" means the promissory note executed by Borrower in favor of TxDOT evidencing the Toll Equity Loan, substantially in the form of Appendix A attached hereto.

"Toll Rate Schedule" means the schedule of tolls, fees or charges to be collected for the use of the Project established from time to time by the Borrower in accordance with the requirements of the Project Agreement, including any scheduled future increases or decreases.

"Transaction Document" means each of (a) the Finance Documents, (b) the Direct Agreement, and (c) the Project Documents.

"Trust Agreement" has the meaning assigned to that term in paragraph (4) of the Preliminary Statements hereof and includes any supplements or amendments thereto.

"Trust Agreement Funds" means the funds and accounts created and established pursuant to the Trust Agreement and as further described in Appendix E attached hereto.

"Trust Estate" shall have the meaning assigned to such term in the Trust Agreement.

"Trustee" means a nationally recognized trust company designated by the Borrower as trustee under the Trust Agreement and reasonably acceptable to TxDOT and shall include any successor entity thereto.

"Trustee Request" has the meaning assigned to that term in Section 2.03 hereof.

"Upfront Payment" means the $458 million acquisition payment to be made by the Borrower under the Project Agreement, adjusted as provided therein.

Section 1.02 Computation of Time Periods. In this Agreement, in the computation of a period of time from a specified date to a later specified date, the word "from" means "from and including" and the words "to" and "until" each mean "to but excluding."

Section 1.03 Accounting Terms. All accounting terms not specifically defined herein shall be construed in accordance with GAAP consistently applied, except as otherwise stated herein.

## ARTICLE II.
## AMOUNT AND TERMS OF THE TOLL EQUITY LOAN COMMITMENT

Section 2.01 Establishing the Toll Equity Loan Commitment. Upon fulfillment of all of the applicable conditions precedent set forth in Section 3.01 hereof (the "Toll Equity Loan Commitment Establishment Date"), TxDOT shall establish the Toll Equity Loan Commitment. The Toll Equity Loan Commitment shall not exceed in total principal amount $4,093,677,822 (the "Maximum Available Aggregate Amount") and no advance thereunder shall cause the aggregate principal amount of all advances (i) in any of the Draw Periods as set forth in Appendix B attached hereto to exceed the Maximum Available Annual Amount for any of such Draw Periods and (ii) taking into account such advance and all prior advances, to exceed the aggregate amount of Eligible Costs. Any advance thereunder shall additionally be subject to the limitations as set forth in Section 2.03 hereof.

Section 2.02 Term of the Toll Equity Loan Commitment. Once established pursuant to Section 2.01 hereof, the Toll Equity Loan Commitment shall remain in effect until the Termination Date. No extension of the Toll Equity Loan Commitment beyond the Termination Date shall be permitted.

Section 2.03 Toll Equity Loan. After TxDOT receives a request from the Trustee as provided in the Trust Agreement in the form of Appendix A to the Trust Agreement (each, a "Trustee Request") TxDOT shall make a corresponding advance under the Toll Equity Loan Commitment to the Borrower by 2:00 p.m. on the third Business Day after receipt of the Trustee request, the proceeds of which shall be deposited with the Trustee in the fund or account held under the Trust Agreement as identified in such Trustee Request; provided that in no event shall the amount of the advance exceed the Maximum Permitted Amount, or, when added to other amounts advanced under the Toll Equity Loan Commitment during the current Draw Period, the Maximum Available Annual Amount and the aggregate amount of Eligible Costs. The Borrower shall deliver to TxDOT a certificate in the form of Appendix C attached hereto on the same day as any such Trustee request, provided that TxDOT's obligation to make any advance shall not be conditioned on receipt of such Borrower's certificate. Each advance under the Toll Equity Loan Commitment shall be evidenced in the Toll Equity Loan Note which shall set forth the date of the advance, the principal amount, Interest Rate and maturity date therefor. TxDOT shall make such advances under the Toll Equity Loan Commitment from time to time during the Term of the Toll Equity Loan

Commitment Period up to the Maximum Available Aggregate Amount starting on the date the Toll Equity Loan Note is delivered to TxDOT, but not to exceed with any advance, taking into account all prior advances, the aggregate amount of Eligible Costs. If the principal amount of advances under the Toll Equity Loan Commitment made in a given Draw Period is less than the Maximum Available Annual Amount for such Draw Period (or if no Toll Equity Loans have been made in such Draw Period), the difference shall not be carried forward and may not be applied to increase the amount available to be advanced in any future Draw Period. The unpaid amount of each advance under the Toll Equity Loan Commitment shall bear interest from the date of such advance to the date on which such advance and the interest thereon are repaid in full at a rate per annum equal to the Interest Rate in effect on the day such advance is made.

TxDOT may rely on the certificate, in the form of Appendix C attached hereto, as to compliance with the limitations on advances as set forth in this section, provided that within 30 days of any advance under the Toll Equity Loan Commitment, TxDOT shall have the right to request and the Borrower shall provide written documentation, including copies of invoices, reports or notices from the Trustee, any vendor or supplier of goods or services to the Project or others, in support of the need for the advance and the use of the proceeds of advances.

Any advances under the Toll Equity Loan Commitment relating to amounts anticipated to be expended or incurred by the Borrower must be accompanied by documentation or other evidence demonstrating to the reasonable satisfaction of TxDOT that such amounts are reasonably likely to be expended or incurred, provided that, after Substantial Completion and subject to the following paragraph, amounts in the Project Budget for subsequent years shall be considered to be amounts reasonably anticipated to be expended or incurred.

Five years after Substantial Completion, and at the end of each Fiscal Year thereafter, (i) the amount of Operating Expenses for the immediately preceding five year period as a percentage of the Project Budget amounts for that period shall be calculated and, if such percentage (the "calculated percentage") is less than 100%, the amount considered to be reasonably anticipated to be expended or incurred for each year thereafter will be the Project Budget amount for each year thereafter multiplied by the calculated percentage, (ii) the amount of Major Maintenance Expenses reasonably anticipated to be expended or incurred for each year thereafter will be the amount of Major Maintenance in the Project Budget, after taking into account any advancement or deferment of Major Maintenance in the Project Budget, and (iii) the amount of Capital Expenditures reasonably anticipated to be expended or incurred for each year thereafter will be the amount of Capital Expenditures in the Project Budget taking into account any advancement or deferment of Capital Expenditures in the Project Budget.

Proceeds of advances under the Toll Equity Loan Commitment shall be used to pay or reimburse for Project Costs, Capital Expenditures, Major Maintenance Expenses and Operating Expenses (not to exceed amounts set forth in the Project

Budget) and for the Upfront Payment in accordance with applicable state and federal laws, including the cost principles established in OMB Circular A-87 that specify that costs must be allowable, reasonable and allocable to the Project.

In no event shall the Trustee be authorized to request an advance under the Toll Equity Loan Commitment to pay (i) the Default Interest Amount, or (ii) any shortfall in the amount needed to fund Project Capacity Improvements so long as the Trustee is prevented from transferring, disbursing or applying funds in the Project Budget Account of the Capital Expenditures Fund as set forth in the third paragraph of Section 409 of the Trust Agreement.

Section 2.04 Repayment of Principal of and Interest on Toll Equity Loan; Interest on Overdue Amounts. Borrower shall make payments of principal and interest to TxDOT according to the provisions of this Agreement, the Trust Agreement and the Toll Equity Loan Note. Interest on Toll Equity Loan shall be paid on the first Business Day of each month first from Revenues available in the Third Tier Interest Account then from amounts in the Revenue Fund (subject to clause (c) under the caption "Revenue Fund; Agreements with other Turnpikes" in Appendix E attached hereto), the General Account of the General Fund, the Current Year Revenue Account of the General Fund, the Capital Expenditures Reserve Fund, the Major Maintenance Reserve Fund, the Annual Operating Budget Account of the Capital Expenditures Fund, the Annual Operating Budget Account of the Major Maintenance Fund, Rate Stabilization Fund and the Annual Operating Budget Account of the Operating Fund, all based on the order in which advances under the Toll Equity Loan Commitment were made. The amount of interest on any advance under the Toll Equity Loan Commitment which is not paid as of March 1 and September 1 of each year due to an insufficient amount of Revenues or other amounts available therefor as provided in the Trust Agreement shall be compounded semi-annually and shall bear interest at the same rate applicable to such advance.

If all or a portion of any amount payable hereunder by Borrower (other than principal of and interest on the Toll Equity Loan) shall not be paid when due, then such unpaid amount shall bear interest from the date due until paid in full (as well as before and after judgment) at a floating rate per annum which is equal to LIBOR plus 200 basis points, determined on the first Business Day of each month beginning with the month in which payment became due, provided that such interest rate shall not exceed the Maximum Rate.

Borrower shall return or direct the Trustee to return to TxDOT any amounts included in an advance under the Toll Equity Loan Commitment which are in excess of the Maximum Permitted Amount for an advance, the Maximum Available Annual Amount for a Draw Period or the Maximum Available Aggregate Amount immediately upon becoming aware of such amounts, and any such amount returned to TxDOT shall reduce the amount of principal of the Toll Equity Loan Note. Borrower shall pay interest on any such amount commencing on the date of the applicable advance under the Toll Equity Loan Commitment at the Interest Rate applicable to such advance until the

earlier of the date the Borrower became aware of such amounts or 60 days after the date the Borrower receives notice from TxDOT or the Trustee demanding return of such amount, and thereafter at the interest rate set forth in immediately preceding paragraph of this Section 2.04.

Section 2.05 Prepayment.

(a) Voluntary Prepayment. Borrower may prepay any amount of principal of the Toll Equity Loan, without premium or penalty, upon at least two Business Days' notice to TxDOT specifying the date and amount of prepayment. If any such notice is given, the amount specified in such notice shall be due and payable on the date specified therein, unless such notice is revoked by the Borrower on or prior to the prepayment date specified therein. Upon such prepayment, unpaid amounts of interest and principal shall continue unaffected and the Toll Equity Loan Note shall be adjusted to reflect the amount of principal prepaid. Amounts prepaid may not be reborrowed.

(b) Mandatory Prepayment. The principal amount of the Toll Equity Loan shall be prepaid prior to maturity on the first Business Day of each month in the order in which advances under the Toll Equity Loan Commitment were made, but solely from and to the extent of funds available therefor held in the Third Tier Principal Account of the Third Tier Debt Service Fund created and maintained pursuant to the Trust Agreement.

(c) Borrower Receipt of Condemnation and Insurance Proceeds.

(i) Insurance Proceeds. The Borrower shall pay any insurance proceeds it receives under builders all risk, property all risk and business interruption insurance to the Trustee for deposit into the Revenue Fund to the extent attributable to the debt service and fixed expense component of the business interruption insurance proceeds. Otherwise, such insurance proceeds shall be deposited to the Construction Fund and used for any repairs or modifications of the Project necessary or desirable as a result of damage or destruction to the Project. If no such repairs or modifications are necessary or desirable, or if any funds remain in the Construction Fund after completion of all such repairs and modifications, the proceeds of such insurance or remaining proceeds, as applicable, shall be deposited to the Revenue Fund and applied as provided in the Trust Agreement.

The Borrower shall direct that the Design-Build Contractor pay insurance proceeds payable to the Borrower under such policies maintained by the Design-Build Contractor pursuant to the Design-Build Contract directly to the Trustee for deposit into the Revenue Fund to the extent attributable to the debt service and fixed expense component of the business

interruption insurance proceeds. Otherwise, such insurance proceeds shall be deposited to the Construction Fund.

(ii) Condemnation Proceeds. In the event the Borrower receives any payment or other proceeds in respect of a total or partial condemnation of the Project, it shall cause such proceeds to be deposited to the Construction Fund and utilized for any repairs or modifications of the Project necessary or desirable as a result of such condemnation. If no such repairs or modifications are necessary or desirable, the proceeds of such condemnation shall be deposited to the Revenue Fund and applied as provided in the Trust Agreement.

Section 2.06 Release of Toll Equity Loan Commitment.

TxDOT's obligation to establish and maintain the Toll Equity Loan Commitment and make any advances thereunder will terminate upon the receipt of notice from the Borrower that a refunding, payment or legal defeasance of all of the outstanding principal amount of and any unpaid interest on the Senior Project Debt has occurred.

Commencing on the 5th anniversary of the Service Commencement Date the parties will meet on a periodic basis to discuss the potential for the termination of the Toll Equity Loan Commitment with the goal of accomplishing such termination at the earliest practicable date through a defeasance and refunding of the Senior Project Debt as set forth in the Final Term Sheet approved by, and attached thereto as Exhibit A, Minute Order No. 111557 of the Texas Transportation Commission adopted October 30, 2008. If at any time after such 5th anniversary date the Borrower is able to issue debt secured by Project Revenues that is rated investment grade by at least two of the national rating agencies without the Toll Equity Loan Commitment and without support from the NTTA System or any other roadways or assets of the Borrower in a principal amount along with other funds held in the Project Reserve Funds (other than the Major Maintenance Reserve Fund and Capital Expenditures Reserve Fund) sufficient to pay or defease all outstanding Senior Project Debt and amounts owed to TxDOT under the Toll Equity Note and this Agreement, the Borrower shall use good faith efforts to issue such debt and cause a termination of the Toll Equity Loan Commitment.

On the first day of the Fiscal Year following the 10th anniversary of the Effective Date and on the first day of each Fiscal Year thereafter, the Borrower shall pay to TxDOT, from unencumbered amounts on deposit in the General Account of the General Fund and the Current Year Revenue Account of the General Fund, a non-refundable amount equal to three percent of that Fiscal Year's Maximum Available Annual Amount. Failure to pay such amounts shall not constitute a default under this Agreement, unless sufficient unencumbered funds are on deposit in the General Account of the General Fund and the Current Year Revenue Account of the General Fund to make such payment; provided that in any event any accrued unpaid amounts shall be due and payable in full on the Termination Date. If payment is not made on the first day of the

applicable Fiscal Year, the unpaid amount shall bear interest from such date to the date on which such amount and the interest thereon are repaid in full at a rate per annum equal to the Interest Rate in effect on the first day of the applicable Fiscal Year. The amount of interest on any such amount which is not paid as of March 1 and September 1 of each year shall be compounded semi-annually and shall bear interest at the same rate applicable to such amount. Payments received under this paragraph shall be applied in an order of priority based on when the amount payable arose, with amounts payable arising earlier having priority over amounts payable arising later.

TxDOT will apply the payments it receives under the immediately preceding paragraph to the cost of highway improvements as authorized by law within the Dallas District of TxDOT and, if the SWP/CT Project is added to the Toll Equity Loan Commitment, the Ft. Worth District of TxDOT.

Section 2.07 Place and Manner of Payments. All payments by the Borrower to TxDOT under this Agreement shall be made in lawful currency of the United States by wire transfer in immediately available funds on or prior to 2:00 p.m. on the date such payment is due, to the following account:

Texas Comptroller of Public Accounts
ABA Number: 114900164
Account Name: Texas Comptroller of Public Accounts
Account Number: 463600001
Attention: 601-Texas Department of Transportation, Chema Sanchez, Diana Ruiz, and Coleta Dille
Reference: North Texas Tollway Authority, SH 161

or as TxDOT may otherwise stipulate by notice to the Borrower. Any such payments received after 2:00 p.m. on any day will be deemed to have been received on the next succeeding Business Day. If any payment becomes due and payable on a day other than a Business Day, unless sooner paid such payment shall be extended to the next succeeding Business Day and interest thereon shall be payable at the then applicable rate during such extension. TxDOT acknowledges and agrees that any such payments may be made by the Trustee on behalf of the Borrower from funds on deposit under the Trust Agreement.

Section 2.08 Obligations Absolute. Subject to Section 8.14 hereof, the obligations of the Borrower under this Article shall be absolute, unconditional and irrevocable, shall be performed strictly in accordance with the terms of this Agreement, under all circumstances whatsoever, including without limitation, the following circumstances: (i) any lack of validity or enforceability of any Finance Documents or any other agreement or document relating thereto; (ii) any amendment or waiver of or any consent to or departure from any Finance Documents or any agreement or document relating thereto; or (iii) the existence of any claim, set-off, defense or other right which the Borrower may have at any time against the Trustee (or any Person for whom the

Trustee may be acting), TxDOT, or any other Person, whether in connection with this Agreement, the transactions described herein or any unrelated transaction.

Section 2.09 Security.

(a) Security Under the Trust Agreement. The Toll Equity Loan Note is a special obligation of the Borrower payable from and secured solely by the funds pledged therefor pursuant to the Trust Agreement. The Toll Equity Loan Note and all other payment obligations of the Borrower owed to TxDOT under this Agreement constitute Third Tier Obligations under the Trust Agreement so long as Senior Project Debt is Outstanding, and thereafter shall constitute First Tier Obligations under the Trust Agreement. Revenues shall be transmitted to the Trustee and used along with the other amounts held in the funds and accounts established under the Trust Agreement in accordance with the provisions of the Trust Agreement and as described in Appendix E attached hereto.

(b) No Termination of the Trust Agreement. The Trust Agreement shall not terminate or be discharged until all sums owing hereunder are paid in full.

Section 2.10 Pledge and Assignment to Trustee.

(a) TxDOT consents to the pledge and assignment to the Trustee of, and the grant to the Trustee of a lien on and security interest in, all of the Authority's right, title and interest in, to and under this Agreement, pursuant to the terms and conditions of the Trust Agreement, as collateral security for all of the obligations secured or purported to be secured by the Trust Agreement.

(b) TxDOT agrees that as a result of the pledge and assignment referred to in clause (a) above, the Trustee shall have the full right and power, in the exercise of the Trustee's rights and remedies under the Trust Agreement, to enforce directly against TxDOT all obligations of TxDOT under this Agreement, to exercise all other rights and remedies of the Authority hereunder and to make all demands and requests and give all notices required or permitted to be made by the Authority or the Trustee hereunder.

## ARTICLE III.
## CONDITIONS OF ESTABLISHING TOLL EQUITY LOAN COMMITMENT

Section 3.01 Condition Precedent to Establishment of the Toll Equity Loan Commitment. The obligation of TxDOT to establish the Toll Equity Loan Commitment is subject to the condition precedent that TxDOT shall have received, from or on behalf of the Borrower, on or before the Toll Equity Loan Commitment Establishment Date, the following, each in form and substance satisfactory to TxDOT (and on the Closing Date TxDOT shall deliver to the Borrower a certificate that all conditions precedent to the

establishment of the Toll Equity Loan Commitment have been satisfied or expressly waived):

(a) Documents to Be Delivered. Either an original or a copy of each of the following documents to be delivered on or before the Pricing Date or the Closing Date:

(i) this Agreement (on the Pricing Date);

(ii) the TIFIA Loan Agreement (on or before the Pricing Date) and the Series 2011 TIFIA Note (on or before the Closing Date);

(iii) each other Finance Document, together with any exhibit or schedule thereto and any document entered into in accordance therewith (on or before the Closing Date);

(iv) each Project Document, together with any exhibit or schedule thereto and any document entered into in accordance therewith or in order to support the obligations of any party thereunder (on or before the Pricing Date);

(v) the Direct Agreement (on or before the Closing Date); and

(vi) the Preliminary Official Statement (before the Pricing Date) and the Official Statement (on or before the Closing Date);

each of which shall have been duly authorized, executed and delivered by the parties thereto, and, except for the Preliminary Official Statement and the Official Statement, shall be in full force and effect and, to the extent that a copy is provided, accompanied by a certificate by an authorized officer of the Borrower certifying as of the Toll Equity Loan Commitment Establishment Date that each such copy that is delivered to TxDOT is a true, complete and correct copy thereof, as amended as of the Toll Equity Loan Commitment Establishment Date.

(b) Financial Model. On the Pricing Date, an electronic copy of the Financial Model, demonstrating, among other matters, that (x) the payment of principal of and interest on the Series 2011 Project Debt (other than interest to be paid for from Series 2011 Project Debt) and modeled Additional Senior Project Debt plus the Project Budget amounts, other than Project Costs and Capital Expenditures if and to the extent paid for from Series 2011 Project Debt, modeled Additional Senior Project Debt, the Capital Expenditure Reserve Fund or the General Fund, and after adjustment for amounts available in the Major Maintenance Reserve Fund, do not exceed 100% of the projected Project Revenues in any year, (y) at all times there will be an unencumbered fund balance in the General Fund and (z) at no time will there be an advance anticipated to be required under the Toll Equity Loan Commitment.

(c) Insurance Report. On or before the Closing Date, a report prepared by the Insurance Consultant to the effect that all insurance policies required to be maintained by the Borrower under Section 5.05(g) of this Agreement are in full force and effect, the premiums due thereon have been paid (if applicable), that such policies otherwise conform with the requirements specified in this Agreement and that the types and coverages provided by such policies are adequate in relation to the Project.

(d) Opinions. On or before the Closing Date, legal opinions from general counsel for the Borrower and the Trustee, and reliance letters regarding legal opinions from general counsel for the Design-Build Contractor, each in form and substance acceptable to TxDOT.

(e) Authorization and Authority. On or before the Closing Date, in relation to each of the Borrower and the Design-Build Contractor, an original or a copy certified by an authorized officer of the relevant Person to be true, complete and correct of (i) the authorizing resolutions of its board of directors, general partners, or managing member or manager, as applicable, authorizing the transactions contemplated hereunder and under the Transaction Documents to which such Person is or is intended to be a party and in the case of the Borrower, designating the Board Representative, together with a certificate that no such authorization has been amended or revoked. In relation to the Borrower, on or before the Closing Date (i) an incumbency certificate of the Borrower, and (ii) the Borrower's most recent unaudited and (if available) audited financial statements.

(f) Governmental Approvals. On or before the Closing Date, TxDOT shall have received a copy of each Governmental Approval listed in Schedule 3.01(f) attached hereto, together with a certificate by a Board Representative certifying as of the Toll Equity Loan Commitment Establishment Date that such schedule of Governmental Approvals sets forth all Governmental Approvals that are necessary for the work being performed under the Design-Build Contract as of the Toll Equity Loan Commitment Establishment Date.

(g) Consultant Reports. On or before the Closing Date, copies of the following, each in form and substance satisfactory to TxDOT:

(i) a final report of the Traffic Engineer dated not earlier than 90 days before the Pricing Date; and

(ii) a final report of the Consulting Engineer dated not earlier than 90 days before the Pricing Date concluding, among other things, that the Project Budget for Project Costs and the time frame to achieve Substantial Completion (which the report shall indicate will fall not later than 90 days after the Guaranteed Substantial Completion Date) are reasonable, subject to such conditions that are customary for such reports.

Section 3.02 Additional Conditions Precedent. The obligation of TxDOT to establish the Toll Equity Loan Commitment shall be subject to the satisfaction or waiver by TxDOT of the following additional conditions precedent; provided that, the Borrower shall be deemed to have satisfied the conditions set forth in this Section 3.02(a) to (f) (and as to (f) only as to Borrower) to the extent they have been certified in writing by Borrower's Representative in a certificate in the form attached hereto as Appendix F:

(a) Bond Purchase Contract. All conditions precedent to the occurrence of the Closing Date (as defined in the Bond Purchase Contract) under the Bond Purchase Contract shall have been satisfied or waived by underwriter, other than any conditions solely requiring the satisfaction of all conditions to the establishment of the Toll Equity Loan Commitment.

(b) TIFIA Loan. All conditions precedent to the making of the first disbursement under the TIFIA Loan Agreement shall have been satisfied or waived by the United States Department of Transportation, other than any conditions solely requiring the satisfaction of all conditions to the issuance of the Series 2011 First Tier Bonds or of the Toll Equity Loan Commitment, or any conditions that, because of the nature of the condition, cannot be satisfied on or before the Closing Date.

(c) No Default or Event of Default. No "Event of Default" under and as defined in the Trust Agreement shall have occurred and no "Authority Default" on the part of the Borrower under and as defined in the Project Agreement shall have occurred and be continuing beyond the cure period provided in the Project Agreement.

(d) Representations and Warranties. The representations and warranties given by the Borrower herein shall be true and correct in all material respects on and as of the Toll Equity Loan Commitment Establishment Date, except to the extent that such representations and warranties specifically refer to an earlier date, in which case they shall be true and correct in all material respects as of such earlier date.

(e) No Default or Event of Default. No Default with respect to the Borrower shall have occurred and be continuing or shall occur as a result of the establishment of the Toll Equity Loan Commitment, and no Event of Default with respect to the Borrower shall have occurred or shall occur as a result of the establishment of the Toll Equity Loan Commitment.

(f) No Material Adverse Effect. No event, development or circumstance shall have occurred or shall have become known to TxDOT or to the Borrower that has had or could reasonably be expected to have a Material Adverse Effect on the Project.

## ARTICLE IV.
## REPRESENTATIONS AND WARRANTIES

Section 4.01 Representations and Warranties of the Borrower. The Borrower represents and warrants as of the date hereof and as of the Toll Equity Loan Commitment Establishment Date (except to the extent that any representation and warranty set forth below specifically refers to an earlier or specified date, in which case such representation and warranty shall be as of such earlier or specified date) as follows:

(a) The Borrower has the requisite power and authority; has obtained all necessary consents, approvals, authorizations and orders of any Government Authority or regulatory authority; and has taken all actions necessary to (1) enter into, deliver and perform its obligations under this Agreement and each Finance Document and each Transaction Document to which it is a party and the transactions contemplated hereby and thereby, and (2) carry out its activities as now conducted and as proposed to be conducted immediately following execution and delivery of this Agreement, the Finance Documents and the other Transaction Documents.

(b) The Borrower has duly authorized the execution and delivery of each Transaction Document to which it is a party, the performance of its obligations hereunder and the incurrence of the debt made available to it under each Finance Document. The authorization has not been repealed, revoked, rescinded or amended and is in full force and effect.

(c) The execution and delivery by the Borrower of each Transaction Document to which it is a party, and the compliance with the terms and conditions thereof will not, in any material respect, (1) violate any existing law applicable to it or (2) result in default under the Trust Agreement, or any mortgage, deed of trust, lien, lease, contract, note, order, judgment, decree or other agreement, instrument or restriction of any kind to which any of its assets are subject.

(d) There is no litigation at law or in equity or any proceeding before any Government Authority involving the Borrower pending or, to the best knowledge of the Borrower, threatened, that could reasonably be expected to have a material adverse effect on the operations or financial condition of the Borrower.

(e) The execution and delivery by the Borrower of each Transaction Document to which it is a party, the performance by the Borrower of its obligations hereunder and thereunder and the consummation of the transactions herein and therein contemplated do not and will not in any material respect conflict with, or constitute a breach or result in a violation of the Borrower's statutory authority, any agreement or other instrument to which the

Borrower is a party or by which it is bound or any constitutional or statutory provision or order, rule, regulation, decree or ordinance of any court, government or Government Authority having jurisdiction over the Borrower or its property and will not result in or require the creation or imposition of any security interest on any of the Borrower's property or the Trust Estate other than the security interests created pursuant to the Trust Agreement.

(f) The Borrower has obtained or caused to be obtained all consents, approvals, authorizations and orders of any Government Authority or regulatory authority that (1) are required to be obtained by the Borrower as a condition precedent to the execution and delivery of each Transaction Document to which it is a party, or (2) are required for the operation of the Project or the performance by the Borrower of its obligations under any Transaction Document to which it is a party or for the grant by the Borrower of the security interest under the Trust Agreement and all such consents, approvals, authorizations and orders of any governmental or regulatory authority are in full force and effect.

(g) The Borrower will fully and faithfully perform all the duties and obligations which it has covenanted and agreed in the Trust Agreement.

(h) Each Transaction Document to which it is a party constitutes the legal, valid and binding obligation of the Borrower, enforceable against the Borrower in accordance with the terms thereof, except as may be limited by applicable bankruptcy, insolvency, reorganization, moratorium, fraudulent transfer or other similar laws or judicial action affecting the enforcement of creditors' rights generally and the application of general principles of equity (regardless of whether enforceability is considered in a proceeding in equity or at law).

(i) No Default or Event of Default with respect to the Borrower has occurred and is continuing and no "Event of Default" (as defined in Section 802 of the Trust Agreement) and no "Authority Default" under and as defined in the Project Agreement has occurred and is continuing and no event has occurred that would be (with the expiry of any applicable grace period, the giving of notice or the making of any determination under any such loan agreement or any combination of them) a default thereunder.

(j) The Borrower does not have any Project Debt other than the Series 2011 First Tier Bonds, the Series 2011 TIFIA Note and the Toll Equity Loan Note.

(k) All insurance required to be maintained as of the date hereof by the Borrower or the Design-Build Contractor pursuant to the Project Agreement and the Design-Build Contact has been obtained and is in full force and effect.

(l) The Trust Agreement including the right of the Trustee to retain Revenues is effective to create and perfect a legally valid and enforceable interest in the Borrower's rights in the Revenues.

(m) Each Project Document which has been executed and delivered to TxDOT is in full force and effect, the Borrower is not in default under any of such agreements or contracts, and to the best knowledge of the Borrower, no third party to any of such agreements or contracts is in default thereunder, except as, in either case, could not reasonably be expected to have a Material Adverse Effect.

(n) No Bankruptcy Event has occurred or is continuing with respect to the Borrower.

(o) True and complete copies of all Transaction Documents have been delivered to TxDOT, and the Borrower is not party to any other material Project-related agreements, other than the Direct Agreement (as defined in the Trust Agreement), the BAN Resolution and the Series 2011 BANs.

(p) To the best knowledge of the Borrower, development and construction of the Authority Structures is being carried out in compliance in all material respects with all Environmental laws and the Borrower (i) has provided or made available to TxDOT copies of all material environmental due diligence reports or analyses prepared by it or on its behalf and (ii) has obtained all environmental permits required to be obtained by it with respect to the Authority Structures and all such permits are in full force and effect, except, in each case, for any environmental permits (x) where the failure to obtain such environmental permits could not reasonably be expected to have a Material Adverse Effect, or (y) which are not required at the current state of development of the Authority Structures.

(q) None of the information in any agreement, document, certificate, exhibit, financial statement, book, record, material or report or other written information furnished by the Borrower, when taken as a whole, contained any untrue statement of material fact or omitted to state a material fact necessary in order to make the statements contained therein not materially misleading; except for any projections that may have been included therein; and provided, that the Borrower does not represent as to the accuracy of the information provided by TxDOT or the statements made in the reports by the Consulting Engineer, the Traffic Engineer or any other advisor or consultant providing services to the Project; and provided, further, that no representation or warranty is made as to any forecasts, projections, opinions or other forward looking statements.

(r) The Borrower is not aware of any builders' liens or analogous claims for payments which are overdue with respect to work or

services to be performed or materials supplied in connection with the Authority Structures, which claim has not been fully satisfied, and, if registered, duly discharged or vacated, unless there is a bona fide dispute and adequate security as required by law or ruling of a court has been posted.

(s) Since the date of the most recent financial statements of the Borrower prior to the Toll Equity Loan Commitment Establishment Date, no event has occurred which could reasonably be expected to have a Material Adverse Effect or which could reasonably be expected to have a material adverse effect on the operations or financial condition of the Borrower. Since the date of the Project Agreement, there has been no change to the nature, scope or any other aspect of the Project pursuant to any requirement or instruction of any Government Authority of which the Borrower has received actual or constructive knowledge.

(t) The Borrower has not received any communications from, nor is aware of any proceeding by, any Government Authority that could reasonably be expected to result in termination or revocation of the Borrower's right and authority to operate the Project or a Material Adverse Effect.

(u) To the actual knowledge of the Borrower without inquiry or investigation, no Bankruptcy Event has occurred or is continuing with respect to the Design-Build Contractor.

(v) To the extent applicable, the most recent financial statements of the Borrower delivered to TxDOT, have been prepared in conformity with GAAP and present fairly, in all material respects, the financial condition of the Borrower as of the date thereof.

(w) To the best knowledge of the Borrower, the development and construction of the Authority Structures is being carried out in compliance in all material respects with all Environmental laws and, to the best knowledge of the Borrower, there are no Environmental Claims with respect to the Authority Structures, except to the extent that noncompliance with such claims could not reasonably be expected to give rise to a Material Adverse Effect. To the Borrower's best knowledge (x) there are no Hazardous Substances on the Project, the presence of which Hazardous Substance would cause the Borrower to be in material violation of any applicable laws and (y) it has no current liability on its part, whether contingent or otherwise, arising out of or resulting from the release or discharge on or to the Project of any Hazardous Substance, except to the extent such liability could not reasonably be expected to give rise to a Material Adverse Effect.

(x) All insurance required to be maintained by the Borrower as of the date hereof pursuant to the requirements in Section 5.05(g) of this Agreement and the Trust Agreement has been obtained and is in full force and

effect. All premiums due and payable in connection therewith have been paid and such insurance complies in full with the insurance required to be maintained by the Borrower pursuant to Section 5.05(g) of this Agreement and the Trust Agreement.

(y) There are no material disputes under any Transaction Document that could reasonably be expected to have a Material Adverse Effect.

(z) The Official Statement does not contain any untrue or misleading statement of a material fact or omit to state any material fact necessary to make such statements therein, in light of the circumstances under which they were made, not misleading, in each case to the extent such statements and facts (i) relate to the Borrower or the Project or (ii) are otherwise known, following reasonably diligent inquiry, to the Borrower; provided, that (x) this representation does not apply to any information in the Official Statement regarding TxDOT, the United States Department of Transportation or the Transportation Infrastructure Finance Innovation Act of 1998, as amended, and (y) this representation does not apply to any extent to the section thereof entitled "Tax Matters", the traffic and revenue study report, and the engineer's report.

Section 4.02 Representations and Warranties of TxDOT. TxDOT represents and warrants as of the date hereof, the Toll Equity Loan Commitment Establishment Date and as of each advance under the Toll Equity Loan Commitment (except to the extent that any representation and warranty set forth below specifically refers to an earlier or specified date, in which case such representation and warranty shall be as of such earlier or specified date) as follows:

(a) TxDOT has all requisite power and authority to establish the Toll Equity Loan Commitment, to make advances to the Borrower under the Toll Equity Loan Commitment and to perform any and all of its obligations under the Transaction Documents to which it is a party.

(b) The Transaction Documents to which TxDOT is a party have been duly authorized, executed and delivered by TxDOT, and are legally valid and binding agreements of TxDOT, enforceable in accordance with their terms except as may be limited by applicable bankruptcy, insolvency, reorganization, moratorium, fraudulent transfer or other similar laws or judicial action affecting the enforcement of creditors' rights generally and the application of general principles of equity (regardless of whether enforceability is considered in a proceeding in equity or at law).

(c) TxDOT has obtained or caused to be obtained all consents, authorizations or approvals of any Government Authority that is required in connection with TxDOT's execution and delivery of this Agreement or the performance of TxDOT's obligations under the Transaction Documents to which it is a party.

(d) There is no litigation at law or in equity or any proceeding before any Governmental Authority involving TxDOT pending, or, to the best knowledge of TxDOT, threatened, that could reasonably be expected to materially affect the performance of its obligations under the Transaction Documents to which it is a party.

(e) The officer of TxDOT executing this Agreement and the Transaction Documents to which TxDOT is a party is duly and properly in office and fully authorized to execute the same on behalf of TxDOT.

(f) None of the information in any agreement, document, certificate, exhibit, financial statement or other information furnished by TxDOT, when taken as a whole, contained any untrue statement of material fact or omitted to state a material fact necessary in order to make the statements contained therein not materially misleading.

(g) The statements describing TxDOT and its activities in Appendix B—The Texas Department of Transportation in the Official Statement, do not contain any untrue or misleading statement of a material fact or omit to state any material fact necessary to make such statements therein, in light of the circumstances under which they were made, not misleading.

(h) No "TxDOT Default" under and as defined in the Project Agreement has occurred and is continuing and no event has occurred that would be (with the expiry of any applicable grace period, the giving of notice or the making of any determination under any such loan agreement or any combination of them) a default thereunder.

(i) TxDOT is not aware of any builders' liens or analogous claims for payments which are overdue with respect to work or services to be performed or materials supplied in connection with the portions of the Project for which TxDOT is responsible for under the terms of the Project Agreement, which claim has not been fully satisfied, and, if registered, duly discharged or vacated, unless there is a bona fide dispute and adequate security as required by law or ruling of a court has been posted.

## ARTICLE V.
## COVENANTS OF THE BORROWER

Until the Termination Date, subject to Section 5.09 hereof, the Borrower shall comply with the following:

Section 5.01 Operations; Limitation on Use of Funds to Pay for Certain Operation and Maintenance Expenses and Capital Expenditures.

(a) Operation and Maintenance. The Borrower shall maintain and operate the Project in an efficient and economical manner and at all times maintain the same in good repair, working order and in sound operating condition and in accordance with the Project Agreement and in compliance in all material respects with applicable laws and Governmental Approvals and make all necessary repairs, renewals and replacements, in each case, in accordance in all material respects with the Project Agreement and in compliance in all material respects with applicable laws and the terms of the insurance required under Section 5.05(g) hereof.

(b) Limitation on Use of Funds to Pay for Certain Operation and Maintenance Expenses and Capital Expenditures. In no event shall the proceeds of advances under the Toll Equity Loan Commitment be used to pay for Operating Expenses, Major Maintenance Expenses or Capital Expenditures in excess of the Project Budget or to operate and maintain the Project to standards higher than the Project Agreement Standards, and Borrower shall use any other legally available funds for such purposes.

In no event shall Revenues or amounts on deposit in the Trust Agreement Funds be used to pay for Operating Expenses, Major Maintenance Expenses or Capital Expenditures relating to the operation and maintenance of the Project to standards higher than the Project Agreement Standards, and Borrower shall use any other legally available funds for such purposes.

(c) Quarterly Report re Operating Expenses, Maintenance Costs and Capital Expenditures. Not later than 45 days after the end of each fiscal quarter of each Fiscal Year, beginning three months after the Effective Date, the Borrower shall deliver to TxDOT a report showing (i) the operating data for the Project for the previous quarter and for the year to date, including total Revenues for the Project, total Operating Expenses incurred, total Major Maintenance Expenses incurred and total Capital Expenditures incurred, (ii) the variances of 5% or more for such periods between (1) the actual Revenues and the projected Revenues set forth in the Annual Operating Budget, (2) the actual Revenues and the Maximum Available Annual Amount; and (3) the actual Operating Expenses, Major Maintenance Expenses and Capital Expenditures incurred and the Annual Operating Budget (as defined in the next section) and the Project Budget, together with a brief narrative explanation of the reasons for any such variance, (iii) reports on quarterly traffic and average toll figures, and (iv) if an Event of Default with respect to the Borrower exists, such other operating and traffic information as TxDOT may reasonably request.

(d) Annual Operating Budget.

(i) Not less than 60 and not more than 90 days before the commencement of each Fiscal Year, the Borrower shall submit to

TxDOT for its review an operating plan and budget for the Project (collectively, an "Annual Operating Budget"). Each Annual Operating Budget shall specify in reasonable detail all projected Revenues, Operating Expenses, Major Maintenance Expenses and Capital Expenditures and any projected advances under the Toll Equity Loan Commitment for such period on a monthly basis. The Annual Operating Budget shall specify (A) the projected Operating Expenses, Major Maintenance Expenses and Capital Expenditures relating to the operation, maintenance and improvement of the Project as compared to the Project Budget for the Fiscal Year, (B) the projected Operating Expenses, Major Maintenance Expenses and Capital Expenditures relating to the operation, maintenance and improvement of the Project in excess of the Project Budget but to be incurred while performing at the Project Agreement Standards, and (C) the projected Operating Expenses, Major Maintenance Expenses and Capital Expenditures relating to the operation, maintenance and improvement of the Project in excess of the Project Budget and to be incurred while performing in excess of the Project Agreement Standards and the sources of payment for such costs. The Annual Operating Budget shall be accompanied by a certificate of the Chief Financial Officer of the Borrower certifying that the Annual Operating Budget has been prepared in accordance with the requirements of this Agreement and the Project Agreement, including, without limitation, the requirement that no Revenues or other amounts on deposit in the Trust Agreement Funds are projected to be used to pay for Operating Expenses, Major Maintenance Expenses or Capital Expenses relating to the operation, maintenance, or improvement of the Project according to standards higher than the Project Agreement Standards. The Borrower agrees to submit to TxDOT for its review any amendments, supplements or modifications to the Annual Operating Budget accompanied by the same certification of the Chief Financial Officer of Borrower relating to the matters described in such amendment, supplement or modification.

(ii) At any time during the Fiscal Year TxDOT shall have the right to conduct an audit of the Borrower's compliance with the requirements of this Agreement as it relates to the Annual Operating Budget and the certifications of the Chief Financial Officer submitted in connection therewith as described above. If the results of the audit conclude that the Borrower is not in compliance with the requirements of this Agreement relating to the operation, maintenance and improvement of the Project, the auditor will provide to TxDOT and Borrower a detailed explanation of why the Borrower is not in compliance and TxDOT shall have a period of 45 days after receipt of such explanation to notify the Borrower that, in TxDOT's reasonable opinion, the Annual Operating Budget that was the subject of the audit does not substantially comply with the requirements of this Agreement and shall specify in reasonable detail the reasons for such notification; if no such notification in accordance with the foregoing is provided within the time period specified above, then the Annual Operating Budget shall be deemed to substantially comply with the requirements of this Agreement. Any dispute between the parties regarding the substantial

compliance of the Annual Operating Budget with this Agreement shall be resolved using the dispute resolution procedures described in Section 8.13 hereof.

(iii) Upon a final determination that the Borrower has failed to comply with the requirements of this Agreement in connection with the expenditure of funds for the operation, maintenance or improvement of the Project, the Borrower shall repay to the Trustee the amount of such expenditures within 60 days of such final determination and shall take all actions required to amend, modify or supplement the current Annual Operating Budget to comply with the results of the dispute resolution process.

(iv) Subject to this Section 5.01(c), the Borrower shall operate the Project substantially in accordance with the Annual Operating Budget. Subject to the limitations set forth in Section 5.01(b) hereof, the Borrower shall have the right to make expenditures in respect of Operating Expenses, as well as Major Maintenance Expenses and other Capital Expenditures, without any consent or approval of TxDOT, if such costs exceed the amount budgeted for such costs in the applicable Annual Operating Budget; provided that, the Borrower will provide notice to TxDOT if such costs exceed the aggregate amount budgeted for such costs in the applicable Annual Operating Budget by an amount equal to or above 105% of such aggregate budgeted amount.

Section 5.02 Reporting and Cooperation.

(a) Accounts and Financial Reporting.

(i) The Borrower shall keep proper books of records and accounts in which complete and correct entries shall be made of transactions relating to the Project and the Borrower's performance or observance of its obligations under this Agreement in accordance with GAAP or pursuant to applicable federal or state laws or regulations, and with all other applicable federal and state requirements then in effect for entities similar to the Borrower and enterprises similar to the Project.

(ii) TxDOT shall receive copies of any periodic statements regarding Trust Agreement Fund balances and transfers, as well as the investment of any amounts deposited in the Trust Agreement Funds, from the Trustee.

(iii) The Borrower shall employ the Borrower's Accountant to audit its annual financial statements relating to the Project. In the event that the Borrower's Accountant should at any time cease to be its independent public accountant for any reason, the Borrower shall as soon as practicable appoint, and thereafter maintain, as its accountants, a nationally recognized firm reasonably acceptable to TxDOT. Concurrent with such

appointment, the Borrower shall authorize such accountants to communicate directly with TxDOT and to respond within a reasonable period of time to queries of TxDOT regarding the Borrower's accounts and operations in connection with the exercise by TxDOT of its rights to review the books, records and papers of the Borrower as set forth in Section 5.02(e) below and to receive and review the audited financial statements of the Project as set forth in Section 5.02(a)(iv)(B) below. The Borrower shall be given notice by TxDOT of any such meetings or telephone communications with such accountants at least 5 Business Days' prior to the date scheduled for such meetings or telephone communications, and Borrower shall have a reasonable opportunity to participate in such meetings or telephone communications and shall be copied on such communications by email when they are in writing.

(iv) The Borrower shall deliver the following financial information to TxDOT:

(A) as soon as available and, in any event, within 45 days after the end of each fiscal quarter of the Borrower, unaudited consolidated financial statements relating to the Project, including an unaudited balance sheet and an unaudited statement of income, all prepared in accordance with GAAP;

(B) as soon as available, and in any event no more than 140 days after the close of each Fiscal Year (1) the audited annual financial statement of the Project prepared in accordance with GAAP and with all other applicable federal and state requirements, and (2) a certificate of the auditors setting forth that they have examined such statements and have conducted a general review of accounting procedures and such tests of accounting records and other supporting evidence as they consider necessary and confirming that in their opinion such statements present fairly the financial position of the Project and the results of the operations of the Project for the Fiscal Year reported on and have been prepared in accordance with GAAP;

(C) the audited financial statements of the Borrower prepared in accordance with GAAP as soon as available after the end of each fiscal year of the Borrower; and

(D) simultaneously with the delivery of each set of financial statements referred to in sub-clause (B) above, a certificate of an officer of the Borrower confirming that such financial statements fairly present the financial condition of the Project and the results of the operations for the periods covered.

(v) The Borrower shall retain all work papers and reports for a minimum of 4 years from the date of the audit reports referred to in

Sections 5.02(a)(iv)(B) and (C) hereof, unless TxDOT notifies the Borrower in writing to extend the retention period. If requested by TxDOT, audit work papers shall be made available to TxDOT to the extent available to the Borrower within 30 days of request, at any time during the retention period. The Borrower shall retain all original Project files, records, accounts and supporting documents until the later of the Termination Date or the date all amounts due and payable under the Toll Equity Loan Note have been repaid, or for the period of time required by applicable federal and state law, if longer, unless relieved of this requirement by TxDOT in writing.

