OFFICIAL STATEMENT DATED AUGUST 7, 2002

NEW ISSUE — BOOK-ENTRY-ONLY

In the opinion of Bond Counsel, interest on the Series 2002 Obligations (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 thereof, except as explained under "TAX MATTERS" herein. Interest on the Series 2002 Obligations will not be an item of tax preference for purposes of determining the alternative minimum tax imposed on individuals and corporations under section 57(a)(5) of the Code (as defined herein). See "TAX MATTERS" herein.

$2,199,993,781.80
TEXAS TURNPIKE AUTHORITY
CENTRAL TEXAS TURNPIKE SYSTEM

$1,149,993,781.80
FIRST TIER REVENUE BONDS
SERIES 2002-A

Dated Date: August 15, 2002

$150,000,000
FIRST TIER REVENUE BONDS
SERIES 2002-B
(WEEKLY RATE DEMAND BONDS)

Interest Accrual: as described herein

$900,000,000
SECOND TIER
BOND ANTICIPATION NOTES
SERIES 2002

Due: as shown on pages iv, v, and viii

The captioned securities (individually, the "*Series 2002-A Bonds*," the "*Series 2002-B Bonds*" and the "*Series 2002 Second Tier BANS*," and collectively, the "*Series 2002 Obligations*") will be issued as fully-registered obligations by the Texas Transportation Commission (the "*Commission*"), the governing body of the Texas Department of Transportation (the "*Department*"), an agency of the State of Texas, acting for and through the Texas Turnpike Authority Division of the Department (the "*TTA*"). The proceeds of the Series 2002 Obligations will be used, among other purposes, to finance a portion of the Costs (as defined herein) of planning, designing, engineering, developing and constructing the initial phase (referred to herein as the "*2002 Project*") of the Central Texas Turnpike System (the "*System*"). The Series 2002 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 Series 2002 Obligations pursuant to the Book-Entry-Only System described herein. No physical delivery of the Series 2002 Obligations will be made to the purchasers. Principal of, premium, if any, and interest on the Series 2002 Obligations will be payable by the Trustee (as defined herein) to DTC, which will make distribution of the amounts so paid to the beneficial owners thereof. See "THE SERIES 2002 OBLIGATIONS – Book-Entry-Only System" herein.

The Series 2002-A Bonds and the Series 2002-B Bonds (the "*Series 2002 First Tier Bonds*"), the Series 2002 First Tier Note (as defined herein) being delivered to the developer of the State Highway 130 element of the 2002 Project and any Additional First Tier Obligations (as defined herein) constitute special, limited obligations of the Commission secured by and payable solely from a first lien on, pledge of, and security interest in the Trust Estate (as defined herein). The Series 2002 Second Tier BANS, together with any Additional Second Tier Obligations (as defined herein), constitute special, limited obligations of the Commission secured by and payable solely from a second lien on, pledge of, and security interest in the Trust Estate, subordinate and junior to the lien securing the payment of the Series 2002 First Tier Bonds, the Series 2002 First Tier Note and any Additional First Tier Obligations. The Series 2002 Second Tier BANS are also payable from the proceeds of any bonds, notes or obligations issued to retire the Series 2002 Second Tier BANS.

Each series of the Series 2002 Obligations is described in this Official Statement. A separate cover page for each series of the Series 2002 Obligations follows this cover page. The cover page and detailed schedule for the Series 2002-A Bonds is set forth on pages iii and iv. Page v contains the cover page for the Series 2002-B Bonds and pages vii and viii contain the cover page and detailed schedule for the Series 2002 Second Tier BANS.

This cover page contains information for quick reference only. It is not a summary of the Series 2002 Obligations. Potential investors must read the entire Official Statement to obtain information essential to making an informed investment decision. Investment in the Series 2002 Obligations is subject to certain investment considerations. See "RISK FACTORS" herein.

The payment of the principal of and interest on the Series 2002 First Tier Bonds (but not the Series 2002 Second Tier BANS) when due will be insured by a financial guaranty insurance policy to be issued by Ambac Assurance Corporation simultaneously with the delivery of the Series 2002 First Tier Bonds.

The Commission expects to enter into a Standby Bond Purchase Agreement for the purchase of all or a portion of the Series 2002-B Bonds that are not remarketed upon the tender thereof (while bearing interest at the weekly rate) with The Bank of Nova Scotia, acting through its New York Agency.

Each series of Series 2002 Obligations has been assigned ratings by certain rating agencies. See "RATINGS" herein.