(b) Covenant Re Traffic Engineer.

(i) The Borrower covenants to keep in effect a Toll Rate Schedule that will produce Project Revenues such that the General Fund or the Capital Expenditures Reserve Fund will have an unencumbered fund balance at the end of each Fiscal Year. If (A) the then updated Financial Model indicates that there will not be an unencumbered fund balance in the General Fund or the Capital Expenditures Reserve Fund at the end of each of the next five Fiscal Years, or (B) if the General Fund or the Capital Expenditures Reserve Fund does not have an unencumbered fund balance at the end of any Fiscal Year, the Borrower shall: (a) promptly engage the Traffic Engineers to within 90 days after such event review and analyze the Toll Rate Schedule then in effect and recommend revisions to the Toll Rate Schedule to (1) increase the Project Revenues in a manner that will enable Borrower to realize at the earliest feasible time but in no event later than the end of the Fiscal Year following the Fiscal Year in which the Traffic Engineer was engaged Project Revenues in an amount sufficient so that the updated Financial Model prepared in accordance with Section 5.02(b)(iii) hereof does not indicate at the end of any of the next five Fiscal Years a reduction in the unencumbered balance in the General Fund or the Capital Expenditures Reserve Fund from the end of the prior Fiscal Year, and (2) increase Project Revenues in a manner that will enable the Borrower to realize an unencumbered balance in the General Fund or the Capital Expenditures Reserve Fund no later than the end of the fifth Fiscal Year following the Fiscal Year in which the Traffic Engineer was engaged, and (b) within 60 days of receipt of the Traffic Engineer's written recommendations either implement the Traffic Engineer's recommendations or undertake an alternative plan which in the reasonable opinion of the Borrower is likely to generate equivalent or greater Project Revenues than the Traffic Engineer's recommended actions; provided that if the Borrower undertakes such an alternative plan and the unencumbered balance in the General Fund or the Capital Expenditures Reserve Fund at the end of the next Fiscal Year is reduced from the unencumbered balance at the end of the Fiscal Year in which the Traffic Engineer was engaged (other than as a result of the expenditure of such funds for Capital Expenditures), TxDOT may institute and prosecute in a court of competent jurisdiction an appropriate action to compel the Borrower to comply with its covenants in this Section 5.02(b)(i).

(ii) The Borrower shall cause the Traffic Engineers to prepare new traffic and revenue reports or report updates for the Project on the same schedule as for similar reports or report updates for the Borrower's currently existing system of turnpike projects (which requirement may be waived by TxDOT at Borrower's request, which waiver will not be unreasonably withheld) but not less frequently than once every two years after the Service Commencement Date and shall promptly provide TxDOT with copies of any other reports or report updates prepared by the Traffic Engineers for the Project and, after acceptance by the Borrower's board of directors, for the Borrower's currently existing system of turnpike projects. Upon receipt of the Traffic Engineers traffic and revenue reports or report updates for the Project, Borrower shall prepare and provide to TxDOT an updated Financial Model incorporating such updated Project Revenue projections and indicating the expected unencumbered General Fund and the Capital Expenditures Reserve Fund balances in each Fiscal Year, and the amount, date and use of any expected advances under the Toll Equity Loan Commitment and the dates of payment of principal of and interest on such advances in any Fiscal Year. On receipt of such updated Financial Model TxDOT may, in its sole discretion, instruct the Borrower to apply for investment grade ratings in accordance with Section 2.06 hereof, and the Borrower shall comply with such instruction.

(iii) In the event the Traffic Engineer is engaged pursuant to Section 5.02(b)(i) hereof, the Borrower shall prepare an updated Financial Model incorporating such updated Project Revenue projections and indicating the expected unencumbered General Fund and the Capital Expenditures Reserve Fund balances in each Fiscal Year, and the amount, date and use of any expected advances under the Toll Equity Loan Commitment and the dates of payment of principal of and interest on such advances in any Fiscal Year.

(iv) Anything in this Agreement to the contrary notwithstanding, if the Borrower implements the Traffic Engineer's recommended revisions to the Toll Rate Schedule it shall not constitute an Event of Default if the General Fund or the Capital Expenditures Reserve Fund does not have an unencumbered balance at the end of any Fiscal Year.

(c) Consultant Reports; Appointment of Replacement Consultants.

(i) The Borrower shall cause the Consulting Engineer to make an inspection of the Project on or before the 90th day prior to the end of each Fiscal Year and to submit to the Borrower a report setting forth (a) their findings whether the Project has been maintained in good repair, working order and condition, and (b) their advice and recommendations as to the proper maintenance, repair, and operation of the Project during the ensuing Fiscal Year and an estimate of the amount of money necessary for such purposes, including

their recommendations as to the total amounts and classifications of items and amounts that should be provided for Operating Expenses and Major Maintenance Expenses in the Annual Operating Budget for the next ensuing Fiscal Year. Copies of such reports shall be filed with the Trustee, the Borrower and TxDOT.

(ii) The Borrower covenants that, at least once in every six-month period during the construction of any portion of the Project which it finances in whole or in part with Senior Project Debt, it will cause the Consulting Engineers to prepare a progress report in connection with such construction, including their then current estimates of:

(A) the date on which the Project or portion thereof will be opened for traffic, unless such Project or portion thereof shall have been opened for traffic prior to the date of such report,

(B) the date on which the construction of the Project or portion thereof will be completed,

(C) the cost of the Project or portion thereof but excluding any Senior Project Debt discount and the interest during construction and for one year after completion of construction, and

(D) the amount of funds required each six months during the remaining estimated period of construction to meet the aforesaid cost of such Project or portion thereof exclusive of funds provided for construction contingencies, and accompanied by a progress schedule for such construction, and further including, as to construction, comparisons between the actual times elapsed and the actual costs, and the original estimates of such times and costs. Copies of such progress reports shall be filed with the Trustee, the Borrower and TxDOT.

(iii) The Borrower shall cause the Insurance Consultant to provide, within 60 days prior to the Service Commencement Date, a supplemental insurance report confirming that the insurance to be maintained during the Operating Period complies with the requirements of Section 5.05(g) hereof.

(d) Cooperation with Consultants. The Borrower shall (i) cooperate in all reasonable respects with all consultants retained by TxDOT in connection with the transactions contemplated by the Transaction Documents, (ii) provide each consultant with all information reasonably requested and reasonably required by such consultant in connection with the performance of its obligations under the Transaction Documents, and (iii) consult with TxDOT regarding the reports of each consultant as reasonably requested by TxDOT.

(e) Access to the Project. No more than once in any 6-month period if the Borrower is not in default under this Agreement and more frequently in the sole discretion of TxDOT if an Event of Default or Default with respect to the Borrower has occurred and is continuing, the Borrower shall give TxDOT and its consultants and representatives access to the Project and all books, records and accounts related to the Project, at any reasonable time and as often as may reasonably be requested, and, so long as no Event of Default or Default with respect to the Borrower has occurred and is continuing, upon reasonable prior notice to the Borrower, in each case during official business hours and in a manner that cannot reasonably be expected materially to interfere with or disrupt the performance by the Borrower or any other party of its obligations with respect to the construction and operation of the Project, and permit the Trustee and TxDOT and their consultants and representatives to examine and make abstracts from any of its books, accounts and records relating to the Project and to make copies and memoranda thereof, to discuss the Project and the business, accounts, operations, properties and financial and other conditions of the Borrower as, in any case, related to the Project, including, without limitation, the allocation of the costs of the operation, maintenance and improvement of the Project in relation to the costs of the operation, maintenance and improvement of the Borrower's system, with officers and employees of the Borrower and with the Borrower's Accountant and to witness the performance and other tests conducted pursuant to any Project Document. The Borrower shall have the right to participate in any discussions with the Borrower's Accountant. The Borrower shall offer all reasonable assistance to such Persons in connection with any such visit. Upon the occurrence and during the continuance of an Event of Default or a Default with respect to the Borrower, if the Trustee or TxDOT requests that any of its consultants or representatives be permitted to make such visit, the reasonable fees and expenses of the Trustee, TxDOT, and their consultants and representatives in connection with such visit shall be paid for by the Borrower. The Borrower shall not be required to give any of TxDOT's consultants or representatives access to the Project or any books, records or accounts related to the Project unless TxDOT provides to the Borrower a confidentiality and non-disclosure agreement in form and substance acceptable to the Borrower that is either: (1) executed by such consultant or representative, or (2) is a requirement of the consultant's engagement agreement with TxDOT that is agreed to by the consultant on behalf of all employees and representatives of the consultant, and TxDOT shall not provide to such consultant or representative any such books, records or accounts until such confidentiality and non-disclosure agreement is executed by such consultant or representative. TxDOT shall ensure that each of its employees is bound to keep all of the books, records and accounts related to the Project confidential and shall enforce any such obligation against the employees. TxDOT shall enforce the provisions of any confidentiality and non-disclosure agreement executed by TxDOT's consultants and representatives in connection with their access to the Project and their inspection of all books and records and other information

related to the Project as provided in this Section 5.02(e), and TxDOT and its employees, consultants and representatives shall, except as otherwise permitted under this Section 5.02(e), keep all information obtained through such access and inspection confidential. Nothing contained herein shall preclude TxDOT or one of its employees, consultants or representatives from producing or otherwise disclosing any information obtained through such access and inspection under compulsion of court order or subpoena, as required in connection with a judicial, administrative or regulatory proceeding in which it or a partner, officer, director, employee or affiliate is involved, as required pursuant to inquiry or demand by a regulatory authority having jurisdiction over it or its affiliates or as otherwise required by law, including the Texas Public Information Act, Chapter 552 of the Government Code. TxDOT and/or each consultant or representative shall notify NTTA in the event of receipt of any request, subpoena, court order or other requirement to disclose any part of such information in connection with a legal, regulatory or other proceeding. Any information obtained through such access and inspection shall not be considered confidential if such information: (1) is lawfully in the public domain at the time it is transmitted or later becomes part of the public domain without fault of TxDOT or its employees, consultants or representatives; (2) has been independently developed by TxDOT or its employees, consultants or representatives without violation of this Section 5.02(e); (3) is independently known to TxDOT or its employees, consultants or representatives at the time of receipt through no unlawful act of TxDOT or its employees, consultants or representatives; (4) is disclosed by TxDOT or its employees, consultants or representatives with the prior written approval of the NTTA; or (5) becomes known to TxDOT or its employees, consultants or representatives from a source other than the NTTA, which source is (A) not subject to any restriction on disclosure or (B) not known by TxDOT or its employees, consultants or representatives to be bound by a confidentiality obligation directly or indirectly to the NTTA or TxDOT or to otherwise be in breach of any legal or contractual obligation not to disclose such information.

(f) Continuing Disclosure Reports and Notices. The Borrower shall give TxDOT copies of all annual financial reports and material events notices submitted by Borrower in connection with its compliance with any continuing disclosure undertaking entered into with respect to the Project Debt as required under Rule 15c2-12 adopted by the Securities and Exchange Commission and in connection with the requirements of the TIFIA Loan Agreement.

(g) Replacement of Consultants. If at any time the Consulting Engineer, the Insurance Consultant or the Traffic Engineer should resign or the Borrower desires to remove any or all of such consultants, Borrower shall give notice to TxDOT 30 days prior to the effective date of such resignation (to the extent known) or removal and as soon as practical and in compliance with applicable laws and Borrower's policies shall appoint a successor consultant that satisfies the eligibility criteria for such consultant as provided in this Agreement

and TxDOT shall have the right to approve of the successor consultant, which approval shall not be unreasonably withheld.

(h) Meetings or Other Communication with the TIFIA Lender and Rating Agencies. The Borrower will give TxDOT (i) notice as soon as practical prior to any meeting or telephonic conference with the TIFIA Lender and the rating agencies with whom the Borrower is seeking or has obtained ratings with respect to the Senior Project Debt is scheduled, but, to the extent practical, not less than three business days prior to such meeting or telephonic conference, (ii) copies of any written communication, documents or other materials with the TIFIA Lender or such rating agencies a reasonable amount of time prior to distribution of such written communication, documents or other materials to the TIFIA Lender or such rating agencies, and (iii) to the extent practical, reasonable notice for telephonic communications other than telephonic conferences. For purposes of this subsection, a telephonic conference means any telephonic communication involving more than two persons arranged in advance. TxDOT at its sole discretion will have the opportunity to participate in any such meetings or telephonic communications and to provide comments during any such meetings or telephonic communications and with respect to any such written communications. If TxDOT is unable to participate or chooses not to participate, Borrower, if requested by TxDOT, will provide a written summary of the matters discussed.

Section 5.03 Trust Agreement Funds.

(a) Establishment and Maintenance.

(i) The Borrower shall not maintain or permit to be maintained any funds or accounts other than the Trust Agreement Funds, including the Project Reserve Funds.

(ii) The Borrower shall fund, maintain, and make use of the Trust Agreement Funds, including the Project Reserve Funds, in accordance with the terms and conditions set forth in the Trust Agreement.

(b) Payment of Revenues to the Revenue Fund.

(i) The Borrower at all times shall maintain arrangements satisfactory to TxDOT to ensure that all Revenues (excepting investment earnings on amounts on deposit in the Trust Agreement Funds) are collected and deposited to the Revenue Fund daily, to the extent practicable either directly or indirectly through payment mechanisms reasonably satisfactory to TxDOT.

Section 5.04 Assets and Interests.

(a) Sale or Encumbrance of Interests. The Borrower shall not, except as otherwise permitted under clause (b) below, sell or otherwise dispose of all or any part of its interests hereunder or with respect to the Project unless TxDOT determines that such sale or other disposal is not materially adverse to the rights of the parties secured under the Trust Agreement; provided, further, that the Borrower will not enter into any franchise, lease or concession agreement with respect to the Project other than for Permitted Ancillary Projects without TxDOT's consent so long as there are any amounts outstanding under the Toll Equity Loan Note. The Borrower shall not create, incur, assume, permit or suffer to exist any security interest upon or with respect to the Project or the Revenues, other than as permitted under this Agreement or under or pursuant to the Trust Agreement.

(b) Preservation of Assets. The Borrower shall maintain its Project-related property in good condition and from time to time make all repairs and replacements thereto as required in accordance with normal industry practice. The Borrower shall not convey, sell, assign, transfer, lease or otherwise dispose of, in one transaction or a series of related transactions, any Project-related property or assets in excess of $5,000,000 (as such amount shall be adjusted annually after the Closing Date in proportion to any increase or decrease in the CPI over the Base Price Index) per year in the aggregate except:

(i) sales, transfers or other dispositions of obsolete, worn out or defective equipment that is promptly replaced by the Borrower with suitable substitute equipment of substantially the same character and quality and at least equivalent useful life and utility except to the extent that the failure to replace such equipment could not reasonably be expected to have a Material Adverse Effect;

(ii) sales, transfers or other dispositions of equipment or other property in the ordinary course of business; and

(iii) sales, transfers or other dispositions of any Permitted Investment.

(c) Builder's Liens. The Borrower shall use commercially reasonable efforts to cause the Design-Build Contractor to comply with all applicable builders' lien legislation and to pay or cause to be paid when due all claims and demands of contractors, subcontractors, laborers, suppliers of material, builders, workmen and others which, if unpaid, might result in the creation of a builders' lien, prior claim, legal pledge or analogous claim against the Project or any part thereof or on the revenue, income or profits arising therefrom, unless there is a bona fide dispute and adequate security has been posted.

Section 5.05 Compliance, Insurance and Other Agreements.

(a) Compliance with Law. The Borrower shall comply with all laws (including, without limitation, Environmental laws) relating to the Project Debt, the Project, the organization and operation of the Borrower and the subject matter of any Finance Document.

(b) Approvals; Governmental Authorizations. At all times, the Borrower shall obtain on a timely basis and thereafter maintain in full force and effect all Governmental Approvals necessary (a) for the use, operation and maintenance of the Project, and (b) to comply with its obligations under the Transaction Documents, except in either case where the failure to obtain or maintain any such Governmental Approval could not reasonably be expected to have a Material Adverse Effect.

(c) Transaction Documents.

(i) The Borrower shall (A) perform and observe in all material respects all of its covenants and its other obligations contained in each Transaction Document to which it is a party and (B) use reasonable efforts to enforce against any other party thereto each material covenant or obligation of such party in each Transaction Document in accordance with its terms.

(ii) The Borrower shall not terminate, or allow to expire (other than in accordance with its terms), or assign, or amend or modify, or waive timely performance by any other party of material covenants under, any Transaction Document, provided that:

(A) any such termination, amendment, modification or waiver shall be permitted if such termination, amendment, modification or waiver could not reasonably be expected to result in a Material Adverse Effect; and

(B) any such termination, amendment, modification or waiver shall be permitted if it is approved in writing by TxDOT, such approval not to be unreasonably withheld.

(iii) If the Design-Build Contract, or any counterparty to the Design-Build Contract, is replaced, to the extent that there was a Direct Agreement prior to such replacement, the Borrower shall cause a new (or amended and restated, as the case may be) Direct Agreement to be entered into by any third party to such Design-Build Contract, in form and substance reasonably satisfactory to TxDOT.

(iv) If a Bankruptcy Event with respect to the Design-Build Contractor should occur, Borrower shall take any and all actions provided under the Design-Build Contract and available under the proceedings relating to

the Bankruptcy Event that are reasonably required to minimize any suspension or delay in the construction of the Authority Structures, including, without limitation, enforcing the Design-Build Contract against the Design-Build Contractor, seeking a replacement design-build contractor that will assume the obligations of the Design-Build Contractor under the Design-Build Contract or entering into a new design-build contract with the consent of TxDOT which consent shall not be unreasonably withheld. Borrower will give TxDOT copies of any notices received or given by Borrower in connection with such Bankruptcy Event, and TxDOT shall have the opportunity to participate in any meetings, proceedings, settlements, or other activities relating to such Bankruptcy Event.

(d) Use of Proceeds and Amounts Remaining in the Construction Fund After Completion of the Authority Structures. The Borrower shall not cause any proceeds of the Senior Project Debt or any Toll Equity Loan to be expended for any purpose other than pursuant to the Trust Agreement and this Agreement.

Any amounts remaining in the Series 2011 Construction Account of the Construction Fund held by the Trustee under the Trust Agreement after submission to the Trustee by the Borrower of a final completion certificate with regard to construction of the Authority Structures shall remain in such accounts and shall be used to pay for Project Capacity Improvements; provided, if and to the extent such use of such amounts on deposit in the Series 2011 Construction Account is not permitted by applicable federal tax laws or regulations, at the option and direction of the Borrower such amounts shall be used by the Trustee to redeem, defease or purchase and cancel Outstanding Senior Project Debt. Any amounts remaining in the CIF Account of the Construction Fund after submission of said final completion certificate shall be transferred to the Borrower. If the Borrower commits to develop the SWP/CT Project, the Borrower shall provide as the first contribution of equity to develop the SWP/CT Project an amount equal to the difference between $400 million and the amount of funds actually expended by the Borrower from the CIF Account for the Project or otherwise contributed by Borrower from the Borrower's turnpike system to pay for the cost of the Project; provided, however, if the Borrower has not committed to develop the SWP/CT Project at the time Borrower is required to build the Project Capacity Improvements, Borrower shall deposit an amount of funds from the Borrower's turnpike system equal to such remaining amounts that were transferred to the Borrower from the CIF Construction Account to the Construction Fund to fund the Project Capacity Improvements prior to the issuance of Additional Senior Project Debt for the Project Capacity Improvements as provided in Section 5.06(c) hereof.

(e) Change Orders. The Borrower shall not enter into any Change Order (as defined in the Design-Build Contract) or any Scope Change (as defined in the Design-Build Contract) except in compliance with the

applicable requirements of federal law and the Project Agreement. The Borrower shall not enter into any Change Order or any Scope Change and involving (i) a request to extend performance under the Design-Build Contract for a period of more than one month or which when aggregated with other requests would extend performance under the Design-Build contract for a total of three months or (ii) expenditure of more than $5,000,000 individually or which when aggregated with amounts for all other Change Orders that were initiated or requested by the Borrower and already entered into would mean that in excess of $20,000,000 would have been spent on such Change Orders, without the prior written consent of TxDOT, which consent shall not be unreasonably withheld. The Borrower shall promptly provide TxDOT with notice of any proposed Change Order or Scope Change and TxDOT shall have a period of three Business Days to give consent or notify Borrower that it will not consent to the proposed Change Order or Scope Change and consent shall be deemed given if Borrower does not receive notice from TxDOT that it does not consent to the proposed Change Order or Scope Change within such period. Notwithstanding the foregoing, no consent shall be required for any Change Order or associated Scope Change directed by TxDOT under the Project Agreement. Nothing herein shall limit, modify or otherwise affect the requirements of federal law and the Project Oversight Agreement with regard to the review and concurrence of changes, supplements or modifications of the Design-Build Contract.

(f) Tolling System. The Borrower shall ensure that, on or prior to the Service Commencement Date, all electronic tolling system hardware necessary to operate the Project in compliance with the requirements of the Project Agreement will be installed and operational.

(g) Insurance.

(i) The Borrower covenants that it will cause the Insurance Consultant to make an inspection of the Project on or before the 90th day prior to the end of each calendar year and to submit to the Borrower a report setting forth their reasonable advice and recommendations as to the amounts and types of insurance which should be carried during the ensuing calendar year with respect to the Project, which advice and recommendations shall be based on those amounts and types customarily maintained with respect to works and properties of like character. Copies of such report (which may be incorporated in one or more other reports of the Insurance Consultant) shall be filed with the Trustee, the Borrower and TxDOT. Such policies shall: (A) name the Trustee as sole/first loss payee (pending any existing contractual overrides) with an acceptable mortgagee/lenders loss payable clause on all delay in start up and business interruption and property insurance during construction and operations (as applicable), and as a loss payee as its interests may appear on the builders all risk insurance and any other applicable first party policies during construction; and (B) provide that the insurance (1) is primary for the benefit of the Trustee as additional insured on all insurance coverages except for workers compensation

and professional indemnity, (2) includes a waiver of subrogation in its favor, and (3) requires that it will be provided with 30 days notice of cancellation (10 days for non-payment of premium).

(ii) The Borrower covenants that it will follow the recommendations of the Insurance Consultant with respect to insurance, and will carry with a qualified and responsible insurance company or companies such insurance with respect to the Project as is then required by law and otherwise as is recommended by the Insurance Consultant, provided that if such insurance ceases to be available on a commercially reasonable basis, the Borrower shall propose an independent insurance expert reasonably acceptable to TxDOT for purposes of reviewing the available insurance coverages and amounts and recommend modifications or reasonable acceptable substitutions for such requirements.

(iii) Notwithstanding anything else contained herein, the Borrower may, upon the recommendation of the Insurance Consultant and with the consent of TxDOT, establish programs for self insurance against various risks and losses, to the extent and in the manner as may be deemed advisable.

(iv) Within the first three (3) months of each calendar year the Borrower shall mail to the Insurance Consultant, the Trustee and TxDOT a schedule of all insurance policies or self insurance plans referred to herein which are then in effect, stating with respect to each policy the name of the insurer, the amount, number and expiration date, and the hazards and risks covered thereby, and also stating the details of each self insurance program established by the Borrower. All such insurance policies shall be open to the inspection of TxDOT, the Trustee, and their representatives at all reasonable times. The Trustee is hereby authorized, but is not obligated, in its own name to demand, collect, sue and receipt for any insurance money which may become due and payable under any policies payable to it.

(v) Any appraisement or adjustment of any loss or damage under any policy payable to the Trustee and any settlement or payment of indemnity under such policy which may be agreed upon between the Borrower and any insurer shall be evidenced to the Trustee by a certificate, signed by any two Board Representatives, which certificate may be relied upon by the Trustee as conclusive. The Trustee shall in no way be liable or responsible for the collection of insurance money in case of any loss or damage.

(vi) Any insurance required under this Agreement may be included in a blanket insurance policy obtained by the Borrower.

(vii) The Borrower shall not do anything, or permit anything to be done, which would result in any insurance lapsing or otherwise being rendered void, voidable or ineffective and shall not cancel or vary any

policy of insurance without the approval of TxDOT (such approval not to be unreasonably withheld).

(h) Further Assurances and Corrective Instruments. The Borrower agrees that it will, from time to time, execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered, such supplements to the Trust Agreement and such further instruments as may reasonably be required for carrying out the expressed intention of the Trust Agreement and this Agreement and as may be necessary or desirable for assuring, conveying, granting, assigning, securing and confirming the security interests (whether now existing or hereafter arising) granted by or on behalf of the Borrower to the Trustee, pursuant to the Trust Agreement, or intended so to be granted pursuant to the Trust Agreement, or which the Borrower may become bound to grant, and the subject of each such security interest is and will be free and clear of any other security interest thereon or with respect thereto prior to, or of equal rank with the security interests created by the Trust Agreement, other than liens entitled to priority as a matter of Law, this Agreement or the Trust Agreement, and all corporate action on the part of the Borrower to that end shall be duly and validly taken at such times. The Borrower shall, at all times, to the extent permitted by Law, defend, preserve and protect the security interests granted pursuant to the Trust Agreement and all the rights of the Trustee under the Trust Agreement against all claims and demands of all Persons whomsoever.

Section 5.06 Senior Project Debt; Refunding of Senior Project Debt; Additional Debt.

(a) Senior Project Debt. The Borrower shall issue all of the Series 2011 First Tier Bonds and enter into the TIFIA Loan all on the Closing Date and in compliance with the terms and conditions of the Trust Agreement and the TIFIA Loan Agreement, respectively. Series 2011 Project Debt shall only be issued as fixed rate debt. The Borrower shall deposit proceeds of the Series 2011 First Tier Bonds with the Trustee in an amount sufficient, after taking into account amounts required to be deposited by the Borrower from sources other than Project Debt, to pay for (i) Project Costs as set forth in the Project Budget, including the contingency in an amount set forth in the Project Budget, (ii) the Upfront Payment, and (iii) all amounts required to be deposited in Trust Agreement Funds as provided in Appendix E attached hereto.

(b) Refunding of Senior Project Debt.

(i) All potential refundings of Senior Project Debt with Project Debt will be subject to the approval of TxDOT so long as the Toll Equity Loan Commitment will not be terminated in conjunction with such refunding or any amount due and payable under the Toll Equity Loan Note would be outstanding after the issuance of such refunding obligations.

(ii) A refunding of Senior Project Debt with Project Debt may occur only in order to either (A) achieve debt service savings in each year that the Senior Project Debt is outstanding, or (B) terminate TxDOT's obligation to provide advances under the Toll Equity Loan Commitment or pay off in full any amounts due and payable under the Toll Equity Loan Note.

(iii) Unless expressly approved by TxDOT, no refunding transaction involving Project Debt that extends the final maturity of the Series 2011 First Tier Bonds or the TIFIA Loan beyond their original final Maturity Date shall be permitted so long as the Toll Equity Loan Commitment will not be terminated in conjunction with such refunding or any amount due and payable under the Toll Equity Loan Note would be outstanding after the issuance of the refunding obligations.

(iv) Refunding Bonds may only be issued as fixed rate obligations.

(c) Additional Project Debt. The issuance of Senior Project Debt (other than the Series 2011 Project Debt, the Additional Senior Project Debt as provided in this Section 5.06(c) and Refunding Bonds under the circumstances described in Section 5.06(b) hereof) is not permitted. Additional Senior Project Debt in one or more series bearing interest at a fixed rate and with a final maturity no longer than two years after the final maturity of the Series 2011 Project Debt, but in no event longer than 40 years after the execution of this Agreement, may be issued by the Borrower at one time or from time to time but only to finance the costs relating to the Project Capacity Improvements in principal amounts that will produce net proceeds in an aggregate amount not to exceed $53,302,298, plus an amount sufficient to pay the costs of issuance of such Additional Senior Project Debt (the "Aggregate Maximum Principal Amount"); provided that prior to the issuance of such Additional Senior Project Debt Borrower shall first use funds on deposit in the Construction Fund, the Capital Expenditures Reserve Fund, the General Account of the General Fund and the Current Year Revenue Account of the General Fund, in that order of priority, to pay such costs of the Project Capacity Improvements. If the Borrower issues Additional Senior Project Debt to pay for the Project Capacity Improvements, the Borrower shall not be entitled to obtain advances under the Toll Equity Loan Commitment to also pay for the cost of the Project Capacity Improvements if the principal amount of the Additional Senior Project Debt and the amount of such advance would exceed $53,302,298.

In addition to the Additional Senior Project Debt, the Borrower may issue Project Debt to finance costs of the Project payable from, or secured by, moneys in the General Fund, provided that any such lien or charge is junior and subordinate in all respects to the lien and charge of the bonds, notes and other obligations secured by the Trust Agreement, including the Senior Project

Debt, the Toll Equity Loan and the Borrower's other payment obligations under this Agreement.

Section 5.07 Sources of Funds. Borrower shall be responsible for obtaining funding from sources other than Senior Project Debt or advances under the Toll Equity Loan Commitment in the event Project Costs, Capital Expenditures, the Upfront Payment and Operating Expenses and Major Maintenance Expenses are higher than the Project Budget. Commencing one year after the Service Commencement Date, Borrower may be reimbursed out of moneys in the General Fund for Operating Expenses, Major Maintenance Expenses and Capital Expenditures made by the Borrower for such purposes from such other sources. Furthermore, in the event the Borrower elects to operate and maintain the Project in accordance with standards higher than the Project Agreement Standards, Borrower shall be responsible for obtaining funding for the increased costs associated with operating and maintaining the Project to such higher level from sources other than Project Debt, advances under the Toll Equity Loan Commitment, Revenues or the Trust Agreement Funds and shall not be reimbursed for the payment of such increased costs from Project Debt, advances under the Toll Equity Loan Commitment, Revenues or the Trust Agreement Funds.

Section 5.08 Miscellaneous.

(a) Payment of Lawful Claims. The Borrower shall, from moneys available therefor in the Trust Estate or other legally available moneys, pay or cause to be discharged, or make adequate provision to satisfy and discharge, all lawful claims and demands for labor, materials, supplies or other objects which, if unpaid, might by law become a lien upon the Trust Estate; provided, however, that nothing in this Section 5.08 shall require the Borrower to pay or cause to be discharged, or make provision for, any such lien or charge the validity of which is being contested in good faith by appropriate legal proceedings.

(b) Board Representatives. Whenever under the provisions of this Agreement or the Trust Agreement the approval of the Borrower is required or the Borrower is required to take some action at another party's request, such approval or such request shall be given for the Borrower by a Board Representative.

(c) Notices. The Borrower shall promptly, and in any event within ten Business Days after such party acquires notice or obtains actual knowledge thereof, give TxDOT notice of any of or, with respect to (vi), (vii), (x) and (xiii) below, copies of, the following, setting forth reasonable details of any event under (i) to (v), (viii), (ix), (xi) or (xii) below (and the Borrower shall concurrently provide to the Consulting Engineer a copy of any such notice or

copy, to the extent the applicable event occurs during the period that the Project is under construction):

(i) any Event of Default as defined in the Trust Agreement or any event which, given notice or the passage of time or both, would constitute a "Default" as defined in the Trust Agreement;

(ii) the filing of any actual litigation, suit or action, or the delivery to the Borrower of any written claim against the Revenues or the Project in excess of $10,000,000 (as such amount shall be adjusted annually after the Closing Date in proportion to any increase or decrease in the CPI over the Base Price Index) and which could reasonably be expected to have a Material Adverse Effect;

(iii) any proposal to suspend or abandon the Project;

(iv) any material default or event of default under any Transaction Document;

(v) the unavailability of any required insurance on commercially available terms;

(vi) any material notices given under the Trust Agreement or the Design-Build Contract by the Borrower or received by the Borrower under the Trust Agreement or the Design-Build Contract from any party thereto;

(vii) copies of construction progress reports as such reports are received from the Design-Build Contractor to the extent such reports are required to be delivered under the Design-Build Contract;

(viii) any (A) written notice to the Borrower indicating that any material Governmental Approval with respect to the Project will not be granted or renewed, or will not be granted or renewed in time to allow continued operation of the Project in compliance with all material laws, or will be granted or renewed on terms materially more burdensome than proposed, or will be terminated, revoked or suspended and (B) casualty, damage or loss to the Project, whether or not insured, through fire, theft, other hazard or casualty insurance in excess of $5,000,000 (as such amount shall be adjusted annually after the Closing Date in proportion to any increase or decrease in the CPI over the Base Price Index) for any one casualty or loss or in the aggregate in any Fiscal Year;

(ix) any cancellation, notice of threatened or potential cancellation or material change in the terms, coverage or amounts of any insurance required to be maintained under Section 5.05(g) hereof or any claim under any insurance policy;

(x) any written notice of the occurrence of any event giving rise (or that could reasonably be expected to give rise) to a material claim under any insurance required to be maintained under Section 5.05(g) hereof, with copies of any material documents relating thereto (including copies of any such claim) in the possession or control of the Borrower;

(xi) any notice of any event of default or termination or cancellation given or received under any Project Document, or any request for any material amendment of, supplement to or other modification of any Project Document, or any event, circumstance or occurrence which might lead the Borrower or any other party thereto to terminate any Project Document;

(xii) any event of force majeure (howsoever described) under the Design-Build Contract or any other event entitling the Design-Build Contractor to suspend performance of any obligation thereunder; or

(xiii) any notice of occurrence of Substantial Completion and certificate of Final Acceptance (as such terms are defined in the Design-Build Contract) delivered by the Borrower pursuant to the Design-Build Contract.

(d) Calculation of CPI Changes. Annually, within 30 days after each September 1, commencing September 1, 2011, the Borrower shall calculate the increase or decrease in the CPI over the Base Price Index as of such September 1, and shall notify TxDOT of the amount of such increase or decrease. Such calculation shall be binding absent manifest error.

Section 5.09 Covenants to Remain In Effect. If at the final maturity date of the Toll Equity Loan Note, amounts due thereunder remain unpaid, the provisions of this Article V, as applicable, shall remain in effect until such time as all amounts owing have been paid.

## ARTICLE VI.
## EVENTS OF DEFAULT BY THE BORROWER

Section 6.01 Events of Default. The occurrence of any of the following events shall be an "Event of Default" hereunder:

(a) Failure by the Borrower to pay, from funds available therefor under the Trust Agreement, when due any amount payable under the Toll Equity Loan Note.

(b) Failure by the Borrower to make (i) any payment, to the extent funds are available under the Trust Agreement, to TxDOT or as otherwise required to be paid from funds available under the Trust Agreement or any other legally available source of funds of the Borrower as required under this

Agreement, including, without limitation, repayment upon demand of TxDOT of the amount of any Revenues that were improperly used to pay Operating Expenses, Major Maintenance Expenses or Capital Expenditures in violation of this Agreement, except as set forth in Section 6.01(a) hereof, within ten Business Days from the date on which it was due, or (ii) any payment required to be paid under any Senior Project Debt of the Borrower; provided, however, that any failure pursuant to this clause (ii) shall not constitute an Event of Default if the failure to make such payment results from a failure by TxDOT to advance funds in accordance with the provisions of this Agreement.

(c) Failure by the Borrower to observe and perform any covenant, condition or agreement on its part to be observed or performed under this Agreement or under any Senior Project Debt, other than as referred to in Section 6.01(a), (b) or (m) hereof, for a period of 60 days after the earlier of (i) the Borrower acquiring actual knowledge of such occurrence or (ii) notice specifying such failure and requesting that it be remedied shall have been given to the Borrower by TxDOT, unless TxDOT shall agree in writing to an extension of such time prior to its expiration; provided, however, if the failure stated in the notice is capable of cure but cannot reasonably be cured within the applicable period, the Borrower shall be entitled to a further extension of time reasonably necessary to remedy such failure so long as corrective action is instituted by the Borrower within the applicable period and is diligently pursued until such failure is corrected.

(d) Any of the representations, warranties or certifications of the Borrower made in or delivered pursuant to this Agreement or any other Finance Documents shall prove to have been false or misleading in any material respect when made and, if such misrepresentation is capable of being cured, such misrepresentation has not been cured within 60 days after the earlier of (i) the Borrower acquires actual knowledge of such failure and (ii) the Borrower's receipt of notice from TxDOT of such failure.

(e) the Borrower shall fail to perform or observe any material covenant, agreement or obligation under any Project Document (unless such failure could not reasonably be expected to have a Material Adverse Effect), and the Borrower shall have failed to cure such failure or to obtain an effective written waiver thereof within the earlier of (A) 60 days after receipt of notice thereof from TxDOT and (B) the expiry of any applicable grace period relating to such covenant, agreement or obligation, provided, however, that with respect to this subsection (e), if such cure or waiver cannot reasonably be obtained within the applicable period, the Borrower shall be entitled to an extension of such time if corrective action is instituted by the Borrower within the applicable period and diligently pursued until such failure is corrected.

(f) One or more judgments for the payment of money in an aggregate amount in excess of $10,000,000 (as such amount shall be adjusted

annually after the Closing Date in proportion to any increase or decrease in the CPI over the Base Price Index) shall be rendered against (i) the Revenues or the Project and the same shall remain undischarged for a period of 30 consecutive days during which execution shall not be effectively stayed, or any action shall be legally taken by a judgment creditor to attach or levy upon the Revenues or the Project to enforce any such judgment or is not adequately covered by insurance or a performance bond for a period of 30 days, or (ii) the Borrower and the same shall remain undischarged for a period of 30 consecutive days during which execution shall not be effectively stayed, to the extent that it is reasonably likely to have a Material Adverse Effect or any action shall be legally taken by a judgment creditor to attach or levy upon any assets of the Borrower to enforce any such judgment or is not adequately covered by insurance or a performance bond for a period of 30 days, to the extent that it is reasonably likely to have a Material Adverse Effect.

(g) A Bankruptcy Event occurs with respect to the Borrower.

(h) The Project Agreement shall expire or be terminated (whether by reason of a default thereunder or by mutual agreement of the parties thereto or otherwise), or for any reason shall cease to be in full force and effect.

(i) The Borrower fails to obtain, renew, maintain or comply with all material Governmental Approvals, as and when required by it, in connection with the Project or the entering into of any Finance Document or any Project Document, and such failure could reasonably be expected to have a Material Adverse Effect; unless such failure is remedied within 60 days after TxDOT giving notice thereof to the Borrower, or such longer period as TxDOT may allow, not to exceed 180 days.

(j) The Trust Agreement ceases, except in accordance with its terms, to be effective to grant a perfected security interest on the collateral described therein (other than on an immaterial portion thereof), other than as a result of actions or failure to act by the Trustee.

(k) The Borrower fails to operate and maintain the Project in accordance with the Project Agreement and such failure could reasonably be expected to have a Material Adverse Effect; unless such failure is remedied within 30 days after TxDOT giving notice thereof to the Borrower, provided, however, that if said default is such that it cannot by its nature with due diligence be cured within the said 30-day period but can be cured, it shall not constitute an Event of Default if curative action is commenced by the Borrower within said 30-day period and diligently pursued until the default is cured.

(l) Substantial Completion has not occurred by the date that occurs twelve months after the Guaranteed Substantial Completion Date.

(m) Any insurance required under Section 5.05(g) hereof is not, or ceases to be, in full force and effect at any time when it is required to be in effect, or any such insurance is avoided or any insurer avoids, suspends or otherwise reduces its liability under any policy relating to any such insurance or any insurer of any insurance is not bound, or ceases to be bound, to meet its obligations in full under any such insurance, and any such event could reasonably be expected to have a Material Adverse Effect, unless (i) such insurance is (prior to its cessation) replaced by insurance on substantially similar terms and in form and substance, and with insurers recommended by the Insurance Consultant, or (ii) the risks covered by such insurance are uninsurable or such insurance is determined to be not commercially available in the insurance market, and the Borrower has agreed to the means by which the risk should be managed as recommended by the Insurance Consultant.

(n) Prior to Substantial Completion, the construction of the Authority Structures is abandoned; provided that, for the purposes of this Section 6.01(n), abandonment of the construction of the Authority Structures is deemed to have occurred if no significant construction (taking into account the construction schedule and permitted delay as a result of force majeure) is carried out without reasonable cause, for a continuous period of 90 days.

(o) The operation or maintenance of the Project or any material part thereof is suspended or abandoned; provided that, for the purposes of this Section 6.01(o), suspension or abandonment of the Project is deemed to have occurred, after the Service Commencement Date, if the Borrower fails, without reasonable cause, to operate the Project (taking into account force majeure) for a continuous period of 90 days.

(p) The occurrence of an "Event of Default" under and as defined in the Trust Agreement.

The provisions of this Section 6.01 are subject to the following limitation: if by reason of force majeure the Borrower is unable in whole or in part to carry out any of its agreements contained herein (other than its payment obligations contained herein), the Borrower shall not be deemed in default during the continuance of such inability. The term "force majeure" as used herein means, without limitation, the following which occur within the proximity of the Project: acts of God; strikes or other industrial disturbances; acts of public enemies; orders or restraints of any kind of the government of the United States of America or of the State of Texas or, with the exception of the Borrower, of any of their departments, agencies or officials, or of any civil or military authority; insurrections; riots; landslides; earthquakes; fires; storms; droughts; floods; explosions; breakage or accident to machinery, transmission pipes or canals; and any other cause or event not reasonably within the control of the Borrower. The Borrower agrees, however, to remedy with all reasonable dispatch the cause or causes preventing the Borrower from carrying out its agreement, provided that the settlement of strikes

and other industrial disturbances shall be entirely within the discretion of the Borrower and the Borrower shall not be required to settle strikes, lockouts and other industrial disturbances by acceding to the demands of the opposing party or parties when such course is in the judgment of the Borrower unfavorable to the Borrower.

Section 6.02 Remedies upon an Event of Default.

Upon or after the occurrence of an Event of Default under Section 6.01 hereof, TxDOT may, without prior notice unless otherwise specified in this Section 6.02, demand or presentment, and to the extent permitted by applicable law, do any or all of the following:

(a) have reasonable access to and inspect, examine and make copies of the books and records and any and all accounts, data and income and other records of the Borrower relating to the Project, including, without limitation, any such accounts, data and income and other records concerning the costs of operating and maintaining the Borrower's system which are allocated to the operation and maintenance of the Project or payable from Revenues or other amounts held in the Trust Agreement Funds, during regular working hours of the Borrower if reasonably necessary in the opinion of TxDOT;

(b) by suit, action or proceeding in equity, enjoin any acts or things which are unlawful or the violation of any rights of TxDOT and the Trustee;

(c) seek an action in mandamus against the Borrower and/or seek the appointment of a receiver;

(d) Upon the occurrence and continuance of an Event of Default under Section 6.01(k) hereof for a period of 60 days or Section 6.01(o) hereof, upon notice to Borrower but without waiving or releasing Borrower from any obligations, TxDOT shall have the right but not the obligation to step-in and undertake the operation and maintenance of the Project using any and all reasonable means necessary to operate and maintain the Project substantially in accordance with the requirements of the Project Agreement and to pay or direct the Trustee or other depository as applicable to pay or reimburse TxDOT for the costs thereof out of funds and accounts in the Operating Fund, Major Maintenance Fund, Capital Expenditure Fund, General Account of the General Fund and Current Year Revenue Account of the General Fund, in that order of priority, and should such costs amount to more than the total available in such funds at the time of the request for payment, then TxDOT shall have the right (but not the obligation) to pay such additional costs by expenditure of TxDOT's funds for which it shall be entitled to reimbursement from any future deposits to the funds described in this Section 6.02(d) provided such reimbursements shall be made first from the General Account of the General Fund and the Current Year Revenue Account of the General Fund; provided further that, in the event

TxDOT exercises its right to step-in and undertake the operation and maintenance of the Project as provided in this Section 6.02(d), the Borrower shall have the right to resume the operation and maintenance of the Project in compliance with the requirements of this Agreement and the Project Agreement and TxDOT shall cease operating and maintaining the Project but only following the submittal to TxDOT in writing of a remedial plan that (A) demonstrates to TxDOT's reasonable satisfaction that the Borrower is ready, willing and able and has the technical and financial means to so operate and maintain the Project, and (B) sets forth the specific steps Borrower intends to take as well as the schedule to resume operation and maintenance of the Project in compliance with the requirements of this Agreement and the Project Agreement;

(e) Upon the occurrence of an Event of Default under Section 6.01(l) or (n) hereof, TxDOT shall have the right, but not the obligation, upon notice to Borrower but without waiving or releasing Borrower from any obligations, for so long as Substantial Completion has not occurred, regardless of whether the Borrower is continuing or resumes construction work with respect to the Authority Structures, to step-in and undertake completion of the Authority Structures using any and all reasonable means necessary to achieve Substantial Completion substantially in accordance with the plans and specifications for the Authority Structures approved under the Project Agreement and to pay or direct the Trustee to pay or reimburse TxDOT for the costs thereof out of funds in the Construction Fund, the General Account of the General Fund, the Current Year Revenue Account of the General Fund or the Capital Expenditure Fund, in that order of priority, and should such costs amount to more than the total available in such funds at the time of the request for payment, then TxDOT shall have the right (but not the obligation) to pay such additional costs by expenditure of TxDOT's funds for which it shall be entitled to reimbursement from any future deposits to the General Account of the General Fund, the Current Year Revenue Account of the General Fund or the Capital Expenditure Fund. If in the exercise remedies under this Section 6.02(e) TxDOT incurs costs or causes costs to be paid (or reimbursed to TxDOT) with amounts credited to the General Account of the General Fund, the Current Year Revenue Account of the General Fund or the Capital Expenditure Fund that, taken together with all previously incurred Project Costs, exceed the Project Costs set forth in the Project Budget (the "Excess Construction Cost"), the Borrower shall, without limiting TxDOT's right to exercise remedies due to the occurrence and continuance of an Event of Default under Section 6.01(l) or (n) hereof, repay TxDOT for the Excess Construction Cost and, upon any such repayment by the Borrower, TxDOT shall apply such repayment in accordance with and to the extent required by the last sentence of Section 15(c) of the Direct Agreement (as defined in the Trust Agreement); and

(f) exercise, or cause to be exercised, any and all such remedies as it may have under this Agreement, the other Finance Documents or any other document or at law or in equity.

Section 6.03 Waivers; Consents. No waiver of, or consent with respect to, any provision of this Agreement or the other Finance Documents by TxDOT shall in any event be effective unless the same shall be in writing and signed by TxDOT, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which it was given.

Section 6.04 No Waiver; Remedies Cumulative. No failure on the part of TxDOT to exercise, and no delay in exercising, any right hereunder or under the other Finance Documents shall operate as a waiver thereof; and no single or partial exercise by TxDOT of any right hereunder or under the other Finance Documents shall preclude any other or further exercise thereof or the exercise of any other right. To the extent permitted by applicable law, the remedies herein and in the other Finance Documents provided are cumulative and not exclusive of any remedies available under any other document or at law or in equity.

Section 6.05 No Set-Off. Neither party shall set off or apply any balances, credits, deposits (general or special, time or demand, provisional or final), accounts or moneys at any time held against indebtedness at any time owing by the other party.

## ARTICLE VII.
## COVENANTS AND EVENTS OF DEFAULT BY TXDOT

Section 7.01 Legal Opinions On or before the Closing Date, TxDOT shall deliver to the Borrower a legal opinion from TxDOT's counsel in form and substance reasonably satisfactory to the initial purchasers under the Bond Purchase Contract.

Section 7.02 Advance Funds. Upon the delivery of a Trustee Request, TxDOT shall, from money appropriated by the Texas State Legislature in a manner that would allow its use for this purpose, advance the funds specified in the Trustee Request within three Business Days of the delivery of such request; provided, however, that no such advance shall (i) exceed the Maximum Permitted Amount, (ii) cause the aggregate amount of the advances made for such Draw Period to exceed the Maximum Available Annual Amount, (iii) cause the aggregate amount of all advances to exceed the Maximum Available Aggregate Amount, or (iv) cause the aggregate amount of all advances to exceed the aggregate amount of Eligible Costs. TxDOT covenants that it will submit a request in accordance with applicable law to obtain an appropriation from the Texas Legislature to fulfill its obligation to make advances under the Toll Equity Loan Commitment as provided in this Agreement, but not to exceed the Maximum Available Annual Amount for the Draw Periods included in the legislative request.

Section 7.03 Continuing Disclosure. Prior to or concurrently with the issuance of the Series 2011 First Tier Bonds, any Refunding Bonds and any Additional Senior Project Debt, TxDOT shall execute a continuing disclosure undertaking in a form reasonably acceptable to TxDOT, Borrower and the purchasers of such debt in order to enable Borrower to comply with its continuing disclosure

undertaking relating to such debt as required under Rule 15c2-12 of the Securities Exchange Commission.

Section 7.04 Builder's Liens. TxDOT shall use commercially reasonable efforts to cause all contractors to comply with all applicable builders' lien legislation and to pay or cause to be paid when due all claims and demands of contractors, subcontractors, laborers, suppliers of material, builders, workmen and others which, if unpaid, might result in the creation of a builders' lien, prior claim, legal pledge or analogous claim against the Project or any part thereof or on the revenue, income or profits arising therefrom, unless there is a bona fide dispute and adequate security has been posted.

Section 7.05 Remedies Upon An Event of Default by TxDOT. Upon TxDOT's failure (i) to honor a request by the Trustee for an advance under the Toll Equity Loan Commitment which complies with all the requirements of this Agreement if funds have been appropriated to TxDOT by the Texas State Legislature in a manner that would allow its use for such purpose, (ii) to satisfy its obligations under the continuing disclosure undertaking described in Section 7.03 hereof, or (iii) to observe and perform its covenant in Section 7.04 hereof (each of (i), (ii) and (iii) constituting an "Event of Default" with respect to TxDOT), Borrower may, without prior notice, demand or presentment, and to the extent permitted by applicable law, do any or all of the following:

(a) by suit, action or proceeding in equity, enjoin any acts or things which are unlawful or the violation of any rights of Borrower and the Trustee;

(b) seek an action in mandamus against TxDOT.

Section 7.06 Failure to Fund Advances Due to Non-Appropriation.

(a) Failure to honor a request by the Trustee for an advance under the Toll Equity Loan Commitment due solely to the fact that funds have not been appropriated to TxDOT by the Texas State Legislature in a manner that would allow its use for such purpose shall not constitute an Event of Default with respect to TxDOT under this Agreement.

(b) In the event that TxDOT has failed to honor a request by the Trustee for an advance under the Toll Equity Loan Commitment due solely to the fact that funds had not been appropriated to TxDOT by the Texas State Legislature in a manner that would allow its use for such purpose, TxDOT shall have no obligation to fund such request on any date subsequent to such failure.

Section 7.07 Obligations Not a Debt of TxDOT. The obligations of TxDOT under this Agreement do not create a debt of TxDOT, the Commission, the State of

Texas, or any other agency or political subdivision of the State of Texas under any provision of the Texas State Constitution.

## ARTICLE VIII.
## MISCELLANEOUS

Section 8.01 Notices. All notices and other communications provided for hereunder shall be in writing and sent by United States certified or registered mail, return receipt requested, private delivery service, or by email or facsimile (provided that the sender receives confirmation of receipt of the email or facsimile by email or facsimile or confirms the email or facsimile by sending an original copy by certified or registered mail or private delivery service within two (2) Business Days after transmission) addressed as follows:

| | |
|---|---|
| If to the Borrower: | North Texas Tollway Authority<br>5900 West Plano Parkway, Suite 100<br>Plano, Texas 75093-4694<br>Attn: Executive Director<br>Fax: 972-930-2622<br>Email: aclemson@ntta.org |
| With a copy to: | North Texas Tollway Authority<br>5900 West Plano Parkway, Suite 100<br>Plano, Texas 75093-4694<br>Attn: General Counsel<br>Fax: 972-930-3332<br>Email: _____ |
| If to the Trustee: | As provided in the Trust Agreement |
| If to TxDOT: | Texas Department of Transportation<br>125 E. 11th Street<br>Austin, Texas 78701-2483<br>Attn: Chief Financial Officer<br>Fax: 512-463-0283<br>Email: jbass@dot.state.tx.us |

With a copy to:

Texas Department of Transportation
Dallas District Office
4777 East Highway 80
Mesquite, Texas 75150
Attention: District Engineer
Fax: 214-320-6117
Email: whale@dot.state.tx.us

Texas Department of Transportation
125 E. 11th Street
Austin, Texas 78701-2483
Attn: General Counsel
Fax: 512-475-3070
Email: bjackson@dot.state.tx.us

The Borrower, the Trustee or TxDOT may change the address to which notices to it are to be sent by notice given to the other persons listed in this Section 8.01.

All notices shall, when mailed or given by private delivery service, be effective on the date indicated on the return or delivery receipt, respectively, and all notices given by email or facsimile shall be effective when received if confirmation of receipt, by email or facsimile, is received by the sender the same business day. If confirmation of receipt of email or facsimile notices is not received the same business day, the notices shall be effective when confirmation is received, or on the date indicated on the return or delivery receipt if the facsimile or email notices have been confirmed by mailing or private delivery service, whichever is earlier. Whenever in this Agreement the giving of notice is required, the giving of such notice may be waived in writing by the Person entitled to receive such notice and in any such case the giving or receipt of such notice shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

Section 8.02 Borrower Indemnification. TO THE EXTENT PERMITTED BY LAW, THE BORROWER HEREBY INDEMNIFIES AND HOLDS TXDOT, ITS OFFICERS, DIRECTORS, EMPLOYEES, AGENTS, AND ADVISORS OF ANY OF THE FOREGOING PERSONS (EACH SUCH PERSON BEING CALLED AN "INDEMNITEE") AGAINST, AND HOLD EACH INDEMNITEE HARMLESS FROM AND AGAINST ANY AND ALL CLAIMS, DAMAGES, LOSSES, LIABILITIES, COSTS OR EXPENSES (INCLUDING REASONABLE FEES, CHARGES AND DISBURSEMENTS OF COUNSEL OF THE INDEMNITEE'S CHOICE) WHICH SUCH INDEMNITEE MAY INCUR OR WHICH MAY BE CLAIMED AGAINST SUCH INDEMNITEE BY ANY PERSON OR ENTITY:

(a) BY REASON OF ANY INACCURACY OR ALLEGED INACCURACY IN ANY MATERIAL RESPECT, OR ANY UNTRUE STATEMENT OR ALLEGED UNTRUE STATEMENT OF ANY MATERIAL FACT, CONTAINED IN THE OFFICIAL STATEMENT OR ANY AMENDMENT OR SUPPLEMENT

THERETO, OR IN ANY FUTURE OFFERING DOCUMENT OR ANY AMENDMENT OR SUPPLEMENT THERETO, OR BY REASON OF THE OMISSION OR ALLEGED OMISSION TO STATE THEREIN A MATERIAL FACT NECESSARY TO MAKE SUCH STATEMENTS, IN LIGHT OF THE CIRCUMSTANCES UNDER WHICH THEY WERE MADE, NOT MISLEADING, IN EACH CASE TO THE EXTENT SUCH STATEMENTS AND FACTS (I) RELATE TO THE BORROWER OR THE PROJECT OR (II) ARE OTHERWISE KNOWN, FOLLOWING REASONABLY DILIGENT INQUIRY, TO THE BORROWER; PROVIDED THAT, (X) TO THE EXTENT ANY STATEMENTS OR FACTS DO NOT RELATE TO THE BORROWER, OR THE PROJECT, THIS REPRESENTATION DOES NOT APPLY TO ANY SECTIONS OF THE OFFICIAL STATEMENT OR ANY FUTURE OFFERING DOCUMENT REGARDING TXDOT, THE UNITED STATES DEPARTMENT OF TRANSPORTATION OR THE TRANSPORTATION INFRASTRUCTURE FINANCE INNOVATION ACT OF 1998, AS AMENDED, AND (Y) THIS INDEMNITY DOES NOT APPLY TO ANY EXTENT TO THE SECTION THEREOF ENTITLED "TAX MATTERS" OR ANY PROVISIONS OF THE OFFICIAL STATEMENT OR FUTURE OFFERING DOCUMENT REGARDING RISKS ASSOCIATED WITH THE TRAFFIC AND REVENUE STUDY REPORT; OR

(b) BY REASON OF OR IN CONNECTION WITH THE EXECUTION, DELIVERY OR PERFORMANCE OF ANY FINANCE DOCUMENT OR ANY AGREEMENT, INSTRUMENT OR TRANSACTION CONTEMPLATED THEREBY; OR

(c) BY REASON OF ANY BREACH BY THE BORROWER OF ANY REPRESENTATION, WARRANTY, COVENANT, TERM OR CONDITION IN, OR THE OCCURRENCE OF AN EVENT OF DEFAULT UNDER, THIS AGREEMENT, INCLUDING ALL REASONABLE FEES AND EXPENSES RESULTING FROM THE SETTLEMENT OR DEFENSE OF ANY CLAIMS OR LIABILITIES ARISING AS A RESULT OF ANY SUCH BREACH OR DEFAULT; OR

(d) BY REASON OF ANY ACTUAL OR ALLEGED PRESENCE OR RELEASE OF HAZARDOUS SUBSTANCE ON OR FROM THE PROJECT, OR ANY LIABILITY IN RESPECT OF ANY ENVIRONMENTAL CLAIM RELATED TO THE PROJECT; OR

(e) BY REASON OF ANY ACTUAL CLAIM, LITIGATION, INVESTIGATION OR PROCEEDING RELATING TO ANY OF THE FOREGOING, WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY AND REGARDLESS OF WHETHER ANY INDEMNITEE IS A PARTY THERETO; OR

(f) BY REASON OF:

(x) THE OCCURRENCE OF A THIRD TIER SUBORDINATION EVENT (AS DEFINED IN THE TRUST AGREEMENT) DUE TO A VIOLATION OR BREACH BY TXDOT UNDER THE DIRECT AGREEMENT (AS DEFINED IN THE TRUST AGREEMENT) AS A RESULT OF THE EXERCISE OF ANY RIGHT OR REMEDY BY TXDOT UNDER THIS AGREEMENT WITH RESPECT TO ANY BREACH BY THE BORROWER OF ANY DUTY OR OBLIGATION UNDER THIS AGREEMENT OR THE TRUST AGREEMENT, OR

(y) ANY BREACH BY THE BORROWER OF ANY DUTY OR OBLIGATION UNDER THIS AGREEMENT OR THE TRUST AGREEMENT WHERE TXDOT IS PREVENTED FROM PURSUING OR DELAYED IN THE EXERCISE OF ANY RIGHT OR REMEDY THAT IT COULD OTHERWISE LAWFULLY EXERCISE IN RESPECT OF SUCH BREACH BECAUSE THE EXERCISE OF SUCH RIGHT OR REMEDY BY TXDOT COULD REASONABLY BE EXPECTED BY TXDOT TO CAUSE THE OCCURRENCE OF A THIRD TIER SUBORDINATION EVENT DUE TO A VIOLATION OR BREACH BY TXDOT UNDER THE DIRECT AGREEMENT (AS DEFINED IN THE TRUST AGREEMENT).

TXDOT SHALL DELIVER TO THE BORROWER A NOTICE (AN “INDEMNITY NOTICE”) STATING THE BASIS FOR ANY CLAIM FOR AN INDEMNITY PAYMENT UNDER THIS SECTION 8.02(f), AND, TO THE EXTENT KNOWN, SETTING FORTH, IN REASONABLE DETAIL, THE CALCULATION OF THE AMOUNT OF SUCH CLAIM THAT CAN BE REASONABLY ASCERTAINED AT THE TIME OF THE DELIVERY OF THE INDEMNITY NOTICE, PROVIDED THE FAILURE OF AN INDEMNITY NOTICE TO CONFORM TO THE REQUIREMENTS OF THIS PARAGRAPH SHALL NOT DELAY OR INVALIDATE ANY CLAIM BY TXDOT UNDER THIS SECTION 8.02(f).

FOR PURPOSES OF MEASURING TXDOT’S DAMAGES, LOSSES, LIABILITIES, COSTS OR EXPENSES UNDER

THIS SECTION 8.02(f), TXDOT MAY ONLY CLAIM THE AMOUNT (WITHOUT DUPLICATION) OF

(1) ANY PAYMENTS OR REIMBURSEMENTS THAT TXDOT IS ENTITLED TO RECEIVE PURSUANT TO THE TERMS OF THIS AGREEMENT AND THE TRUST AGREEMENT BUT FAILS TO RECEIVE FROM THE TRUSTEE, ON THE DATES (THE “DUE DATES”) IT WOULD HAVE RECEIVED SUCH PAYMENTS OR REIMBURSEMENTS, AS A RESULT OF THE EVENTS DESCRIBED IN SECTION 8.02(f)(X) OR (Y) (EACH SUCH AMOUNT BEING A "DELAYED PAYMENT PRINCIPAL COMPONENT"), PLUS (I) INTEREST ON EACH DELAYED PAYMENT PRINCIPAL COMPONENT (TO THE EXTENT THAT SUCH DELAYED PAYMENT PRINCIPAL COMPONENT BEARS INTEREST UNDER THIS AGREEMENT) AT THE RATE OR RATES APPLICABLE TO SUCH DELAYED PAYMENT PRINCIPAL COMPONENT UNDER THIS AGREEMENT (I.E., EITHER THE INTEREST RATE AS DEFINED IN SECTION 1.01 OR THE INTEREST RATE SET FORTH IN THE SECOND PARAGRAPH OF SECTION 2.04) FROM THE APPLICABLE DUE DATE IN RESPECT OF EACH SUCH DELAYED PAYMENT PRINCIPAL COMPONENT UNTIL THE DATE OF PAYMENT (OR DEEMED PAYMENT AS PROVIDED IN CLAUSE (A) OF THIS SECTION 8.02(f)) TO TXDOT OF THE APPLICABLE DELAYED PAYMENT PRINCIPAL COMPONENT (THE “DELAYED PAYMENT REIMBURSABLE INTEREST COMPONENT”) AND (II) INTEREST ON THE DELAYED PAYMENT PRINCIPAL COMPONENT AT A RATE EQUAL TO THE RATE THAT INTEREST WOULD HAVE ACCRUED ON THE DELAYED PAYMENT PRINCIPAL COMPONENT HAD THE AMOUNT OF THE DELAYED PAYMENT PRINCIPAL COMPONENT REMAINED ON DEPOSIT IN FUND 6 (THE “FUND 6 RATE”), COMPOUNDED MONTHLY, FROM THE APPLICABLE DUE DATE IN RESPECT OF EACH SUCH DELAYED PAYMENT PRINCIPAL COMPONENT UNTIL THE DATE OF PAYMENT (OR DEEMED PAYMENT AS PROVIDED IN CLAUSE (A) OF THIS SECTION 8.02(f)) TO TXDOT OF THE APPLICABLE DELAYED PAYMENT PRINCIPAL COMPONENT (THE “DELAYED PAYMENT NON-REIMBURSABLE INTEREST COMPONENT” AND, TOGETHER WITH THE DELAYED PAYMENT PRINCIPAL COMPONENT AND THE REIMBURSABLE INTEREST

COMPONENT, THE "DELAYED PAYMENT INDEMNITY AMOUNT"), AND

(2) ANY INCREASE IN THE DRAWS REQUIRED TO BE HONORED BY TXDOT AND, IN FACT, DISBURSED TO THE TRUSTEE BY TXDOT, PURSUANT TO THE TERMS OF THE TOLL EQUITY LOAN COMMITMENT AND THE TRUST AGREEMENT, WHICH INCREASE IN DRAWS ARISES AS A RESULT OF THE EVENTS DESCRIBED IN SECTION 8.02(f)(X) OR (Y) (SUCH AMOUNT BEING THE "ADDITIONAL DRAW PRINCIPAL COMPONENT"), PLUS (I) INTEREST ON THE ADDITIONAL DRAW PRINCIPAL COMPONENT AT A RATE EQUAL TO THE INTEREST RATE (AS DEFINED IN SECTION 1.01 OF THIS AGREEMENT) FROM THE DATE THE ADDITIONAL DRAW PRINCIPAL COMPONENT WAS DISBURSED TO THE TRUSTEE (THE “DRAW DATE”) UNTIL THE DATE OF PAYMENT (OR DEEMED PAYMENT AS PROVIDED IN CLAUSE (A) OF THIS SECTION 8.02(f)) TO TXDOT OF THE APPLICABLE ADDITIONAL DRAW PRINCIPAL COMPONENT (THE “ADDITIONAL DRAW REIMBURSABLE INTEREST COMPONENT”) AND (II) INTEREST ON THE ADDITIONAL DRAW PRINCIPAL COMPONENT AT THE FUND 6 RATE, COMPOUNDED MONTHLY, FROM THE DRAW DATE UNTIL THE DATE OF PAYMENT (OR DEEMED PAYMENT AS PROVIDED IN CLAUSE (A) OF THIS SECTION 8.02(f)) TO TXDOT OF THE APPLICABLE ADDITIONAL DRAW PRINCIPAL COMPONENT (THE “ADDITIONAL DRAW NON-REIMBURSABLE INTEREST COMPONENT” AND, TOGETHER WITH THE ADDITIONAL DRAW PRINCIPAL COMPONENT AND ADDITIONAL DRAW REIMBURSABLE INTEREST COMPONENT, THE "ADDITIONAL DRAW INDEMNITY AMOUNT"),

(3) THE INTEREST ON ANY DRAWS REQUIRED TO BE HONORED BY TXDOT AND, IN FACT, DISBURSED TO THE TRUSTEE BY TXDOT, PURSUANT TO THE TERMS OF THE TOLL EQUITY LOAN COMMITMENT AND THE TRUST AGREEMENT ON AN EARLIER DATE (THE “EARLIER PAYMENT DATE”), WHICH EARLIER PAYMENT DATE ARISES AS A RESULT OF THE EVENTS DESCRIBED IN SECTION 8.02(f)(X) OR (Y), TO BE PAID AT THE FUND 6 RATE, COMPOUNDED MONTHLY, BUT ONLY FOR THE PERIOD OF TIME FROM THE EARLIER

PAYMENT DATE UNTIL THE DATE THE APPLICABLE DRAW WOULD HAVE BEEN REQUIRED TO BE MADE HAD THE EVENTS DESCRIBED IN THIS SECTION 8.02(f)(X) OR (Y) NOT OCCURRED (THE "EARLIER PAYMENT INTEREST AMOUNT"),

PROVIDED THAT IF AND TO THE EXTENT TXDOT RECEIVES PAYMENT FROM:

(a) THE TRUSTEE IN RESPECT OF ANY THIRD TIER OBLIGATIONS OF THE BORROWER UNDER THE TRUST AGREEMENT THAT CORRESPONDS TO A DELAYED PAYMENT PRINCIPAL COMPONENT, DELAYED PAYMENT REIMBURSABLE INTEREST COMPONENT, ADDITIONAL DRAW PRINCIPAL COMPONENT OR ADDITIONAL DRAW REIMBURSABLE INTEREST COMPONENT (EACH A "REIMBURSABLE INDEMNITY OBLIGATION"), THEN (WITHOUT PREJUDICE TO THE SATISFACTION OF THE BORROWER'S OBLIGATIONS UNDER THIS AGREEMENT OR THE TRUST AGREEMENT IN RELATION TO SUCH PAYMENT) THE AMOUNT OF THE APPLICABLE REIMBURSABLE INDEMNITY OBLIGATION SHALL BE AUTOMATICALLY DEEMED PAID IN AN AMOUNT EQUAL TO THE AMOUNT OF SUCH PAYMENT; OR

(b) THE BORROWER IN RESPECT OF ANY REIMBURSABLE INDEMNITY OBLIGATION (EACH A "BORROWER REIMBURSABLE INDEMNITY PAYMENT"), OR IS DEEMED TO RECEIVE PAYMENT FROM THE BORROWER OF A BORROWER REIMBURSABLE INDEMNITY PAYMENT AS A RESULT OF A TXDOT OFFSET TO THE PAYMENT OF A REIMBURSEMENT OF A BORROWER REIMBURSABLE INDEMNITY PAYMENT AS PROVIDED BELOW, THEN (WITHOUT PREJUDICE TO TXDOT'S RIGHT TO RECEIVE ANY OTHER PAYMENT UNDER THIS AGREEMENT OR THE TRUST AGREEMENT) TXDOT SHALL PAY TO THE BORROWER AS REIMBURSEMENT FOR SUCH BORROWER REIMBURSABLE INDEMNITY PAYMENT AN AMOUNT EQUAL TO SUCH BORROWER REIMBURSABLE INDEMNITY PAYMENT, TOGETHER WITH INTEREST ON SUCH BORROWER REIMBURSABLE INDEMNITY PAYMENT AT THE RATE OR RATES APPLICABLE TO SUCH BORROWER REIMBURSABLE INDEMNITY

PAYMENT UNDER THIS AGREEMENT FROM THE DUE DATE OR THE DRAW DATE, AS APPLICABLE, WITHIN THREE BUSINESS DAYS AFTER TXDOT RECEIVES FROM THE TRUSTEE A PAYMENT OF A THIRD TIER OBLIGATION OF THE BORROWER UNDER THE TRUST AGREEMENT THAT CORRESPONDS TO A BORROWER REIMBURSABLE INDEMNITY PAYMENT OR THE INTEREST THEREON, BUT ONLY FROM AND UP TO THE AMOUNTS RECEIVED BY TXDOT FROM THE TRUSTEE THAT CORRESPOND TO SUCH BORROWER REIMBURSABLE INDEMNITY PAYMENT OR INTEREST THEREON; PROVIDED THAT TXDOT MAY OFFSET FROM ANY SUCH REIMBURSEMENT PAYMENT TO THE BORROWER ANY UNPAID DELAYED PAYMENT INDEMNITY AMOUNT, ADDITIONAL DRAW INDEMNITY AMOUNT AND/OR EARLIER PAYMENT INTEREST AMOUNT FOR WHICH AN INDEMNITY NOTICE HAS BEEN DELIVERED TO THE BORROWER PRIOR TO TXDOT'S RECEIPT OF THE APPLICABLE BORROWER REIMBURSABLE INDEMNITY PAYMENT BY PROVIDING TO THE BORROWER A CERTIFICATE SETTING FORTH IN REASONABLE DETAIL THE AMOUNT OF THE UNPAID DELAYED PAYMENT INDEMNITY AMOUNT, ADDITIONAL DRAW INDEMNITY AMOUNT AND/OR EARLIER PAYMENT INTEREST AMOUNT, AND THEIR RESPECTIVE COMPONENTS, THAT ARE DEEMED PAID BY SUCH OFFSET.

UPON PAYMENT TO TXDOT OF ANY AMOUNT DESCRIBED IN CLAUSE (A) OR (B) OF THIS SECTION 8.02(f), THE BORROWER SHALL DELIVER TO TXDOT A WRITTEN NOTICE STATING IN REASONABLE DETAIL THE REIMBURSABLE INDEMNITY OBLIGATIONS TO WHICH SUCH PAYMENT APPLIES AND THE AMOUNT ATTRIBUTABLE TO EACH SUCH REIMBURSABLE INDEMNITY OBLIGATION, AND TXDOT SHALL DELIVER TO THE BORROWER A WRITTEN ACKNOWLEDGEMENT OF THE PAYMENT OR DEEMED PAYMENT OF SUCH REIMBURSABLE INDEMNITY OBLIGATIONS AND, IF APPLICABLE, THE BORROWER'S RIGHT TO BE REIMBURSED FOR SUCH PAYMENT UNDER CLAUSE (B) OF THIS SECTION 8.02(f).

NOTHING IN THIS SECTION 8.02(f) SHALL PREJUDICE OR REPRESENT A WAIVER OR MODIFICATION OF ANY

OF TXDOT'S OBLIGATIONS TO PERFORM ITS COVENANTS AND OBLIGATIONS (INCLUDING ITS OBLIGATION TO MAKE ADVANCES AND ITS WAIVERS OF DEFENSES IN RELATION THERETO) UNDER THIS AGREEMENT AND THE DIRECT AGREEMENT (AS DEFINED IN THE TRUST AGREEMENT) AND NO SUCH OBLIGATIONS SHALL BE CONDITIONED ON, OFFSET BY, TERMINATED OR SUSPENDED IN CONNECTION WITH, THE EXISTENCE OF OR ANY DEFAULT OR DISPUTE WITH RESPECT TO ANY PAYMENT OBLIGATION ARISING UNDER THIS SECTION 8.02(f) OR ANY OTHER PROVISION OR REQUIREMENT OF THIS SECTION 8.02(f), AND PAYMENT OF AMOUNTS UNDER THIS SECTION 8.02(f) SHALL BE SUBJECT TO SECTION 8.14 HEREOF.

PROVIDED THAT THE INDEMNITIES IN THIS SECTION 8.02 SHALL NOT, AS TO ANY INDEMNITEE, BE AVAILABLE TO THE EXTENT THAT SUCH LOSSES, CLAIMS, DAMAGES, LIABILITIES OR RELATED EXPENSES ARE DETERMINED BY A COURT OF COMPETENT JURISDICTION BY FINAL AND NONAPPEALABLE JUDGMENT TO HAVE RESULTED FROM THE NEGLIGENCE, BAD FAITH OR WILLFUL MISCONDUCT OF SUCH INDEMNITEE.

NOTHING IN THIS SECTION 8.02 IS INTENDED TO LIMIT THE BORROWER'S OBLIGATIONS CONTAINED IN ARTICLE II HEREOF. WITHOUT PREJUDICE TO THE SURVIVAL OF ANY OTHER OBLIGATION OF THE BORROWER HEREUNDER, THE INDEMNITIES AND OBLIGATIONS OF THE BORROWER CONTAINED IN THIS SECTION 8.02 SHALL SURVIVE THE PAYMENT IN FULL OF AMOUNTS PAYABLE PURSUANT TO ARTICLE II HEREOF AND THE EXPIRATION OR EARLIER TERMINATION OF THIS AGREEMENT. SUBJECT TO SECTION 8.14 HEREOF, ALL SUMS DUE TO ANY INDEMNITEE HEREUNDER SHALL BE AN OBLIGATION OF THE BORROWER, DUE AND PAYABLE IMMEDIATELY WITHOUT DEMAND.

Section 8.03 TxDOT Indemnification. TO THE EXTENT PERMITTED BY LAW, TXDOT HEREBY INDEMNIFIES AND HOLDS THE BORROWER, ITS OFFICERS, DIRECTORS, EMPLOYEES, AGENTS, AND ADVISORS OR ANY OF THE FOREGOING PERSONS (EACH SUCH PERSON BEING CALLED AN "INDEMNITEE") AGAINST, AND HOLDS EACH INDEMNITEE HARMLESS FROM AND AGAINST ANY AND ALL CLAIMS, DAMAGES, LOSSES, LIABILITIES, COSTS OR EXPENSES (INCLUDING REASONABLE FEES, CHARGES AND DISBURSEMENTS OF COUNSEL OF THE INDEMNITEE'S CHOICE) WHICH SUCH INDEMNITEE MAY INCUR OR WHICH MAY BE CLAIMED AGAINST SUCH INDEMNITEE BY ANY PERSON OR ENTITY BY REASON OF ANY INACCURACY OR ALLEGED UNTRUE STATEMENT OF ANY MATERIAL FACT RELATING TO TXDOT OR THE TOLL EQUITY LOAN PROVIDED OR APPROVED BY TXDOT IN WRITING AND CONTAINED IN THE OFFICIAL STATEMENT OR ANY

AMENDMENT OR SUPPLEMENT THERETO, OR IN ANY FUTURE OFFERING DOCUMENT OR ANY AMENDMENT OR SUPPLEMENT THERETO OR BY REASON OF THE OMISSION OR ALLEGED OMISSION TO STATE THEREIN A MATERIAL FACT NECESSARY TO MAKE SUCH STATEMENTS, IN LIGHT OF THE CIRCUMSTANCES UNDER WHICH THEY WERE MADE, NOT MISLEADING; PROVIDED THAT THE INDEMNITIES IN THIS SECTION 8.03 SHALL NOT, AS TO ANY INDEMNITEE, BE AVAILABLE TO THE EXTENT THAT SUCH LOSSES, CLAIMS, DAMAGES, LIABILITIES OR RELATED EXPENSES ARE DETERMINED BY A COURT OF COMPETENT JURISDICTION BY FINAL AND NONAPPEALABLE JUDGMENT TO HAVE RESULTED FROM THE NEGLIGENCE, BAD FAITH OR WILLFUL MISCONDUCT OF SUCH INDEMNITEE OR EMPLOYEE OR AGENT OF THE INDEMNITEE OR THE INITIAL PURCHASERS OF THE SENIOR PROJECT DEBT. WITHOUT PREJUDICE TO THE SURVIVAL OF ANY OTHER OBLIGATION OF TXDOT HEREUNDER, THE INDEMNITIES AND OBLIGATIONS OF TXDOT CONTAINED IN THIS SECTION 8.03 SHALL SURVIVE THE EXPIRATION OR EARLIER TERMINATION OF THE AGREEMENT. ALL SUMS DUE TO ANY INDEMNITEE HEREUNDER SHALL BE AN OBLIGATION OF TXDOT, DUE AND PAYABLE IMMEDIATELY WITHOUT DEMAND, BUT SHALL BE PAYABLE SOLELY FROM MONEY APPROPRIATED BY THE TEXAS STATE LEGISLATURE IN A MANNER THAT WOULD ALLOW ITS USE FOR THIS PURPOSE.

Section 8.04 Binding Effect; Successors and Assigns. This Agreement shall become effective when it shall have been executed by the Borrower and TxDOT and thereafter shall be binding upon and inure to the benefit of the Borrower and TxDOT and their respective successors and assigns. The Borrower shall not have the right to assign its rights hereunder or any interest herein other than to the Trustee, without the prior written consent of TxDOT. TxDOT shall not have the right to assign its rights or obligations hereunder or any interest herein without the prior written consent of the Borrower and confirmation from each rating agency then rating the Senior Project Debt that any such assignment will not negatively affect the then current ratings on the Senior Project Debt.

Section 8.05 Survival of Representations, Warranties and Covenants. All representations, warranties and covenants made by the Borrower herein and in any document delivered pursuant hereto shall survive the delivery of this Agreement and any advances under the Toll Equity Loan Commitment.

Section 8.06 Counterparts. The execution and delivery hereof by the parties hereto shall constitute a contract between them for the uses and purposes herein set forth, and this Agreement may be executed in any number of counterparts, with each executed counterpart constituting an original and all counterparts together constituting one agreement.

Section 8.07 Costs and Expenses.

(a) The Borrower agrees to pay on demand all reasonable, documented out-of-pocket costs and expenses of TxDOT in connection with the enforcement of this Agreement, the other Finance Documents and such other documents; and

(b) Without prejudice to the survival of any other obligation of the Borrower hereunder, the indemnities and obligations of the Borrower contained in this Section 8.07 shall survive the payment in full of amounts payable pursuant to Article II hereof and the expiration or earlier termination of this Agreement. Subject to Section 8.14 hereof, all sums due hereunder shall be an obligation of the Borrower, due and payable immediately without demand.

Section 8.08 Amendments.

(a) No amendment to or waiver of any provision of this Agreement, nor consent to any departure by the Borrower therefrom, shall be effective unless the same shall be in writing and signed by TxDOT and the Borrower.

(b) No amendment to or waiver of any defined term in any other Transaction Document which is incorporated by reference herein shall be effective in the context of this Agreement unless the same shall have been consented to in advance by TxDOT.

(c) The parties may amend and supplement this Agreement to increase the amount of the Toll Equity Loan Commitment to include Eligible Costs associated with the SWP/CT Project. Such increase shall only be as a result of adding the SWP/CT Project, in accordance with the approval of the Texas Transportation Commission and as provided in this Agreement and in a Supplement to Toll Equity Loan Agreement in a form and with such terms and provisions as agreed to by the parties.

Section 8.09 No Waiver. No failure on the part of TxDOT to exercise, and no delay in exercising, any right or power hereunder shall operate as a waiver thereof; nor shall any single or partial exercise of any right or power hereunder preclude any other or further exercise thereof or the exercise of any other right or power. The rights and remedies of TxDOT hereunder are cumulative and are not exclusive of any rights or remedies that they would otherwise have. No waiver of any provision of this Agreement or consent to any departure by the Borrower therefrom shall in any event be effective unless the same shall have been provided in accordance with Section 8.08 hereof, and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given.

Section 8.10 Severability; Interest Limitation. If any provision hereof is found by a court of competent jurisdiction to be prohibited or unenforceable in any jurisdiction, it shall be ineffective as to such jurisdiction only to the extent of such prohibition or unenforceability, and such prohibition or unenforceability shall not invalidate the balance of such provision as to such jurisdiction to the extent it is not prohibited or unenforceable, nor invalidate such provision in any other jurisdiction, nor invalidate the other provisions hereof, all of which shall be liberally construed in order to effect the provisions of this Agreement. Notwithstanding anything to the contrary herein contained, the total liability of the Borrower for payment of interest pursuant hereto shall not exceed the maximum amount, if any, of such interest permitted by applicable law to be contracted for, charged or received, and if any payments by the Borrower to TxDOT include interest in excess of such a maximum amount, TxDOT shall apply such excess to the reduction of the unpaid principal amount or other sums due from the Borrower pursuant hereto, or if none is due, such excess shall be refunded to the Borrower; provided that, to the extent permitted by applicable law, in the event the interest is not collected, is applied to principal or is refunded pursuant to this sentence and interest thereafter payable pursuant hereto shall be less than such maximum amount, then such interest thereafter so payable shall be increased up to such maximum amount to the extent necessary to recover the amount of interest, if any, theretofore uncollected, applied to principal or refunded pursuant to this sentence. Any such application or refund shall not cure or waive any Event of Default. In determining whether or not any interest payable under this Agreement exceeds the highest rate permitted by law, any non- principal payment (except payments specifically stated in this Agreement to be "interest") shall be deemed, to the extent permitted by applicable law, to be an expense, fee, premium or penalty rather than interest.

Section 8.11 Conflicts. Insofar as possible the provisions of this Agreement shall be deemed complementary to the terms of the Trust Agreement, but in the event of conflict the terms hereof shall control to the extent such are enforceable under applicable law; provided that if such terms relate to the terms or amount of payment of principal of or interest on the Senior Project Debt or the pledge of Revenues or other security provided to the holders of the Senior Project Debt, the terms of the Trust Agreement shall control .

Section 8.12 Governing Law; Jurisdiction; Waivers. THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE INTERNAL LAWS OF THE STATE OF TEXAS, WITHOUT REFERENCE TO CHOICE OF LAW DOCTRINE. WITH RESPECT TO ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTION CONTEMPLATED HEREBY OR THE PERFORMANCE OF ANY OF THE PARTIES HEREUNDER, THE BORROWER AND TXDOT HEREBY IRREVOCABLY (A) SUBMIT TO THE NON-EXCLUSIVE JURISDICTION OF ANY STATE OR FEDERAL COURT SITTING IN TEXAS; (B) AGREE THAT ALL CLAIMS WITH RESPECT TO SUCH ACTION OR PROCEEDING MAY BE HEARD AND DETERMINED IN SUCH TEXAS STATE OR FEDERAL COURT; (C) WAIVE THE

DEFENSE OF ANY INCONVENIENT FORUM; (D) AGREE THAT A FINAL JUDGMENT IN ANY SUCH ACTION OR PROCEEDING SHALL BE CONCLUSIVE AND MAY BE ENFORCED IN ANOTHER JURISDICTION BY SUIT ON THE JUDGMENT OR IN ANY OTHER MANNER PROVIDED BY LAW; AND (E) CONSENT TO SERVICE OF PROCESS BY MAILING OR DELIVERING A COPY OF SUCH PROCESS TO THE BORROWER OR TXDOT, AS APPLICABLE, AT ITS ADDRESS SET FORTH HEREIN AND AGREE THAT SUCH SERVICE SHALL BE EFFECTIVE WHEN SENT OR DELIVERED. THE BORROWER AND TXDOT EACH REPRESENTS AND WARRANTS THAT IT HAS CONSULTED WITH COUNSEL AND UNDERSTANDS THE RAMIFICATIONS OF THE FOREGOING.

Section 8.13 Dispute Resolution Procedures. The Borrower and TxDOT will set up a formalized process to resolve the issues under this Agreement that the parties have designated to be subject to the provisions of this Section 8.13. The process will include an issues resolution ladder to resolve questions at the appropriate organizational levels. Any questions that cannot be resolved by use of the issues resolution ladder will be referred to the Borrower's Executive Director or his/her designee and TxDOT's Executive Director or his/her designee to resolve. If a dispute is processed under the issues resolution ladder and not resolved, the parties agree to use the procedures in the next following sentences: The party making a claim may advance it in accordance with the statutes and administrative rules applicable on the effective date of this Agreement, including all statutory provisions that effect a waiver, in whole or part, of sovereign immunity to suit for the purpose of adjudicating a claim for a breach under the Agreement, including Tex. Loc. Gov't. Code Chapter 271, Subchapter I, to the extent applicable. The parties agree to use any alternative dispute resolution procedure that is a part of the applicable claim procedure. The parties shall satisfy the requirement for alternative dispute resolution by participating in non-binding arbitration, unless otherwise agreed to by the parties. During the resolution of an issue the Borrower and TxDOT will not hinder work under this Agreement and such work will proceed.

Section 8.14 Limited Obligation; No Personal Liability. The obligations and liabilities of the Borrower under the Toll Equity Loan, the Toll Equity Note and this Agreement (except with respect to the Borrower's indemnity obligation under Section 8.02(f) and its obligation to pay Operating Expenses, Major Maintenance Expenses and Capital Expenditures in any given Draw Period in excess of the amounts of such expenses and expenditures as set forth in the Project Budget for such Draw Period or to the extent such expenses and expenditures relate to operation and maintenance of the Project at standards higher than the Project Agreement Standards) shall be non recourse to the Borrower (except with respect to the Borrower's obligation to pay certain amounts in connection with the construction, operation, and maintenance of the Project in excess of the Project Budget where there are insufficient Revenues and other amounts held under the Trust Agreement available therefor, the Borrower's repayment obligation under Section 6.02(e) and the Borrower's indemnity obligation under 8.02(f)). Without prejudice to TxDOT's right to be repaid the principal of and interest on advances under the Toll Equity Loan Commitment and other amounts

relating to the Borrower's breach of its obligations under this Agreement as provided herein and in the Trust Agreement, the Borrower's indemnity obligations under Section 8.02(f) shall not constitute Third Tier Obligations under the Trust Agreement and shall not be payable by the Borrower out of the Trust Estate but shall be payable out of any other legally available funds available to the Borrower, and such indemnity obligations shall only be due and payable to the extent such other legally available funds are available to the Borrower; provided, however, that TxDOT shall not have the right to be paid or receive payment of any obligations under Section 8.02(f) from any source of funds so long as a default in the payment of any amount due with respect to a First Tier Obligation or a Second Tier Obligation has occurred and is continuing; provided further that no amount payable to TxDOT under the Toll Equity Loan or the Toll Equity Loan note shall be reduced or offset by any payments made or to be made by the Borrower to TxDOT pursuant to Section 8.02(f). Subject to the provisions of the following sentence, in no event shall any officer, agent, employee, or director in the Borrower (a "Non-Recourse Party") be personally liable or obligated for such liabilities and obligations of the Borrower or be subject to any personal liability or accountability by reason of the execution and delivery hereof. Nothing herein contained shall limit or be construed to (i) release any Non-Recourse Party from liability for its fraudulent actions, bad faith or misappropriation of funds or willful misconduct, (ii) limit or impair the exercise of remedies with respect to any collateral, or (iii) require TxDOT to indemnify the Non-Recourse Parties for liabilities or claims that may be independently asserted by third parties against them.

Section 8.15 Offering Documents for Additional Debt. The Borrower and TxDOT agree to work cooperatively in the preparation and distribution of any Future Offering Document which shall be in a form reasonably satisfactory to TxDOT. The Borrower and TxDOT shall be deemed to make, as of the date of the issuance of any Additional Senior Project Debt or Refunding Bonds, the same representations and warranties with respect to any such Future Offering Document as the parties have made hereunder with respect to the Official Statement.

*(Remainder of page intentionally left blank)*

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and delivered by their respective officers thereunto duly authorized as of the date first above written.

**NORTH TEXAS TOLLWAY AUTHORITY**

By:_____
Allen Clemson
Executive Director

Date:_____

**TEXAS DEPARTMENT OF TRANSPORTATION**

By:_____
Amadeo Saenz, Jr., P.E.,
Executive Director

Date:_____

ATTEST:

_____
Ruby Franklin,
Secretary

APPROVED AS TO FORM:

LOCKE LORD BISSELL & LIDDELL LLP
Outside General Counsel to the Borrower

By:_____
Kevin L. Twining

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# APPENDIX H

# TIFIA LOAN AGREEMENT (EXCLUDING APPENDICES)

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EXECUTION VERSION

# UNITED STATES
# DEPARTMENT OF TRANSPORTATION

# SECURED
# LOAN AGREEMENT

**For Up to $418,405,000**

**With**

## NORTH TEXAS TOLLWAY AUTHORITY

**For the**

## STATE HIGHWAY 161 PROJECT
## (TIFIA – No. 2009-1001A)

**Dated as of April 1, 2011**

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# SECURED LOAN AGREEMENT

**THIS SECURED LOAN AGREEMENT** (as amended and/or supplemented from time to time, this "Secured Loan Agreement"), dated as of April 1, 2011, by and between the **NORTH TEXAS TOLLWAY AUTHORITY,** a political subdivision of the State of Texas and a body corporate and politic (the "Borrower") created pursuant to Chapter 366 of the Texas Transportation Code (the "Statute"), and the **UNITED STATES DEPARTMENT OF TRANSPORTATION**, acting by and through the Federal Highway Administrator (the "Lender").

**PREAMBLE:**

WHEREAS, the Congress of the United States of America has found that a well-developed system of transportation infrastructure is critical to the economic well-being, health and welfare of the people of the United States and, in furtherance thereof, has enacted the Transportation Infrastructure Finance and Innovation Act of 1998 ("TIFIA"), § 1501 *et seq*. of Public Law 105-178 (as amended by the TEA 21 Restoration Act, Public Law 105-206), (the "Act"), codified as 23 U.S.C. § 601, *et seq.*; and

WHEREAS, 23 U.S.C. § 603 authorizes the Lender to enter into agreements with one or more obligors to make secured loans and the Statute, Chapter 1371 of the Texas Government Code and Section 228.0111 of the Texas Transportation Code authorize the Borrower to issue bonds and to enter into this Secured Loan Agreement as a "credit agreement" as defined in the Act; and

WHEREAS, the Borrower has requested that the Lender make the Secured Loan (as defined herein) to be used to pay a portion of the Eligible Project Costs (as defined herein) related to the PGBT WE Project pursuant to an application for TIFIA credit assistance submitted in September 2009 (the "Application"); and

WHEREAS, a portion of the Eligible Project Costs related to the PGBT WE Project will be initially funded by the Lender with the proceeds of the Series 2011 BANs (as defined in the Trust Agreement (as defined herein)); and

WHEREAS, the proceeds of the Secured Loan may be disbursed by the Lender to the Borrower to reimburse the Borrower for Eligible Project Costs and such reimbursement may be used by the Borrower to repay the principal of and interest on the Series 2011 BANs issued by the Borrower to pay such Eligible Project Costs; and

WHEREAS, the Secured Loan shall be evidenced by the TIFIA Note (as defined herein) and shall be secured by the Trust Agreement; and

WHEREAS, the Borrower agrees to repay any amount due pursuant to this Secured Loan Agreement and the TIFIA Note in accordance with the terms and provisions hereof and thereof; and

WHEREAS, the Lender has entered into this Secured Loan Agreement in reliance upon, among other things, the Toll Equity Loan Agreement (as defined in the Trust Agreement),

the Traffic and Revenue Report (as defined herein) and the Financial Plan (as defined herein) delivered by the Borrower.