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 SERIES 2002 OBLIGATIONS EXCEPT FROM THE TRUST ESTATE (AS DEFINED HEREIN). 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 SERIES 2002 OBLIGATIONS. NEITHER THE COMMISSION NOR THE DEPARTMENT HAS ANY TAXING POWER. THE INDENTURE (AS DEFINED HEREIN) DOES NOT CREATE A MORTGAGE ON THE SYSTEM.

The Series 2002 Obligations are offered for delivery when, as, and if issued and received by the Underwriters named below and subject to the approval of the Attorney General of the State of Texas and of McCall, Parkhurst & Horton L.L.P., Austin and Dallas, Texas ("*Bond Counsel*"). Certain legal matters will be passed upon for the Commission by the General Counsel to the Commission and by Nossaman Guthner Knox & Elliot, LLP, Los Angeles, California, special counsel to the Commission. Certain legal matters will be passed upon for the Underwriters by their counsel, Vinson & Elkins L.L.P., Austin, Texas. It is expected that delivery of the Series 2002 Obligations will be made through DTC in New York, New York on or about August 29, 2002.

Series 2002-A Bonds

Salomon Smith Barney **Goldman, Sachs & Co.** **Lehman Brothers**
Estrada Hinojosa & Co., Inc. **Morgan, Keegan & Co.** **Ramirez & Co., Inc.**
Siebert Brandford Shank & Co., LLC **SWS Securities**

Series 2002-B Bonds

Salomon Smith Barney

Series 2002 Second Tier BANS

Salomon Smith Barney **Goldman, Sachs & Co.** **Lehman Brothers**

Preprinted Map

OFFICIAL STATEMENT DATED AUGUST 7, 2002

NEW ISSUE — BOOK-ENTRY-ONLY

In the opinion of Bond Counsel, interest on the Series 2002-A Bonds will be excludable from gross income for federal income tax purposes under statutes, regulations, published rulings and court decisions existing on the date thereof, except as explained under "TAX MATTERS" herein. Interest on the Series 2002-A Bonds will not be an item of tax preference for purposes of determining the alternative minimum tax imposed on individuals and corporations under section 57(a)(5) of the Code. See "TAX MATTERS" herein.

$1,149,993,781.80

TEXAS TURNPIKE AUTHORITY
CENTRAL TEXAS TURNPIKE SYSTEM
FIRST TIER REVENUE BONDS
SERIES 2002-A

Dated Date: August 15, 2002 **Interest Accrual: as described below** **Due: August 15, as shown on page iv**

The Commission, acting for and through TTA, is issuing the Series 2002-A Bonds pursuant to the Indenture of Trust, dated as of July 15, 2002 (the "*Indenture*"), by and between the Commission and Bank One, National Association, as trustee and paying agent for the Series 2002 Obligations. The proceeds of the Series 2002-A Bonds will be used, together with certain other funds described herein, to (i) finance a portion of the Costs of planning, designing, engineering, developing and constructing the 2002 Project, (ii) pay a portion of capitalized interest during construction and for the first 11 months following the anticipated completion date of the 2002 Project, (iii) fund a portion of the First Tier Debt Service Reserve Fund Requirement (as defined herein) and (iv) pay certain Issuance Costs of the Series 2002-A Bonds, all as more fully described herein. The Series 2002-A Bonds, together with the Series 2002-B Bonds, the Series 2002 First Tier Note being delivered to the developer of the State Highway 130 element of the 2002 Project and any Additional First Tier Obligations, constitute limited obligations of the Commission payable solely from a first lien on, pledge of, and security interest in the Trust Estate.

The Series 2002-A Bonds are being issued in part as Current Interest Bonds (the "*Series A CIBs*") and in part as Capital Appreciation Bonds (the "*Series A CABs*"). Interest on the Series A CIBs will accrue from August 15, 2002, and will be payable on each February 15 and August 15 thereafter, commencing February 15, 2003, until maturity or prior redemption. Interest on the Series A CABs will accrete from the date of initial delivery thereof, will be compounded on each February 15 and August 15, commencing February 15, 2003, and will be payable at maturity or prior redemption. The Series A CIBs will be issued as fully-registered obligations in principal denominations of $5,000 or any integral multiple within a maturity. The Series A CABs will be issued as fully registered obligations in Maturity Amount denominations of $5,000 or any integral multiple thereof within a maturity. The Maturity Amount for the Series A CABs represents the total amount of principal paid therefor, and the accreted/compounded interest thereon at maturity. Interest accruing on the Series A CIBs and the accreted/compounded interest on the Series A CABs will be calculated on the basis of a 360-day year of twelve 30-day months.

The Series 2002-A Bonds are initially issuable only to Cede & Co., the nominee of DTC pursuant to the Book-Entry-Only System described herein. Beneficial ownership may be acquired in principal amounts of integral multiples of $5,000 with respect to the Series A CIBs, and in Maturity Amounts of integral multiples of $5,000 with respect to the Series A CABs. No physical delivery of the Series 2002-A Bonds will be made to the purchasers thereof. Principal of, premium, if any, and interest on the Series 2002-A Bonds will be payable by the Trustee to DTC, which will make distribution of the amounts so paid to the beneficial owners thereof. See "THE SERIES 2002 OBLIGATIONS – Book-Entry-Only System" herein.

The payment of the principal of and interest on the Series 2002-A Bonds when due will be insured by a financial guaranty insurance policy to be issued by Ambac Assurance Corporation simultaneously with the delivery of the Series 2002-A Bonds.

Ambac

The Series 2002-A Bonds have received ratings from certain rating agencies. See "RATINGS" herein.

Certain of the Series 2002-A Bonds are subject to optional and mandatory sinking fund redemption prior to maturity, as described herein. See "THE SERIES 2002 OBLIGATIONS – Redemption."

This cover page contains information for quick reference only. It is not a summary of this bond issue. Potential investors must read the entire Official Statement to obtain information essential to making an informed investment decision. Investment in the Series 2002-A Bonds is subject to certain investment considerations. See "RISK FACTORS" herein.

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 SERIES 2002-A BONDS 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 SERIES 2002-A BONDS. NEITHER THE COMMISSION NOR THE DEPARTMENT HAS ANY TAXING POWER. THE INDENTURE DOES NOT CREATE A MORTGAGE ON THE SYSTEM.

The Series 2002-A Bonds are offered for delivery when, as, and if issued and received by the Underwriters named below and subject to the approval of the Attorney General of the State of Texas and of McCall, Parkhurst & Horton L.L.P., Austin and Dallas, Texas, Bond Counsel. Certain legal matters will be passed upon for the Commission by the General Counsel to the Commission and by Nossaman Guthner Knox & Elliot, LLP, Los Angeles, California, special counsel to the Commission. Certain legal matters will be passed upon for the Underwriters by their counsel, Vinson & Elkins L.L.P., Austin, Texas. It is expected that delivery of the Series 2002-A Bonds will be made through DTC in New York, New York on or about August 29, 2002.

See page iv for maturity dates, principal amounts, maturity amounts, prices or yields.

Salomon Smith Barney **Goldman, Sachs & Co.** **Lehman Brothers**

Estrada Hinojosa & Co., Inc. **Morgan, Keegan & Co.** **Ramirez & Co., Inc.**

Siebert Brandford Shank & Co., LLC **SWS Securities**

SERIES 2002-A BONDS
MATURITY SCHEDULE

$287,459,890.50
SERIES A NON-CALLABLE CAPITAL APPRECIATION BONDS

Maturity (August 15)	Aggregate Original Principal Amount	Initial Offering Yield to Maturity	Maturity Amount	Initial Offering Price per $1,000 in Maturity Amount	CUSIP No.[1]
2012	$ 2,900,319.00	4.47%	$ 4,505,000	$643.80	882762 AA5
2013	4,688,373.90	4.59	7,710,000	608.09	882762 AB3
2014	5,818,916.55	4.71	10,155,000	573.01	882762 AC1
2015	6,764,599.30	4.86	12,605,000	536.66	882762 AD9
2016	13,020,686.90	4.96	25,805,000	504.58	882762 AE7
2017	14,061,807.90	5.05	29,655,000	474.18	882762 AF4
2018	14,855,575.00	5.16	33,500,000	443.45	882762 AG2
2019	15,482,322.00	5.26	37,350,000	414.52	882762 AH0
2020	15,932,864.00	5.36	41,200,000	386.72	882762 AJ6
2021	16,925,596.50	5.49	47,265,000	358.10	882762 AK3
2022	17,683,687.00	5.58	53,050,000	333.34	882762 AL1
2023	18,300,416.80	5.65	58,840,000	311.02	882762 AM9
2024	18,929,308.75	5.67	64,625,000	292.91	882762 AN7
2025	16,620,603.30	5.70	60,410,000	275.13	882762 AP2
2026	21,153,901.90	5.72	81,710,000	258.89	882762 AQ0
2027	21,202,526.00	5.73	86,860,000	244.10	882762 AR8
2028	21,164,367.25	5.74	91,975,000	230.11	882762 AS6
2029	21,046,035.20	5.75	97,040,000	216.88	882762 AT4
2030	20,907,983.25	5.75	102,025,000	204.93	882762 AU1