NOW, THEREFORE, the premises being as stated above, and for good and valuable consideration, the receipt and sufficiency of which are acknowledged to be adequate, and intending to be legally bound hereby, it is hereby mutually agreed by and between the Borrower and the Lender as follows:

SECTION 1. Definitions. Capitalized terms used but not otherwise defined herein have the respective meanings set forth in the Trust Agreement. For purposes of this Secured Loan Agreement, unless the context otherwise requires, the following terms shall have the following meanings:

"Act" means the Act as defined in the preamble hereto.

"Administrator" means the Administrator of the Federal Highway Administration.

"Anticipated Secured Loan Disbursement Schedule" means the Anticipated Secured Loan Disbursement Schedule substantially in the form of **Exhibit B**.

"Application" means the Application as defined in the preamble hereto.

"Bankruptcy Related Event" means (a) an involuntary proceeding shall be commenced or an involuntary petition shall be filed seeking (i) if applicable, liquidation, receivership, reorganization or other relief in respect of the Borrower or any of its debts, or of a substantial part of the assets of the Borrower, under any Insolvency Law, or (ii) the appointment of a receiver, trustee, liquidator, custodian, sequestrator, conservator or similar official for the Borrower for a substantial part of the assets of the Borrower, and, in any case referred to in the foregoing subclauses (i) and (ii), such proceeding or petition shall continue undismissed for 60 days or an order or decree approving or ordering any of the foregoing shall be entered; or (b) the Borrower shall (i) apply for or consent to the appointment of a receiver, trustee, liquidator, custodian, sequestrator, conservator, or similar official for the Borrower or for a substantial part of the assets of the Project or the Borrower, or (ii) become unable to pay its debts generally as they become due, or (iii) make a general assignment for the benefit of creditors, or (iv) be adjudicated a bankrupt or insolvent, or (v) commence a voluntary case under any Insolvency Law or file a voluntary petition seeking liquidation, reorganization, an arrangement with creditors or an order for relief or otherwise seeking to take advantage of any Insolvency Law or admit the material allegations of a petition filed against the Borrower in any proceeding referred to in the foregoing clauses of this definition, or (vi) take any action for the purpose of effecting any of the foregoing.

"BANs Escrow Account" means the escrow account created by the BANs Escrow Agreement.

"BANs Escrow Agreement" means the Escrow Agreement to be entered into by and among the Borrower, the Lender and Wells Fargo Bank, National Association, as escrow agent (or any successor thereto), in form and substance satisfactory to the Lender.

"Base Case Financial Model" means a financial model prepared by the Borrower forecasting the revenues and expenditures of the Project for time periods through the Final Maturity Date and based upon assumptions and projections with respect to the revenues, expenses and other financial aspects of the Project which shall reflect the prior experience and current status of the Project, and the expectations of management with respect to the Project, as of the most recent practicable date prior to the delivery of such model to the Lender, and based upon methodology provided by the Borrower to the Lender, in each case in form and substance acceptable to the Lender, which shall be provided to the Lender as a fully functional Microsoft Excel-based financial model.

"Base Case Financial Plan" shall have the meaning set forth in Section 21(c)(i).

"Borrower" means the Borrower as defined in the introductory paragraph hereto.

"Borrower's Authorized Representative" means any Person who shall be designated as such pursuant to Section 25.

"Capitalized Interest Period" means the period beginning on Disbursement Date and ending on the day immediately prior to the Interest Payment Commencement Date.

"Civil Engineering Consultant" means the firm or corporation (other than the Consulting Engineers) selected by the Borrower from the panel of independent engineering firms or corporations submitted by the Borrower with the Financial Plan and approved by the Lender in its sole discretion, which approval with respect to each firm or corporation on such panel shall be deemed granted if the Lender does not object to such firm or corporation being included on such panel within 30 days of receiving written notice of the Borrower's proposed panel with the Financial Plan.

"Closing" means the closing of the transactions contemplated under and pursuant to the terms of the Financing Documents for the issuance of the Initial Secured Project Indebtedness (other than the effectiveness of this Secured Loan Agreement and the TIFIA Note and the disbursement of the Secured Loan), including, without limitation, the issuance of the Series 2011 Bonds, the Toll Equity Note, and the Series 2011 BANs, the deposit by the Borrower of its equity contribution in the amount of $72,471,088.80 into the CIF Construction Account in accordance with Section 402(a) of the Trust Agreement, the deposit of the net proceeds of the Series 2011 Bonds issuance in full in the Series 2011 Construction Account and the deposit of the net proceeds of the Series 2011 BANs issuance in full in the BANs Construction Fund.

"Closing Date" means the date the Series 2011 Bonds, the TIFIA Note and the Toll Equity Note are issued, authenticated and delivered.

"Construction Schedule" means the construction schedule for the PGBT WE Project attached hereto as **Exhibit G**.

"CPI" means the Consumer Price Index for All Urban Consumers (CPI-U) for the U.S. City Average for All Items, 1982-84=100 (not seasonally adjusted), or its successor, published by the Bureau of Labor Statistics, with, unless otherwise specified herein, August 2010 as the base period.

"Default" means any Event of Default or any event or condition that, with giving of notice or lapse of time, or both, would constitute an Event of Default.

"Default Rate" shall have the meaning set forth in Section 6.

"Design/Build Agreement" means the Design/Build Agreement (SH 161 Toll Project) dated as of September 1, 2009 between the Lender and Prairie Link Constructors JV, a Texas joint venture.

"Development Default" shall have the meaning set forth in Section 20(a)(iii).

"Development Oversight Agreement" means the Texas Division Office Stewardship/Oversight Agreement for Design and Construction by and between TxDOT and FHWA, dated as of October 13, 2006, including the Project Supplement thereto, attached hereto as **Exhibit F**.

"Disbursement Date" means the date on which the disbursement by the Lender of the Secured Loan shall have been made pursuant to the terms and conditions of this Secured Loan Agreement.

"Eligible Project Costs" means amounts in the Project Development Budget, substantially all of which are paid by or for the account of the Borrower in connection with the PGBT WE Project, including the cost of:

(A) development phase activities, including planning, feasibility analysis, revenue forecasting, environmental review, permitting, preliminary engineering and design work, and other preconstruction activities;

(B) construction, reconstruction, rehabilitation, replacement, and acquisition of real property (including land related to the PGBT WE Project and improvements to land), environmental mitigation, construction contingencies, and acquisition of equipment; and

(C) capitalized interest necessary to meet market requirements, reasonably required reserve funds, capital issuance expenses, and other carrying costs during construction.

"Event of Default" shall have the meaning set forth in Section 20.

"FHWA" means the Federal Highway Administration, United States Department of Transportation.

"Final Maturity Date" means September 1, 2047 or 35 years after the date of Substantial Completion, whichever is earlier, with respect to the TIFIA Note.

"Financial Plan" shall have the meaning set forth in Section 21(c).

"Financing Documents" means this Secured Loan Agreement, the Trust Agreement, the Toll Equity Loan Agreement, the Toll Revenue Agreement, the Direct

Agreement, the Master Custodial Account Agreement, the Toll Equity Note, the Development Oversight Agreement, the Series 2011 Bonds and the TIFIA Note.

"First Supplemental Agreement" means the First Supplemental Agreement as defined in the Trust Agreement pursuant to which the Series 2011 Bonds are issued.

"First Tier Debt Service Requirements" means, for any Fiscal Year, the aggregate amount of interest on and Principal of Outstanding First Tier Obligations that is due for such Fiscal Year, provided that:

(i) For any Fiscal Year, the aggregate amount of interest on and Principal of Outstanding First Tier Obligations which was paid or mandatorily redeemed or is scheduled to accrue and be paid or mandatorily redeemed on September 1 of such Fiscal Year shall be excluded from the calculation of debt service for such Fiscal Year, and the aggregate amount of interest on and Principal of Outstanding First Tier Obligations which was paid or mandatorily redeemed or is scheduled to accrue and be paid or mandatorily redeemed on the September 1 immediately following such Fiscal Year shall be included in the calculation of debt service for such Fiscal Year;

(ii) as to any future Fiscal Year such requirements shall be calculated solely on the basis of First Tier Obligations Outstanding as of the date of calculation plus any First Tier Obligations then proposed to be issued as Additional First Tier Obligations; and

(iii) all amounts which are deposited to the credit of the First Tier Capitalized Interest Account or the First Tier Interest Account (or a sub-account thereof) from original proceeds from the sale of any First Tier Debt Obligations or deposited or required to be deposited to the credit of the First Tier Capitalized Interest Account or the First Tier Interest Account (or a sub-account thereof) from any other lawfully available source (including direct subsidy payments to the Borrower relating to any Secured Project Indebtedness constituting Build America Bonds, if any, but excluding advances under the Toll Equity Loan Agreement and Revenues), and which are used or scheduled to be used to pay interest on such First Tier Obligations during any Fiscal Year, shall be deemed to reduce the First Tier Debt Service Requirements for any such Fiscal Year to the extent of such deposits; and the amount of such deposits shall be excluded from and shall not constitute First Tier Debt Service Requirements for any such Fiscal Year.

"First Tier Debt Service Coverage Ratio" means, for any Fiscal Year, the ratio of Gross Cash Flow for such Fiscal Year to First Tier Debt Service Requirements for such Fiscal Year.

"GAAP" means generally accepted accounting principles as in effect from time to time in the United States of America.

"Government" means the United States of America and its departments and agencies.

"Governmental Approval" means all authorizations, consents, approvals, waivers, exceptions, variances, filings, permits, orders, licenses, exemptions and declarations of or with any governmental authority.

"Gross Cash Flows" means, with respect to any Fiscal Year, the aggregate Revenues derived (or with respect to a prospective Fiscal Year, estimated Revenues to be derived, as determined from (i) the most recent projections of the Toll Road Consultant of tolls, fees or charges for the use of the Project and (ii) reasonable estimates consistent with the assumptions in the most recent Financial Plan certified by the Chief Financial Officer of investment income from the funds and accounts established under the Trust Agreement and of fines and penalties and interest thereon collected as a result of the failure to pay any tolls, fees or charges for the use of the Project) from the ownership and operation of the Project in such Fiscal Year.

"Indemnitee" shall have the meaning set forth in Section 18.

"Initial Secured Project Indebtedness" means those Obligations (as defined in the Trust Agreement) issued on the PGBT WE Closing Date for the PGBT WE Project.

"Insolvency Laws" means the United States Bankruptcy Code, 11 U.S.C. §101 et seq., as from time to time amended and in effect, and any state bankruptcy, insolvency, receivership, liquidation, reorganization or similar law now or hereafter in effect.

"Interest Payment Commencement Date" means the earlier of (i) the fifth anniversary of Substantial Completion or, if such date does not fall on a Payment Date, then the first Payment Date next preceding the fifth anniversary of Substantial Completion, and (ii) March 1, 2018.

"Investment Grade Rating" means a rating category of BBB minus or Baa3, as applicable, or higher, assigned by a Rating Agency to the Series 2011 Bonds offered into the capital markets.

"Lender" means the Lender as defined in the introductory paragraph hereto.

"Lender's Authorized Representative" means any Person who shall be designated as such pursuant to Section 26, including the Administrator.

"Loan Amortization Schedule" means the Loan Amortization Schedule attached as **Appendix Two** to the TIFIA Note delivered pursuant to Section 9, as adjusted from time to time in accordance with the provisions of this Secured Loan Agreement.

"Loan Life Coverage Ratio" means a ratio where (a) the numerator is equal to the sum of (i) the present value of projected Gross Cash Flow from the day after the date of calculation to and including the date upon which the final maturity of all First Tier Obligations and Second Tier Obligations occurs, (ii) all amounts on deposit in the Revenue Fund, the First Tier Debt Service Fund, the Second Tier Debt Service Fund, the Rate Stabilization Fund and the General Fund as of the date of calculation, and (iii) amounts on deposit in the Major Maintenance Reserve Fund to the extent they relate to deposits made for Major Maintenance Expenses projected to be incurred in any Fiscal

Year after the Fiscal Year in which the final maturity of all First Tier Obligations and Second Tier Obligations occurs and (b) the denominator is equal to the principal amount of all First Tier Obligations and Second Tier Obligations Outstanding as of the date of such calculation. The discount rate for the net present value calculation shall be equal to the weighted average interest rate for each First Tier Obligation and Second Tier Obligation.

"Major Maintenance/Capital Expenditures Report" shall have the meaning set forth in Section 16(s)(iii).

"Material Adverse Effect" means a material adverse effect on (a) the business, condition (financial or otherwise), operations, performance, assets, prospects or Revenues of the Project taken as a whole, (b) the authority or ability of the Borrower to perform or comply with any of its obligations under the Financing Documents to which it is a party or otherwise to construct, develop, maintain or operate the Project, (c) the legality, validity, enforceability, perfection or priority of the Liens on the Trust Estate in favor of the Trustee granted under the Trust Agreement, (d) the Trust Estate or the legality, validity or enforceability of any Financing Document, (e) the Lender's rights and remedies available under any of the Financing Documents or (f) the consummation of the Closing or the transactions contemplated by the Financing Documents.

"Modification" shall have the meaning set forth in Section 16(k).

"Obligations" means, with respect to any Person, any payment, performance or other obligation of such Person of any kind, including, without limitation, any liability of such Person on any claim, whether or not the right of any creditor to payment in respect of such claim is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, disputed, undisputed, legal, equitable, secured or unsecured, and whether or not such claim is discharged, stayed or otherwise affected by any proceeding under any Insolvency Laws. Without limiting the generality of the foregoing, the Obligations of the Borrower under the Financing Documents include, to the extent provided in the Financing Documents, (a) the obligation to pay principal, interest, commissions, charges, expenses, fees, attorneys' fees and disbursements, indemnities and other amounts payable thereunder including, without limitation, interest and fees that accrue after the commencement by or against the Borrower of any proceeding under any Insolvency Laws naming such Person as the debtor in such proceeding, regardless of whether such interest and fees are allowed claims in such proceeding and (b) the obligation of the Borrower to reimburse any amount in respect of any of the foregoing that the Trustee or the Lender, in its sole discretion, may elect to pay or to advance on behalf of the Borrower.

"Other Material Indebtedness" shall have the meaning set forth in Section 20(a)(v).

"Outstanding Secured Loan Balance" means, as of any calculation date, the aggregate principal amount drawn by the Borrower and then outstanding with respect to the Secured Loan, together with any unpaid capitalized interest thereon, as determined in accordance with Section 7.

"Payment Date" means each scheduled interest and principal payment date as set forth in the Loan Amortization Schedule, which shall occur on March 1 and September 1 of each applicable year; provided, however, that in the event that such date falls on a weekend or holiday, the payment date is the immediately succeeding Business Day.

"Payment Default" shall have the meaning set forth in Section 20(a)(i).

"Payment Period" means the period from the end of the Capitalized Interest Period to the first Payment Date, and thereafter any period of six months that ends on a Payment Date.

"Person" means an individual, partnership, corporation (including a business trust), limited or unlimited liability company, joint stock company, trust, unincorporated association, joint venture or other entity, or a governmental authority.

"Principal Amortization Commencement Date" means March 1, 2023.

"Project Costs" means the: (i) costs paid or incurred or to be paid or incurred by the Borrower in connection with or incidental to the acquisition, design, construction and equipping of the Project, including legal, administrative, engineering, planning, design, insurance and financing costs, provided such costs were expended no earlier than three (3) years prior to the date of the Application; (ii) amounts, if any, required by the Trust Agreement to be paid into any fund or account upon the issuance of the Secured Project Indebtedness; (iii) payments when due (whether at the maturity of principal, the due date of interest, or upon optional or mandatory redemption) on any indebtedness of the Borrower (other than the Secured Loan) incurred for the Project; (iv) costs paid or incurred or to be paid or incurred for equipment and supplies and initial working capital and reserves required by the Borrower for the commencement of operation of the Project, but excluding general administrative expenses and overhead of the Borrower consistent with GAAP; and (v) the repayment of obligations incurred by the Borrower, the proceeds of which obligations were used to pay items (i) through (iv) of this definition.

"Project Development Budget" means the budget for the PGBT WE Project in the aggregate amount of $1,267,908,984 attached to this Secured Loan Agreement as Schedule 1 showing a summary of Eligible Project Costs and the estimated sources and uses of funds for the development of the PGBT WE Project, as amended from time to time with the approval of the Lender.

"Project Documents" means the Project Agreement and the Design/Build Agreement.

"Rate Covenant" means the rate covenant set in Section 16(b).

"Rating Agency" means a bond rating agency identified by the Securities and Exchange Commission as a Nationally Recognized Statistical Rating Agency.

"Remedial Plan" shall have the meaning set forth in Section 20(a)(iii).

"Requisition" shall have the meaning set forth in Section 4.

"Reset Date" shall have the meaning set forth in Section 16(s)(iii).

"Second Supplemental Agreement" means the Second Supplemental Agreement as defined in the Trust Agreement pursuant to which the TIFIA Note is issued.

"Second Tier Debt Service Requirements" means, for any Fiscal Year, the aggregate amount of interest on and Principal of Outstanding Second Tier Obligations that is due for such Fiscal Year, provided that:

(i) For any Fiscal Year, the aggregate amount of interest on and Principal of Outstanding Second Tier Obligations which was paid or mandatorily redeemed or is scheduled to accrue and be paid or mandatorily redeemed on September 1 of such Fiscal Year shall be excluded from the calculation of debt service for such Fiscal Year, and the aggregate amount of interest on and Principal of Outstanding Second Tier Obligations which was paid or mandatorily redeemed or is scheduled to accrue and be paid or mandatorily redeemed on the September 1 immediately following such Fiscal Year shall be included in the calculation of debt service for such Fiscal Year;

(ii) as to any future Fiscal Year such requirements shall be calculated solely on the basis of Second Tier Obligations Outstanding as of the date of calculation plus any Second Tier Obligations then proposed to be issued as Additional Second Tier Obligations;

(iii) So long as the TIFIA Note is Outstanding, debt service on the TIFIA Note for any future period within a Fiscal Year and for any future Fiscal Year shall be the Principal and interest payments set forth in the loan amortization schedule in Appendix Two to the TIFIA Note (as the same may be revised from time to time in accordance with this Secured Loan Agreement); and

(iv) all amounts which are deposited to the credit of the Second Tier Interest Account (or a sub-account thereof) from original proceeds from the sale of any Second Tier Debt Obligations or deposited or required to be deposited to the credit of the Second Tier Interest Account (or a sub-account thereof) from any other lawfully available source (including direct subsidy payments to the Borrower relating to any Secured Project Indebtedness constituting Build America Bonds, if any, but excluding advances under the Toll Equity Loan Agreement and Revenues), and which are used or scheduled to be used to pay interest on such Second Tier Obligations during any Fiscal Year, shall be deemed to reduce the Second Tier Debt Service Requirements for any such Fiscal Year to the extent of such deposits; and the amount of such deposits shall be excluded from and shall not constitute Second Tier Debt Service Requirements for any such Fiscal Year.

"Secretary" means the United States Secretary of Transportation.

"Secured Loan" means the secured loan from the Lender to the Borrower hereunder, pursuant to the Act, in a principal amount not to exceed $418,405,000 to be used to pay Eligible Project Costs.

"Secured Loan Agreement" means the Secured Loan Agreement as defined in the introductory paragraph hereto.

"Secured Project Indebtedness" shall have the same meaning as "Obligations" as such term is defined in the Trust Agreement.

"Servicer" means such entity or entities as the Lender shall designate from time to time to perform, or assist the Lender in performing, certain duties hereunder.

"State" means the State of Texas.

"Statute" means the Statute as defined in the introductory paragraph hereto.

"STIP" means the Texas Statewide Transportation Improvement Program required pursuant to 23 U.S.C. §135(f).

"Substantial Completion" means the date on which the requirements for the achievement of "Substantial Completion" as set forth in Section 20.1 of the Design/Build Agreement have been met and the entire PGBT WE Project opens to vehicular or passenger traffic (or such comparable event as determined by the Lender shall have taken place).

"Third Supplemental Agreement" means the Third Supplemental Agreement as defined in the Trust Agreement pursuant to which the Toll Equity Note is issued.

"TIFIA" means TIFIA as defined in the preamble hereto.

"TIFIA Note" means the TIFIA Note issued by the Borrower pursuant to the Trust Agreement and this Secured Loan Agreement in substantially the form of **Exhibit A** to evidence the Borrower's Obligations under this Secured Loan Agreement.

"TIGER Grant Agreement" means the Compliance Agreement for Federal Funding made available under the Provision of the American Recovery and Reinvestment Act of 2009 Transportation Investments Generating Economic Recovery (TIGER) Discretionary Grant Program dated as of April 15, 2011, between the Borrower and the Lender, attached hereto as **Exhibit L**.

"Toll Revenue Agreement" means the agreement among TxDOT, FHWA and the Borrower for funding for the development, design and construction of the State Highway 161 Toll Project, dated as of July 30, 2009.

"Toll Road Consultant" means the Traffic Engineers, or another firm or firms of traffic and revenue consultants, in each case selected by the Borrower and approved by the Lender, which approval shall not be unreasonably withheld.

"Total Debt Service Coverage Ratio" means, for any Fiscal Year, the ratio of Gross Cash Flow for such Fiscal Year to the sum of (a) First Tier Debt Service Requirements for such Fiscal Year and (b) Second Tier Debt Service Requirements for such Fiscal Year.

"Traffic and Revenue Report" means the Traffic and Revenue Study, dated December 31, 2010, relating to the PGBT WE Project, prepared by the Toll Road Consultant, together with any supplements thereto.

"Transaction Documents" means the Financing Documents, the TIGER Grant Agreement and the Project Documents.

"Trust Agreement" means the Trust Agreement between the Borrower and the Trustee dated as of April 1, 2011, as supplemented by the First Supplemental Agreement dated as of April 1, 2011, the Second Supplemental Agreement dated as of April 1, 2011, and the Third Supplemental Agreement dated as of April 1, 2011, and further amended and supplemented in accordance with the terms thereof and this Secured Loan Agreement.

"Trustee" means Wells Fargo Bank, National Association, as Trustee under the Trust Agreement, or its successors.

"TxDOT" means the Texas Department of Transportation, an agency of the State.

"Uncontrollable Force" means any cause beyond the control of the Borrower, including but not limited to: (1) a tornado, hurricane, flood or similar occurrence, landslide, earthquake, fire or other casualty, strike or labor disturbance, freight embargo, act of a public enemy, explosion, war, blockade, insurrection, riot, general arrest or restraint of government and people, civil disturbance or similar occurrence, or sabotage; provided that the Borrower shall not be required to settle any strike or labor disturbance in which it may be involved; or (2) the order or judgment of any Federal, state or local court, administrative agency or governmental officer or body, if it is not also the result of willful or negligent action or a lack of reasonable diligence of the Borrower and the Borrower does not control the administrative agency or governmental officer or body; provided that the diligent contest in good faith of any such order or judgment shall not constitute or be construed as a willful or negligent action or a lack of reasonable diligence of the Borrower.

SECTION 2. Interpretation. Unless the context shall otherwise require, the words "hereto," "herein," "hereof" and other words of similar import refer to this Secured Loan Agreement as a whole. Words of the masculine gender shall be deemed and construed to include correlative words of the feminine and neuter genders and *vice versa*. Words importing the singular number shall include the plural number and *vice versa* unless the context shall otherwise require. Unless the context shall otherwise require, references to sections, subsections and provisions are to the applicable sections, subsections and provisions of this Secured Loan Agreement. The headings or titles of this Secured Loan Agreement and its sections, schedules or exhibits, as well as any table of contents, are for convenience of reference only and shall not define or limit its provisions. Unless the context shall otherwise require, all references to any resolution, contract, agreement or other document shall be deemed to include any appendices, exhibits, annexes or schedules thereto and any amendments to, or modifications or restatements of, such documents that are approved in accordance with the terms thereof and hereof. Every request, order, demand, application, appointment, notice, statement, certificate, consent or similar communication or action hereunder by any party shall, unless otherwise specifically

provided, be delivered in writing in accordance with Section 36 and signed by a duly authorized representative of such party.

SECTION 3. Secured Loan Amount. The principal amount of the Secured Loan shall not exceed $418,405,000. In no event shall the maximum principal amount of the Secured Loan, together with the amount of any other credit assistance provided under the Act, exceed thirty-three percent (33%) of reasonably anticipated Eligible Project Costs for the PGBT WE Project.

SECTION 4. Disbursement Conditions. The proceeds of the disbursement of the Secured Loan shall be available solely to pay or defease the Series 2011 BANs in full, provided that the proceeds of the Series 2011 BANs shall be used by the Borrower solely for the payment of, or reimbursement to the Borrower for, Eligible Project Costs incurred by the Borrower from time to time in connection with the PGBT WE Project. Such disbursement shall be made pursuant to a requisition made by the Borrower (a "Requisition") in the form set forth in Exhibit D, along with all documentation and other information required thereby, submitted by the Borrower to, and approved by, the Lender, all in accordance with the procedures of Exhibit D and subject to the conditions set forth therein and the additional conditions set forth below in this Section 4; provided, however, that the disbursement by the Lender of the Secured Loan for the purpose of paying or defeasing the Series 2011 BANs as set forth in the preceding sentence shall be made no later than the earlier of (i) one year after the date of Substantial Completion and (ii) September 30, 2016. Upon any such date occurring without a disbursement by the Lender of the Secured Loan, the Lender may, at its sole discretion, terminate this Secured Loan Agreement. The monies from the disbursement of the Secured Loan shall be disbursed to the escrow agent under the BANs Escrow Agreement for deposit into the BANs Escrow Account, in accordance with the terms of the BANs Escrow Agreement.

Copies of the Requisition shall be delivered to the Lender, the FHWA TIFIA Joint Program Office (HAFT-1) and, if applicable, the FHWA Texas Division Office on or before the first day of the month prior to which the disbursement is requested, or the next succeeding Business Day if such first day is not a Business Day. If the Lender shall expressly approve the Requisition or shall not expressly deny the Requisition, the disbursement of funds shall be made on the first day of the month for which the disbursement has been requested, or on the next succeeding Business Day if such first day is not a Business Day, or such later date in such month as requested by the Borrower in the Requisition.

The Borrower anticipates that it will draw down all of the proceeds of the Secured Loan to reimburse Eligible Project Costs for the purpose of paying or defeasing the Series 2011 BANs. The Borrower shall deliver to the Lender on or before the tenth day of the month immediately succeeding the first month in which proceeds of the Series 2011 BANs are used for the payment of, or reimbursement to the Borrower for, Eligible Project Costs and on or before the tenth day of each month thereafter, or if any such date is not a Business Day, on the next succeeding Business Day, a statement which shall include the following:

(1) The amount of Eligible Project Costs financed from the proceeds of the Series 2011 BANs for the preceding month;

(2) Supporting documentation to verify that such proceeds were expended for Eligible Project Costs;

(3) Certificate from the Borrower's Authorized Representative that:

(a) The proceeds were expended for Eligible Project Costs; and

(b) There does not currently exist a Default or, if there does currently exist a Default, the Certificate shall specify all the actions that the Borrower is taking to remedy such Default.

This statement is intended to document Eligible Project Costs in connection with the reimbursement of Eligible Project Costs for the purpose of paying or defeasing, in whole or part, the Series 2011 BANs.

The Lender shall review each such statement for compliance with TIFIA disbursement requirements. Within 14 days of receipt of each such statement, the Lender shall deliver a notice to the Borrower, confirming the Eligible Project Costs approved in the applicable statement and the cumulative amount of Eligible Project Costs approved as of the notice date. The approved amounts of Eligible Project Costs will be disbursed, in whole or in part, at such time as the Borrower submits a requisition for disbursement of Secured Loan Proceeds in accordance with the procedures of **Exhibit D** and upon satisfaction of the conditions precedent to disbursement.

The Borrower may amend the Anticipated Secured Loan Disbursement Schedule by submitting a revised schedule to the Lender no later than thirty days prior to the proposed effective date thereof, together with a detailed explanation of the reasons for such revisions. Such revised schedule shall become effective upon the Lender's approval thereof, which approval shall not be unreasonably withheld.

SECTION 5. Term. The term of the Secured Loan for the TIFIA Note shall extend from the Disbursement Date to the Final Maturity Date or to such earlier or later date as all amounts due or to become due to the Lender hereunder have been paid.

SECTION 6. Interest Rate The interest rate with respect to the Secured Loan shall be 4.51% per annum. Interest (including interest at the Default Rate, if applicable) will be computed on the Outstanding Secured Loan Balance and on the TIFIA Note (as well as on any past due interest to the extent authorized by applicable law) from time to time on the basis of a 365- or 366-day year, as appropriate, for the actual number of days elapsed and will be compounded semi-annually; provided, however, if the Borrower fails to pay when due interest on or principal of the Secured Loan in accordance with the provisions of Section 9 hereof, the Borrower shall pay interest on such overdue amount from its due date to the date of actual payment at an interest rate of 6.51% per annum (the "Default Rate") on demand (but subject to the priorities of payment set forth in the Trust Agreement); provided further, that upon the occurrence of a Development Default, the interest rate on the Outstanding Secured Loan Balance and on the TIFIA Note shall be the Default Rate as of the date of the Development Default, and shall continue to bear interest at the Default Rate until the Development Default has been cured.

SECTION 7. Outstanding Secured Loan Balance. The Outstanding Secured Loan Balance for the TIFIA Note will be: (i) increased on each occasion on which the Lender shall disburse Secured Loan proceeds pursuant to Section 4, by the amount of such disbursement; (ii) increased on each occasion on which interest on the Secured Loan is

capitalized pursuant to the provisions of Section 9, by the amount of interest so capitalized; and (iii) decreased upon each payment or prepayment of the principal amount of the Secured Loan, by the amount of principal so paid. In connection with each change in the Outstanding Secured Loan Balance, the Lender shall give written notice to the Borrower and the Trustee of the amount of the Outstanding Secured Loan Balance as of the date of such change, and its determination of such amount in any such notice shall be deemed conclusive absent manifest error. In connection with any change of the Outstanding Secured Loan Balance or in the date of any Payment Date, the Lender shall make applicable revisions to the Loan Amortization Schedule pursuant to Section 9 and in such event shall provide the Borrower and the Trustee with a copy of such Loan Amortization Schedule as revised, but no failure to provide or delay in providing the Borrower with such copy shall affect any of the Obligations of the Borrower under this Secured Loan Agreement. The Loan Amortization Schedule, as of the date hereof, has been determined based on the Anticipated Secured Loan Disbursement Schedule in effect on the Closing Date and the provisions of Section 9.

SECTION 8. Security and Priority. Pursuant to the Trust Agreement, the Borrower has pledged and assigned to the Trustee the Trust Estate, subject to the pledge of the Trust Estate for the security and payment of the First Tier Obligations, for the equal and proportionate benefit of all Second Tier Obligations, except as otherwise permitted by or provided for in the Trust Agreement. Section 215 of the Trust Agreement describes the circumstances under which the Secured Loan will be deemed to be and will automatically become a First Tier Obligation under and subject to the terms of the Trust Agreement. Pursuant to Section 403 of the Trust Agreement, the Borrower and the Trustee have established a required flow of funds for the transfer and the order of priority in which Revenues shall be transferred from the Revenue Fund to the other funds and accounts created by the Trust Agreement.

(a) The Borrower reaffirms its pledge of the Trust Estate made under the Trust Agreement for the security and payment of the Second Tier Obligations, subject to the pledge of the Trust Estate for the security and payment of the First Tier Obligations, pursuant to the terms of the Trust Agreement. The pledge of the Trust Estate to secure the Secured Loan shall be valid and binding from and after the Closing Date, and the funds and accounts set forth in such pledge shall immediately become subject to the lien of such pledge without any physical delivery thereof or further act and the lien of such pledge shall be valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the Borrower irrespective of whether such parties have notice thereof.

(b) The Borrower shall not use the Trust Estate to make any payments or satisfy any obligations other than in accordance with the provisions of this Section 8 and the Trust Agreement and shall not apply any portion of the Trust Estate in contravention of the Trust Agreement.

(c) On any date on which interest on or principal of the Secured Loan is due and payable, or any other Obligation pursuant to this Secured Loan Agreement is due and payable, such amounts shall be paid from the Second Tier Debt Service Fund. If the total of the moneys held to the credit of the Second Tier Debt Service Fund shall not be sufficient to pay such interest or principal or other Obligation, the Borrower shall cause the Trustee to withdraw any amounts then on deposit to the credit of the funds and accounts identified in, and in the order of priority established by, the Trust Agreement and deposit the same to the Second Tier Debt

Service Fund in an amount necessary to cure such insufficiency; provided, however, that if the entire balance of amounts on deposit in such funds and accounts will be less than such required amount, then in accordance with the Trust Agreement, the Borrower shall cause the Trustee to obtain advances under the Toll Equity Loan Agreement in such required amount and the proceeds thereof shall be deposited to the Second Tier Debt Service Fund in accordance with the Trust Agreement for payment to the Lender on the date on which such amounts are due and payable hereunder.

(d) The Borrower hereby authorizes and irrevocably directs the Trustee to take the actions required by this Secured Loan Agreement.

SECTION 9. Payment of Principal and Interest

(a) Capitalized Interest Period. No payment of the principal of or interest on the Outstanding Secured Loan Balance is required to be made during the Capitalized Interest Period. On each March 1 and September 1 occurring during the Capitalized Interest Period, interest accrued on the Secured Loan in the six month period ending immediately prior to such date shall be capitalized and added to the Outstanding Secured Loan Balance. Within 30 days after the end of the Capitalized Interest Period, the Lender shall give written notice to the Borrower stating the Outstanding Secured Loan Balance as of the close of business on the last day of the Capitalized Interest Period, which statement thereof shall be deemed conclusive absent manifest error; provided, however, that no failure to give or delay in giving such notice shall affect any of the Obligations of the Borrower hereunder or under any of the Financing Documents.

(b) Payment of Interest. On the Interest Payment Commencement Date, the Borrower shall pay interest on the Outstanding Secured Loan Balance from but excluding the last day of the Capitalized Interest Period, at the rate set forth in Section 6, in the amount of $1,000,000. On each Payment Date after the Interest Payment Commencement Date, the Borrower shall pay interest on the Outstanding Secured Loan Balance until such amount shall be paid in full, at the rate set forth in Section 6, payable for each Payment Period in arrears. The Borrower shall cause such payments to be made by the Trustee from the Second Tier Interest Account to the Lender on each Payment Date.

(c) Payment of Principal. On each Payment Date on or after the Principal Amortization Commencement Date, the Borrower shall repay a principal amount of the Outstanding Secured Loan Balance as set forth in the Loan Amortization Schedule (as the same may be revised from time to time pursuant to Section 7) for such Payment Date. The Borrower shall cause such payments to be made by the Trustee from the Second Tier Principal Account to the Lender on each Payment Date.

(d) Manner of Payment. Payments and prepayments under this Secured Loan Agreement and the TIFIA Note shall be made by wire transfer on or before each Payment Date in immediately available funds in accordance with payment instructions provided by a Lender's Authorized Representative pursuant to Section 36, as modified in writing from time to time by a Lender's Authorized Representative.

(e) TIFIA Note; Adjustments to Loan Amortization Schedule. As evidence of the Borrower's obligation to repay the Secured Loan, the Borrower shall issue and deliver to the Lender, on the Closing Date, a TIFIA Note substantially in the form of **Exhibit A** having a

maximum principal amount of $418,405,000 and bearing interest at the rate set forth in Section 6. The Lender is hereby authorized to enter on the grid attached to the TIFIA Note as **Appendix One** the amount of the disbursement made under this Secured Loan Agreement, the amount of interest capitalized and added to the Outstanding Secured Loan Balance and each repayment or prepayment made by the Borrower pursuant to this Secured Loan Agreement and to amend the Loan Amortization Schedule from time to time to comply with the terms of repayment established in this Secured Loan Agreement. It is understood that the failure by the Lender to make any such endorsement or notation shall not affect the Obligations of the Borrower under this Secured Loan Agreement or the TIFIA Note. Absent manifest error, the Lender's determination and notation of such matters as set forth on **Appendix One** to the TIFIA Note and the Loan Amortization Schedule shall be conclusive evidence thereof. Upon the discharge of all of the Obligations of the Borrower under this Secured Loan Agreement and the TIFIA Note, the Lender shall cancel and return the TIFIA Note to the Borrower or its authorized representative at the principal office of the Lender.

(f) Notice. On or before the 30th day prior to each Payment Date, the Lender shall provide, or shall cause the Servicer to provide notice to the Borrower and the Trustee of the amount of interest and/or principal due on the Secured Loan on such Payment Date.

SECTION 10. Prepayment. Voluntary Prepayment. The Borrower may prepay the Outstanding Secured Loan Balance in whole or in part (and, if in part, the principal installments and amounts thereof to be prepaid shall be determined by the Borrower; provided, however, that such prepayments shall be in the minimum principal amount of $1,000,000), at any time or from time to time, without penalty or premium, by paying the Lender such principal amount of the Outstanding Secured Loan Balance to be prepaid, together with the unpaid interest accrued on the amount of principal so prepaid to the date of such prepayment. Each prepayment of the Outstanding Secured Loan Balance shall be made on such date and in such principal amount as shall be specified by the Borrower in a written notice delivered to the Trustee and the Lender. In the case of any prepayment, such written notice shall be delivered to the Lender not less than 30 days prior to the date set for prepayment.

(b) Mandatory Prepayment. The Borrower shall prepay the Outstanding Secured Loan Balance on the first Business Day following the transfer of any amount from the General Fund to the TIFIA Prepayment Account pursuant to Section 417 of the Trust Agreement in an aggregate amount equal to the amount so transferred, together with the unpaid interest accrued on the amount of principal so prepaid to the date of such prepayment. The Borrower shall cause such prepayments to be made by the Trustee from the TIFIA Prepayment Account to the Lender on each such date.

(c) Prepayments Generally. With respect to any prepayment made pursuant to paragraphs (a) or (b) of this Section 10, the amount of such prepayment shall be applied first to accrued interest and then to principal, and the Lender shall, and is hereby authorized by the Borrower to, make the appropriate notations to Appendix One to the TIFIA Note and the appropriate revisions to the Loan Amortization Schedule with respect to such prepayment or, if all of the Obligations of the Borrower under this Secured Loan Agreement and the TIFIA Note are to be discharged in connection with such prepayment, cancel and return the TIFIA Note, in each case pursuant to Section 9(e). All such partial prepayments of principal shall be applied to future installments due on the TIFIA Note. If said moneys shall not have been so paid on the

prepayment date, such principal amount of the Secured Loan shall continue to bear interest until payment thereof at the rate provided for in Section 6.

SECTION 11. Deferred Payment

(a) If the Project is unable to generate sufficient revenues to pay the scheduled payments of principal of and interest on the Outstanding Secured Loan Balance, the Secretary may, subject to the Borrower providing reasonable assurances of repayment, and upon other criteria as may be established by the Secretary, allow the Borrower to defer all or any portion of any scheduled payment of principal of and interest on the Outstanding Secured Loan Balance.

(b) Any payment deferred under this Section 11 shall (i) accrue or continue to accrue interest in accordance with this Secured Loan Agreement until fully repaid and (ii) be scheduled to be amortized within 35 years of Substantial Completion.

(c) Nothing in this Section 11 shall be construed to mean that the Secretary is granting in advance to the Borrower an approval to defer any scheduled payment of principal of and interest on the Secured Loan.

SECTION 12. Compliance with Laws. The Borrower agrees and shall require its contractors and subcontractors to abide by all applicable Federal and state laws. The list of Federal laws attached as **Exhibit E** is illustrative of the type of requirements generally applicable to transportation projects. It is not intended to be exhaustive. The FHWA Division Office has oversight responsibility for ensuring compliance with all applicable provisions of Federal law. Pursuant to 23 U.S.C. § 106(c), the Development Oversight Agreement and the Project Documents, TxDOT will be responsible for certain PGBT WE Project oversight activities. The Borrower agrees to cooperate with TxDOT and the FHWA Division Office in carrying out their duties under these agreements. The Borrower agrees that there will be no irreversible or irretrievable commitment of resources, including but not limited to physical construction, before all state and/or Federal environmental permits are finalized and approved by the appropriate resource agencies. In the unlikely event that an unknown environmental permit is required after construction has begun, the Borrower shall take immediate steps to acquire that state and/or Federal permit. The PGBT WE Project has been included in the approved transportation plan and program of TxDOT and the metropolitan transportation plan developed by the North Central Texas Council of Governments, and has received the express written approval of the Texas Transportation Commission.

SECTION 13. Conditions Precedent. Notwithstanding anything in this Secured Loan Agreement to the contrary, the Lender shall have no obligation to make the disbursement pursuant to the terms of this Secured Loan Agreement until each of the following conditions precedent shall have been satisfied or waived in writing by the Lender in its sole discretion:

(a) The Borrower shall have duly executed and delivered to the Lender the TIFIA Note in accordance with this Secured Loan Agreement and in form and substance satisfactory to the Lender.

(b) Counsel to the Borrower shall have rendered to the Lender an opinion as to the enforceability of the Borrower's Obligations under certain of the Financing Documents and other matters in substantially the form attached hereto as **Exhibit H** and special counsel to

TxDOT and the general counsel to the Texas Transportation Commission on behalf of TxDOT shall have rendered to the Lender opinions as to the enforceability of TxDOT's obligations under the Toll Equity Loan Agreement and Direct Agreement and other matters, in substantially the forms attached hereto as **Exhibit I** and **Exhibit J**, respectively.

(c) Bond Counsel to the Borrower shall have rendered to the Lender certificates and legal opinions in substantially the form attached hereto as **Exhibit K**.

(d) The Texas Attorney General shall have rendered an approving opinion with respect to the Series 2011 Bonds and the Secured Loan Agreement in form and substance satisfactory to the Lender.

(e) The Borrower shall have certified as to the absence of debarment or suspension or voluntary exclusion from participation in Government contracts, procurement and other matters and shall have provided to the Lender a certificate to that effect in the form attached hereto as **Exhibit C**.

(f) The Borrower shall have delivered to the Lender satisfactory evidence of compliance for the Project with the requirements of the National Environmental Policy Act of 1969 (42 U.S.C. § 4321 *et seq.*).

(g) The Borrower shall have provided to the Lender's satisfaction evidence that the PGBT WE Project has been included in the approved transportation plan and program of TxDOT and the metropolitan transportation plan developed by the North Central Texas Council of Governments, and has received the express written approval of the Texas Transportation Commission.

(h) The Borrower shall have provided to the Lender's satisfaction, not later than 14 days prior to the Closing Date, evidence of an Investment Grade Rating from a Rating Agency for the Series 2011 Bonds and a Rating Agency assessment of the default risk on the Secured Loan.

(i) The Borrower shall have delivered to the Lender a certificate designating the Borrower's Authorized Representative and such Person's position and incumbency and a certificate of the Borrower to the effect that the insurance requirements of Section 16(h) have been satisfied as of the Closing Date in form and substance satisfactory to the Lender.

(j) The Borrower shall have delivered to the Lender the Traffic and Revenue Report in form and substance acceptable to the Lender.

(k) The Borrower shall have delivered to the Lender financial schedules consistent in all respects with the Secured Project Indebtedness and the Series 2011 BANs in form and substance acceptable to the Lender.

(l) The Borrower shall have delivered to the Lender an executed copy of the Design/Build Agreement and, if any, all other development contracts or general construction contracts to which the Borrower is a party that have been executed as of the date of delivery of the TIFIA Note for all components of the PGBT WE Project being financed by the TIFIA Note.

(m) The Borrower shall have delivered to the Lender a certified copy of the BAN Resolution and of each executed Transaction Document. The BAN Resolution shall have been duly adopted, and each other Transaction Document shall have been duly executed and delivered by each of the parties thereto, each in form and substance satisfactory to the Lender, and all conditions contained in such documents to the effectiveness thereof shall have been fulfilled or effectively waived.

(n) The Borrower shall have demonstrated to the Lender's satisfaction that it has all Governmental Approvals necessary to commence construction.

(o) The Borrower shall have delivered to the Lender satisfactory evidence of the perfected security interest of the Trustee in the Trust Estate for the benefit and security of all present and future owners of the Secured Project Indebtedness.

(p) The Borrower shall have paid, or shall have made arrangements satisfactory to the Lender to pay to the Lender the fees and expenses of the Lender's counsel and financial advisor and any auditors or other consultants employed by the Lender for the purposes hereof.

(q) The Borrower shall have delivered to the Lender's satisfaction the Base Case Financial Model, the Base Case Financial Plan, the most recent Financial Plan and a certificate demonstrating that the projected Revenues shall be sufficient to meet the Loan Amortization Schedule and to meet the Rate Covenant.