(Interest to accrete from Delivery Date)

$154,658,891.30
SERIES A CALLABLE CAPITAL APPRECIATION BONDS

Maturity (August 15)	Aggregate Original Principal Amount	Initial Offering Yield to Maturity	Maturity Amount	Initial Offering Price per $1,000 in Maturity Amount	CUSIP No.[1]
2025	$ 2,573,200.00	6.00%	$ 10,000,000	$257.32	882762 AZ0
2026	2,419,900.00	6.01	10,000,000	241.99	882762 BA4
2027	2,275,200.00	6.02	10,000,000	227.52	882762 BB2
2028	2,138,800.00	6.03	10,000,000	213.88	882762 BC0
2029	2,010,200.00	6.04	10,000,000	201.02	882762 BD8
2030	1,888,900.00	6.05	10,000,000	188.89	882762 BE6
2031	20,749,510.50	6.06	116,925,000	177.46	882762 BF3
2032	20,287,006.45	6.07	121,705,000	166.69	882762 BG1
2033	19,778,829.00	6.08	126,350,000	156.54	882762 BH9
2034	19,290,312.40	6.08	130,835,000	147.44	882762 BJ5
2035	18,735,808.35	6.09	135,345,000	138.43	882762 BK2
2036	19,130,493.80	6.09	146,740,000	130.37	882762 BL0
2037	19,780,105.80	6.10	161,655,000	122.36	882762 BM8
2038	3,600,625.00	6.10	31,250,000	115.22	882762 BN6

(Interest to accrete from Delivery Date)

$707,875,000
SERIES A CURRENT INTEREST BONDS

Maturity (August 15)	Principal Amount	Interest Rate	Yield	CUSIP No.[1]
2038	$134,600,000	5.75%	5.00%[2]	882762 AV9
2039	146,525,000	5.50	5.20 [2]	882762 AW7
***				
2042	10,385,000	5.25	5.31	882762 AY3

$416,365,000 5.00% Term Bonds due August 15, 2042 — yield 5.31% — CUSIP No. 882762 AX5[1]

(Interest to accrue from August 15, 2002)

(1) CUSIP numbers have been assigned to these issues by Standard & Poor's CUSIP Service Bureau, a division of the McGraw-Hill Companies, Inc. and are included solely for the convenience of the owners of the Series 2002-A Bonds. Neither the Commission nor the Underwriters shall be responsible for the selection or correctness of the CUSIP numbers set forth herein.

(2) Yield calculated based upon assumption that the 2038 and 2039 maturities will be called on first optional redemption date at par (August 15, 2012).

OFFICIAL STATEMENT DATED AUGUST 7, 2002

NEW ISSUE — BOOK-ENTRY-ONLY

In the opinion of Bond Counsel, interest on the Series 2002-B Bonds will be excludable from gross income for federal income tax purposes under statutes, regulations, published rulings and court decisions existing on the date thereof, except as explained under "TAX MATTERS" herein. Interest on the Series 2002-B Bonds will not be an item of tax preference for purposes of determining the alternative minimum tax imposed on individuals and corporations under section 57(a)(5) of the Code. See "TAX MATTERS" herein.

$150,000,000
TEXAS TURNPIKE AUTHORITY
CENTRAL TEXAS TURNPIKE SYSTEM
FIRST TIER REVENUE BONDS
SERIES 2002-B
(WEEKLY RATE DEMAND BONDS)

Dated Date: August 15, 2002 **Due: August 15, 2042**

Interest Accrual: Date of Delivery **CUSIP No.: 882762 BV8[1]**

The Commission, acting for and through TTA, is issuing the Series 2002-B Bonds pursuant to the Indenture of Trust, dated as of July 15, 2002 (the *"Indenture"*), and the Second Supplemental Indenture of Trust, dated August 1, 2002 (the *"Second Supplemental Indenture"*), each by and between the Commission and Bank One, National Association, as trustee and paying agent for the Series 2002 Obligations. The proceeds of the Series 2002-B Bonds will be used, together with certain other funds described herein, to (i) finance a portion of the Costs of planning, designing, engineering, developing and constructing the 2002 Project, (ii) pay a portion of capitalized interest during construction and for the first 11 months following the anticipated completion date of the 2002 Project, (iii) fund a portion of the First Tier Debt Service Reserve Fund Requirement, and (iv) pay certain Issuance Costs of the Series 2002-B Bonds, all as more fully described herein. The Series 2002-B Bonds, together with the Series 2002-A Bonds, the Series 2002 First Tier Note being delivered to the developer of the State Highway 130 element of the 2002 Project and any Additional First Tier Obligations, constitute limited obligations of the Commission payable solely from a first lien on, pledge of, and security interest in the Trust Estate.