(r) The Borrower shall have issued the Series 2011 BANs, duly adopted the BAN Resolution and duly executed and delivered the BANs Escrow Agreement and any other agreements or documentation that may be necessary for the consummation of the refunding or defeasance of the Series 2011 BANs for which the disbursement of the Secured Loan may be made in accordance with the Secured Loan Agreement. Each such instrument, resolution, agreement or other documentation shall be in form and substance satisfactory to the Lender.

(s) The Borrower shall also have delivered such other agreements, documents, instruments, opinions and other items required by the Lender, all in form and substance satisfactory to the Lender, including, but not limited to, evidence that required reserves have been funded and evidence that all other PGBT WE Project funding requirements have been met (including evidence of the achievement and consummation of the Closing and any other related transactions required to close prior to execution or effectiveness of this Secured Loan Agreement).

This Secured Loan Agreement is being executed and made effective as of the date first written above with the expectation by the Lender that the Closing Date will occur, and that the condition precedent in Section 13(m) will be satisfied, by May 15, 2011. If the Closing Date has not occurred, or if the condition precedent in Section 13(m) has not been satisfied, by May 15, 2011, the Lender may, at its sole discretion, terminate this Secured Loan Agreement.

SECTION 14. Representations and Warranties of Borrower. The Borrower hereby represents and warrants that as of the Closing Date and as to each of the representations and warranties below, other than those contained in clauses (b), (i), (k) and (l) of this Section 14, as of the Disbursement Date (as a condition precedent to the disbursement contemplated for such date):

(a) The Borrower is duly organized and in good standing under the laws of the State, has full legal right, power and authority to enter into this Secured Loan Agreement and each of the other Transaction Documents to which it is a party, to issue the TIFIA Note and to carry out and consummate all transactions contemplated by this Secured Loan Agreement and each of the other Transaction Documents and has duly authorized the execution, delivery and performance of this Secured Loan Agreement and each of the other Transaction Documents to which it is a party.

(b) As of the Closing Date, the officers of the Borrower executing this Secured Loan Agreement and each of the other Transaction Documents to which it is a party are duly and properly in office and fully authorized to execute the same on behalf of the Borrower.

(c) This Secured Loan Agreement and each of the other Transaction Documents to which it is a party have been duly authorized, executed and delivered by the Borrower, are in full force and effect and constitute the legal, valid and binding agreements of the Borrower enforceable in accordance with their terms.

(d) The execution and delivery of this Secured Loan Agreement and each of the other Transaction Documents, the consummation of the transactions herein and therein described and the fulfillment of or compliance with the terms and conditions hereof and thereof, will not, in any material respect, conflict with or constitute a violation or breach of or default (with due notice or the passage of time or both) by the Borrower of any applicable law or administrative rule or regulation, or any applicable court or administrative decree or order, or any indenture, mortgage, deed of trust, loan agreement, lease, contract or other agreement or instrument to which the Borrower is a party or by which it or its properties are otherwise subject or bound, or result in the creation or imposition of any prohibited lien, charge or encumbrance of any nature whatsoever upon any of the property or assets of the Borrower.

(e) No consent or approval of any trustee, holder of any indebtedness of the Borrower or any other Person, and no consent, permission, authorization, order or license of, or filing or registration with, any governmental entity is necessary in connection with the execution and delivery of this Secured Loan Agreement and each of the Transaction Documents, the consummation of any transaction herein or therein described, or the fulfillment of or compliance with the terms and conditions hereof or thereof, except as have been obtained or made and as are in full force and effect.

(f) There is no action, suit, proceeding, inquiry or investigation, before or by any court or Federal, state, municipal or other governmental authority, pending, or to the knowledge of the Borrower after reasonable inquiry and investigation, threatened against or affecting the Borrower or the assets, properties or operations of the Borrower which are likely to be determined adversely to the Borrower or its interests, and which if so determined could reasonably be expected to have a Material Adverse Effect. The Borrower is not in default (and no event has occurred and is continuing which with the giving of notice or the passage of time or both could constitute a default) with respect to any order or decree of any court or any order, regulation or demand of any Federal, state, municipal or other governmental authority, which default could reasonably be expected to have a Material Adverse Effect.

(g) The Trust Agreement establishes the valid pledge of and perfected lien on the Trust Estate which it purports to create, in favor of the Trustee for the benefit and security of the

Lender and all other present and future owners of the Obligations (as defined in the Trust Agreement) of the Borrower in respect of the Secured Project Indebtedness; such pledge and lien are in full force and effect and, except as expressly provided in the Trust Agreement, are not subordinate or junior to any other liens in respect of the Trust Estate; and the Borrower is not in breach of any covenants set forth in the Trust Agreement or in this Secured Loan Agreement, including, without limitation, Sections 8 and 16.

(h) The Borrower is not debarred or suspended or voluntarily excluded from participation in Government contracts or procurement matters or delinquent on a Government debt as more fully set forth in the certificate delivered in substantially the form of **Exhibit C**.

(i) As of the Closing Date, representations, warranties and certifications of the Borrower set forth in each of the other Transaction Documents to which the Borrower is a party and all written information provided by the Borrower to the Lender in the Application, when taken as a whole and after giving effect to any updates provided to the Lender in writing, remain true and accurate in all material respects.

(j) The Borrower has complied, with respect to the Project, with the requirements of the National Environmental Policy Act of 1969 (42 U.S.C. § 4321 *et seq.*).

(k) As of the Closing Date, the PGBT WE Project has been included in the approved transportation plan and program of TxDOT and the metropolitan transportation plan developed by the North Central Texas Council of Governments, and has received the express written approval of the Texas Transportation Commission.

(l) As of the Closing Date, the Series 2011 Bonds have received an Investment Grade Rating from at least one Rating Agency, all to the extent provided in written evidence of such ratings provided to the Lender pursuant to Section 13(h), and no such rating has been reduced, withdrawn or suspended as of such date.

(m) The PGBT WE Project is included in the approved STIP as required under 23 U.S.C. § 134.

(n) Upon execution and delivery of this Secured Loan Agreement and each of the other Transaction Documents to which the Borrower is a party, the Borrower is not in default in any material respect under the terms hereof or thereof and, to the knowledge of the Borrower, no other party to any of such agreements is in default thereunder in any material respect.

(o) All authorizations, consents, licenses, permits, approvals, and reviews required as of such date for the undertaking and completion by the Borrower of the PGBT WE Project have been obtained or effected and are in full force and effect, and there is no basis for the revocation of any such authorizations, consents, licenses, permits, approvals, or reviews.

(p) The Trust Estate pledged in the Trust Agreement is free and clear of any pledge, lien, charge or encumbrance thereon or with respect thereto, other than the pledge of the Trust Estate created by the Trust Agreement, and all corporate action on the part of the Borrower to that end has been duly and validly taken.

(q) All right-of-way and other unencumbered property rights required for the acquisition, construction, operation or control of the PGBT WE Project have been obtained, other than those upon which the failure to obtain would not have a Material Adverse Effect.

(r) No Default has occurred and is continuing.

SECTION 15. Representations and Warranties of the Lender. The Lender represents and warrants that:

(a) The Lender has all requisite power and authority to make the Secured Loan and to perform all transactions contemplated by this Secured Loan Agreement.

(b) This Secured Loan Agreement has been duly authorized, executed and delivered by Lender, and is a legally valid and binding agreement of the Lender, enforceable in accordance with its terms.

(c) The officer of the Lender executing this Secured Loan Agreement is duly and properly in office and fully authorized to execute the same on behalf of the Lender.

SECTION 16. Borrower Covenants. The Borrower hereby covenants and agrees that:

(a) (1) The Borrower shall not issue any indebtedness that is payable from or secured by a lien on all or any portion of the Trust Estate, whether on a parity with or prior or junior or subordinate to the lien securing the Secured Loan, other than the Initial Secured Project Indebtedness, without the Lender's prior written approval, in its sole discretion.

With respect to the issuance of any Additional Obligations for financing the Project Capacity Improvements or the acquisition, development, design, construction, equipping, operation or maintenance of all or any portion of the SWP/CT Project, or the refinancing or refunding of any Outstanding First Tier Obligations and Second Tier Obligations, the Lender may, in its sole discretion, require any or all of the following as conditions of its approval of the Borrower's issuance of any Additional Obligations, and upon satisfaction of such conditions, the Lender's approval shall not be unreasonably withheld (and for the avoidance of doubt, the Lender's refusal to consent in the event of the Borrower's failure to satisfy any one of such conditions shall not be considered in any event to be an unreasonable withholding of its consent):

(i) Satisfaction of the conditions set forth in Sections 208, 209 or 211 of the Trust Agreement, as applicable;

(ii) Written confirmation from each Rating Agency then maintaining a rating on the First Tier Obligations and the Second Tier Obligations to the effect that the issuance of such Additional Obligations will not in and of itself cause such Rating Agency to reduce or withdraw the then current rating on the First Tier Obligations and the Second Tier Obligations;

(iii) A certificate or report of the Toll Road Consultant setting forth its opinion as to the aggregate estimated amount of revenues which the Borrower will derive from the operation and ownership of the Project (which revenues shall

be deemed to include all investment income from the funds and accounts established under the Trust Agreement, and all fines and penalties and interest thereon collected as a result of the failure to pay any tolls, fees or charges for the use of the Project, consistent with the assumptions set forth in the most recent Financial Plan, all as reasonably estimated and certified to by the Chief Financial Officer) under the Toll Rate Schedule referred to, set forth in, or attached to, said certificate, for each of the Fiscal Years through the repayment of the Additional Obligations then proposed to be issued and all First Tier Obligations and the Second Tier Obligations to be Outstanding after the delivery of such Additional Obligations;

(iv) A certificate or report of an independent certified public accountant of recognized standing and ability (dated not earlier than ninety days prior to the date the Additional Obligations are delivered) stating the annual debt service requirements for the Additional Obligations then proposed to be issued and all First Tier Obligations and the Second Tier Obligations to be Outstanding after the delivery of such Additional Obligations;

(v) A certificate of the Chief Financial Officer that (based on the certificates or reports of the Toll Road Consultant and the independent certified public accountant delivered pursuant to clauses (iii) and (iv) above) after the issuance of the Additional Obligations, for the current and each Fiscal Year after the date of said certificate:

(A) the Total Debt Service Coverage Ratio commencing with the Fiscal Year ending August 31, 2014 is equal to or greater than 1.10;

(B) the First Tier Debt Service Coverage Ratio commencing with the Fiscal Year ending August 31, 2014 is equal to or greater than 1.25; and

(C) the Loan Life Coverage Ratio commencing with the Fiscal Year ending August 31, 2014 is equal to or greater than 1.25;

(vi) Each of the Project Capacity Improvements and the SWP/CT Project, as the case may be, adheres to and is compliant with all applicable federal eligibility and selection criteria pursuant to Title 23 of the United States Code; and

(vii) All terms and conditions of any proposed Modifications of the Transaction Documents in connection with the Additional Obligations shall have been delivered in writing to the Lender and shall be in form and substance satisfactory to the Lender.

(2) Additionally, with respect to Additional Obligations issued for the purpose of financing the acquisition, development, design, construction, equipping, operation or maintenance of all or any portion of SWP/CT Project:

(i) The Borrower will have on deposit, or has duly provided for deposit, in the Construction Fund an amount as is necessary, based on the report prepared by the Consulting Engineer, to pay for Costs for the construction of the SWP/CT Project; and

(ii) There shall have been filed with the Trustee the following:

(A) A final traffic and revenue report of the Toll Road Consultant relating to the SWP/CT Project;

(B) A final report of the Consulting Engineer relating to the SWP/CT Project concluding that the SWP/CT Project remains on budget and on schedule to be completed (i) within six months after the guaranteed substantial completion date for the SWP/CT Project as set forth in the construction schedule for the SWP/CT Project provided to the Lender, if as of the date of the final report the SWP/CT Project has achieved less than 50% completion, or (ii) within 12 months after the guaranteed substantial completion date for the SWP/CT Project as set forth in the construction schedule for the SWP/CT Project provided to the Lender, if as of the date of the final report the SWP/CT Project has achieved at least 50% completion, which final report may be subject to such conditions that are customary for such reports; and

(C) A final report of the Consulting Engineer relating to the SWP/CT Project concluding that the budget for Costs of the construction of the SWP/CT Project and the time frame to achieve substantial completion for the SWP/CT Project (which the report shall indicate will fall not later than 90 days after the guaranteed substantial completion date for the SWP/CT Project as set forth in the construction schedule for the SWP/CT Project provided to the Lender) are reasonable, subject to such conditions that are customary for such reports.

Notwithstanding the foregoing, (x) the provisions of clauses (a)(1) and (2) above, other than clause (a)(1)(i), shall not be conditions for approval for the Borrower's issuance of Additional Obligations for the purpose of fully refunding the Series 2011 BANs on or before their respective maturity dates in accordance with Section 210 of the Trust Agreement if at the time of such issuance, the Disbursement Date has not occurred, provided, however, that if such Additional Obligations are issued, no disbursement of the Secured Loan shall be made and this Secured Loan Agreement shall immediately be terminated and (y) the Lender's approval shall not be required for the issuance of indebtedness immediately after which the TIFIA Note and the Obligations under the Secured Loan Agreement are fully and indefeasibly paid or the Secured Loan Agreement is terminated in accordance with the preceding clause (x). The Borrower shall notify the Lender in writing of its intent to issue Additional Obligations for the purpose of fully refunding the Series 2011 BANs at least 30 days in advance.

(b) (i) The Borrower covenants that, in and after the Fiscal Year in which the first disbursement is made to the Borrower pursuant to this Secured Loan Agreement, (A) the Total Debt Service Coverage Ratio for each Fiscal Year commencing with the Fiscal Year ending August 31, 2014 shall not be less than 1.10, (B) the First Tier Debt

Service Coverage Ratio for each Fiscal Year commencing with the Fiscal Year ending August 31, 2014 shall not be less than 1.25, and (C) the Loan Life Coverage Ratio for each Fiscal Year commencing with the Fiscal Year ending August 31, 2014 shall not be less than 1.25.

(ii) If the covenants set forth in Section 16(b)(i) shall not be met for such Fiscal Year, the Borrower will promptly engage the Toll Road Consultant to make and file its recommendations with the Borrower and the Trustee before the 15th day of March of the following Fiscal Year as to a revision in the Toll Rate Schedule then in effect, in order to cause the raising and production of Revenues in a manner which will enable the Borrower to produce at the earliest feasible time Gross Cash Flows in at least the amounts contemplated above for the current Fiscal Year. Copies of such request and of the recommendations of Toll Road Consultant, if any, shall be filed by the Borrower with the Lender. The Borrower covenants that it will promptly and carefully consider such recommendations, and that it will, within sixty days after receipt of such recommendations, either (A) place into effect any Toll Rate Schedule as so recommended by the Toll Road Consultant, or (B) place into effect any alternative Toll Rate Schedule which, in the opinion of the Board, will enable it to comply with its covenants in this Section 16(b). The Borrower and the Toll Road Consultant shall advise the Lender of the actions taken by the Borrower with respect to the recommendations of the Toll Road Consultant.

(iii) Anything in this Secured Loan Agreement to the contrary notwithstanding, if the Borrower shall comply with all recommendations of the Toll Road Consultant (or such independent engineer or engineering firm or corporation as hereinafter provided for in this Section 16) with respect to Toll Rate Schedules, it shall not constitute an Event of Default under the provisions of Section 20, if there shall be a deficiency in any Fiscal Year or years between the Gross Cash Flows for such Fiscal Year or years and the amount required to be produced for such Fiscal Year or years; provided, however, that in the event of any such deficiency, and regardless of any recommendations of the Toll Road Consultant or others, or compliance therewith by the Borrower, the Lender may institute and prosecute in a court of competent jurisdiction an appropriate action to compel the Borrower to comply with its covenant herein to adopt and keep in effect a Toll Rate Schedule that will raise and produce during the current Fiscal Year an amount of Gross Cash Flows as required above for such Fiscal Year. The Borrower covenants that it will comply with any final order, decree, or judgment entered in any such proceeding, or any modification thereof.

(iv) If the Borrower requests that the Toll Road Consultant provide its recommendations as required herein, and the Toll Road Consultant, after such request by the Borrower, fails to file with the Borrower such recommendations in writing within 120 days after such request, the Lender shall forthwith designate and appoint an independent engineer or engineering firm or corporation having a nationwide and favorable reputation for skill and experience in such work, in lieu of the Toll Road Consultant, to make the necessary survey and study and to make the required recommendations as to the aforesaid revision, which recommendations shall be reported in writing to the Borrower and to the Lender on or before the 1st day of October of said year. Such recommendations shall for

all purposes be considered to be the equivalent of and a substitute for the recommendations of the Toll Road Consultant hereinabove mentioned.

(c) The Borrower shall at any and all times, so far as it may be authorized by law, pass, make, do, execute, acknowledge and deliver, all and every such further resolutions, acts, deeds, conveyances, assignments, transfers and assurances as may be necessary or desirable for the better assuring, conveying, granting, assigning, securing and confirming all the rights in and to the Trust Estate and other moneys, securities, funds and accounts, if any, pledged or assigned, or intended so to be pledged or assigned, or which the Borrower may become bound to pledge or assign, in each case pursuant to the Trust Agreement or any other Financing Document purporting to do the same, and the Trust Estate and such other moneys, securities, funds and accounts, if any, so pledged are and will be free and clear of any pledge, lien, charge or encumbrance thereon or with respect thereto, other than as permitted by such documents, and all corporate action on the part of the Borrower to that end has been duly and validly taken or will be duly and validly taken when required. This Secured Loan Agreement and the other Financing Documents to which the Borrower is a party are and will be valid and legally enforceable obligations of the Borrower in accordance with their terms. The Borrower shall at all times, to the extent permitted by law, defend, preserve and protect the pledge of the Trust Estate and other moneys, securities, funds and accounts, if any, pledged under the Trust Agreement or any other Financing Document for the benefit and security of all present and future owners of the Secured Project Indebtedness against all claims and demands of all Persons whomsoever.

(d) The Borrower shall furnish to the Lender a copy of any Official Statement or other offering document and cash flow projections prepared in connection with the issuance of the Series 2011 Bonds and the Series 2011 BANs prior to the issuance of any such obligations, as well as copies of any continuing disclosure documents filed in connection with Rule 15c2-12 of the Securities and Exchange Commission relating to the Series 2011 Bonds and the Series 2011 BANs.

(e) The Borrower shall use the proceeds of the Secured Loan only to pay, or to reimburse the Borrower for, Eligible Project Costs.

(f) The Borrower shall diligently prosecute the work relating to the PGBT WE Project and complete the PGBT WE Project in accordance with the Construction Schedule (as the same may be amended from time to time with the prior written consent of the Lender).

(g) The Borrower shall operate and maintain the Project in a reasonable and prudent manner and shall maintain the Project in good repair, working order and condition and shall from time to time make or cause to be made all necessary and proper replacements, repairs, renewals and improvements so that the Project shall not be materially impaired. The Borrower shall at all times do or cause to be done all things necessary to obtain, preserve, renew, extend and keep in full force and effect the rights, licenses, permits, franchises and authorizations material to the conduct of its business as it relates to the Project, and comply in all material respects with all applicable laws, rules, regulations, orders, decrees, judgments or administrative decisions, whether now in effect or hereafter enacted, of any governmental authority having jurisdiction over the Borrower or its assets or operations (including, without limitation, the National Environmental Policy Act of 1969 (42 U.S.C. §4321 et seq.) and all other federal, state and local laws, rules, regulations, orders, decrees, judgments and administrative decisions

relating to the environment, the preservation or reclamation of natural resources, the management, release or threatened release of any hazardous material or to health and safety matters), in each case in connection with the Project or the construction, operation or maintenance thereof.

(h) The Borrower shall maintain, or cause to be maintained, with responsible insurers, all such insurance on the Project as is customarily maintained with respect to works and properties of like character against accident to, loss of or damage to such works or properties as provided in the Transaction Documents, including property, casualty and business interruption insurance.

(i) The Borrower shall, within 5 Business Days after the Borrower learns of the occurrence, give the Lender notice of any of the following events, setting forth details of such event:

(1) Events of Defaults - any Event of Default or any event which, given notice or the passage of time or both, would constitute or could reasonably be expected to become an Event of Default by the Borrower;

(2) Litigation - the filing of any actual litigation, suit or action, or the delivery to the Borrower of any written claim, which could reasonably be expected to have a Material Adverse Effect; and

(3) Other Adverse Events - the occurrence of any other event or condition which could reasonably be expected to have a Material Adverse Effect.

(4) Default under Master Custodial Account Agreement - the occurrence of any default or breach under the Master Custodial Account Agreement.

(j) Within 30 days after an event specified in Section 16(i), the Borrower shall provide a statement of an Authorized Borrower's Representative setting forth the actions the Borrower proposes to take with respect thereto.

(k) The Borrower shall not, without the prior written consent of the Lender, (i) release or extinguish the liens on any part of the Trust Estate, except as expressly provided under the Trust Agreement, or (ii) terminate, cancel, assign, amend, supplement or modify, or waive any term of, or consent to or accept any termination, cancellation, assignment, amendment, supplementation or modification, or waiver of any term (any such action, a "Modification") of any Financing Document or the BAN Resolution in a manner that would adversely affect the Lender in connection with the Secured Loan or impair the security for the Secured Loan. Prior to any such proposed Modification, the Borrower will provide the Lender with at least 45 days prior written notice, along with the proposed terms and conditions of such Modifications in full.

(l) The covenants of the Borrower set forth in the Trust Agreement shall inure to the benefit of the Lender with the same force and effect as if set forth in this Secured Loan Agreement.

(m)The Borrower shall maintain its existence and shall not consolidate with, privatize or merge into any other Person or entity or convey, assign, transfer or lease all or substantially all of the Project or its other assets to any other Person or entity, other than the pledge and assignment of the Trust Estate to the Trustee for the benefit of the holders of the Secured Project Indebtedness.

(n) The Borrower shall provide to the Lender, promptly after the sending or receipt thereof, copies of (i) all reports, certificates, notices or other materials or written communications provided to the Trustee pursuant to the Financing Documents and (ii) all notices and other written communications received by the Borrower from the Trustee.

(o) The Borrower shall certify to the Lender in its annual Financial Plan each year that it is in compliance with the Rate Covenant or, if the Borrower is not in compliance with the Rate Covenant, the steps the Borrower is taking to remedy such noncompliance.

(p) The Borrower shall annually, commencing in 2012, no later than 120 days following the end of the Fiscal Year for the Project, provide, at no cost to the Lender, a letter from a Rating Agency confirming the rating on the outstanding Series 2011 Bonds, any Additional Obligations and the Secured Loan.

(q) The Borrower agrees to provide the Lender with a transcript of its bond financing as soon as possible after the closing for its Series 2011 Bonds and the Series 2011 BANs.

(r) The Borrower shall provide the Lender with a copy of any amendments or supplements to the Traffic and Revenue Report. The Borrower will not permit the methodology used in any such amendment or supplement to materially vary from the methodology used in the Traffic and Revenue Report without the prior written consent of the Lender.

(s) The Borrower shall operate the Project substantially in accordance with the Annual Operating Budget, which shall be established pursuant to the following provisions:

(i) The Borrower shall, not less than sixty (60) days before the commencement of each Fiscal Year (commencing with the Fiscal Year in which Substantial Completion is projected to occur), submit to the Lender for its review an Annual Operating Budget for such upcoming Fiscal Year which shall include an operating plan and a budget, pro forma income and cash flow statements for the Project. Each Annual Operating Budget shall specify in reasonable detail all projected Revenues, Capital Expenditures, Operating Expenses and Major Maintenance Expenses, on a monthly basis together with such projections and other information as the Lender may reasonably request.

(ii) If the total amount of Operating Expenses in such Annual Operating Budget exceed by more than 10% the total amount of Operating Expenses in the then-current Annual Operating Budget as approved pursuant to this Section 16(s), the Borrower shall provide the Lender a brief narrative explanation of the reasons for such increase together with the written recommendations of the Consulting Engineers as to the amount of Operating Expenses necessary to operate and maintain the Project in accordance with the

Project Agreement Standards. If (A) the recommended amount of Operating Expenses from the Consulting Engineers is less than the Operating Expenses in the Annual Operating Budget submitted by the Borrower, and (B) the Borrower does not reduce the Operating Expenses in such Annual Operating Budget to the amount of Operating Expenses recommended by the Consulting Engineers, the Borrower agrees not to use Revenues or amounts on deposit in any funds in the Trust Estate during the Fiscal Year applicable to such Annual Operating Budget to pay for Operating Expenses to the extent they exceed the amount of Operating Expenses recommended by the Consulting Engineers for such Annual Operating Budget but may draw from other funds lawfully available to the Authority for such purpose that are not part of the Trust Estate.

The Lender may, in its sole discretion, within thirty (30) days of receipt of the recommendations of the Consulting Engineers pursuant to this clause (ii), request that such recommendations be reviewed by the Civil Engineering Consultant. Within ten (10) days of such request, the Borrower shall select the Civil Engineering Consultant, who shall make the required recommendations as to the necessary Operating Expenses within thirty (30) days of such selection, which recommendations shall be reported in writing to the Borrower and to the Lender. Such recommendations shall for all purposes be considered to be the equivalent of and a substitute for the recommendations of the Consulting Engineers hereinabove mentioned for all purposes of this clause (ii).

(iii) If the total amount of Major Maintenance Expenses or Capital Expenditures expended and projected to be expended in the proposed Annual Operating Budget from the later of (A) date of this Secured Loan Agreement and (B) the most recent Reset Date through the end of the Fiscal Year relating to such Annual Operating Budget exceed by more than 10% the total amount of Major Maintenance Expenses or Capital Expenditures, respectively, in the Project Budget for such time period, the Borrower shall provide the Lender a brief narrative explanation of the reasons for such increase together with the written recommendations of the Consulting Engineers as to the amount of Major Maintenance Expenses or Capital Expenditures, respectively, necessary to repair and maintain the Project in accordance with the Project Agreement Standards during the Fiscal Year applicable to such Annual Operating Budget and for each Fiscal Year thereafter through the Final Maturity Date (a "Major Maintenance/Capital Expenditures Report"). If (1) the recommended amount of Major Maintenance Expenses or Capital Expenditures from the Consulting Engineers for such Fiscal Year is less than the Major Maintenance Expenses or Capital Expenditures, respectively, in the Annual Operating Budget submitted by the Borrower, and (2) the Borrower does not reduce the Major Maintenance Expenses or Capital Expenditures in such Annual Operating Budget to the amount of Major Maintenance Expenses or Capital Expenditures, respectively, recommended by the Consulting Engineers for such Fiscal Year, the Borrower agrees not to use Revenues or amounts on deposit in any funds in the Trust Estate during the Fiscal Year applicable to such Annual Operating Budget to pay for Major Maintenance Expenses or Capital Expenditures to the extent they exceed the amount of Major Maintenance Expenses or Capital Expenditures,

respectively, recommended by the Consulting Engineers for such Annual Operating Budget but may draw from other funds lawfully available to the Authority for such purpose that are not part of the Trust Estate. The term "Reset Date" shall mean the first day of the Fiscal Year applicable to an Annual Operating Budget for which the Consulting Engineers have filed a Major Maintenance/Capital Expenditures Report. For purposes of this Section 16(s), upon the filing with the Lender of a Major Maintenance/Capital Expenditures Report, the Major Maintenance Expenses or Capital Expenditures recommended by the Consulting Engineers for each future Fiscal Year shall be deemed the Major Maintenance Expenses or Capital Expenditures, respectively, in the Project Budget for each such Fiscal Year.

The Lender may, in its sole discretion, within thirty (30) days of receipt of the recommendations of the Consulting Engineers pursuant to this clause (iii), request that such recommendations be reviewed by the Civil Engineering Consultant. Within ten (10) days of such request, the Borrower shall select the Civil Engineering Consultant, who shall make the required recommendations as to the necessary Major Maintenance Expenses or Capital Expenditures, as applicable, within thirty (30) days of such selection, which recommendations shall be reported in writing to the Borrower and to the Lender. Such recommendations shall for all purposes be considered to be the equivalent of and a substitute for the recommendations of the Consulting Engineers hereinabove mentioned for all purposes of this clause (iii).

(iv) In the event the Authority proposes to amend or supplement the then current Annual Operating Budget at any time during the then current Fiscal Year, the Borrower shall not implement such proposed amendment or supplement to the then current Annual Operating Budget (the "Proposed Budget Amendment") unless (x) it shall have first submitted, not less than thirty (30) days before the proposed date for the implementation of the Proposed Budget Amendment, to the Lender for its review the Proposed Budget Amendment which shall include an updated operating plan, budget and pro forma income and cash flow statements for the Project and which shall specify in reasonable detail all updated projected Revenues, Capital Expenditures, Operating Expenses and Major Maintenance Expenses, on a monthly basis together with such projections and other information as the Lender may reasonably request and (y) such Proposed Budget Amendment shall have been treated in the same manner as the Annual Operating Budget for the then current Fiscal Year delivered to the Lender pursuant to Section 16(s)(i) as set forth in Sections 16(s)(ii) and (iii).

(v) Nothing herein shall prevent the Authority from paying for Operating Expenses, Major Maintenance Expenses and Capital Expenditures that exceed the amounts provided for in the then current Annual Operating Budget from funds of the Authority outside the Trust Estate that are lawfully available to the Authority for such purposes, provided that such expenditures that exceed any Annual Operating Budget approved pursuant to the provisions of this Section 16(s) shall not be counted as part of the then current Annual Operating Budget for

calculating the increased amounts set forth herein for any subsequent Annual Operating Budget.

(t) The Borrower shall not, without the prior written consent of the Lender, enter into or consent to any Modification of any of the following provisions of the PGBT WE Project Agreement: (i) Section 8(e) of the PGBT WE Project Agreement, Exhibit D of the PGBT WE Project Agreement or any other Modification that would change the Project Capacity Improvements from those proposed in the PGBT WE Project Agreement on the PGBT WE Closing Date; (ii) Sections 8(f) and 13(c) of the PGBT WE Project Agreement, Exhibit G of the PGBT WE Project Agreement or any other Modification that would change the Project Agreement Standards from those proposed in the PGBT WE Project Agreement on the PGBT WE Closing Date; or (iii) Section 19 of the PGBT WE Project Agreement or any other Modification in a manner that would provide for any revenue sharing payments to be paid to TxDOT prior to July 30, 2061 or allow any conversion of the revenue sharing amount to a percentage of gross revenue instead of "Net Revenue" as defined in the PGBT WE Project Agreement on the PGBT WE Closing Date.

SECTION 17. Disclosure. The Lender shall be entitled to receive all primary and secondary market disclosure provided by the Borrower to the holders of the Series 2011 Bonds and Series 2011 BANs including the Preliminary Official Statement, the Official Statement and any supplements thereto, and pursuant to any continuing disclosure agreement. The Borrower agrees that the Lender shall not be responsible for the completeness or accuracy of any disclosure provided by the Borrower to the holders of the Series 2011 Bonds or Series 2011 BANs. The Secured Loan should not be deemed by the Borrower to be a federal guaranty of the Series 2011 BANs and should not be described as a federal guaranty of the Series 2011 BANs in any disclosure provided by the Borrower.

SECTION 18. **Indemnification. To the extent authorized and permitted by applicable law, the Borrower shall indemnify the Lender and any official, employee, agent or representative of the Lender (each such Person being herein referred to as an "Indemnitee") against, and hold each Indemnitee harmless from, any and all losses, claims, damages, liabilities, fines, penalties, costs and expenses (including, without limitation, the fees, charges and disbursements of any counsel for any Indemnitee and the costs of environmental remediation), whether known, unknown, contingent or otherwise, incurred by or asserted against any Indemnitee arising out of, in connection with, or as a result of (i) the execution, delivery and performance of this Secured Loan Agreement or any other Transaction Document, (ii) the Secured Loan or the use of the proceeds thereof, or (iii) the violation of any law, rule, regulation, order, decree, judgment or administrative decision relating to the environment, the preservation or reclamation of natural resources, the management, release or threatened release of any hazardous material or to health and safety matters; in each case arising out of or in direct relation to the Project; provided that such indemnity shall not, as to any Indemnitee, be available to the extent that such losses, claims, damages, liabilities, fines, penalties, costs or expenses are determined by a court of competent jurisdiction by final and nonappealable judgment to have resulted from the negligence or willful misconduct of such Indemnitee. In case any action or proceeding is brought against an Indemnitee by reason of any claim with respect to which such**

**Indemnitee is entitled to indemnification hereunder, the Borrower upon notice from such Indemnitee shall defend the same and such Indemnitee shall cooperate with the Borrower at the expense of the Borrower in connection therewith. Nothing herein shall be construed as a waiver of any legal immunity that may be available to any Indemnitee. To the extent permitted by applicable law, the Borrower shall not assert, and hereby waives, any claim against any Indemnitee, on any theory of liability, for special, indirect, consequential or punitive damages arising out of, in connection with, or as a result of, this Secured Loan Agreement, any of the other Transaction Documents, the Secured Loan and the other transactions contemplated hereby and thereby, or the use of the proceeds thereof. All amounts due to any Indemnitee under this Section 18 shall be payable promptly upon demand therefor. The obligations of the Borrower under this Section 18 shall survive the payment or prepayment in full or transfer of the TIFIA Note, the enforcement of any provision of this Secured Loan Agreement or the other Financing Documents, any amendments, waivers (other than amendments or waivers in writing with respect to this Section) or consents in respect hereof or thereof, any Event of Default, and any workout, restructuring or similar arrangement of the obligations of the Borrower hereunder or thereunder.**

SECTION 19. Sale of Secured Loan The Lender may sell the Secured Loan to another entity or offer the Secured Loan into the capital markets as soon as practicable after Substantial Completion of the PGBT WE Project. In making such sale or offering of the Secured Loan the Lender shall not change the original terms and conditions of the Secured Loan without the prior written consent of the Borrower; provided, however, the Borrower shall not unreasonably withhold or delay its consent to any change that does not adversely affect the Borrower. The Lender shall provide at least sixty (60) days notice to the Borrower of any intention to sell or offer the Secured Loan and shall furnish the Borrower with all disclosure material prepared in connection with any such proposed sale or offer.

Nothing in this Section 19 shall prevent the Lender from transferring the Secured Loan to another Federal agency, government sponsored enterprise or government corporation if such transfer is necessary or desirable under Federal law.

Unless otherwise consented to in writing by the Borrower, any sale or assignment of the Secured Loan pursuant to this Section shall be a sale or assignment of all (and not a portion) of the Lender's rights and obligations under this Secured Loan Agreement (including the TIFIA Note). From and after the effective date of such sale, the buyer or assignee shall be a party hereto and shall have the rights and obligations of Lender hereunder and under the TIFIA Note and the seller shall relinquish its rights (other than its rights under Section 21(e) and under Sections 18 and 28 to the extent any claim thereunder relates to an event arising prior to such assignment) and be released from its obligations under this Secured Loan Agreement and shall cease to be a party hereto.

The Lender and the Borrower agree that for so long as any First Tier Obligations remain outstanding under the Trust Agreement, the provisions of Section 215 of the Trust Agreement that provide that the Secured Loan will be deemed to be and will automatically become a First Tier Obligation upon a Bankruptcy Related Event shall be of no force or effect to the extent of the sale of the Secured Loan to any Person or entity other than to another Federal agency, government-sponsored enterprise or government corporation.

In the event that the Secured Loan is sold to any Person or entity other than to another Federal agency, government-sponsored enterprise or government corporation, the Lender shall, at least thirty (30) days prior to the effective date of such sale, confirm in writing to the Borrower and the Trustee the Outstanding Secured Loan Balance and the Loan Amortization Schedule.

SECTION 20. Events of Default and Remedies.

(a) An Event of Default shall exist under this Secured Loan Agreement if:

(i) Payment Default. The Borrower shall fail to pay any of the principal amount of or interest on the Secured Loan or any other Obligation under this Secured Loan Agreement or the TIFIA Note, when and as the payment thereof shall be due under this Secured Loan Agreement or the TIFIA Note (each a "Payment Default"); or

(ii) Covenant Default. The Borrower shall fail to observe or perform any covenant, agreement or Obligation of the Borrower under this Secured Loan Agreement or the TIFIA Note (other than in the case of any Payment Default), and such failure shall not be cured within 30 days after receipt by the Borrower from the Lender of written notice thereof; provided, however, that if such failure is capable of cure but cannot be cured within such 30-day period, then no Event of Default shall be deemed to have occurred or be continuing under this clause (ii) if and so long as within such 30-day period the Borrower shall commence actions reasonably designed to cure such failure and shall diligently pursue such actions until such failure is cured, provided such failure is cured within 180 days; or

(iii) Development Default. If (1) the Borrower fails to reasonably prosecute the work relating to the PGBT WE Project or (2) the Borrower fails to complete the PGBT WE Project by the later of (A) October 11, 2013, or (B) the completion date set forth in the Construction Schedule (as the same may be amended from time to time with concurrence of the Lender) provided to the Lender, and after receipt of written notice to that effect from the Lender, in all such cases the Borrower fails to demonstrate to the Lender's reasonable satisfaction that it is proceeding with the construction of the PGBT WE Project with due diligence toward Substantial Completion by the date specified in the Construction Schedule (as may be amended from time to time) (a "Development Default"), then the Lender after the delivery of written notice of a Development Default may (i) suspend the disbursement of Secured Loan proceeds under this Secured Loan Agreement, and (ii) pursue such other remedies as provided in this Section 20. If so requested in connection with a Development Default, the Borrower shall immediately repay any unexpended Secured Loan proceeds previously disbursed to the Borrower. Notwithstanding the foregoing, if any such Development Default is primarily the result of Uncontrollable Force and the Borrower both (i) presents to the Lender an amended Construction Schedule within thirty (30) days after written notice of such default which Construction Schedule if followed would correct the Development Default as soon as reasonably possible and (ii) proceeds with due diligence to correct the condition resulting in such a default in accordance with the amended Construction Schedule, then such Development Default shall be deemed to have been cured within such thirty (30) days for all purposes of Section 16(f) and Section 20. For the purposes of this Section 20(a)(iii), the Borrower shall have the right to amend the Construction Schedule to extend the date

for Substantial Completion for a period of up to 180 days (unless a longer extension is required due to the occurrence of an Uncontrollable Force) within thirty (30) days of receipt of notice of an alleged Development Default; provided that the Borrower provide the Lender with (1) a remedial plan with respect to the construction of the PGBT WE Project (a "Remedial Plan") reviewed by the Consulting Engineers and (2) a certificate from the Consulting Engineers concluding that Substantial Completion is likely to occur by the date specified in the Remedial Plan, and the Lender approves the Remedial Plan (such approval not to be unreasonably withheld); or

(iv) Misrepresentation Default. Any of the representations, warranties or certifications of the Borrower made in or delivered pursuant to this Secured Loan Agreement or the TIFIA Note shall prove to have been false or misleading in any material respect when made; or

(v) Acceleration of or Failure to Pay Other Material Indebtedness. Any acceleration shall occur of any indebtedness of the Borrower in an aggregate principal amount equal to or greater than $5,000,000 (inflated annually by CPI) ("Other Material Indebtedness"), or any such Other Material Indebtedness shall not be paid in full upon the final maturity thereof; or

(vi) Cross Default. With respect to any Financing Document (other than this Secured Loan Agreement or the TIFIA Note) or the TIGER Grant Agreement, the Borrower shall default in the timely performance of any covenant, agreement or Obligation under any such document (except with respect to defaults that are the subject of clause (vii) below of this Section 20) or any such document shall be terminated prior to its scheduled expiration or any of the representations, warranties or certifications of the Borrower made in or delivered pursuant to any such document shall prove to be false or misleading in any material respect, (and, with respect to Master Custodial Account Agreement and the obligations of the Borrower under the Toll Equity Loan Agreement and the Toll Equity Note, such default, termination or breach could reasonably be expected to have a Material Adverse Effect) and the Borrower shall have failed to cure such default or to obtain an effective written waiver thereof, or to obtain an effective revocation of such termination (as the case may be), within 30 days after receipt of written notice thereof from the Lender or the Trustee (whichever is earlier); provided, however, that if such cure or waiver or revocation (as the case may be) cannot be obtained within such 30-day period, then no Event of Default shall be deemed to have occurred or be continuing under this clause if and so long as within such 30-day period the Borrower shall commence actions reasonably designed to obtain a cure or waiver of such default or a revocation of such termination (as the case may be) and shall diligently pursue such actions until such cure or waiver or revocation is obtained, provided such failure is cured or effectively waived, or such effective revocation has been obtained (as the case may be) within 180 days; or

(vii) Payment Cross-Default: Any failure by the Borrower to pay (whether at scheduled maturity or otherwise) any of its Obligations under the Financing Documents, other than a Payment Default, within five (5) days after receiving written notice that the same shall have become due and payable.

(viii) Judgments. One or more judgments for the payment of money in an aggregate amount in excess of $10,000,000 (inflated annually by CPI) shall be rendered against the Borrower and the same shall remain undischarged for a period of 30 consecutive days during which execution shall not be effectively stayed, or any action shall be legally taken by a judgment creditor to attach or levy upon any assets of the Borrower to enforce any such judgment; or

(ix) Non-Monetary Judgment. Any non-monetary judgment or order shall be rendered against the Borrower or any of its respective assets that could reasonably be expected to have a Material Adverse Effect, and there shall have elapsed a period of 60 consecutive days during which a stay of enforcement of such judgment or order, by reason of a pending appeal or otherwise, shall not be in effect; or

(x) Repudiation and Invalidity. Any material provision of any Financing Document to which the Borrower is a party after delivery thereof shall be expressly repudiated by the Borrower or any other party thereto or cease to be valid and binding on or enforceable against the Borrower or any other party thereto (other than upon full performance or in connection with the expiration thereof in accordance with its terms); or

(xi) Failure to Maintain Existence. The Borrower shall fail to maintain its existence as a body corporate and politic and public instrumentality under the laws of the State; or

(xii) Non-Appropriation Event. A Non-Appropriation Event shall have occurred; provided, however, that no Event of Default shall be deemed to have occurred and be continuing under this clause if each of the following conditions are met on or before the 90th day from which the Lender shall have notified the Borrower as to the existence of a Non-Appropriation Event: (A) the Borrower shall have proposed a course of action to address such event that is in all respects satisfactory to the Lender in its sole discretion and that provides the Lender satisfactory assurances in its sole discretion that the Borrower will be able to continue to satisfy its Obligations under this Secured Loan Agreement, and the Borrower shall enter into all agreements or instruments as the Lender may require to carry out such course of action and assurances, (B) the Borrower shall have continued to satisfy all of its Obligations under this Secured Loan Agreement and (C) no other Default or Event of Default shall have occurred and be continuing; or

(xiii) Occurrence of A Bankruptcy Related Event. A Bankruptcy Related Event shall have occurred; or

(xiv) Project Abandonment. The Borrower shall abandon the Project; or

(xv) TxDOT Default. TxDOT shall fail to observe or perform any covenant, agreement or Obligation of TxDOT under the Direct Agreement or fail to make an advance of any funds as requested pursuant to the terms of the Toll Equity Loan Agreement as supplemented by the Direct Agreement for any reason or otherwise fail to observe or perform its covenants or obligations under Section 7.02 of the Toll Equity Loan Agreement, provided, however, that if a failure of TxDOT to make an advance as requested by the Trustee in a Draw Request is due solely to the occurrence and continuance of a Non-Appropriation Event, no Event of Default shall be deemed to have

occurred and be continuing under this clause if the agreements and instruments set forth in clause (A) of the proviso to Section 20(a)(xii) remain in full force and effect and the other conditions set forth in such proviso are satisfied at such time (without applying the 90-day period after notice by the Lender therein); or

(xvi) Cessation of Operations. Operation of the Project shall cease for a continuous period of not less than 180 days unless such cessation of operations shall occur by reason of an Uncontrollable Force.

(b) Whenever any Default shall have occurred and be continuing, the Lender may suspend all of its obligations under this Secured Loan Agreement with respect to the disbursements of any undisbursed amounts of the Secured Loan in its sole discretion. Whenever any Event of Default shall have occurred and be continuing, the Lender may suspend or continue to suspend all of its obligations under this Secured Loan Agreement with respect to the disbursement of any undisbursed amounts of the Secured Loan in its sole discretion; provided, however, that the Lender shall have the right to terminate all of its obligations under this Secured Loan Agreement with respect to the disbursement of any undisbursed amounts of the Secured Loan in its sole discretion upon providing the Borrower with thirty (30) days' advance written notice of its intention to so terminate if Borrower fails to cure such Event of Default within such 30-day period, it being understood that such notice may be given in the notice provided by the Lender notifying the Borrower of such Event of Default and such 30-day period shall run concurrently with any applicable cure period for such Event of Default; provided, further, that upon the occurrence of a Bankruptcy Related Event, all obligations of the Lender under this Secured Loan Agreement with respect to the disbursement of any undisbursed amounts of the Secured Loan shall immediately and automatically be deemed terminated.

(c) Whenever any Event of Default hereunder shall have occurred and be continuing, the Lender shall be entitled and empowered to institute any actions or proceedings at law or in equity for the collection of any sums due and unpaid hereunder or under the other Financing Documents, and may prosecute any such judgment or final decree against the Borrower and collect in the manner provided by law out of the property of the Borrower the moneys adjudged or decreed to be payable, and may take such other actions at law or in equity as may appear necessary or desirable to collect all amounts payable by the Borrower under this Secured Loan Agreement or the other Financing Documents then due and thereafter to become due, or to enforce performance and observance of any obligation, agreement or covenant of the Borrower under this Secured Loan Agreement or the other Financing Documents, subject in each case to Section 40 hereof.