Interest will initially accrue on the Series 2002-B Bonds from their date of delivery at a Weekly Rate (as defined herein), but the Series 2002-B Bonds may be subsequently converted to bear interest at a Fixed Rate as determined in accordance with the Second Supplemental Indenture. Interest on the Series 2002-B Bonds is payable on the first Business Day of each calendar month while the Series 2002-B Bonds bear interest at a Weekly Rate, commencing October 1, 2002, and will be calculated on the basis of actual days elapsed in a 365- or 366-day year, as applicable, from the last interest payment date for the Series 2002-B Bonds. Upon a change to the Fixed Rate, the Series 2002-B Bonds shall become subject to mandatory tender for purchase and remarketing in accordance with the Indenture and the Second Supplemental Indenture. See "THE SERIES 2002 OBLIGATIONS – General – Series 2002-B Bonds" herein for a description of the interest rate modes for the Series 2002-B Bonds. The Series 2002-B Bonds may never bear a net effective interest rate in excess of twelve percent (12%) per annum.

The Series 2002-B Bonds are initially issuable only to Cede & Co., the nominee of DTC pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Series 2002-B Bonds while bearing interest at a Weekly Rate may be acquired in denominations of $100,000 and integral multiples of $5,000 in excess thereof. Beneficial ownership of the Series 2002-B Bonds while bearing interest at a Fixed Rate may be acquired in denominations of $5,000 or any integral multiple thereof. No physical delivery of the Series 2002-B Bonds will be made to the purchasers thereof. Principal of, premium, if any, and interest on the Series 2002-B Bonds will be payable by the Trustee to DTC, which will make distribution of the amounts so paid to the beneficial owners thereof. See "THE SERIES 2002 OBLIGATIONS – Book-Entry-Only System" herein.

The payment of the principal of and interest on the Series 2002-B Bonds when due will be insured by a financial guaranty insurance policy to be issued by Ambac Assurance Corporation simultaneously with the delivery of the Series 2002-B Bonds.

Ambac

The Commission expects to enter into a Standby Bond Purchase Agreement for the purchase of all or a portion of the Series 2002-B Bonds that are not remarketed upon the tender thereof (while bearing interest at the weekly rate) with The Bank of Nova Scotia, acting through its New York Agency.

The Series 2002-B Bonds have received ratings from certain rating agencies. See "RATINGS" herein.

The Series 2002-B Bonds are subject to optional redemption and special mandatory redemption prior to maturity and to optional and mandatory tender, as described herein. See "THE SERIES 2002 OBLIGATIONS – Redemption."

This cover page contains information for quick reference only. It is not a summary of this bond issue. Potential investors must read the entire Official Statement to obtain information essential to making an informed investment decision. Investment in the Series 2002-B Bonds is subject to certain investment considerations. See "RISK FACTORS" herein.

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 SERIES 2002-B BONDS 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 SERIES 2002-B BONDS. NEITHER THE COMMISSION NOR THE DEPARTMENT HAS ANY TAXING POWER. THE INDENTURE DOES NOT CREATE A MORTGAGE ON THE SYSTEM.

PRICE: 100%

The Series 2002-B Bonds are offered for delivery when, as, and if issued and received by the Underwriter named below and subject to the approval of the Attorney General of the State of Texas and of McCall, Parkhurst & Horton L.L.P., Austin and Dallas, Texas, Bond Counsel. Certain legal matters will be passed upon for the Commission by the General Counsel to the Commission and by Nossaman Guthner Knox & Elliot, LLP, Los Angeles, California, special counsel to the Commission. Certain legal matters will be passed upon for the Underwriter by its counsel, Vinson & Elkins L.L.P., Austin, Texas. It is expected that delivery of the Series 2002-B Bonds will be made through DTC in New York, New York on or about August 29, 2002.