(d) Whenever any Event of Default hereunder shall have occurred and be continuing, the Lender may suspend or debar the Borrower from further participation in any Government program administered by the Lender and to notify other departments and agencies of such default.

(e) No action taken pursuant to this Section 20 shall relieve the Borrower from its obligations pursuant to this Secured Loan Agreement or the other Financing Documents, all of which shall survive any such action.

(f) Pursuant to Section 215 of the Trust Agreement, upon the occurrence of an Event of Default specified in Section 20(a)(xiii), the Secured Loan shall be deemed to be and

shall automatically become, as of the date of such Event of Default, subject to the provisions of Section 215 of the Trust Agreement, a First Tier Obligation for all purposes of the Trust Agreement, and the Lender will be deemed the secured owner of such First Tier Obligations.

SECTION 21. Accounting and Audit Procedures; Financial Plan; Reports and Records; Meetings with Borrower.

(a) The Borrower shall establish fiscal controls and accounting procedures sufficient to assure proper accounting for all Project-related transactions (including collection of the Revenues and any other revenues attributable to the Project, and Secured Loan requisitions received and disbursements made with regard to the Project), so that audits may be performed to ensure compliance with and enforcement of this Secured Loan Agreement. The Borrower shall use accounting, audit and fiscal procedures conforming to GAAP as promulgated by the Governmental Accounting Standards Board, including, with respect to the Secured Loan, accounting of principal and interest payments, disbursements, prepayments and calculation of interest and principal amounts outstanding.

(b) The Lender shall have the right to conduct from time to time independent financial and compliance audits of the Borrower in accordance with the Single Audit Act of 1984, as amended, and Office of Management and Budget Circular A-133, "Audits of State and Local Governments," or as otherwise requested by the Lender. Upon reasonable notice, the Borrower shall cooperate fully in conducting audits and shall provide full access to any books, documents, papers or other records which are pertinent to the Project or the Secured Loan. In addition to any audits, which may be conducted pursuant to this Section 21(b), from time to time the Lender may conduct additional audits of the Borrower's records and accounts. The Borrower's records shall be made available to any designated representative of the Lender, or of the Government, including the Inspector General of the United States Department of Transportation, and the Comptroller General of the United States, or the designee thereof, for necessary project or programmatic audits pursuant to 23 U.S.C. § 609, 31 U.S.C. § 6503(h) and 31 U.S.C. § 7503(b).

(c) (i) The Borrower shall provide to the Lender, within thirty (30) days after the Closing Date, and annually thereafter not later than sixty (60) days after the beginning of the Fiscal Year, a financial plan as more fully described in this Section 21(c) (each, a "Financial Plan"). The initial Financial Plan submitted within thirty (30) days after the Closing Date (the "Base Case Financial Plan") shall be consistent in all respects with the projections, assumptions and other information contained or reflected in the Base Case Financial Model. The Financial Plan (1) shall be prepared in accordance with recognized financial reporting standards, such as those in the "Guide for Prospective Financial Information" of the American Institute of Certified Public Accountants, (2) shall include (A) a certificate signed by the Borrower's Authorized Representative that annual projected Revenues shall be sufficient to meet the Loan Amortization Schedule and the Rate Covenant, (B) an electronic copy of an updated Base Case Financial Model, (C) calculations of the Capital Expenditures Reserve Requirement, the Major Maintenance Reserve Requirement and the Rate Stabilization Fund Requirement and (D) the panel of independent engineering firms or corporations proposed by the Borrower from which the Borrower shall select the Civil Engineering Consultant, and any changes to such panel from the panel included with the prior Financial Plan and the rationale for any such changes and (3) shall be in form and substance satisfactory to the Lender.

(ii) At a minimum, the Financial Plan shall **for the period through Substantial Completion**: (1) provide the current estimate of the total cost of the Project and the remaining cost to complete the Project, identify any significant cost changes since the previous Financial Plan, discuss reasons for and implications of the cost changes, and include a summary table showing the history of Project Costs by major activity or category since the Base Case Financial Plan and the preceding Financial Plan; (2) provide the current schedule and implementation plan for completing the Project, including a date on which Substantial Completion is expected to occur, identify major milestones for each phase of the Project and compare current milestone dates with milestone dates in the Base Case Financial Plan and the preceding Financial Plan, and discuss reasons for changes in Project milestones; (3) provide current estimates of sources and uses of funds for the Project, identify any significant funding changes since the preceding Financial Plan, discuss reasons for and implications of the funding changes, and include a summary table showing the history of Project funding since the Base Case Financial Plan and the preceding Financial Plan; (4) provide an updated cash flow schedule showing annual cash needs versus available revenue and funding to meet those needs (including projected debt service and loan life coverage ratios for the Secured Project Indebtedness and the Series 2011 BANs) through the Final Maturity Date, identifying any potential revenue and funding shortfalls, and addressing contingency measures that will or may be taken to address any shortfalls; (5) provide cost containment strategies and risk mitigation plans that have been or may be implemented to address factors that are affecting or could affect the scheduled completion or financial viability of the Project; (6) provide the total value of approved changes and provide a listing of each individual change valued at $2,500,000 or more, setting forth the rationale or need for the proposed change and describing the impact of such change on the Project; and (7) contain, in form and substance satisfactory to the Lender, a written narrative report on the progress of design, permitting, acquisition and construction of the Project since the Base Case Financial Plan and the preceding Financial Plan, describing in reasonable detail all significant activities concerning Project status including events affecting the operation, maintenance or management of the Project, and any material matters that may affect the future performance of the Borrower's Obligations under this Secured Loan Agreement and the causes thereof.

(iii) **Not later than ninety (90) days following the date of Substantial Completion**, the Borrower shall provide the Lender with a final written narrative report in substantially the form described in subsection (7) of the preceding paragraph.

(iv) At a minimum, the Financial Plan shall **for the period following Substantial Completion until repayment of the Secured Loan in full**: (1) provide an updated cash flow schedule showing annual cash inflows (the Revenues, interest and other income) and outflows (operating costs, capital costs, debt service, Secured Loan repayments, replenishment of reserves and other uses) with a narrative identifying any potential revenue or funding shortfall and discussing contingency measures that will or may be taken to address any shortfalls; (2) provide current and estimated amounts of the Revenues and other revenues received and the amounts deposited into each fund and account held under the Trust Agreement and the amount disbursed from such funds and accounts and the balance in each of the funds and accounts; (3) provide an updated schedule of actual Revenues and projected Revenues, showing actual and projected debt service and loan life coverage ratios for all Secured Project Indebtedness; (4) provide a schedule of current toll rates and planned increases; and (5) include a written narrative report explaining any variances in costs or revenues since the Base Case Financial Plan and the preceding Financial Plan and describing in reasonable detail any material matters that may affect

the future performance of the Borrower's Obligations under this Secured Loan Agreement and the causes thereof to include, without limitation, traffic and revenue reports, operational contracts, and third-party transactions.

(v) **For the period through Substantial Completion**, the Borrower shall provide the Lender with written notification and obtain its prior written consent before instituting any increase or decrease of the overall Project Costs in an amount equal to or greater than $2,500,000 in the aggregate setting forth the nature of the proposed increase or decrease and estimating the impact of such increase or decrease on the capital costs, operating costs, and the Financial Plan. The Borrower's notice shall demonstrate that the proposed increase or decrease is consistent with the provisions of this Secured Loan Agreement, is necessary or beneficial to the Project and does not affect the Lender's security.

(d) The Borrower shall provide the Lender: (i) as soon as available, but no later than forty-five (45) days after the end of each quarterly period of each Fiscal Year, an unaudited income statement and balance sheet as of the end of such period and the related unaudited statements of operations and changes in capital and of cash flow of the Borrower relating to the Project for such period and for the portion of the Fiscal Year through the end of such period, setting forth in each case in comparative form the figures for the previous period, certified by the chief executive officer or chief financial officer of the Borrower as fairly stating in all material respects the financial condition of the Borrower relating to the Project as at the end of such period and the results of its operations and its cash flows for such period (subject to normal year-end audit adjustments), (ii) within 140 days following the end of each Fiscal Year, a copy of the Borrower's annual report for the Project and a copy of the annual audited financial statements and balance sheet of the Project as of the end of such Fiscal Year and the related audited statements of operations, changes in capital and of cash flow of the Project for such Fiscal Year, setting forth in each case in comparative form the figures for the previous Fiscal Year, together with a report thereon by a firm of independent certified public accountants, and (iii) as soon as available after the end of each fiscal year, a copy of the Borrower's annual report and the annual audited financial statements and balance sheet of the Borrower as of the end of such fiscal year and the related audited statements of operations, changes in capital and of cash flow of the Borrower, setting forth in each case in comparative form the figures for the previous fiscal year, together with a report thereon by a firm of independent certified public accountants.

All such financial statements with respect to the Borrower and the Project shall be complete and correct in all material respects and shall be prepared in reasonable detail and in accordance with GAAP applied consistently throughout the periods reflected therein (except for changes approved or required by the independent public accountants certifying such statements and disclosed therein).

(e) The Borrower shall maintain and retain all files relating to the Project and the Secured Loan until five years after the later of the date on which: (1) all rights and duties hereunder and under the TIFIA Note (including payments) have been fulfilled and necessary audits have been performed; and (2) any litigation relating to the Project, the Secured Loan or this Secured Loan Agreement is finally resolved. The Borrower shall provide the Lender in a timely manner with all records and documentation relating to the Project that the Lender may reasonably request from time to time.

(f) The Lender shall have: (1) the right, upon written request to the Borrower, to receive adequate notice of, and to attend, any meeting of the governing board of the Borrower or any committee thereof, and notice of any executive sessions of the governing board; and (2) the right to meet with the Borrower, including the chair and any other members of such board, and any other officers, employees, consultants or agents of the Borrower.

(g) The Borrower shall provide to the Lender copies of all reports or other written materials received from any Rating Agency that has provided, or is being requested to provide, a rating on any indebtedness of the Borrower.

(h) The Borrower shall provide promptly, upon request of the Lender, the reasonable estimates certified by the Chief Financial Officer described in clause (ii) of the definition of "Gross Cash Flows".

SECTION 22. Project Monitoring.

(a) *Project Development, Design and Construction*. The Lender shall have the right in its sole discretion to monitor (or direct its agents to monitor) development, including but not limited to environmental compliance, design, right-of-way acquisition, and construction of the Project. Project development, environmental compliance, design, right-of-way acquisition, and construction monitoring shall be conducted pursuant to the Development Oversight Agreement, which may be amended from time to time upon mutual agreement of the Borrower and the Lender, or when so required by Federal statute or otherwise required by the United States Congress. The Borrower agrees to cooperate in good faith with the Lender in the conduct of such monitoring by promptly providing the Lender with such reports, documentation or other information as shall be requested by the Lender, or its agents, including any independent engineer reports, documentation or information, should an independent engineer be retained by or at the request of the Borrower or the Trustee.

(b) *Reporting*. The Borrower shall furnish to the Lender during the construction period the following:

(1) Construction Progress Report. On or before the last Business Day of any calendar month during the construction period, a report executed by the Borrower's Authorized Representative: (A) of the amount of Project Costs expended since the Closing Date as well as during the preceding calendar month and the amount of Project Costs estimated to be required to complete the Project; (B) providing an assessment of the overall construction progress of the Project since the date of the last report and since the Closing Date, together with an assessment of how such progress compares to the Construction Schedule; (C) specifying the projected completion date; (D) providing a detailed description of all material problems (including but not limited to actual and anticipated cost overruns, if any) encountered or anticipated in connection with the construction of the Project since the date of the last report, together with an assessment of how such problems may impact the Construction Schedule and the meeting of critical dates thereunder and a detailed description of the proposed solutions to any such

problems; (E) specifying the delivery status of major equipment and materials and the effect, if any, that the anticipated delivery dates of such equipment has on the overall Construction Schedule; (F) specifying any proposed or pending change orders; (G) specifying any material changes or deviations from the Borrower's right-of-way acquisition plans or schedule; and (H) a discussion or analysis of such other matters related to the Project as the Lender may reasonably request. The Borrower shall respond, and use commercially reasonable efforts to cause the construction contractors to respond to the Lender's inquiries regarding such report, the construction of the Project and such construction contractor's performance of its obligations under the construction agreement to which it is a party.

(2) Construction Contractor Reports. Promptly after receipt thereof, a copy of each report delivered to the Borrower pursuant to the Design/Build Agreement.

(3) Permits. Promptly after the receipt or filing thereof, as the case may be (but in no event later than thirty (30) days after such receipt or filing), a copy of (A) each Governmental Approval or other consent or approval obtained by the Borrower, or obtained by any construction contractor and delivered to the Borrower pursuant to any Project Document after the Closing Date, and (B) each filing made by the Borrower with any governmental authority with respect to a Governmental Approval, except such as are routine or ministerial in nature.

(c) *Project Operations*. The Lender shall have the right in its sole discretion to monitor (or direct its agents to monitor) Project operations at any time during the term of this Secured Loan Agreement and to require reporting on the operation and management of the Project and to obtain copies of any contracts relating to the operation, maintenance and safety services for the Project as may be required from time to time. The Borrower agrees to cooperate in good faith with the Lender in the conduct of such monitoring by promptly providing the Lender with such reports, documentation, or other information as shall be requested by the Lender. In the event that the Lender retains a financial oversight advisor under contract with the Lender, which decision shall be within the sole discretion of the Lender, to carry out the provisions of this Section 22, the full cost of such monitoring shall be borne by the Borrower. Any costs reasonably incurred by the Lender for such monitoring shall be promptly reimbursed by the Borrower upon demand therefor in the form of an invoice reasonably acceptable to the Borrower.

(d) *Traffic and Operating Report*. The Borrower shall provide the Lender as soon as available, but no later than sixty (60) days after the end of each quarterly period of each Fiscal Year, a traffic and operating report showing (1) the operating data for the Project for the previous quarterly period, including total Revenues received and total Operating Expenses, Major Maintenance Expenses and Capital Expenditures incurred, (2) the variances for such period between the Revenues actually received and the budgeted Revenues as shown in the Annual

Operating Budget, together with a brief narrative explanation of the reasons for any such variance of 10% or more, and (3) the variances for such period between the actual Operation Expenses, Major Maintenance Expenses and Capital Expenditures incurred and the budgeted Operating Expenses, Major Maintenance Expenses and Capital Expenditures as shown in the Annual Operating Budget, together with a brief narrative explanation of the reasons for any such variance of 10% or more.

SECTION 23. No Personal Recourse. No official, officer, director, employee or agent of the Lender or the Borrower or any Person executing this Secured Loan Agreement or any Financing Document to which the Lender may be a party shall be personally liable on such document by reason of the issuance, delivery or execution hereof or thereof, provided that nothing in this Section 23 shall be construed to relieve the Borrower from any liability it may incur under this Secured Loan Agreement or any Financing Document.

SECTION 24. No Third Party Rights. The parties hereby agree that this Secured Loan Agreement and the Trust Agreement create no third party rights against the United States or the Lender, solely by virtue of such Secured Loan, and the Borrower agrees to hold the above Federal parties harmless, to the extent permitted by law, from any lawsuit arising in law or equity solely by reason of such Secured Loan, and that no third party creditor or creditors of the Borrower shall have any right against the Lender with respect to the Secured Loan made pursuant to this Secured Loan Agreement and the Trust Agreement.

SECTION 25. Borrower's Authorized Representative. The Borrower shall at all times have appointed a Borrower's Authorized Representative by designating such Person or Persons from time to time to act on the Borrower's behalf pursuant to a written certificate furnished to the Lender and the Servicer, if any, containing the specimen signature or signatures of such Person or Persons and signed by the Borrower.

SECTION 26. Lender's Authorized Representative. The Lender shall at all times have appointed a Lender's Authorized Representative by designating such Person or Persons from time to time to act on the Lender's behalf pursuant to a written certificate furnished to the Borrower and the Servicer, if any, containing the specimen signature or signatures of such Person or Persons and signed by the Lender.

Pursuant to a Delegation of Authority dated July 24, 2003, the Administrator delegated the authority to enter into contracts and sign all contractual and funding documents (with the exception of the term sheets and credit agreements) necessary to implement the Transportation Infrastructure Finance and Innovation Act of 1998, including entering into technical amendments to, and restatements of, term sheets and credit agreements that do not materially impair the credit quality of the revenues pledged to repay the United States Department of Transportation. This authority was delegated to the Associate Administrator for Administration who in turn delegated such authority to the Director, Office of Innovative Program Delivery on June 15, 2009. Pursuant to these delegations the above named officers, any of whom alone may act, serve as the Lender's Authorized Representative under this Secured Loan Agreement, in addition to the Administrator for the purposes set forth herein.

On or prior to the Closing Date, the Lender shall deliver its initial Lender's Authorized Representative certificate.

SECTION 27. Servicer. The Lender may from time to time designate an entity or entities to perform, or assist the Lender in performing, the duties of the Servicer or specified duties of the Lender under this Secured Loan Agreement and the TIFIA Note. The Lender shall give the Borrower written notice of the appointment of any successor or additional Servicer and shall enumerate the duties or any change in duties to be performed by any Servicer. Any references in this Secured Loan Agreement to the Lender shall be deemed to be a reference to the Servicer with respect to any duties which the Lender shall have delegated to such Servicer. The Lender may at any time assume the duties of any Servicer under this Secured Loan Agreement and the TIFIA Note.

SECTION 28. Fees and Expenses.

(a) The Borrower shall pay or cause to be paid to the Lender an annual loan servicing fee in the initial amount of $11,500, which amount may be increased annually thereafter by the Lender in an amount determined by the Lender to be reasonably necessary to compensate the Servicer for the performance of its duties hereunder. The initial loan servicing fee shall be paid on or before November 15, 2011 and thereafter payments shall be made on or before November 15 in each succeeding year. The Borrower shall cooperate and respond to any reasonable request of the Servicer for information, documentation or other items reasonably necessary for the performance by the Servicer of its duties hereunder.

(b) The Borrower agrees, to the extent permitted by law, whether or not the transactions hereby contemplated shall be consummated, to reimburse the Lender on demand from time to time on and after the date hereof for any and all fees, costs, charges and expenses incurred by it (including the reasonable fees, costs and expenses of counsel and other advisors) in connection with the negotiation, preparation, execution, delivery and performance of this Secured Loan Agreement and the other Financing Documents to which the Borrower is a party and the transactions hereby and thereby contemplated, including without limitation, reasonable attorneys', engineers' and planning fees and professional costs and all such fees, costs and expenses incurred as a result of or in connection with:

(1) the enforcement of or attempt to enforce any provision of this Secured Loan Agreement or any of the other Financing Documents to which the Borrower is a party;

(2) any amendment or requested amendment of, or waiver or consent or requested waiver or consent under or with respect to, this Secured Loan Agreement or any of the other Financing Documents, or advice in connection with the administration of this Secured Loan Agreement or any of the other Financing Documents to which the Borrower is a party or the rights of the Lender thereunder; and

(3) any work-out, restructuring or similar arrangement of the Obligations of the Borrower under this Secured Loan Agreement or the other Financing Documents to which the Borrower is a party during the pendency of one or more Events of Default.

The obligations of the Borrower under this Section 28 shall survive the payment or prepayment in full or transfer of the Note, the enforcement of any provision of this Secured Loan Agreement

or the other Financing Documents, any such amendments, waivers or consents, any Event of Default, and any such workout, restructuring or similar arrangement.

SECTION 29. Amendments and Waivers. No amendment, modification, termination or waiver of any provision of this Secured Loan Agreement shall in any event be effective without the written consent of the parties hereto.

SECTION 30. Governing Law. This Secured Loan Agreement shall be governed by the Federal laws of the United States if and to the extent such Federal laws are applicable and the internal laws of the State if and to the extent such Federal laws are not applicable; provided, however, that the provisions of this Secured Loan Agreement shall not otherwise supersede any Texas state law applicable to the construction, financing or operation of the Project.

SECTION 31. Severability. In case any provision in or Obligation under this Secured Loan Agreement shall be invalid, illegal or unenforceable in any jurisdiction, the validity, legality and enforceability of the remaining provisions or obligations, or of such provision or obligation in any other jurisdiction, shall not in any way be affected or impaired thereby.

SECTION 32. Successors and Assigns. This Secured Loan Agreement shall be binding upon the parties hereto and their respective successors and permitted assigns and shall inure to the benefit of the parties hereto and the successors and assigns of the Lender. Neither the Borrower's rights or obligations hereunder nor any interest therein may be assigned or delegated by Borrower without the prior written consent of the Lender.

SECTION 33. Remedies Not Exclusive. No remedy conferred herein or reserved to the Lender is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing at law or in equity or by statute.

SECTION 34. Delay or Omission Not Waiver. No delay or omission of the Lender to exercise any right or remedy provided hereunder upon a default of the Borrower (except a delay or omission pursuant to a written waiver) shall impair any such right or remedy or constitute a waiver of any such default or acquiescence therein. Every right and remedy given by this Secured Loan Agreement or by law to the Lender may be exercised from time to time, and as often as may be deemed expedient by the Lender.

SECTION 35. Counterparts. This Secured Loan Agreement and any amendments, waivers, consents or supplements hereto or in connection herewith may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed and delivered shall be deemed an original, but all such counterparts together shall constitute but one and the same instrument; signature pages may be detached from multiple separate counterparts and attached to a single counterpart so that all signature pages are physically attached to the same document.

SECTION 36. Notices; Payment Instructions. Notices hereunder shall be effective upon receipt and shall be given by certified mail, return receipt requested, or by other delivery service providing evidence of receipt to:

If to Lender: TIFIA Joint Program Office (HITJ)
Federal Highway Administration
Room E64-301
1200 New Jersey Avenue, SE
Washington, D.C. 20590
Telephone: 202-366-9644
Facsimile: 202-366-2908
Email: TIFIACredit@dot.gov

with a copy to: Federal Highway Administration
Texas Division Office
300 8th Street, Room 826
Austin, Texas, 78701
Attention: Division Administrator
Telephone: 512-536-5900
Facsimile: 512-536-5990
Email: texas.fhwa@dot.gov

If to Borrower: North Texas Tollway Authority
5900 West Plano Parkway, Suite 100
Plano, Texas, 75093
Attention: Executive Director
Telephone: 214-461-2022
Facsimile: 972-930-2622
Email: aclemson@ntta.org

with a copy to: North Texas Tollway Authority
5900 West Plano Parkway, Suite 100
Plano, Texas 75093
Attention: Bob Schell, Assistant Director of General Counsel
Telephone: (214) 461-2043
Facsimile: (972) 930-2643
Email: bschell@ntta.org

If to the Trustee: Wells Fargo Bank, National Association
1445 Ross Ave. 2nd Floor, MAC:T5303-022
Dallas, Texas, 75202
Attention: Corporate Trust and Escrow Services
Facsimile: 214-777-4086
Email: Sandra.Y.Jones@wellsfargo.com

Notices required to be provided herein shall be provided to such different addresses or to such further parties as may be designated from time to time by a Borrower's Authorized

Representative with respect to notices to the Borrower or to the Trustee or by a Lender's Authorized Representative with respect to notices to the Lender or the Servicer or by an authorized officer of the Trustee with respect to notices to it. The Borrower and the Trustee shall make any payments hereunder or under the TIFIA Note in accordance with the payment instructions hereafter provided by a Lender's Authorized Representative, as modified from time to time by a Lender's Authorized Representative.

SECTION 37. Effectiveness. This Secured Loan Agreement shall be effective as of the date first written above.

SECTION 38. Termination. Other than as otherwise expressly provided in this Secured Loan Agreement, this Secured Loan Agreement shall terminate upon payment in full by the Borrower of the TIFIA Note, provided, however, that the indemnification requirements of Section 18 and the reporting and record keeping requirements of Section 21(e) shall survive the termination of this Secured Loan Agreement as provided in such sections. Notwithstanding anything to the contrary in this Secured Loan Agreement, the Lender may, in its sole discretion, terminate this Secured Loan Agreement in the event that the Disbursement Date does not occur on or before the earlier of (a) the date that is one year after the date of Substantial Completion and (b) September 30, 2016.

SECTION 39. Further Assurances. The Borrower will, at its sole cost and expense, do, execute, acknowledge and deliver or cause to be done, executed, acknowledged and delivered all such further acts, documents, assignments, and assurances as the Lender shall from time to time reasonably require or deem advisable to carry into effect the purposes of this Secured Loan Agreement and the Project and for the better assuring and confirming of all of the Lender's rights, powers and remedies hereunder.

SECTION 40. Limited Recourse. The obligations and liabilities of the Borrower under the Secured Loan, the TIFIA Note and this Secured Loan Agreement shall be limited to the Trust Estate. No official, officer, director, employee or agent of the Borrower shall be personally liable or obligated for such liabilities and obligations of the Borrower.

SECTION 41. No Other Credit Assistance. Nothing in this Secured Loan Agreement or in any other Financing Document may be construed as a commitment, approval or consent by USDOT to provide TIFIA credit assistance for the SWP/CT Project or any expansion of the PGBT WE Project.

**IN WITNESS WHEREOF**, the parties hereto have caused this Secured Loan Agreement to be duly executed and delivered by their respective officers thereunto duly authorized as of the date first written above.

**NORTH TEXAS TOLLWAY AUTHORITY**

By:_____
Janice Davis
Chief Financial Officer

**UNITED STATES DEPARTMENT OF TRANSPORTATION**, acting by and through the Federal Highway Administrator

By:_____
Victor Mendez
Administrator

# APPENDIX I

# THE PROJECT BUDGET

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# PROJECT BUDGET

## TEL Negotiated Value

**SH 161**
**As of 2/24/2010**

| | | FINAL AGREEMENT |
|---|---|---|
| | **CAPITAL COST** | |
| 1 | **Phase 4 Construction Costs** | **416,019,749** |
| 2 | **Phase 4 Miscellaneous Construction** | **24,944,585** |
| | 2.1 Landscaping | 2,875 |
| | 2.2 Sand stockpile | 900 |
| | 2.3 CCTV | 1,800 |
| | 2.4 DMS | 320 |
| | 2.5 Customer Service Cars | 232 |
| | 2.6 Maintenance Dept. Corridor Setup | 901 |
| | 2.7 Plaza Signage | 700 |
| | 2.8 SIM | 422 |
| | 2.9 CAD | 22 |
| | 2.9a TCP, Guardrails, Mobilization | 1,103 |
| | 2.10 Design Review | 2,500 |
| | 2.11 Management Reserve | - |
| | 2.12 Escalation factor | 1,794 |
| | 2.13 Surveying | 4,277 |
| | 2.14 Geotechnical Design | 4,277 |
| | 2.15 Construction Contingency | 603 |
| | 2.16 Agency Cost Contingency | 2,211 |
| 3 | **Phase 4 Agency Costs** | **86,773,562** |
| | 3.1 Construction Contingency | 28,616 |
| | 3.1a Construction Contingency for DB contract | |
| | 3.2 NTTA Personnel (0.5%) | 2,633 |
| | 3.3 Feasibility Studies (Actual) | 1,610 |
| | 3.4 GEC/PMO (1%) | 5,267 |
| | 3.5 Legal Consultant Fee (1%) | 5,267 |
| | 3.5a Cost of Finance (RBC, WSA, MPH) | 2,211 |
| | 3.6 Construction Management (6%) | 31,601 |
| | 3.7 Materials Testing (1%) | - |
| | 3.8 Agency Cost Contingency | 9,275 |
| | 3.9 Rounding | - |
| 4 | **Phase 2 & 3** | **17,180,686** |
| | 4.1 Phase 2 Gantry Construction | 2,693 |
| | 4.2 Phase 3 Gantry Construction | 9,081 |
| | 4.3 Landscaping Construction | 505 |
| | 4.4 Phase 2 Contingency Cost | 175 |
| | 4.5 Phase 3 Contingency Cost | 590 |
| | 4.6 Landscaping Contingency | 33 |
| | 4.7 Phase 2 Agency Cost | 1,399 |
| | 4.8 Phase 3 Agency Cost | 2,898 |
| | 4.9 Landscaping Agency Cost | 108 |
| | **Total Construction Costs** | **544,918,582** |

| | | | | |
|---|---|---|---|---|
| 5 | **First Widening** | | **23,434,604** | |
| | 5.1 First widening construction cost | | 15,845 | |
| | 5.2 First widening contingency (20%) | | 3,169 | |
| | 5.3 First widening agency | | 4,420 | |
| 6 | **Second Widening** | | **29,867,694** | |
| | 6.1 Second widening construction cost | | 20,096 | |
| | 6.2 Second widening contingency (20%) | | 4,019 | |
| | 6.3 Second widening agency | | 5,752 | |
| | **Total Widening Capital Costs** | | **53,302,298** | |
| | **TOLL COLLECTION COST (CSC)** | | | |
| 7 | AVI | | 534,196,400 | |
| 7 | ZipCash | | 565,116,567 | |
| 7 | IOP (Interoperability) | | 12,963,836 | |
| | **Total** | | 1,112,276,803 | |
| | **ROADWAY MAINTENANCE** | | | |
| 8 | Roadway Maintenance Activities | $ | 382,113,040 | |
| 9 | Landscape Maintenance | $ | 9,166,132 | |
| 10 | Administration | $ | 10,701,431 | |
| 11 | Professional Services | $ | 85,689,599 | |
| 12 | Maintenance Department Overhead | $ | 66,675,612 | |
| 13 | Utilities | $ | 30,980,981 | |
| 14 | Agency Overhead | $ | 88,252,509 | |
| 15 | Support Services | $ | 146,123,118 | * Adjustments resulting from Final IG T&R received 2/17/10. |
| | **Total** | $ | 819,702,423 | |
| | **MAJOR MAINTENANCE** | | | |
| 16 | Roadway Facility Maintenance | $ | 1,023,304,802 | * Last year in the 1/29/10 file was not included in sum. |
| 17 | Capital Renewals (IT, ITS, SIM, RCS) | $ | 60,827,135 | * Adjustments resulting from Final IG T&R received 2/17/10. |
| 18 | Agency Overhead (Administration) | $ | 12,345,780 | |
| | **Total** | $ | 1,096,477,716 | |
| | **UPFRONT PAYMENT AND INTEREST DUE** | | | |
| | **Upfront Payment** | | 458,000,000 | |
| | **Interest Due on Phase 2 and 3 Reimbursement** | | 9,000,000 | |
| | **MAXIMUM AGGREGATE AMOUNT** | | **4,093,677,822** | |

# Monthly Construction Costs and Capital Expenditures For Project Capacity Improvements

| NTTA AVAILABLE LEVEL OF DETAIL | At Completion Total Cost | At Completion Total Cost | Spent | Mar-10 | Apr-10 | May-10 | Jun-10 | Jul-10 | Aug-10 | Sep-10 | Oct-10 | Nov-10 | Dec-10 | Jan-11 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Phase 4 Misc Construction by NTTA Capital Construction** | | | | | | | | | | | | | | |
| Includes Landscape, Sand Stockpiles, CSC Vehicles, Corridor Set-up for Maintenance Dept, ROW, Other Utility Adjustments, etc. | **$12,733,466** | $12,733,466 | **$257,882** | $929,122 | $163,003 | $176,828 | $280,316 | $322,195 | $362,291 | $437,137 | $437,316 | $478,124 | $579,970 | $506,548 |
| Stipend | **$4,141,550** | $4,141,550 | **$4,141,550** | | | | | | | | | | | |
| **Phase 4 Design Build** | | | | | | | | | | | | | | |
| Design / Build Services | **$416,019,749** | $416,019,749 | **$8,668,775** | $2,492,845 | $2,572,768 | $3,525,336 | $20,563,747 | $7,676,636 | $10,413,323 | $29,706,396 | $11,496,434 | $14,777,828 | $14,837,479 | $27,083,980 |
| Change Order/Variation (contingency) | **$27,167,558** | $0 | **$0** | | | | | | | | | | | |
| **Phase 2 Capital Construction** | | | | | | | | | | | | | | |
| Phase 2 Construction | **$6,868,823** | $6,868,824 | **$6,868,824** | | | | | | | | | | | |
| Change Order/Variation (contingency) | **$160,042** | $0 | | | | | | | | | | | | |
| **Landscaping Phase 2 & 3** | | | | | | | | | | | | | | |
| Agency | **$106,570** | $106,576 | **$0** | | | | | | | | | | | |
| Construction | **$538,237** | $538,237 | **$0** | | | | | | | | | | | |
| **Phase 3 Capital Construction** | | | | | | | | | | | | | | |
| Phase 3 Construction | **$6,465,464** | $6,465,463 | **$0** | | | | | | | | $834,417 | $1,289,194 | $1,878,463 | $1,633,989 |
| Change Order/Variation (contingency) | **$639,441** | $0 | **$0** | | | | | | | | | | | |
| **First Widening Construction** | | | | | | | | | | | | | | |
| Construction | **$15,615,907** | $15,615,908 | **$0** | | | | | | | | | | | |
| ITS | **$358,987** | $358,987 | **$0** | | | | | | | | | | | |
| Change Order/Variation (contingency) | **$3,238,548** | $0 | **$0** | | | | | | | | | | | |
| **Second Widening Construction** | | | | | | | | | | | | | | |
| Construction | **$19,727,519** | $19,727,519 | **$0** | | | | | | | | | | | |
| ITS | **$601,057** | $601,055 | **$0** | | | | | | | | | | | |
| Change Order/Variation (contingency) | **$4,185,450** | $0 | **$0** | | | | | | | | | | | |
| **Agency Cost** | | | | | | | | | | | | | | |
| Phase 4 Design Review (including contingency) | **$2,471,275** | $2,471,266 | **$88,598** | $50,944 | $48,729 | $46,514 | $48,729 | $48,729 | $48,729 | $48,729 | $46,514 | $48,729 | $50,944 | $46,514 |
| Phase 4 Survey and Geotechnical (including contingency) | **$5,598,294** | $5,598,293 | **$1,645,286** | $84,520 | $80,845 | $77,170 | $80,845 | $80,845 | $80,845 | $80,845 | $77,170 | $80,845 | $84,520 | $77,170 |
| Phase 4 NTTA Personnel (including contingency) | **$3,160,073** | $3,160,077 | **$0** | $77,675 | $74,298 | $70,921 | $74,298 | $74,298 | $74,298 | $74,298 | $70,921 | $74,298 | $77,675 | $70,921 |
| Phase 4 Legal Fee and Cost of Finance (including contingency) | **$8,646,596** | $8,646,590 | **$2,581,489** | $215,301 | $205,941 | $184,322 | $192,457 | $192,457 | $192,457 | $192,457 | $183,709 | $192,457 | $201,204 | $183,709 |
| Phase 4 Feasibility Studies (including contingency) | **$1,622,500** | $1,622,500 | **$1,622,500** | | | | | | | | | | | |
| Phase 4 GEC/PMO, Construction Management (including contingency) | **$46,176,835** | $46,176,838 | **$8,636,826** | $1,435,560 | $1,373,145 | $1,310,729 | $1,373,145 | $1,373,145 | $1,373,145 | $1,373,145 | $1,310,729 | $1,373,145 | $1,435,560 | $1,310,729 |
| Phase 2 Agency Cost (including contingency) | **$1,460,415** | $1,460,415 | **$1,188,718** | $38,424 | $29,158 | $17,787 | $18,633 | $18,633 | $18,633 | $18,633 | $17,786 | $18,633 | $19,480 | $17,786 |
| Phase 3 Agency Cost (including contingency) | **$941,694** | $941,691 | **$345,545** | $31,538 | $6,856 | | | | | | | | | |
| First Widening Agency Cost (including contingency) | **$4,221,162** | $4,221,163 | **$0** | | | | | | | | | | | |
| Second Widening Agency Cost (including contingency) | **$5,353,668** | $5,353,677 | **$0** | | | | | | | | | | | |
| **TOTAL** | **$598,220,880** | **$562,829,844** | **$36,045,993** | **$5,355,929** | **$4,554,743** | **$5,409,607** | **$22,632,170** | **$9,786,938** | **$12,563,721** | **$31,931,640** | **$14,474,996** | **$18,333,253** | **$19,165,295** | **$30,931,346** |

# Monthly Construction Costs and Capital Expenditures For Project Capacity Improvements

| NTTA AVAILABLE LEVEL OF DETAIL | Feb-11 | Mar-11 | Apr-11 | May-11 | Jun-11 | Jul-11 | Aug-11 | Sep-11 | Oct-11 | Nov-11 | Dec-11 | Jan-12 | Feb-12 | Mar-12 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Phase 4 Misc Construction by NTTA Capital Construction** | | | | | | | | | | | | | | |
| Includes Landscape, Sand Stockpiles, CSC Vehicles, Corridor Set-up for Maintenance Dept, ROW, Other Utility Adjustments, etc. | $427,694 | $491,848 | $467,344 | $509,668 | $509,668 | $486,501 | $532,835 | $509,668 | $486,501 | $509,668 | $471,354 | $412,992 | $336,809 | $352,847 |
| Stipend | | | | | | | | | | | | | | |
| **Phase 4 Design Build** | | | | | | | | | | | | | | |
| Design / Build Services | $14,936,152 | $14,849,020 | $14,504,692 | $14,712,805 | $15,132,239 | $14,956,845 | $14,832,418 | $14,428,324 | $14,651,455 | $13,787,320 | $12,358,665 | $11,602,707 | $12,123,430 | $11,881,977 |
| Change Order/Variation (contingency) | | | | | | | | | | | | | | |
| **Phase 2 Capital Construction** | | | | | | | | | | | | | | |
| Phase 2 Construction | | | | | | | | | | | | | | |
| Change Order/Variation (contingency) | | | | | | | | | | | | | | |
| **Landscaping Phase 2 & 3** | | | | | | | | | | | | | | |
| Agency | | | | | | | | $4,359 | $20,118 | $24,543 | $5,526 | $4,537 | $4,330 | $4,537 |
| Construction | | | | | | | | | | | | $41,307 | $18,318 | $31,482 |
| **Phase 3 Capital Construction** | | | | | | | | | | | | | | |
| Phase 3 Construction | $795,976 | $33,424 | | | | | | | | | | | | |
| Change Order/Variation (contingency) | | | | | | | | | | | | | | |
| **First Widening Construction** | | | | | | | | | | | | | | |
| Construction | | | | | | | | | | | | | | |
| ITS | | | | | | | | | | | | | | |
| Change Order/Variation (contingency) | | | | | | | | | | | | | | |
| **Second Widening Construction** | | | | | | | | | | | | | | |
| Construction | | | | | | | | | | | | | | |
| ITS | | | | | | | | | | | | | | |
| Change Order/Variation (contingency) | | | | | | | | | | | | | | |
| **Agency Cost** | | | | | | | | | | | | | | |
| Phase 4 Design Review (including contingency) | $44,299 | $50,944 | $46,514 | $48,729 | $48,729 | $83,536 | $94,611 | $90,497 | $86,384 | $90,497 | $90,497 | $90,497 | $86,384 | $90,497 |
| Phase 4 Survey and Geotechnical (including contingency) | $73,496 | $84,520 | $77,170 | $80,845 | $80,845 | $138,592 | $156,965 | $150,141 | $143,316 | $150,141 | $150,141 | $150,141 | $143,316 | $150,141 |
| Phase 4 NTTA Personnel (including contingency) | $67,544 | $77,675 | $70,921 | $74,298 | $136,534 | $131,710 | $144,254 | $137,982 | $131,710 | $137,982 | $137,982 | $137,982 | $131,710 | $137,982 |
| Phase 4 Legal Fee and Cost of Finance (including contingency) | $174,961 | $201,204 | $183,709 | $192,457 | $192,457 | $150,586 | $162,137 | $155,088 | $148,038 | $155,088 | $155,088 | $155,088 | $148,038 | $155,088 |
| Phase 4 Feasibility Studies (including contingency) | | | | | | | | | | | | | | |
| Phase 4 GEC/PMO, Construction Management (including contingency) | $1,248,314 | $1,435,560 | $1,310,729 | $1,348,034 | $1,346,838 | $1,285,618 | $1,380,446 | $739,386 | $705,777 | $739,386 | $739,386 | $739,386 | $705,777 | $739,386 |
| Phase 2 Agency Cost (including contingency) | $16,939 | $19,480 | $1,692 | | | | | | | | | | | |
| Phase 3 Agency Cost (including contingency) | | | | | $73,551 | $70,999 | $83,090 | $82,196 | $71,531 | $35,825 | $35,140 | $35,140 | $33,543 | $35,140 |
| First Widening Agency Cost (including contingency) | | | | | | | | | | | | | | |
| Second Widening Agency Cost (including contingency) | | | | | | | | | | | | | | |
| **TOTAL** | **$17,785,375** | **$17,243,675** | **$16,662,771** | **$16,966,836** | **$17,520,861** | **$17,304,387** | **$17,386,756** | **$16,297,641** | **$16,444,830** | **$15,630,450** | **$14,143,779** | **$13,369,777** | **$13,731,655** | **$13,579,077** |

# Monthly Construction Costs and Capital Expenditures For Project Capacity Improvements

| NTTA AVAILABLE LEVEL OF DETAIL | Apr-12 | May-12 | Jun-12 | Jul-12 | Aug-12 | Sep-12 | Oct-12 | Nov-12 | Dec-12 | Jan-13 | Feb-13 | Mar-13 | Jan-18 | Feb-18 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Phase 4 Misc Construction by NTTA Capital Construction** | | | | | | | | | | | | | | |
| Includes Landscape, Sand Stockpiles, CSC Vehicles, Corridor Set-up for Maintenance Dept, ROW, Other Utility Adjustments, etc. | $303,841 | $286,911 | $152,366 | $226,321 | $327,898 | | | | | | | | | |
| Stipend | | | | | | | | | | | | | | |
| **Phase 4 Design Build** | | | | | | | | | | | | | | |
| Design / Build Services | $10,849,761 | $9,250,716 | $8,750,133 | $7,480,686 | $3,843,781 | $2,155,199 | $1,110,587 | $968,590 | $11,180,956 | $694,582 | $342,153 | $102,867 | $10,716,142 | |
| Change Order/Variation (contingency) | | | | | | | | | | | | | | |
| **Phase 2 Capital Construction** | | | | | | | | | | | | | | |
| Phase 2 Construction | | | | | | | | | | | | | | |
| Change Order/Variation (contingency) | | | | | | | | | | | | | | |
| **Landscaping Phase 2 & 3** | | | | | | | | | | | | | | |
| Agency | $4,330 | $4,743 | $4,330 | $4,537 | $3,130 | $2,722 | $3,130 | $2,994 | $2,858 | $3,130 | $2,722 | | | |
| Construction | $39,466 | $48,379 | $46,372 | $50,132 | $52,411 | $43,419 | $36,679 | $25,662 | $23,874 | $54,450 | $26,286 | | | |
| **Phase 3 Capital Construction** | | | | | | | | | | | | | | |
| Phase 3 Construction | | | | | | | | | | | | | | |
| Change Order/Variation (contingency) | | | | | | | | | | | | | | |
| **First Widening Construction** | | | | | | | | | | | | | | |
| Construction | | | | | | | | | | | | | | |
| ITS | | | | | | | | | | | | | | |
| Change Order/Variation (contingency) | | | | | | | | | | | | | | |
| **Second Widening Construction** | | | | | | | | | | | | | | |
| Construction | | | | | | | | | | | | | | |
| ITS | | | | | | | | | | | | | | |
| Change Order/Variation (contingency) | | | | | | | | | | | | | | |
| **Agency Cost** | | | | | | | | | | | | | | |
| Phase 4 Design Review (including contingency) | $86,384 | $94,611 | $86,384 | $90,497 | $94,611 | $82,270 | $94,611 | $90,497 | $86,384 | | | | | |
| Phase 4 Survey and Geotechnical (including contingency) | $143,316 | $156,965 | $143,316 | $150,141 | $156,965 | $136,492 | $156,965 | $150,141 | $143,316 | | | | | |
| Phase 4 NTTA Personnel (including contingency) | $131,710 | $144,254 | $131,710 | $137,982 | $144,254 | | | | | | | | | |
| Phase 4 Legal Fee and Cost of Finance (including contingency) | $148,038 | $162,137 | $148,038 | $155,088 | $162,137 | $140,989 | $162,137 | $155,088 | $148,038 | $116,558 | $101,355 | | | |
| Phase 4 Feasibility Studies (including contingency) | | | | | | | | | | | | | | |
| Phase 4 GEC/PMO, Construction Management (including contingency) | $705,777 | $772,994 | $705,777 | $739,386 | $772,994 | $672,169 | $772,994 | $739,386 | $705,777 | $772,994 | $672,169 | $1,395 | | |
| Phase 2 Agency Cost (including contingency) | | | | | | | | | | | | | | |
| Phase 3 Agency Cost (including contingency) | $1,597 | | | | | | | | | | | | | |
| First Widening Agency Cost (including contingency) | | | | | | | | | | | | | | |
| Second Widening Agency Cost (including contingency) | | | | | | | | | | | | | | |
| **TOTAL** | **$12,414,220** | **$10,921,710** | **$10,168,426** | **$9,034,770** | **$5,558,181** | **$3,233,260** | **$2,337,103** | **$2,132,358** | **$12,291,203** | **$1,641,714** | **$1,144,685** | **$104,262** | **$10,716,142** | **$0** |

# Monthly Construction Costs and Capital Expenditures For Project Capacity Improvements

| NTTA AVAILABLE LEVEL OF DETAIL | Mar-18 | Apr-18 | May-18 | Jun-18 | Jul-18 | Aug-18 | Sep-18 | Oct-18 | Nov-18 | Dec-18 | Jan-19 | Feb-19 | Mar-19 | Apr-19 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Phase 4 Misc Construction by NTTA Capital Construction** | | | | | | | | | | | | | | |
| Includes Landscape, Sand Stockpiles, CSC Vehicles, Corridor Set-up for Maintenance Dept, ROW, Other Utility Adjustments, etc. | | | | | | | | | | | | | | |
| Stipend | | | | | | | | | | | | | | |
| **Phase 4 Design Build** | | | | | | | | | | | | | | |
| Design / Build Services | | | | | | | | | | | | | | |
| Change Order/Variation (contingency) | | | | | | | | | | | | | | |
| **Phase 2 Capital Construction** | | | | | | | | | | | | | | |
| Phase 2 Construction | | | | | | | | | | | | | | |
| Change Order/Variation (contingency) | | | | | | | | | | | | | | |
| **Landscaping Phase 2 & 3** | | | | | | | | | | | | | | |
| Agency | | | | | | | | | | | | | | |
| Construction | | | | | | | | | | | | | | |
| **Phase 3 Capital Construction** | | | | | | | | | | | | | | |
| Phase 3 Construction | | | | | | | | | | | | | | |
| Change Order/Variation (contingency) | | | | | | | | | | | | | | |
| **First Widening Construction** | | | | | | | | | | | | | | |
| Construction | | | | | | | | | | | | | | $1,197,150 |
| ITS | | | | | | | | | | | | | | $32,377 |
| Change Order/Variation (contingency) | | | | | | | | | | | | | | |
| **Second Widening Construction** | | | | | | | | | | | | | | |
| Construction | | | | | | | | | | | | | | |
| ITS | | | | | | | | | | | | | | |
| Change Order/Variation (contingency) | | | | | | | | | | | | | | |
| **Agency Cost** | | | | | | | | | | | | | | |
| Phase 4 Design Review (including contingency) | | | | | | | | | | | | | | |
| Phase 4 Survey and Geotechnical (including contingency) | | | | | | | | | | | | | | |
| Phase 4 NTTA Personnel (including contingency) | | | | | | | | | | | | | | |
| Phase 4 Legal Fee and Cost of Finance (including contingency) | | | | | | | | | | | | | | |
| Phase 4 Feasibility Studies (including contingency) | | | | | | | | | | | | | | |
| Phase 4 GEC/PMO, Construction Management (including contingency) | | | | | | | | | | | | | | |
| Phase 2 Agency Cost (including contingency) | | | | | | | | | | | | | | |
| Phase 3 Agency Cost (including contingency) | | | | | | | | | | | | | | |
| First Widening Agency Cost (including contingency) | | $197,611 | $216,430 | $197,611 | $207,020 | $216,430 | $188,201 | $119,545 | $114,348 | $109,150 | $119,545 | $103,953 | $109,150 | $163,696 |
| Second Widening Agency Cost (including contingency) | | | | | | | | | | | | | | |
| **TOTAL** | **$0** | **$197,611** | **$216,430** | **$197,611** | **$207,020** | **$216,430** | **$188,201** | **$119,545** | **$114,348** | **$109,150** | **$119,545** | **$103,953** | **$109,150** | **$1,393,223** |

# Monthly Construction Costs and Capital Expenditures For Project Capacity Improvements

| NTTA AVAILABLE LEVEL OF DETAIL | May-19 | Jun-19 | Jul-19 | Aug-19 | Sep-19 | Oct-19 | Nov-19 | Dec-19 | Jan-20 | Feb-20 | Mar-20 | Apr-20 | May-20 | Jun-20 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Phase 4 Misc Construction by NTTA Capital Construction** | | | | | | | | | | | | | | |
| Includes Landscape, Sand Stockpiles, CSC Vehicles, Corridor Set-up for Maintenance Dept, ROW, Other Utility Adjustments, etc. | | | | | | | | | | | | | | |
| Stipend | | | | | | | | | | | | | | |
| **Phase 4 Design Build** | | | | | | | | | | | | | | |
| Design / Build Services | | | | | | | | | | | | | | |
| Change Order/Variation (contingency) | | | | | | | | | | | | | | |
| **Phase 2 Capital Construction** | | | | | | | | | | | | | | |
| Phase 2 Construction | | | | | | | | | | | | | | |
| Change Order/Variation (contingency) | | | | | | | | | | | | | | |
| **Landscaping Phase 2 & 3** | | | | | | | | | | | | | | |
| Agency | | | | | | | | | | | | | | |
| Construction | | | | | | | | | | | | | | |
| **Phase 3 Capital Construction** | | | | | | | | | | | | | | |
| Phase 3 Construction | | | | | | | | | | | | | | |
| Change Order/Variation (contingency) | | | | | | | | | | | | | | |
| **First Widening Construction** | | | | | | | | | | | | | | |
| Construction | $597,815 | $836,941 | $1,257,945 | $1,337,485 | $1,343,057 | $1,514,803 | $1,383,081 | $1,372,442 | $1,048,709 | $672,795 | $711,299 | $558,269 | $532,893 | $499,709 |
| ITS | $16,169 | $22,635 | $34,021 | $36,173 | $36,324 | $40,968 | $37,406 | $37,118 | $28,362 | $18,196 | $19,238 | | | |
| Change Order/Variation (contingency) | | | | | | | | | | | | | | |
| **Second Widening Construction** | | | | | | | | | | | | | | |
| Construction | | | | | | | | | | | | | | |
| ITS | | | | | | | | | | | | | | |
| Change Order/Variation (contingency) | | | | | | | | | | | | | | |
| **Agency Cost** | | | | | | | | | | | | | | |
| Phase 4 Design Review (including contingency) | | | | | | | | | | | | | | |
| Phase 4 Survey and Geotechnical (including contingency) | | | | | | | | | | | | | | |
| Phase 4 NTTA Personnel (including contingency) | | | | | | | | | | | | | | |
| Phase 4 Legal Fee and Cost of Finance (including contingency) | | | | | | | | | | | | | | |
| Phase 4 Feasibility Studies (including contingency) | | | | | | | | | | | | | | |
| Phase 4 GEC/PMO, Construction Management (including contingency) | | | | | | | | | | | | | | |
| Phase 2 Agency Cost (including contingency) | | | | | | | | | | | | | | |
| Phase 3 Agency Cost (including contingency) | | | | | | | | | | | | | | |
| First Widening Agency Cost (including contingency) | $176,719 | $153,669 | $176,719 | $169,036 | $161,351 | $182,728 | $166,838 | $159,732 | $125,028 | $108,721 | $119,593 | $107,139 | $101,743 | $88,483 |
| Second Widening Agency Cost (including contingency) | | | | | | | | | | | | | | |
| **TOTAL** | **$790,703** | **$1,013,245** | **$1,468,685** | **$1,542,694** | **$1,540,732** | **$1,738,499** | **$1,587,325** | **$1,569,292** | **$1,202,099** | **$799,712** | **$850,130** | **$665,408** | **$634,636** | **$588,192** |

# Monthly Construction Costs and Capital Expenditures For Project Capacity Improvements

| NTTA AVAILABLE LEVEL OF DETAIL | Jul-20 | Aug-20 | Sep-20 | Oct-20 | Nov-20 | Dec-20 | Jan-29 | Feb-29 | Mar-29 | Apr-29 | May-29 | Jun-29 | Jul-29 | Aug-29 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Phase 4 Misc Construction by NTTA Capital Construction** | | | | | | | | | | | | | | |
| Includes Landscape, Sand Stockpiles, CSC Vehicles, Corridor Set-up for Maintenance Dept, ROW, Other Utility Adjustments, etc. | | | | | | | | | | | | | | |
| Stipend | | | | | | | | | | | | | | |
| **Phase 4 Design Build** | | | | | | | | | | | | | | |
| Design / Build Services | | | | | | | | | | | | | | |
| Change Order/Variation (contingency) | | | | | | | | | | | | | | |
| **Phase 2 Capital Construction** | | | | | | | | | | | | | | |
| Phase 2 Construction | | | | | | | | | | | | | | |
| Change Order/Variation (contingency) | | | | | | | | | | | | | | |
| **Landscaping Phase 2 & 3** | | | | | | | | | | | | | | |
| Agency | | | | | | | | | | | | | | |
| Construction | | | | | | | | | | | | | | |
| **Phase 3 Capital Construction** | | | | | | | | | | | | | | |
| Phase 3 Construction | | | | | | | | | | | | | | |
| Change Order/Variation (contingency) | | | | | | | | | | | | | | |
| **First Widening Construction** | | | | | | | | | | | | | | |
| Construction | $314,270 | $286,942 | $150,303 | | | | | | | | | | | |
| ITS | | | | | | | | | | | | | | |
| Change Order/Variation (contingency) | | | | | | | | | | | | | | |
| **Second Widening Construction** | | | | | | | | | | | | | | |
| Construction | | | | | | | | | | | | | | |
| ITS | | | | | | | | | | | | | | |
| Change Order/Variation (contingency) | | | | | | | | | | | | | | |
| **Agency Cost** | | | | | | | | | | | | | | |
| Phase 4 Design Review (including contingency) | | | | | | | | | | | | | | |
| Phase 4 Survey and Geotechnical (including contingency) | | | | | | | | | | | | | | |
| Phase 4 NTTA Personnel (including contingency) | | | | | | | | | | | | | | |
| Phase 4 Legal Fee and Cost of Finance (including contingency) | | | | | | | | | | | | | | |
| Phase 4 Feasibility Studies (including contingency) | | | | | | | | | | | | | | |
| Phase 4 GEC/PMO, Construction Management (including contingency) | | | | | | | | | | | | | | |
| Phase 2 Agency Cost (including contingency) | | | | | | | | | | | | | | |
| Phase 3 Agency Cost (including contingency) | | | | | | | | | | | | | | |
| First Widening Agency Cost (including contingency) | $67,316 | $61,463 | $32,195 | | | | | | | | | | | |
| Second Widening Agency Cost (including contingency) | | | | | | | | | $261,587 | $249,697 | $273,477 | $249,697 | $261,587 | $265,494 |
| **TOTAL** | **$381,586** | **$348,405** | **$182,498** | **$0** | **$0** | **$0** | **$0** | **$0** | **$261,587** | **$249,697** | **$273,477** | **$249,697** | **$261,587** | **$265,494** |

# Monthly Construction Costs and Capital Expenditures For Project Capacity Improvements

| NTTA AVAILABLE LEVEL OF DETAIL | Sep-29 | Oct-29 | Nov-29 | Dec-29 | Jan-30 | Feb-30 | Mar-30 | Apr-30 | May-30 | Jun-30 | Jul-30 | Aug-30 | Sep-30 | Oct-30 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Phase 4 Misc Construction by NTTA Capital Construction** | | | | | | | | | | | | | | |
| Includes Landscape, Sand Stockpiles, CSC Vehicles, Corridor Set-up for Maintenance Dept, ROW, Other Utility Adjustments, etc. | | | | | | | | | | | | | | |
| Stipend | | | | | | | | | | | | | | |
| **Phase 4 Design Build** | | | | | | | | | | | | | | |
| Design / Build Services | | | | | | | | | | | | | | |
| Change Order/Variation (contingency) | | | | | | | | | | | | | | |
| **Phase 2 Capital Construction** | | | | | | | | | | | | | | |
| Phase 2 Construction | | | | | | | | | | | | | | |
| Change Order/Variation (contingency) | | | | | | | | | | | | | | |
| **Landscaping Phase 2 & 3** | | | | | | | | | | | | | | |
| Agency | | | | | | | | | | | | | | |
| Construction | | | | | | | | | | | | | | |
| **Phase 3 Capital Construction** | | | | | | | | | | | | | | |
| Phase 3 Construction | | | | | | | | | | | | | | |
| Change Order/Variation (contingency) | | | | | | | | | | | | | | |
| **First Widening Construction** | | | | | | | | | | | | | | |
| Construction | | | | | | | | | | | | | | |
| ITS | | | | | | | | | | | | | | |
| Change Order/Variation (contingency) | | | | | | | | | | | | | | |
| **Second Widening Construction** | | | | | | | | | | | | | | |
| Construction | | | | | | | $1,494,700 | $690,652 | $1,216,511 | $1,383,874 | $1,773,209 | $1,783,167 | $1,753,935 | $1,920,977 |
| ITS | | | | | | | $53,577 | $24,756 | $43,605 | $49,604 | $63,560 | $63,917 | $62,869 | $68,856 |
| Change Order/Variation (contingency) | | | | | | | | | | | | | | |
| **Agency Cost** | | | | | | | | | | | | | | |
| Phase 4 Design Review (including contingency) | | | | | | | | | | | | | | |
| Phase 4 Survey and Geotechnical (including contingency) | | | | | | | | | | | | | | |
| Phase 4 NTTA Personnel (including contingency) | | | | | | | | | | | | | | |
| Phase 4 Legal Fee and Cost of Finance (including contingency) | | | | | | | | | | | | | | |
| Phase 4 Feasibility Studies (including contingency) | | | | | | | | | | | | | | |
| Phase 4 GEC/PMO, Construction Management (including contingency) | | | | | | | | | | | | | | |
| Phase 2 Agency Cost (including contingency) | | | | | | | | | | | | | | |
| Phase 3 Agency Cost (including contingency) | | | | | | | | | | | | | | |
| First Widening Agency Cost (including contingency) | | | | | | | | | | | | | | |
| Second Widening Agency Cost (including contingency) | $131,365 | $151,070 | $144,502 | $137,934 | $151,070 | $131,365 | $160,841 | $175,274 | $194,059 | $195,401 | $224,711 | $215,107 | $212,156 | $232,361 |
| **TOTAL** | **$131,365** | **$151,070** | **$144,502** | **$137,934** | **$151,070** | **$131,365** | **$1,709,118** | **$890,682** | **$1,454,175** | **$1,628,879** | **$2,061,480** | **$2,062,191** | **$2,028,960** | **$2,222,194** |

# Monthly Construction Costs and Capital Expenditures For Project Capacity Improvements

| NTTA AVAILABLE LEVEL OF DETAIL | Nov-30 | Dec-30 | Jan-31 | Feb-31 | Mar-31 | Apr-31 | May-31 | Jun-31 | Jul-31 | Aug-31 | Sep-31 | Oct-31 | Nov-31 | Dec-31 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Phase 4 Misc Construction by NTTA Capital Construction** | | | | | | | | | | | | | | |
| Includes Landscape, Sand Stockpiles, CSC Vehicles, Corridor Set-up for Maintenance Dept, ROW, Other Utility Adjustments, etc. | | | | | | | | | | | | | | |
| Stipend | | | | | | | | | | | | | | |
| **Phase 4 Design Build** | | | | | | | | | | | | | | |
| Design / Build Services | | | | | | | | | | | | | | |
| Change Order/Variation (contingency) | | | | | | | | | | | | | | |
| **Phase 2 Capital Construction** | | | | | | | | | | | | | | |
| Phase 2 Construction | | | | | | | | | | | | | | |
| Change Order/Variation (contingency) | | | | | | | | | | | | | | |
| **Landscaping Phase 2 & 3** | | | | | | | | | | | | | | |
| Agency | | | | | | | | | | | | | | |
| Construction | | | | | | | | | | | | | | |
| **Phase 3 Capital Construction** | | | | | | | | | | | | | | |
| Phase 3 Construction | | | | | | | | | | | | | | |
| Change Order/Variation (contingency) | | | | | | | | | | | | | | |
| **First Widening Construction** | | | | | | | | | | | | | | |
| Construction | | | | | | | | | | | | | | |
| ITS | | | | | | | | | | | | | | |
| Change Order/Variation (contingency) | | | | | | | | | | | | | | |
| **Second Widening Construction** | | | | | | | | | | | | | | |
| Construction | $1,663,669 | $1,272,085 | $966,271 | $849,341 | $673,202 | $705,259 | $631,281 | $362,493 | $397,016 | $189,877 | | | | |
| ITS | $59,634 | $45,597 | $34,636 | $30,444 | | | | | | | | | | |
| Change Order/Variation (contingency) | | | | | | | | | | | | | | |
| **Agency Cost** | | | | | | | | | | | | | | |
| Phase 4 Design Review (including contingency) | | | | | | | | | | | | | | |
| Phase 4 Survey and Geotechnical (including contingency) | | | | | | | | | | | | | | |
| Phase 4 NTTA Personnel (including contingency) | | | | | | | | | | | | | | |
| Phase 4 Legal Fee and Cost of Finance (including contingency) | | | | | | | | | | | | | | |
| Phase 4 Feasibility Studies (including contingency) | | | | | | | | | | | | | | |
| Phase 4 GEC/PMO, Construction Management (including contingency) | | | | | | | | | | | | | | |
| Phase 2 Agency Cost (including contingency) | | | | | | | | | | | | | | |
| Phase 3 Agency Cost (including contingency) | | | | | | | | | | | | | | |
| First Widening Agency Cost (including contingency) | | | | | | | | | | | | | | |
| Second Widening Agency Cost (including contingency) | $194,611 | $152,076 | $158,989 | $138,252 | $130,029 | $135,554 | $121,546 | $116,021 | $127,071 | $60,773 | | | | |
| **TOTAL** | **$1,917,914** | **$1,469,758** | **$1,159,896** | **$1,018,037** | **$803,231** | **$840,813** | **$752,827** | **$478,514** | **$524,087** | **$250,650** | **$0** | **$0** | **$0** | **$0** |

# Annual Operating and Major Maintenance Expenses

| | Check Sums | 08/31/2010 | 08/31/2011 | 08/31/2012 | 08/31/2013 | 08/31/2014 | 08/31/2015 | 08/31/2016 | 08/31/2017 | 08/31/2018 | 08/31/2019 | 08/31/2020 | 08/31/2021 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2.41% | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 |
| **Toll Collection Cost** | **$ 1,112,276,803** | | | | | | | | | | | | |
| ***Interoperability (IOP)*** | ***$ 12,963,836*** | $ 6,764 | $ 9,274 | $ 13,588 | $ 40,895 | $ 55,980 | $ 64,521 | $ 70,722 | $ 74,486 | $ 81,238 | $ 85,804 | $ 96,168 | $ 101,521 |
| ***Electronic Toll Collection (ETC)*** | ***534,196,400.37*** | | | | | | | | | | | | |
| Transaction Processing | $ 163,958,257 | $ 66,384 | $ 110,899 | $ 173,880 | $ 523,622 | $ 714,484 | $ 848,411 | $ 927,252 | $ 1,004,236 | $ 1,086,428 | $ 1,173,822 | $ 1,291,731 | $ 1,388,143 |
| Account Maintenance | $ 179,769,745 | $ 72,786 | $ 121,594 | $ 190,649 | $ 574,118 | $ 783,386 | $ 930,228 | $ 1,016,673 | $ 1,101,080 | $ 1,191,199 | $ 1,287,021 | $ 1,416,301 | $ 1,522,010 |
| VTOLL | $ 4,229,046 | $ 9,431 | $ 12,437 | $ 15,942 | $ 41,297 | $ 51,051 | $ 53,346 | $ 51,711 | $ 50,145 | $ 49,064 | $ 48,422 | $ 49,135 | $ 49,202 |
| Credit Card Costs | $ 186,239,354 | $ 68,504 | $ 102,466 | $ 159,911 | $ 501,891 | $ 705,270 | $ 832,060 | $ 930,099 | $ 995,923 | $ 1,101,113 | $ 1,176,301 | $ 1,330,823 | $ 1,415,749 |
| ***ZipCash*** | ***$ 565,116,567*** | | | | | | | | | | | | |
| Image Processing/Review | $ 16,597,234 | $ 42,089 | $ 53,676 | $ 66,579 | $ 167,013 | $ 200,060 | $ 209,054 | $ 202,652 | $ 196,514 | $ 192,278 | $ 189,763 | $ 192,562 | $ 192,824 |
| Initial Notice | $ 222,960,663 | $ 565,403 | $ 721,060 | $ 894,402 | $ 2,243,584 | $ 2,687,531 | $ 2,808,348 | $ 2,722,350 | $ 2,639,887 | $ 2,582,984 | $ 2,549,195 | $ 2,586,803 | $ 2,590,324 |
| Late Notice | $ 131,546,791 | $ 333,588 | $ 425,425 | $ 527,697 | $ 1,323,715 | $ 1,585,643 | $ 1,656,925 | $ 1,606,187 | $ 1,557,533 | $ 1,523,960 | $ 1,504,025 | $ 1,526,214 | $ 1,528,291 |
| Violation Notice | $ 178,723,137 | $ 453,222 | $ 577,995 | $ 716,944 | $ 1,798,436 | $ 2,154,299 | $ 2,251,145 | $ 2,182,210 | $ 2,116,108 | $ 2,070,495 | $ 2,043,411 | $ 2,073,557 | $ 2,076,379 |
| Collection | $ 4,501,066 | $ 11,414 | $ 14,557 | $ 18,056 | $ 45,293 | $ 54,255 | $ 56,694 | $ 54,958 | $ 53,293 | $ 52,145 | $ 51,462 | $ 52,222 | $ 52,293 |
| Citation/Court | $ 412,059 | $ 1,045 | $ 1,333 | $ 1,653 | $ 4,146 | $ 4,967 | $ 5,190 | $ 5,031 | $ 4,879 | $ 4,774 | $ 4,711 | $ 4,781 | $ 4,787 |
| Credit Card Costs | $ 10,095,351 | $ 17,105 | $ 25,524 | $ 34,375 | $ 82,806 | $ 115,078 | $ 125,531 | $ 123,516 | $ 117,270 | $ 115,440 | $ 111,569 | $ 118,795 | $ 117,520 |
| Present Value Cost for ZipCash Toll/Premiu | $ 280,267 | $ 711 | $ 906 | $ 1,124 | $ 2,820 | $ 3,378 | $ 3,530 | $ 3,422 | $ 3,318 | $ 3,247 | $ 3,204 | $ 3,252 | $ 3,256 |
| **Operations & Maintenance** | **$ 664,774,000** | | | | | | | | | | | | |
| ***Routine Maintenance - Roadway*** | ***$ 518,651,000*** | | | | | | | | | | | | |
| Roadway Maintenance Activities | $ 382,113,000 | $ 929,178 | $ 1,812,380 | $ 2,073,885 | $ 2,853,817 | $ 2,947,411 | $ 3,028,465 | $ 3,111,748 | $ 3,197,321 | $ 3,285,247 | $ 3,375,591 | $ 3,468,420 | $ 4,012,860 |
| Landscape Maintenance | $ 9,166,000 | $ - | $ 21,944 | $ 30,063 | $ 57,995 | $ 59,590 | $ 61,228 | $ 62,912 | $ 64,642 | $ 66,420 | $ 68,246 | $ 70,123 | $ 88,889 |
| Administration | $ 10,701,000 | $ 28,962 | $ 52,913 | $ 59,741 | $ 80,757 | $ 82,978 | $ 85,260 | $ 87,605 | $ 90,014 | $ 92,489 | $ 95,033 | $ 97,646 | $ 112,366 |
| Professional Services | $ 85,690,000 | $ 191,628 | $ 385,733 | $ 444,090 | $ 628,500 | $ 645,784 | $ 663,543 | $ 681,791 | $ 700,540 | $ 719,805 | $ 739,599 | $ 759,938 | $ 887,804 |
| Utilities | $ 30,981,000 | $ - | $ 74,169 | $ 101,612 | $ 196,019 | $ 201,410 | $ 206,948 | $ 212,639 | $ 218,487 | $ 224,495 | $ 230,669 | $ 237,012 | $ 300,439 |
| ***Routine Maintenance - Systems Support*** | ***$ 146,123,000*** | | | | | | | | | | | | |
| Intelligent Transportation System | $ 9,665,000 | $ 26,073 | $ 38,854 | $ 77,558 | $ 97,149 | $ 99,655 | $ 102,227 | $ 104,864 | $ 107,570 | $ 110,345 | $ 113,192 | $ 116,112 | $ 119,108 |
| Electronic Toll Collection | $ 11,609,000 | $ 21,254 | $ 44,925 | $ 94,880 | $ 116,793 | $ 119,806 | $ 122,897 | $ 126,068 | $ 129,321 | $ 132,657 | $ 136,080 | $ 139,591 | $ 143,192 |
| Fiber | $ 16,801,000 | $ 35,918 | $ 51,119 | $ 130,772 | $ 169,178 | $ 173,542 | $ 178,020 | $ 182,613 | $ 187,324 | $ 192,157 | $ 197,115 | $ 202,200 | $ 207,417 |
| Dispatch Tech | $ 876,000 | $ 7,381 | $ 8,260 | $ 8,473 | $ 8,692 | $ 8,916 | $ 9,146 | $ 9,382 | $ 9,624 | $ 9,873 | $ 10,127 | $ 10,389 | $ 10,657 |
| Digital Messenging Sign | $ 8,599,000 | $ 36,610 | $ 40,969 | $ 70,043 | $ 86,220 | $ 88,445 | $ 90,726 | $ 93,067 | $ 95,468 | $ 97,931 | $ 100,458 | $ 103,050 | $ 105,709 |
| Travel Time | $ 1,174,000 | $ 9,895 | $ 11,073 | $ 11,358 | $ 11,651 | $ 11,952 | $ 12,260 | $ 12,577 | $ 12,901 | $ 13,234 | $ 13,575 | $ 13,926 | $ 14,285 |
| Road, Weather Information System | $ 1,174,000 | $ 9,895 | $ 11,073 | $ 11,358 | $ 11,651 | $ 11,952 | $ 12,260 | $ 12,577 | $ 12,901 | $ 13,234 | $ 13,575 | $ 13,926 | $ 14,285 |
| System Incident Management | $ 37,458,000 | $ 19,100 | $ 23,897 | $ 29,694 | $ 207,529 | $ 275,813 | $ 319,900 | $ 342,768 | $ 365,198 | $ 389,868 | $ 416,716 | $ 441,129 | $ 475,624 |
| Police | $ 26,172,000 | $ 189,334 | $ 215,769 | $ 243,671 | $ 260,388 | $ 267,106 | $ 273,997 | $ 281,067 | $ 288,318 | $ 295,757 | $ 303,387 | $ 311,215 | $ 319,244 |
| Roadway Customer Service | $ 32,595,000 | $ 274,557 | $ 283,784 | $ 293,306 | $ 323,844 | $ 332,200 | $ 340,770 | $ 349,562 | $ 358,581 | $ 367,833 | $ 377,323 | $ 387,058 | $ 397,044 |
| **Major Maintenance, Capital Replacements** | **$ 1,084,132,000** | | | | | | | | | | | | |
| ***Roadway Major Maintenance*** | ***$ 1,023,305,000*** | | | | | | | | | | | | |
| Pavement Maintenance | $ 78,457,000 | $ - | $ - | $ - | $ 124,205 | $ 1,216,045 | $ - | $ 41,054 | $ 2,277,148 | $ - | $ 1,444,279 | $ 282,666 | $ 163,554 |
| Pavement Rehabilitation | $ 662,391,000 | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| Landscaping Rehabilitation | $ 19,566,000 | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| Annual Inspection | $ 70,622,000 | $ 211,909 | $ 348,294 | $ 360,485 | $ 469,626 | $ 486,063 | $ 503,075 | $ 520,683 | $ 538,907 | $ 557,768 | $ 577,290 | $ 597,495 | $ 681,960 |
| Bridges Maintenance | $ 75,081,000 | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| Pedestrian Bridge | $ 1,284,000 | $ - | $ - | $ - | $ - | $ - | $ - | $ 13,629 | $ - | $ - | $ 37,778 | $ - | $ 20,315 |
| Concrete Fascia Beam Coating | $ 88,317,000 | $ - | $ - | $ - | $ - | $ 290,301 | $ - | $ 1,409,095 | $ 151,622 | $ - | $ 3,712,180 | $ - | $ 1,673,563 |
| Pedestrian fence, Traffic Barrier and Rails | $ 14,151,000 | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ 149,680 | $ - | $ 914,280 | $ - | $ - |
| Retaining Wall and Sound walls | $ 13,436,000 | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ 1,010,244 | $ - | $ - |
| ***Capital Replacements*** | ***$ 60,827,000*** | | | | | | | | | | | | |
| Intelligent Transportation System | $ 41,211,000 | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ 3,101,916 | $ - | $ - |
| Electronic Toll Collection | $ 7,887,000 | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| Dispatch Tech | $ 338,000 | $ - | $ - | $ - | $ - | $ - | $ 25,469 | $ - | $ - | $ - | $ - | $ - | $ - |
| Digital Messenging Sign | $ 6,149,000 | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ 77,494 | $ - | $ - | $ - |
| Travel Time | $ 1,693,000 | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ 18,599 | $ - | $ - | $ - |
| Road, Weather Information System | $ 753,000 | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| Roadway Customer Service | $ 2,796,000 | $ - | $ - | $ - | $ - | $ - | $ 88,557 | $ - | $ - | $ 96,066 | $ - | $ - | $ 104,211 |
| **Overhead** | **$ 167,275,000** | | | | | | | | | | | | |
| Maintenance Department Overhead | $ 66,676,000 | $ 158,668 | $ 309,152 | $ 353,684 | $ 493,348 | $ 506,915 | $ 520,855 | $ 535,178 | $ 549,896 | $ 565,018 | $ 580,556 | $ 596,521 | $ 693,641 |
| Agency Overhead (OMF) | $ 88,253,000 | $ 339,679 | $ 376,161 | $ 463,216 | $ 568,081 | $ 583,703 | $ 599,755 | $ 616,248 | $ 633,195 | $ 650,608 | $ 652,088 | $ 724,689 | $ 818,115 |
| Agency Overhead (RMF) | $ 12,346,000 | $ 47,518 | $ 52,622 | $ 64,800 | $ 79,470 | $ 81,655 | $ 83,901 | $ 86,208 | $ 88,579 | $ 91,015 | $ 91,222 | $ 101,378 | $ 114,447 |

# Annual Operating and Major Maintenance Expenses

| | Check Sums | 08/31/2022 | 08/31/2023 | 08/31/2024 | 08/31/2025 | 08/31/2026 | 08/31/2027 | 08/31/2028 | 08/31/2029 | 08/31/2030 | 08/31/2031 | 08/31/2032 | 08/31/2033 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2.41% | 15 | 16 | 17 | 18 | 19 | 20 | 21 | 22 | 23 | 24 | 25 | 26 |
| **Toll Collection Cost** | **$ 1,112,276,803** | | | | | | | | | | | | |
| ***Interoperability (IOP)*** | ***$ 12,963,836*** | $ 109,035 | $ 112,973 | $ 120,919 | $ 118,132 | $ 123,562 | $ 128,128 | $ 137,773 | $ 142,551 | $ 153,215 | $ 168,192 | $ 185,753 | $ 192,617 |
| ***Electronic Toll Collection (ETC)*** | ***534,196,400.37*** | | | | | | | | | | | | |
| Transaction Processing | $ 163,958,257 | $ 1,464,418 | $ 1,544,738 | $ 1,625,423 | $ 1,628,396 | $ 1,678,091 | $ 1,766,256 | $ 1,863,440 | $ 1,954,165 | $ 2,053,274 | $ 2,268,601 | $ 2,445,926 | $ 2,568,057 |
| Account Maintenance | $ 179,769,745 | $ 1,605,641 | $ 1,693,707 | $ 1,782,173 | $ 1,785,432 | $ 1,839,919 | $ 1,936,587 | $ 2,043,143 | $ 2,142,617 | $ 2,251,284 | $ 2,487,376 | $ 2,681,802 | $ 2,815,710 |
| VTOLL | $ 4,229,046 | $ 48,757 | $ 48,714 | $ 48,918 | $ 47,118 | $ 46,910 | $ 47,979 | $ 49,412 | $ 50,781 | $ 52,468 | $ 57,154 | $ 60,924 | $ 63,354 |
| Credit Card Costs | $ 186,239,354 | $ 1,530,272 | $ 1,593,936 | $ 1,713,429 | $ 1,679,836 | $ 1,762,273 | $ 1,831,796 | $ 1,973,562 | $ 2,045,325 | $ 2,201,237 | $ 2,419,079 | $ 2,673,979 | $ 2,774,827 |
| ***ZipCash*** | ***$ 565,116,567*** | | | | | | | | | | | | |
| Image Processing/Review | $ 16,597,234 | $ 191,081 | $ 190,912 | $ 191,715 | $ 184,661 | $ 183,848 | $ 188,040 | $ 193,658 | $ 199,025 | $ 205,640 | $ 224,006 | $ 238,787 | $ 248,312 |
| Initial Notice | $ 222,960,663 | $ 2,566,912 | $ 2,564,640 | $ 2,575,425 | $ 2,480,663 | $ 2,469,737 | $ 2,526,061 | $ 2,601,521 | $ 2,673,625 | $ 2,762,489 | $ 3,009,208 | $ 3,207,774 | $ 3,335,730 |
| Late Notice | $ 131,546,791 | $ 1,514,478 | $ 1,513,138 | $ 1,519,501 | $ 1,463,591 | $ 1,457,145 | $ 1,490,376 | $ 1,534,897 | $ 1,577,438 | $ 1,629,869 | $ 1,775,433 | $ 1,892,587 | $ 1,968,081 |
| Violation Notice | $ 178,723,137 | $ 2,057,612 | $ 2,055,791 | $ 2,064,436 | $ 1,988,476 | $ 1,979,718 | $ 2,024,866 | $ 2,085,355 | $ 2,143,152 | $ 2,214,385 | $ 2,412,153 | $ 2,571,321 | $ 2,673,890 |
| Collection | $ 4,501,066 | $ 51,820 | $ 51,774 | $ 51,992 | $ 50,079 | $ 49,858 | $ 50,995 | $ 52,519 | $ 53,974 | $ 55,768 | $ 60,749 | $ 64,758 | $ 67,341 |
| Citation/Court | $ 412,059 | $ 4,744 | $ 4,740 | $ 4,760 | $ 4,585 | $ 4,564 | $ 4,668 | $ 4,808 | $ 4,941 | $ 5,105 | $ 5,561 | $ 5,928 | $ 6,165 |
| Credit Card Costs | $ 10,095,351 | $ 117,463 | $ 114,963 | $ 116,620 | $ 114,928 | $ 113,315 | $ 113,620 | $ 117,767 | $ 118,561 | $ 128,018 | $ 135,309 | $ 147,694 | $ 150,436 |
| Present Value Cost for ZipCash Toll/Premiu | $ 280,267 | $ 3,227 | $ 3,224 | $ 3,237 | $ 3,118 | $ 3,105 | $ 3,175 | $ 3,270 | $ 3,361 | $ 3,473 | $ 3,783 | $ 4,032 | $ 4,193 |
| **Operations & Maintenance** | **$ 664,774,000** | | | | | | | | | | | | |
| ***Routine Maintenance - Roadway*** | ***$ 518,651,000*** | | | | | | | | | | | | |
| Roadway Maintenance Activities | $ 382,113,000 | $ 4,123,214 | $ 4,236,602 | $ 4,353,108 | $ 4,472,819 | $ 4,595,821 | $ 4,722,207 | $ 4,852,067 | $ 4,985,499 | $ 5,122,600 | $ 5,263,472 | $ 6,434,656 | $ 6,611,609 |
| Landscape Maintenance | $ 9,166,000 | $ 91,333 | $ 93,845 | $ 96,426 | $ 99,077 | $ 101,802 | $ 104,602 | $ 107,478 | $ 110,434 | $ 113,471 | $ 116,591 | $ 159,730 | $ 164,123 |
| Administration | $ 10,701,000 | $ 115,456 | $ 118,631 | $ 121,894 | $ 125,246 | $ 128,690 | $ 132,229 | $ 135,865 | $ 139,601 | $ 143,440 | $ 147,385 | $ 179,981 | $ 184,930 |
| Professional Services | $ 85,690,000 | $ 912,219 | $ 937,305 | $ 963,081 | $ 989,566 | $ 1,016,779 | $ 1,044,740 | $ 1,073,470 | $ 1,102,991 | $ 1,133,323 | $ 1,164,490 | $ 1,450,206 | $ 1,490,087 |
| Utilities | $ 30,981,000 | $ 308,701 | $ 317,190 | $ 325,913 | $ 334,876 | $ 344,085 | $ 353,547 | $ 363,270 | $ 373,260 | $ 383,524 | $ 394,071 | $ 539,878 | $ 554,724 |
| ***Routine Maintenance - Systems Support*** | ***$ 146,123,000*** | | | | | | | | | | | | |
| Intelligent Transportation System | $ 9,665,000 | $ 122,181 | $ 125,333 | $ 128,567 | $ 131,884 | $ 135,286 | $ 138,777 | $ 142,357 | $ 146,030 | $ 149,798 | $ 153,662 | $ 157,627 | $ 161,694 |
| Electronic Toll Collection | $ 11,609,000 | $ 146,887 | $ 150,676 | $ 154,564 | $ 158,551 | $ 162,642 | $ 166,838 | $ 171,143 | $ 175,558 | $ 180,088 | $ 184,734 | $ 189,500 | $ 194,389 |
| Fiber | $ 16,801,000 | $ 212,769 | $ 218,258 | $ 223,889 | $ 229,666 | $ 235,591 | $ 241,669 | $ 247,904 | $ 254,300 | $ 260,861 | $ 267,591 | $ 274,495 | $ 281,577 |
| Dispatch Tech | $ 876,000 | $ 10,932 | $ 11,214 | $ 11,503 | $ 11,800 | $ 12,104 | $ 12,416 | $ 12,737 | $ 13,065 | $ 13,402 | $ 13,748 | $ 14,103 | $ 14,467 |
| Digital Messenging Sign | $ 8,599,000 | $ 108,436 | $ 111,233 | $ 114,103 | $ 117,047 | $ 120,067 | $ 123,165 | $ 126,342 | $ 129,602 | $ 132,946 | $ 136,376 | $ 139,894 | $ 143,504 |
| Travel Time | $ 1,174,000 | $ 14,653 | $ 15,032 | $ 15,419 | $ 15,817 | $ 16,225 | $ 16,644 | $ 17,073 | $ 17,514 | $ 17,966 | $ 18,429 | $ 18,905 | $ 19,392 |
| Road, Weather Information System | $ 1,174,000 | $ 14,653 | $ 15,032 | $ 15,419 | $ 15,817 | $ 16,225 | $ 16,644 | $ 17,073 | $ 17,514 | $ 17,966 | $ 18,429 | $ 18,905 | $ 19,392 |
| System Incident Management | $ 37,458,000 | $ 487,895 | $ 500,482 | $ 513,395 | $ 526,641 | $ 540,228 | $ 554,166 | $ 568,463 | $ 583,130 | $ 598,175 | $ 613,608 | $ 629,439 | $ 645,678 |
| Police | $ 26,172,000 | $ 327,481 | $ 335,930 | $ 344,597 | $ 353,487 | $ 362,607 | $ 371,963 | $ 381,559 | $ 391,404 | $ 401,502 | $ 411,861 | $ 422,487 | $ 433,387 |
| Roadway Customer Service | $ 32,595,000 | $ 407,287 | $ 417,796 | $ 428,575 | $ 439,632 | $ 450,975 | $ 462,610 | $ 474,545 | $ 486,788 | $ 499,348 | $ 512,231 | $ 525,446 | $ 539,003 |
| **Major Maintenance, Capital Replacements** | **$ 1,084,132,000** | | | | | | | | | | | | |
| ***Roadway Major Maintenance*** | ***$ 1,023,305,000*** | | | | | | | | | | | | |
| Pavement Maintenance | $ 78,457,000 | $ 2,083,525 | $ - | $ 1,816,386 | $ 1,126,094 | $ - | $ 2,474,574 | $ 695,641 | $ - | $ - | $ - | $ - | $ 1,482,850 |
| Pavement Rehabilitation | $ 662,391,000 | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ 33,954,979 | $ - | $ - | $ 43,331,681 | $ - |
| Landscaping Rehabilitation | $ 19,566,000 | $ 2,129,825 | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ 3,004,329 | $ - |
| Annual Inspection | $ 70,622,000 | $ 705,828 | $ 730,532 | $ 756,101 | $ 782,565 | $ 809,954 | $ 838,303 | $ 867,643 | $ 898,011 | $ 929,441 | $ 961,972 | $ 1,094,250 | $ 1,132,548 |
| Bridges Maintenance | $ 75,081,000 | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| Pedestrian Bridge | $ 1,284,000 | $ - | $ - | $ - | $ - | $ 24,127 | $ 49,746 | $ - | $ - | $ - | $ 28,656 | $ - | $ - |
| Concrete Fascia Beam Coating | $ 88,317,000 | $ - | $ - | $ 409,498 | $ 199,658 | $ 1,987,668 | $ 4,434,215 | $ - | $ 486,356 | $ - | $ 2,360,726 | $ - | $ 262,911 |
| Pedestrian fence, Traffic Barrier and Rails | $ 14,151,000 | $ - | $ - | $ - | $ 197,101 | $ - | $ 1,203,932 | $ - | $ - | $ - | $ - | $ - | $ 259,544 |
| Retaining Wall and Sound walls | $ 13,436,000 | $ - | $ - | $ - | $ - | $ - | $ 1,330,298 | $ - | $ - | $ - | $ - | $ - | $ - |
| ***Capital Replacements*** | ***$ 60,827,000*** | | | | | | | | | | | | |
| Intelligent Transportation System | $ 41,211,000 | $ - | $ - | $ - | $ - | $ 3,750,618 | $ - | $ - | $ - | $ - | $ - | $ - | $ 4,534,982 |
| Electronic Toll Collection | $ 7,887,000 | $ 1,254,186 | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ 1,645,054 | $ - |
| Dispatch Tech | $ 338,000 | $ 30,795 | $ - | $ - | $ - | $ - | $ - | $ - | $ 37,235 | $ - | $ - | $ - | $ - |
| Digital Messenging Sign | $ 6,149,000 | $ 863,764 | $ - | $ - | $ - | $ - | $ - | $ 101,645 | $ - | $ - | $ - | $ 1,132,957 | $ - |
| Travel Time | $ 1,693,000 | $ 241,854 | $ - | $ - | $ - | $ - | $ - | $ 24,395 | $ - | $ - | $ - | $ 317,228 | $ - |
| Road, Weather Information System | $ 753,000 | $ 119,718 | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ 157,028 | $ - |
| Roadway Customer Service | $ 2,796,000 | $ - | $ - | $ 113,047 | $ - | $ - | $ 122,632 | $ - | $ - | $ 133,030 | $ - | $ - | $ 144,310 |
| **Overhead** | **$ 167,275,000** | | | | | | | | | | | | |
| Maintenance Department Overhead | $ 66,676,000 | $ 712,717 | $ 732,316 | $ 752,455 | $ 773,148 | $ 794,409 | $ 816,255 | $ 838,702 | $ 861,767 | $ 885,465 | $ 909,816 | $ 1,126,268 | $ 1,157,240 |
| Agency Overhead (OMF) | $ 88,253,000 | $ 840,614 | $ 863,730 | $ 887,483 | $ 911,889 | $ 936,966 | $ 962,732 | $ 989,207 | $ 1,016,411 | $ 1,044,362 | $ 1,237,260 | $ 1,439,978 | $ 1,479,577 |
| Agency Overhead (RMF) | $ 12,346,000 | $ 117,595 | $ 120,829 | $ 124,151 | $ 127,566 | $ 131,074 | $ 134,678 | $ 138,382 | $ 142,187 | $ 146,097 | $ 173,082 | $ 201,441 | $ 206,980 |

# Annual Operating and Major Maintenance Expenses

| | Check Sums | 08/31/2034 | 08/31/2035 | 08/31/2036 | 08/31/2037 | 08/31/2038 | 08/31/2039 | 08/31/2040 | 08/31/2041 | 08/31/2042 | 08/31/2043 | 08/31/2044 | 08/31/2045 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2.41% | 27 | 28 | 29 | 30 | 31 | 32 | 33 | 34 | 35 | 36 | 37 | 38 |
| **Toll Collection Cost** | **$ 1,112,276,803** | | | | | | | | | | | | |
| ***Interoperability (IOP)*** | ***$ 12,963,836*** | $ 207,907 | $ 215,560 | $ 229,027 | $ 234,232 | $ 248,032 | $ 253,829 | $ 269,060 | $ 273,418 | $ 288,496 | $ 294,662 | $ 312,547 | $ 318,108 |
| ***Electronic Toll Collection (ETC)*** | ***534,196,400.37*** | | | | | | | | | | | | |
| Transaction Processing | $ 163,958,257 | $ 2,703,038 | $ 2,838,631 | $ 2,953,119 | $ 3,065,835 | $ 3,184,733 | $ 3,307,471 | $ 3,436,598 | $ 3,544,197 | $ 3,668,785 | $ 3,799,737 | $ 3,937,867 | $ 4,066,826 |
| Account Maintenance | $ 179,769,745 | $ 2,963,708 | $ 3,112,378 | $ 3,237,906 | $ 3,361,492 | $ 3,491,856 | $ 3,626,431 | $ 3,768,010 | $ 3,885,986 | $ 4,022,588 | $ 4,166,169 | $ 4,317,620 | $ 4,459,015 |
| VTOLL | $ 4,229,046 | $ 66,157 | $ 69,024 | $ 71,423 | $ 73,821 | $ 76,405 | $ 79,113 | $ 81,998 | $ 84,396 | $ 87,219 | $ 90,210 | $ 93,387 | $ 96,356 |
| Credit Card Costs | $ 186,239,354 | $ 2,996,872 | $ 3,108,717 | $ 3,304,249 | $ 3,380,452 | $ 3,580,571 | $ 3,665,064 | $ 3,885,698 | $ 3,949,210 | $ 4,167,502 | $ 4,256,990 | $ 4,515,745 | $ 4,596,393 |
| ***ZipCash*** | ***$ 565,116,567*** | | | | | | | | | | | | |
| Image Processing/Review | $ 16,597,234 | $ 259,302 | $ 270,540 | $ 279,948 | $ 289,347 | $ 299,482 | $ 310,097 | $ 321,413 | $ 330,813 | $ 341,885 | $ 353,610 | $ 366,073 | $ 377,713 |
| Initial Notice | $ 222,960,663 | $ 3,483,357 | $ 3,634,323 | $ 3,760,705 | $ 3,886,979 | $ 4,023,120 | $ 4,165,715 | $ 4,317,731 | $ 4,444,011 | $ 4,592,746 | $ 4,750,262 | $ 4,917,684 | $ 5,074,050 |
| Late Notice | $ 131,546,791 | $ 2,055,181 | $ 2,144,251 | $ 2,218,816 | $ 2,293,318 | $ 2,373,641 | $ 2,457,772 | $ 2,547,461 | $ 2,621,966 | $ 2,709,720 | $ 2,802,654 | $ 2,901,433 | $ 2,993,690 |
| Violation Notice | $ 178,723,137 | $ 2,792,226 | $ 2,913,239 | $ 3,014,545 | $ 3,115,765 | $ 3,224,894 | $ 3,339,197 | $ 3,461,052 | $ 3,562,276 | $ 3,681,502 | $ 3,807,764 | $ 3,941,968 | $ 4,067,310 |
| Collection | $ 4,501,066 | $ 70,321 | $ 73,369 | $ 75,920 | $ 78,469 | $ 81,218 | $ 84,096 | $ 87,165 | $ 89,714 | $ 92,717 | $ 95,897 | $ 99,277 | $ 102,433 |
| Citation/Court | $ 412,059 | $ 6,438 | $ 6,717 | $ 6,950 | $ 7,184 | $ 7,435 | $ 7,699 | $ 7,980 | $ 8,213 | $ 8,488 | $ 8,779 | $ 9,088 | $ 9,377 |
| Credit Card Costs | $ 10,095,351 | $ 159,221 | $ 167,740 | $ 175,706 | $ 177,340 | $ 185,395 | $ 187,932 | $ 201,905 | $ 203,586 | $ 212,007 | $ 214,529 | $ 225,040 | $ 232,556 |
| Present Value Cost for ZipCash Toll/Premiu | $ 280,267 | $ 4,379 | $ 4,568 | $ 4,727 | $ 4,886 | $ 5,057 | $ 5,236 | $ 5,427 | $ 5,586 | $ 5,773 | $ 5,971 | $ 6,182 | $ 6,378 |
| **Operations & Maintenance** | **$ 664,774,000** | | | | | | | | | | | | |
| ***Routine Maintenance - Roadway*** | ***$ 518,651,000*** | | | | | | | | | | | | |
| Roadway Maintenance Activities | $ 382,113,000 | $ 6,793,428 | $ 6,980,247 | $ 7,172,204 | $ 7,369,440 | $ 7,572,099 | $ 7,780,332 | $ 7,994,291 | $ 8,214,134 | $ 8,440,023 | $ 8,672,124 | $ 8,910,607 | $ 9,155,649 |
| Landscape Maintenance | $ 9,166,000 | $ 168,636 | $ 173,273 | $ 178,038 | $ 182,934 | $ 187,965 | $ 193,134 | $ 198,445 | $ 203,903 | $ 209,510 | $ 215,271 | $ 221,191 | $ 227,274 |
| Administration | $ 10,701,000 | $ 190,016 | $ 195,241 | $ 200,611 | $ 206,127 | $ 211,796 | $ 217,620 | $ 223,605 | $ 229,754 | $ 236,072 | $ 242,564 | $ 249,235 | $ 256,089 |
| Professional Services | $ 85,690,000 | $ 1,531,064 | $ 1,573,169 | $ 1,616,431 | $ 1,660,883 | $ 1,706,557 | $ 1,753,487 | $ 1,801,708 | $ 1,851,255 | $ 1,902,165 | $ 1,954,474 | $ 2,008,222 | $ 2,063,448 |
| Utilities | $ 30,981,000 | $ 569,979 | $ 585,654 | $ 601,759 | $ 618,307 | $ 635,311 | $ 652,782 | $ 670,733 | $ 689,179 | $ 708,131 | $ 727,605 | $ 747,614 | $ 768,173 |
| ***Routine Maintenance - Systems Support*** | ***$ 146,123,000*** | | | | | | | | | | | | |
| Intelligent Transportation System | $ 9,665,000 | $ 165,865 | $ 170,145 | $ 174,534 | $ 179,037 | $ 183,657 | $ 188,395 | $ 193,256 | $ 198,242 | $ 203,356 | $ 208,603 | $ 213,985 | $ 219,506 |
| Electronic Toll Collection | $ 11,609,000 | $ 199,405 | $ 204,549 | $ 209,827 | $ 215,240 | $ 220,793 | $ 226,490 | $ 232,333 | $ 238,327 | $ 244,476 | $ 250,784 | $ 257,254 | $ 263,891 |
| Fiber | $ 16,801,000 | $ 288,842 | $ 296,294 | $ 303,939 | $ 311,780 | $ 319,824 | $ 328,076 | $ 336,540 | $ 345,223 | $ 354,130 | $ 363,266 | $ 372,639 | $ 382,253 |
| Dispatch Tech | $ 876,000 | $ 14,840 | $ 15,223 | $ 15,616 | $ 16,018 | $ 16,432 | $ 16,856 | $ 17,291 | $ 17,737 | $ 18,194 | $ 18,664 | $ 19,145 | $ 19,639 |
| Digital Messenging Sign | $ 8,599,000 | $ 147,206 | $ 151,004 | $ 154,900 | $ 158,896 | $ 162,996 | $ 167,201 | $ 171,515 | $ 175,940 | $ 180,479 | $ 185,136 | $ 189,912 | $ 194,812 |
| Travel Time | $ 1,174,000 | $ 19,893 | $ 20,406 | $ 20,932 | $ 21,472 | $ 22,026 | $ 22,595 | $ 23,178 | $ 23,776 | $ 24,389 | $ 25,018 | $ 25,664 | $ 26,326 |
| Road, Weather Information System | $ 1,174,000 | $ 19,893 | $ 20,406 | $ 20,932 | $ 21,472 | $ 22,026 | $ 22,595 | $ 23,178 | $ 23,776 | $ 24,389 | $ 25,018 | $ 25,664 | $ 26,326 |
| System Incident Management | $ 37,458,000 | $ 662,337 | $ 679,425 | $ 696,954 | $ 714,936 | $ 733,381 | $ 752,303 | $ 771,712 | $ 791,622 | $ 812,046 | $ 832,997 | $ 854,489 | $ 876,534 |
| Police | $ 26,172,000 | $ 444,568 | $ 456,038 | $ 467,804 | $ 479,873 | $ 492,254 | $ 504,954 | $ 517,982 | $ 531,346 | $ 545,055 | $ 559,117 | $ 573,543 | $ 588,340 |
| Roadway Customer Service | $ 32,595,000 | $ 552,909 | $ 567,174 | $ 581,808 | $ 596,818 | $ 612,216 | $ 628,011 | $ 644,214 | $ 660,835 | $ 677,885 | $ 695,374 | $ 713,315 | $ 731,718 |
| **Major Maintenance, Capital Replacements** | **$ 1,084,132,000** | | | | | | | | | | | | |
| ***Roadway Major Maintenance*** | ***$ 1,023,305,000*** | | | | | | | | | | | | |
| Pavement Maintenance | $ 78,457,000 | $ 2,419,672 | $ - | $ 1,665,491 | $ 4,654,174 | $ - | $ - | $ 1,886,600 | $ 3,078,498 | $ - | $ 2,118,970 | $ 5,921,409 | $ - |
| Pavement Rehabilitation | $ 662,391,000 | $ - | $ - | $ 43,200,216 | $ - | $ - | $ 55,129,999 | $ - | $ - | $ - | $ 54,962,739 | $ - | $ - |
| Landscaping Rehabilitation | $ 19,566,000 | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ 4,237,903 | $ - | $ - | $ - |
| Annual Inspection | $ 70,622,000 | $ 1,172,188 | $ 1,213,214 | $ 1,255,677 | $ 1,299,625 | $ 1,345,112 | $ 1,392,191 | $ 1,440,918 | $ 1,491,350 | $ 1,543,547 | $ 1,597,571 | $ 1,653,486 | $ 1,711,358 |
| Bridges Maintenance | $ 75,081,000 | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ 75,080,509 | $ - | $ - |
| Pedestrian Bridge | $ 1,284,000 | $ - | $ 65,506 | $ 34,034 | $ - | $ - | $ - | $ - | $ 40,422 | $ - | $ 86,259 | $ - | $ - |
| Concrete Fascia Beam Coating | $ 88,317,000 | $ 577,638 | $ 5,839,014 | $ 2,803,802 | $ - | $ - | $ 686,053 | $ - | $ 3,676,241 | $ - | $ 7,688,866 | $ 814,815 | $ - |
| Pedestrian fence, Traffic Barrier and Rails | $ 14,151,000 | $ - | $ 1,585,349 | $ - | $ - | $ - | $ - | $ - | $ 341,770 | $ - | $ 2,087,601 | $ - | $ - |
| Retaining Wall and Sound walls | $ 13,436,000 | $ - | $ 1,751,749 | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ 2,306,719 | $ - | $ - |
| ***Capital Replacements*** | ***$ 60,827,000*** | | | | | | | | | | | | |
| Intelligent Transportation System | $ 41,211,000 | $ - | $ - | $ - | $ - | $ - | $ - | $ 5,483,381 | $ - | $ - | $ - | $ - | $ - |
| Electronic Toll Collection | $ 7,887,000 | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ 2,157,737 | $ - | $ - | $ - |
| Dispatch Tech | $ 338,000 | $ - | $ - | $ 45,022 | $ - | $ - | $ - | $ - | $ - | $ - | $ 54,438 | $ - | $ - |
| Digital Messenging Sign | $ 6,149,000 | $ - | $ - | $ - | $ - | $ 133,323 | $ - | $ - | $ - | $ 1,486,045 | $ - | $ - | $ - |
| Travel Time | $ 1,693,000 | $ - | $ - | $ - | $ - | $ 31,997 | $ - | $ - | $ - | $ 416,093 | $ - | $ - | $ - |
| Road, Weather Information System | $ 753,000 | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ 205,966 | $ - | $ - | $ - |
| Roadway Customer Service | $ 2,796,000 | $ - | $ - | $ 156,546 | $ - | $ - | $ 169,819 | $ - | $ - | $ 184,218 | $ - | $ - | $ 199,838 |
| **Overhead** | **$ 167,275,000** | | | | | | | | | | | | |
| Maintenance Department Overhead | $ 66,676,000 | $ 1,189,064 | $ 1,221,763 | $ 1,255,362 | $ 1,289,884 | $ 1,325,356 | $ 1,361,804 | $ 1,399,253 | $ 1,437,733 | $ 1,477,270 | $ 1,517,895 | $ 1,559,637 | $ 1,602,527 |
| Agency Overhead (OMF) | $ 88,253,000 | $ 1,520,265 | $ 1,562,073 | $ 1,605,030 | $ 1,649,168 | $ 1,694,520 | $ 1,741,119 | $ 1,789,000 | $ 1,838,198 | $ 1,888,748 | $ 1,940,689 | $ 1,994,058 | $ 2,048,894 |
| Agency Overhead (RMF) | $ 12,346,000 | $ 212,672 | $ 218,521 | $ 224,530 | $ 230,705 | $ 237,049 | $ 243,568 | $ 250,266 | $ 257,148 | $ 264,220 | $ 271,486 | $ 278,952 | $ 286,623 |

# Annual Operating and Major Maintenance Expenses

| | Check Sums | 08/31/2046 | 08/31/2047 | 08/31/2048 | 08/31/2049 | 08/31/2050 | 08/31/2051 | 08/31/2052 | 08/31/2053 | 08/31/2054 | 08/31/2055 | 08/31/2056 | 08/31/2057 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2.41% | 39 | 40 | 41 | 42 | 43 | 44 | 45 | 46 | 47 | 48 | 49 | 50 |
| **Toll Collection Cost** | **$ 1,112,276,803** | | | | | | | | | | | | |
| ***Interoperability (IOP)*** | ***$ 12,963,836*** | $ 335,769 | $ 341,965 | $ 361,999 | $ 368,545 | $ 388,772 | $ 396,608 | $ 418,720 | $ 425,973 | $ 451,036 | $ 459,926 | $ 487,308 | $ 495,327 |
| ***Electronic Toll Collection (ETC)*** | ***534,196,400.37*** | | | | | | | | | | | | |
| Transaction Processing | $ 163,958,257 | $ 4,207,207 | $ 4,345,282 | $ 4,499,130 | $ 4,650,028 | $ 4,818,742 | $ 4,986,245 | $ 5,151,851 | $ 5,316,465 | $ 5,511,196 | $ 5,700,586 | $ 5,912,421 | $ 6,096,922 |
| Account Maintenance | $ 179,769,745 | $ 4,612,934 | $ 4,764,324 | $ 4,933,008 | $ 5,098,459 | $ 5,283,442 | $ 5,467,099 | $ 5,648,675 | $ 5,829,164 | $ 6,042,674 | $ 6,250,328 | $ 6,482,592 | $ 6,684,886 |
| VTOLL | $ 4,229,046 | $ 99,605 | $ 102,813 | $ 106,401 | $ 109,923 | $ 113,874 | $ 117,797 | $ 121,684 | $ 125,549 | $ 130,127 | $ 134,584 | $ 139,567 | $ 143,911 |
| Credit Card Costs | $ 186,239,354 | $ 4,851,860 | $ 4,941,607 | $ 5,231,296 | $ 5,326,056 | $ 5,618,502 | $ 5,731,871 | $ 6,051,528 | $ 6,156,435 | $ 6,518,735 | $ 6,647,282 | $ 7,043,090 | $ 7,159,038 |
| ***ZipCash*** | ***$ 565,116,567*** | | | | | | | | | | | | |
| Image Processing/Review | $ 16,597,234 | $ 390,460 | $ 403,036 | $ 417,110 | $ 430,918 | $ 446,418 | $ 461,802 | $ 477,054 | $ 492,205 | $ 510,168 | $ 527,646 | $ 547,202 | $ 564,232 |
| Initial Notice | $ 222,960,663 | $ 5,245,281 | $ 5,414,220 | $ 5,603,290 | $ 5,788,787 | $ 5,997,005 | $ 6,203,664 | $ 6,408,549 | $ 6,612,091 | $ 6,853,401 | $ 7,088,193 | $ 7,350,890 | $ 7,579,670 |
| Late Notice | $ 131,546,791 | $ 3,094,716 | $ 3,194,390 | $ 3,305,941 | $ 3,415,384 | $ 3,538,233 | $ 3,660,162 | $ 3,781,044 | $ 3,901,134 | $ 4,043,506 | $ 4,182,034 | $ 4,337,025 | $ 4,472,005 |
| Violation Notice | $ 178,723,137 | $ 4,204,567 | $ 4,339,987 | $ 4,491,544 | $ 4,640,236 | $ 4,807,142 | $ 4,972,798 | $ 5,137,031 | $ 5,300,189 | $ 5,493,621 | $ 5,681,828 | $ 5,892,403 | $ 6,075,791 |
| Collection | $ 4,501,066 | $ 105,890 | $ 109,301 | $ 113,118 | $ 116,862 | $ 121,066 | $ 125,238 | $ 129,374 | $ 133,483 | $ 138,354 | $ 143,094 | $ 148,398 | $ 153,016 |
| Citation/Court | $ 412,059 | $ 9,694 | $ 10,006 | $ 10,356 | $ 10,698 | $ 11,083 | $ 11,465 | $ 11,844 | $ 12,220 | $ 12,666 | $ 13,100 | $ 13,585 | $ 14,008 |
| Credit Card Costs | $ 10,095,351 | $ 242,904 | $ 245,694 | $ 257,009 | $ 259,979 | $ 277,442 | $ 281,129 | $ 294,152 | $ 296,611 | $ 310,954 | $ 321,122 | $ 337,094 | $ 340,440 |
| Present Value Cost for ZipCash Toll/Premiu | $ 280,267 | $ 6,593 | $ 6,806 | $ 7,043 | $ 7,277 | $ 7,538 | $ 7,798 | $ 8,056 | $ 8,312 | $ 8,615 | $ 8,910 | $ 9,240 | $ 9,528 |
| **Operations & Maintenance** | **$ 664,774,000** | | | | | | | | | | | | |
| ***Routine Maintenance - Roadway*** | ***$ 518,651,000*** | | | | | | | | | | | | |
| Roadway Maintenance Activities | $ 382,113,000 | $ 9,407,429 | $ 9,666,133 | $ 9,931,952 | $ 10,205,081 | $ 10,485,721 | $ 10,774,078 | $ 11,070,365 | $ 11,374,800 | $ 11,687,607 | $ 12,009,016 | $ 12,339,264 | $ 12,678,594 |
| Landscape Maintenance | $ 9,166,000 | $ 233,524 | $ 239,946 | $ 246,545 | $ 253,325 | $ 260,291 | $ 267,449 | $ 274,804 | $ 282,361 | $ 290,126 | $ 298,104 | $ 306,302 | $ 314,726 |
| Administration | $ 10,701,000 | $ 263,131 | $ 270,367 | $ 277,802 | $ 285,442 | $ 293,291 | $ 301,357 | $ 309,644 | $ 318,160 | $ 326,909 | $ 335,899 | $ 345,136 | $ 354,627 |
| Professional Services | $ 85,690,000 | $ 2,120,193 | $ 2,178,498 | $ 2,238,407 | $ 2,299,963 | $ 2,363,212 | $ 2,428,201 | $ 2,494,976 | $ 2,563,588 | $ 2,634,087 | $ 2,706,524 | $ 2,780,954 | $ 2,857,430 |
| Utilities | $ 30,981,000 | $ 789,298 | $ 811,004 | $ 833,306 | $ 856,222 | $ 879,768 | $ 903,962 | $ 928,821 | $ 954,363 | $ 980,608 | $ 1,007,575 | $ 1,035,283 | $ 1,063,754 |
| ***Routine Maintenance - Systems Support*** | ***$ 146,123,000*** | | | | | | | | | | | | |
| Intelligent Transportation System | $ 9,665,000 | $ 225,169 | $ 230,978 | $ 236,938 | $ 243,051 | $ 249,321 | $ 255,754 | $ 262,352 | $ 269,121 | $ 276,064 | $ 283,187 | $ 290,493 | $ 297,988 |
| Electronic Toll Collection | $ 11,609,000 | $ 270,700 | $ 277,684 | $ 284,848 | $ 292,197 | $ 299,736 | $ 307,469 | $ 315,402 | $ 323,539 | $ 331,887 | $ 340,449 | $ 349,233 | $ 358,243 |
| Fiber | $ 16,801,000 | $ 392,115 | $ 402,232 | $ 412,609 | $ 423,254 | $ 434,174 | $ 445,376 | $ 456,867 | $ 468,654 | $ 480,746 | $ 493,149 | $ 505,872 | $ 518,924 |
| Dispatch Tech | $ 876,000 | $ 20,146 | $ 20,666 | $ 21,199 | $ 21,746 | $ 22,307 | $ 22,882 | $ 23,473 | $ 24,078 | $ 24,699 | $ 25,337 | $ 25,990 | $ 26,661 |
| Digital Messenging Sign | $ 8,599,000 | $ 199,838 | $ 204,994 | $ 210,283 | $ 215,708 | $ 221,274 | $ 226,982 | $ 232,839 | $ 238,846 | $ 245,008 | $ 251,329 | $ 257,814 | $ 264,465 |
| Travel Time | $ 1,174,000 | $ 27,005 | $ 27,702 | $ 28,417 | $ 29,150 | $ 29,902 | $ 30,673 | $ 31,465 | $ 32,276 | $ 33,109 | $ 33,963 | $ 34,840 | $ 35,739 |
| Road, Weather Information System | $ 1,174,000 | $ 27,005 | $ 27,702 | $ 28,417 | $ 29,150 | $ 29,902 | $ 30,673 | $ 31,465 | $ 32,276 | $ 33,109 | $ 33,963 | $ 34,840 | $ 35,739 |
| System Incident Management | $ 37,458,000 | $ 899,149 | $ 922,347 | $ 946,144 | $ 970,555 | $ 995,595 | $ 1,021,281 | $ 1,047,631 | $ 1,074,660 | $ 1,102,386 | $ 1,130,828 | $ 1,160,003 | $ 1,189,931 |
| Police | $ 26,172,000 | $ 603,519 | $ 619,090 | $ 635,063 | $ 651,448 | $ 668,255 | $ 685,496 | $ 703,182 | $ 721,324 | $ 739,934 | $ 759,025 | $ 778,608 | $ 798,696 |
| Roadway Customer Service | $ 32,595,000 | $ 750,597 | $ 769,962 | $ 789,827 | $ 810,205 | $ 831,108 | $ 852,551 | $ 874,547 | $ 897,110 | $ 920,256 | $ 943,999 | $ 968,354 | $ 993,338 |
| **Major Maintenance, Capital Replacements** | **$ 1,084,132,000** | | | | | | | | | | | | |
| ***Roadway Major Maintenance*** | ***$ 1,023,305,000*** | | | | | | | | | | | | |
| Pavement Maintenance | $ 78,457,000 | $ - | $ 2,400,282 | $ 3,916,710 | $ - | $ 2,695,922 | $ 7,533,686 | $ - | $ - | $ 3,053,829 | $ 4,983,148 | $ - | $ 3,429,965 |
| Pavement Rehabilitation | $ 662,391,000 | $ 70,140,755 | $ - | $ - | $ - | $ 69,927,953 | $ - | $ - | $ 89,238,628 | $ - | $ - | $ - | $ 88,967,885 |
| Landscaping Rehabilitation | $ 19,566,000 | $ - | $ - | $ - | $ - | $ - | $ - | $ 5,977,980 | $ - | $ - | $ - | $ - | $ - |
| Annual Inspection | $ 70,622,000 | $ 1,771,256 | $ 1,833,250 | $ 1,897,414 | $ 1,963,823 | $ 2,032,557 | $ 2,103,696 | $ 2,177,326 | $ 2,253,532 | $ 2,332,406 | $ 2,414,040 | $ 2,498,531 | $ 2,585,980 |
| Bridges Maintenance | $ 75,081,000 | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| Pedestrian Bridge | $ 1,284,000 | $ 48,008 | $ - | $ - | $ - | $ - | $ 170,605 | $ - | $ - | $ - | $ - | $ 67,721 | $ - |
| Concrete Fascia Beam Coating | $ 88,317,000 | $ 3,955,039 | $ - | $ - | $ 1,423,629 | $ - | $ 14,822,114 | $ - | $ - | $ 1,149,377 | $ - | $ 5,578,973 | $ 600,312 |
| Pedestrian fence, Traffic Barrier and Rails | $ 14,151,000 | $ - | $ - | $ - | $ 450,045 | $ - | $ 2,748,972 | $ - | $ - | $ - | $ - | $ - | $ 592,624 |
| Retaining Wall and Sound walls | $ 13,436,000 | $ - | $ - | $ - | $ - | $ - | $ 3,037,508 | $ - | $ - | $ - | $ - | $ - | $ - |
| ***Capital Replacements*** | ***$ 60,827,000*** | | | | | | | | | | | | |
| Intelligent Transportation System | $ 41,211,000 | $ - | $ 6,630,118 | $ - | $ - | $ - | $ - | $ - | $ - | $ 8,016,671 | $ - | $ - | $ - |
| Electronic Toll Collection | $ 7,887,000 | $ - | $ - | $ - | $ - | $ - | $ - | $ 2,830,198 | $ - | $ - | $ - | $ - | $ - |
| Dispatch Tech | $ 338,000 | $ - | $ - | $ - | $ - | $ 65,822 | $ - | $ - | $ - | $ - | $ - | $ - | $ 79,588 |
| Digital Messenging Sign | $ 6,149,000 | $ - | $ - | $ 174,873 | $ - | $ - | $ - | $ 1,949,172 | $ - | $ - | $ - | $ - | $ - |
| Travel Time | $ 1,693,000 | $ - | $ - | $ 41,970 | $ - | $ - | $ - | $ 545,768 | $ - | $ - | $ - | $ - | $ - |
| Road, Weather Information System | $ 753,000 | $ - | $ - | $ - | $ - | $ - | $ - | $ 270,155 | $ - | $ - | $ - | $ - | $ - |
| Roadway Customer Service | $ 2,796,000 | $ - | $ - | $ 216,782 | $ - | $ - | $ 235,163 | $ - | $ - | $ 255,102 | $ - | $ - | $ 276,732 |
| **Overhead** | **$ 167,275,000** | | | | | | | | | | | | |
| Maintenance Department Overhead | $ 66,676,000 | $ 1,646,597 | $ 1,691,878 | $ 1,738,405 | $ 1,786,211 | $ 1,835,332 | $ 1,885,803 | $ 1,937,663 | $ 1,990,949 | $ 2,045,700 | $ 2,101,957 | $ 2,159,760 | $ 2,219,154 |
| Agency Overhead (OMF) | $ 88,253,000 | $ 2,105,239 | $ 2,163,133 | $ 2,222,619 | $ 2,283,741 | $ 2,346,544 | $ 2,411,074 | $ 2,477,379 | $ 2,545,506 | $ 2,615,508 | $ 2,687,434 | $ 2,761,339 | $ 2,837,276 |
| Agency Overhead (RMF) | $ 12,346,000 | $ 294,505 | $ 302,604 | $ 310,926 | $ 319,476 | $ 328,262 | $ 337,289 | $ 346,564 | $ 356,095 | $ 365,887 | $ 375,949 | $ 386,288 | $ 396,911 |

# Annual Operating and Major Maintenance Expenses

| | Check Sums | 08/31/2058 | 08/31/2059 | 08/31/2060 | 08/31/2061 | 02/28/2062 | 08/31/2062 | 02/28/2063 | File Sum | TELA Sum |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2.41% | 51 | 52 | 53 | 54 | 55 | | | | |
| **Toll Collection Cost** | **$ 1,112,276,803** | | | | | | | | | |
| ***Interoperability (IOP)*** | ***$ 12,963,836*** | $ 522,422 | $ 532,807 | $ 564,658 | $ 574,890 | $ 298,422 | $ - | $ - | $ 12,963,836 | 12,963,836 |
| ***Electronic Toll Collection (ETC)*** | ***534,196,400.37*** | | | | | | | | $ 534,196,400 | 534,196,400 |
| Transaction Processing | $ 163,958,257 | $ 6,300,931 | $ 6,517,169 | $ 6,755,911 | $ 6,979,839 | $ 3,531,413 | $ - | $ - | $ 163,958,257 | |
| Account Maintenance | $ 179,769,745 | $ 6,908,568 | $ 7,145,659 | $ 7,407,424 | $ 7,652,947 | $ 3,871,969 | $ - | $ - | $ 179,769,745 | |
| VTOLL | $ 4,229,046 | $ 148,718 | $ 153,814 | $ 159,440 | $ 164,720 | $ 83,338 | $ - | $ - | $ 4,229,046 | |
| Credit Card Costs | $ 186,239,354 | $ 7,550,667 | $ 7,700,796 | $ 8,161,175 | $ 8,309,089 | $ 4,313,200 | $ - | $ - | $ 186,239,354 | |
| ***ZipCash*** | ***$ 565,116,567*** | | | | | | | | $ 565,116,567 | 565,116,567 |
| Image Processing/Review | $ 16,597,234 | $ 583,102 | $ 603,085 | $ 625,164 | $ 645,871 | $ 326,788 | $ - | $ - | $ 16,597,234 | |
| Initial Notice | $ 222,960,663 | $ 7,833,165 | $ 8,101,603 | $ 8,398,205 | $ 8,676,373 | $ 4,389,936 | $ - | $ - | $ 222,960,663 | |
| Late Notice | $ 131,546,791 | $ 4,621,568 | $ 4,779,946 | $ 4,954,941 | $ 5,119,060 | $ 2,590,062 | $ - | $ - | $ 131,546,791 | |
| Violation Notice | $ 178,723,137 | $ 6,278,990 | $ 6,494,168 | $ 6,731,921 | $ 6,954,898 | $ 3,518,931 | $ - | $ - | $ 178,723,137 | |
| Collection | $ 4,501,066 | $ 158,134 | $ 163,553 | $ 169,541 | $ 175,156 | $ 88,623 | $ - | $ - | $ 4,501,066 | |
| Citation/Court | $ 412,059 | $ 14,477 | $ 14,973 | $ 15,521 | $ 16,035 | $ 8,113 | $ - | $ - | $ 412,059 | |
| Credit Card Costs | $ 10,095,351 | $ 356,402 | $ 360,769 | $ 385,082 | $ 389,490 | $ 202,898 | $ - | $ - | $ 10,095,351 | |
| Present Value Cost for ZipCash Toll/Premiu | $ 280,267 | $ 9,846 | $ 10,184 | $ 10,557 | $ 10,906 | $ 5,518 | $ - | $ - | $ 280,267 | |
| **Operations & Maintenance** | **$ 664,774,000** | | | | | | | | | |
| ***Routine Maintenance - Roadway*** | ***$ 518,651,000*** | | | | | | | | | |
| Roadway Maintenance Activities | $ 382,113,000 | $ 13,027,255 | $ 13,385,505 | $ 13,753,606 | $ 14,131,830 | $ 7,260,228 | | | $ 382,113,040 | 382,113,000 |
| Landscape Maintenance | $ 9,166,000 | $ 323,381 | $ 332,274 | $ 341,411 | $ 350,800 | $ 180,223 | | | $ 9,166,132 | 9,166,000 |
| Administration | $ 10,701,000 | $ 364,380 | $ 374,400 | $ 384,696 | $ 395,275 | $ 203,073 | | | $ 10,701,431 | 10,701,000 |
| Professional Services | $ 85,690,000 | $ 2,936,009 | $ 3,016,749 | $ 3,099,710 | $ 3,184,952 | $ 1,636,269 | | | $ 85,689,599 | 85,690,000 |
| Utilities | $ 30,981,000 | $ 1,093,007 | $ 1,123,065 | $ 1,153,949 | $ 1,185,683 | $ 609,144 | | | $ 30,980,981 | 30,981,000 |
| ***Routine Maintenance - Systems Support*** | ***$ 146,123,000*** | | | | | | | | | |
| Intelligent Transportation System | $ 9,665,000 | $ 305,676 | $ 313,563 | $ 321,653 | $ 329,951 | $ 169,232 | | | $ 9,664,974 | |
| Electronic Toll Collection | $ 11,609,000 | $ 367,486 | $ 376,967 | $ 386,693 | $ 396,670 | $ 203,452 | | | $ 11,609,059 | |
| Fiber | $ 16,801,000 | $ 532,312 | $ 546,046 | $ 560,134 | $ 574,585 | $ 294,705 | | | $ 16,800,506 | |
| Dispatch Tech | $ 876,000 | $ 27,349 | $ 28,054 | $ 28,778 | $ 29,521 | $ 15,141 | | | $ 876,091 | |
| Digital Messenging Sign | $ 8,599,000 | $ 271,288 | $ 278,288 | $ 285,468 | $ 292,833 | $ 150,194 | | | $ 8,598,859 | |
| Travel Time | $ 1,174,000 | $ 36,661 | $ 37,606 | $ 38,577 | $ 39,572 | $ 20,296 | | | $ 1,174,385 | |
| Road, Weather Information System | $ 1,174,000 | $ 36,661 | $ 37,606 | $ 38,577 | $ 39,572 | $ 20,296 | | | $ 1,174,385 | |
| System Incident Management | $ 37,458,000 | $ 1,220,632 | $ 1,252,124 | $ 1,284,429 | $ 1,317,567 | $ 675,780 | | | $ 37,458,313 | |
| Police | $ 26,172,000 | $ 819,302 | $ 840,440 | $ 862,124 | $ 884,367 | $ 453,592 | | | $ 26,171,853 | |
| Roadway Customer Service | $ 32,595,000 | $ 1,018,966 | $ 1,045,255 | $ 1,072,223 | $ 1,099,886 | $ 564,132 | | | $ 32,594,692 | |
| | | | | | | | | | $ 146,123,118 | 151,318,000 |
| **Major Maintenance, Capital Replacements** | **$ 1,084,132,000** | | | | | | | | | |
| ***Roadway Major Maintenance*** | ***$ 1,023,305,000*** | | | | | | | | | |
| Pavement Maintenance | $ 78,457,000 | $ 9,584,953 | $ - | $ - | $ 3,885,323 | $ - | | | $ 78,456,654 | |
| Pavement Rehabilitation | $ 662,391,000 | $ - | $ - | $ 113,536,456 | $ - | $ - | | | $ 662,391,293 | |
| Landscaping Rehabilitation | $ 19,566,000 | $ - | $ - | $ - | $ - | $ 4,216,266 | | | $ 19,566,303 | |
| Annual Inspection | $ 70,622,000 | $ 2,676,489 | $ 2,770,166 | $ 2,867,122 | $ 2,967,472 | $ - | | | $ 70,622,003 | |
| Bridges Maintenance | $ 75,081,000 | $ - | $ - | $ - | $ - | $ - | | | $ 75,080,509 | |
| Pedestrian Bridge | $ 1,284,000 | $ - | $ 149,572 | $ - | $ 447,336 | $ - | | | $ 1,283,713 | |
| Concrete Fascia Beam Coating | $ 88,317,000 | $ - | $ 14,697,486 | $ - | $ 6,626,070 | $ - | | | $ 88,317,223 | |
| Pedestrian fence, Traffic Barrier and Rails | $ 14,151,000 | $ - | $ 3,619,871 | $ - | $ - | $ - | | | $ 14,150,768 | |
| Retaining Wall and Sound walls | $ 13,436,000 | $ - | $ 3,999,818 | $ - | $ - | $ - | | | $ 13,436,335 | |
| ***Capital Replacements*** | ***$ 60,827,000*** | | | | | | | | $ 1,023,304,802 | 1,023,304,802 |
| Intelligent Transportation System | $ 41,211,000 | $ - | $ - | $ - | $ 9,693,193 | $ - | | | $ 41,210,879 | |
| Electronic Toll Collection | $ 7,887,000 | $ - | $ - | $ - | $ - | $ - | | | $ 7,887,175 | |
| Dispatch Tech | $ 338,000 | $ - | $ - | $ - | $ - | $ - | | | $ 338,369 | |
| Digital Messenging Sign | $ 6,149,000 | $ 229,372 | $ - | $ - | $ - | $ - | | | $ 6,148,646 | |
| Travel Time | $ 1,693,000 | $ 55,049 | $ - | $ - | $ - | $ - | | | $ 1,692,953 | |
| Road, Weather Information System | $ 753,000 | $ - | $ - | $ - | $ - | $ - | | | $ 752,867 | |
| Roadway Customer Service | $ 2,796,000 | $ - | $ - | $ 300,196 | $ - | $ - | | | $ 2,796,246 | |
| | | | | | | | | | $ 60,827,135 | 61,298,000 |
| **Overhead** | **$ 167,275,000** | | | | | | | | | |
| Maintenance Department Overhead | $ 66,676,000 | $ 2,280,181 | $ 2,342,886 | $ 2,407,315 | $ 2,473,516 | $ 1,270,769 | | | $ 66,675,612 | 66,676,000 |
| Agency Overhead (OMF) | $ 88,253,000 | $ 2,915,301 | $ 3,653,314 | $ 4,429,713 | $ 4,551,530 | $ 2,338,348 | | | $ 88,252,509 | 88,253,000 |
| Agency Overhead (RMF) | $ 12,346,000 | $ 407,826 | $ 511,068 | $ 619,679 | $ 636,721 | $ 327,115 | | | $ 12,345,780 | 12,346,000 |

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# APPENDIX J

# FORM OF CO-BOND COUNSEL OPINIONS

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## APPENDIX J

## FORM OF CO-BOND COUNSEL OPINIONS

### THE BONDS

### Proposed Form of Opinion of Co-Bond Counsel

*An opinion in substantially the following form will be delivered by McCall, Parkhurst & Horton L.L.P. and Mahomes Bolden & Warren PC, Co-Bond Counsel, upon the delivery of the Series 2011A, 2011B and 2011C Bonds assuming no material changes in facts or law.*

_____, 2011

NORTH TEXAS TOLLWAY AUTHORITY
SPECIAL PROJECTS SYSTEM REVENUE BONDS, SERIES 2011A, SERIES 2011B AND SERIES 2011C
DATED _____ ____, 2011
$_____

AS CO-BOND COUNSEL for the North Texas Tollway Authority (the "*Authority*"), we have examined the legality and validity of the issue of bonds described above (the "*Bonds*"), which bear interest from the dates and mature on the dates specified on the face of the Bonds, all in accordance with the resolution (the "*Bond Resolution*") of the Board of Directors of the Authority (the "*Board*") authorizing the issuance of such Bonds and the Trust Agreement dated as of April 1, 2011 (the "*SPS Trust Agreement*") between the Authority and Wells Fargo Bank, National Association. Terms used herein and not otherwise defined shall have the meaning given in the SPS Trust Agreement.

WE HAVE EXAMINED the applicable and pertinent provisions of the Constitution and laws of the State of Texas, a transcript of certified proceedings of the Authority, and other pertinent instruments relating to the authorization, issuance, and delivery of the Bonds; and we have examined various certificates and documents executed by officers and officials of the Authority upon which certificates and documents we rely as to certain matters stated below. We have also examined one executed Bond which we found to be in proper form and duly executed.

BASED ON SAID EXAMINATION, IT IS OUR OPINION that the Authority is a body corporate and politic and a political subdivision of the State of Texas, created by Senate Bill 370 enacted by the 75th Legislative Session of the Texas Legislature and functioning under Chapter 366, Texas Transportation Code, as amended (the "*Act*"); that the Bonds have been duly authorized; and that the Bonds have been duly issued and delivered, all in accordance with law, and that, except as may be limited by laws relating to bankruptcy, reorganization, and other similar matters affecting creditors' rights or by general principles of equity which permit the exercise of judicial discretion, (i) the Bonds constitute valid and legally binding obligations of the Authority which are payable as to principal and interest from the sources provided in the Bond Resolution and the SPS Trust Agreement, (ii) the covenants and agreements in the SPS Trust Agreement constitute valid and binding obligations of the Authority, (iii) the Bonds constitute valid and legally binding obligations of the Authority secured as First Tier Obligations under the SPS Trust Agreement, (iv) the Bonds are payable in accordance with the priorities established in the SPS Trust Agreement from the sources provided therein, and (v) the SPS Trust Agreement is authorized by law, has been duly executed and delivered, and is valid and legally binding upon and enforceable by the parties thereto in accordance with its terms and provisions.

THE AUTHORITY has reserved the right, subject to the restrictions stated in the SPS Trust Agreement, to issue Additional Obligations which also may be secured by the SPS Trust Agreement on the terms and conditions described therein.

THE AUTHORITY also has reserved the right to amend the SPS Trust Agreement in the manner provided therein; and under some (but not all) circumstances amendments thereto must be approved by the registered owners of not less than a majority in aggregate principal amount of the Obligations then Outstanding affected by such amendment and secured by the SPS Trust Agreement.

THE REGISTERED OWNERS of the Bonds shall never have the right to demand payment of the principal thereof or interest thereon out of any funds raised or to be raised by taxation, or from any source whatsoever other than as described in the SPS Trust Agreement.

IT IS FURTHER OUR OPINION THAT, except as discussed below, under the statutes, regulations, published rulings and court decisions existing on the date of this opinion, for federal income tax purposes, the interest on the Bonds (i) is excludable from the gross income of the owners thereof, and (ii) is not includable in an owner's alternative minimum taxable income under section 55 of the Internal Revenue Code of 1986, as amended (the "*Code*"). In expressing the aforementioned opinions, we have relied on certain representations, the accuracy of which we have not independently verified, and assume compliance with certain covenants regarding the use and investment of the proceeds of the Bonds and the use of property financed therewith. We call your attention to the fact that if such representations are determined to be inaccurate or if the Authority fails to comply with such covenants interest on the Bonds may become includable in gross income retroactively to the date of issuance of the Bonds.

EXCEPT AS STATED ABOVE, we express no opinion as to any other federal, state, or local income tax consequences of acquiring, carrying, owning, or disposing of the Bonds.

WE EXPRESS NO OPINION as to any insurance policies or credit facilities issued with respect to the payments due for the principal of and interest on the Bonds, nor as to any such insurance policies or credit facilities issued in the future.

OUR OPINIONS ARE BASED ON EXISTING LAW, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service (the "*Service*"); rather, such opinions represent our legal judgment based upon our review of existing law and in reliance upon the representations and covenants referenced above that we deem relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given whether or not the Service will commence an audit of the Bonds. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the Authority as the taxpayer. We observe that the Authority has covenanted not to take any action, or omit to take any action within its control, that if taken or omitted, respectively, may result in the treatment of interest on the Bonds as includable in gross income for federal income tax purposes.

WE HAVE ACTED AS CO-BOND COUNSEL for the Authority for the purpose of rendering an opinion with respect to the legality and validity of the Bonds under the Constitution and laws of the State of Texas and with respect to the exclusion from gross income of the interest on the Bonds for federal income tax purposes. We have not been requested to investigate or verify, and have not investigated or verified, any records, data, or other material relating to the financial condition or capabilities of the Authority and have not assumed any responsibility with respect thereto. We express no opinion and make no comment with respect to the marketability of the Bonds.

Respectfully,

**Proposed Form of Opinion of Co-Bond Counsel**

**THE NOTES**

*An opinion in substantially the following form will be delivered by McCall, Parkhurst & Horton L.L.P. and Mahomes Bolden & Warren PC, Co-Bond Counsel, upon the delivery of the Series 2011A and Series 2011B Notes, assuming no material changes in facts or law.*

_____, 2011

NORTH TEXAS TOLLWAY AUTHORITY
TAXABLE BOND ANTICIPATION NOTES, SERIES 2011
DATED _____ ____, 2011
$_____

AS CO-BOND COUNSEL for the North Texas Tollway Authority (the "*Authority*"), we have examined the legality and validity of the issue of notes described above (the "*Notes*"), which bear interest from the dates and mature on the dates specified on the face of the Notes, all in accordance with the resolution dated as of March 17, 2011 (the "*Note Resolution*") of the Board of Directors of the Authority (the "*Board*") authorizing the issuance of such Notes. Terms used herein and not otherwise defined shall have the meaning given in the Note Resolution.

WE HAVE EXAMINED the applicable and pertinent provisions of the Constitution and laws of the State of Texas, a transcript of certified proceedings of the Authority, and other pertinent instruments relating to the authorization, issuance, and delivery of the Notes; and we have examined various certificates and documents executed by officers and officials of the Authority upon which certificates and documents we rely as to certain matters stated below. We have also examined one executed Note which we found to be in proper form and duly executed.

BASED ON SAID EXAMINATION, IT IS OUR OPINION that the Authority is a body corporate and politic and a political subdivision of the State of Texas, created by Senate Bill 370 enacted by the 75th Legislative Session of the Texas Legislature and functioning under Chapter 366, Texas Transportation Code, as amended (the "*Act*"); that the Notes have been duly authorized; and that the Notes have been duly issued and delivered, all in accordance with law, and that, except as may be limited by laws relating to bankruptcy, reorganization, and other similar matters affecting creditors' rights or by general principles of equity which permit the exercise of judicial discretion,(i) the Notes constitute valid and legally binding obligations of the Authority which are payable as to principal and interest from the sources provided in the Note Resolution, (ii) the covenants and agreements in the Note Resolution constitute valid and binding obligations of the Authority, and (iii) the Notes constitute valid and legally binding obligations of the Authority secured under the Note Resolution.

THE AUTHORITY also has reserved the right to amend the Note Resolution in the manner provided therein; and under some (but not all) circumstances amendments thereto must be approved by the registered owners of not less than a majority in aggregate principal amount of the Notes then Outstanding affected by such amendment.

THE REGISTERED OWNERS of the Notes shall never have the right to demand payment of the principal thereof or interest thereon out of any funds raised or to be raised by taxation, or from any source whatsoever other than as described in the Note Resolution.

IT IS FURTHER OUR OPINION THAT the interest on the Notes will, upon the issuance and delivery thereof, be includable in the gross income of the owners for federal income tax purposes under the statutes, regulations, published rulings and court decisions existing on the date of this opinion.

EXCEPT AS STATED ABOVE, we express no opinion as to any other federal, state, or local income tax consequences of acquiring, carrying, owning, or disposing of the Notes.

WE EXPRESS NO OPINION as to any insurance policies or credit facilities issued with respect to the payments due for the principal of and interest on the Notes, nor as to any such insurance policies or credit facilities issued in the future.

OUR OPINIONS ARE BASED ON EXISTING LAW, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective.

WE HAVE ACTED AS CO-BOND COUNSEL for the Authority for the purpose of rendering an opinion with respect to the legality and validity of the Notes under the Constitution and laws of the State of Texas. We have not been requested to investigate or verify, and have not investigated or verified, any records, data, or other material relating to the financial condition or capabilities of the Authority and have not assumed any responsibility with respect thereto. We express no opinion and make no comment with respect to the marketability of the Notes.

The foregoing opinions represent our legal judgment based upon a review of existing legal authorities that we deem relevant to render such opinions and are not a guarantee of a result.

Respectfully,

NORTH TEXAS TOLLWAY AUTHORITY

NORTH TEXAS TOLLWAY AUTHORITY • SPECIAL PROJECTS SYSTEM REVENUE BONDS, SERIES 2011 AND TAXABLE BOND ANTICIPATION NOTES, SERIES 2011