Salomon Smith Barney

(1) CUSIP numbers have been assigned to this issue by Standard & Poor's CUSIP Service Bureau, a division of the McGraw-Hill Companies, Inc. and are included solely for the convenience of the owners of the Series 2002-B Bonds. Neither the Commission nor the Underwriters shall be responsible for the selection or correctness of the CUSIP numbers set forth herein.

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OFFICIAL STATEMENT DATED AUGUST 7, 2002

NEW ISSUE — BOOK-ENTRY-ONLY

In the opinion of Bond Counsel, interest on the Series 2002 Second Tier BANS will be excludable from gross income for federal income tax purposes under statutes, regulations, published rulings and court decisions existing on the date thereof, except as explained under "TAX MATTERS" herein. Interest on the Series 2002 Second Tier BANS will not be an item of tax preference for purposes of determining the alternative minimum tax imposed on individuals and corporations under section 57(a)(5) of the Code. See "TAX MATTERS" herein.

$900,000,000

TEXAS TURNPIKE AUTHORITY
CENTRAL TEXAS TURNPIKE SYSTEM
SECOND TIER BOND ANTICIPATION NOTES
SERIES 2002

Dated Date: August 15, 2002 **Due: June 1, as shown on page viii**

The Commission, acting for and through TTA, is issuing the Series 2002 Second Tier BANS pursuant to the Indenture of Trust, dated as of July 15, 2002 (the *"Indenture"*), and the Fourth Supplemental Indenture of Trust, dated August 1, 2002 (the *"Fourth Supplemental Indenture"*) each by and between the Commission and Bank One, National Association, as trustee and paying agent for the Series 2002 Obligations. The proceeds of the Series 2002 Second Tier BANS will be used, together with certain other funds described herein, to (i) finance a portion of the Costs of planning, designing, engineering, developing and constructing the 2002 Project, (ii) pay the capitalized interest with respect to the Series 2002 Second Tier BANS to their respective maturities and (iii) pay certain Issuance Costs of the Series 2002 Second Tier BANS, all as more fully described herein. The Series 2002 Second Tier BANS, together with any Additional Second Tier Obligations (as defined herein), constitute limited obligations of the Commission payable solely from a second lien on, pledge of, and security interest in the Trust Estate, subordinate and junior to the lien securing the payment of the Series 2002-A Bonds, the Series 2002-B Bonds, the Series 2002 First Tier Note delivered to the developer of the State Highway 130 element of the 2002 Project, and any Additional First Tier Obligations. The Series 2002 Second Tier BANS are also payable from the proceeds of any bonds, notes or obligations issued to retire the Series 2002 Second Tier BANS.

Interest will accrue on the Series 2002 Second Tier BANS from August 15, 2002, will be payable on December 1 and June 1 of each year, commencing December 1, 2002, until maturity, and will be calculated on the basis of a 360-day year of twelve 30-day months. The Series 2002 Second Tier BANS are initially issuable only to Cede & Co., the nominee of DTC pursuant to the Book-Entry-Only System described herein. Beneficial ownership may be acquired in denominations of $5,000 or integral multiples thereof. No physical delivery of the Series 2002 Second Tier BANS will be made to the purchasers thereof. Principal of, premium, if any, and interest on the Series 2002 Second Tier BANS will be payable by the Trustee to DTC, which will make distribution of the amounts so paid to the beneficial owners thereof. See "THE SERIES 2002 OBLIGATIONS – Book-Entry-Only System" herein.

The Series 2002 Second Tier BANS have received ratings from certain rating agencies. See "RATINGS" herein.

The Series 2002 Second Tier BANS are not subject to redemption prior to maturity. See "THE SERIES 2002 OBLIGATIONS – Redemption" herein.

This cover page contains information for quick reference only. It is not a summary of this note issue. Potential investors must read the entire Official Statement to obtain information essential to making an informed investment decision. Investment in the Series 2002 Second Tier BANS is subject to certain investment considerations. See "RISK FACTORS" herein.

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 SERIES 2002 SECOND TIER BANS 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 SERIES 2002 SECOND TIER BANS. NEITHER THE COMMISSION NOR THE DEPARTMENT HAS ANY TAXING POWER. THE INDENTURE DOES NOT CREATE A MORTGAGE ON THE SYSTEM.

The Series 2002 Second Tier BANS are offered for delivery when, as, and if issued and received by the Underwriters named below and subject to the approval of the Attorney General of the State of Texas and of McCall, Parkhurst & Horton L.L.P., Austin and Dallas, Texas, Bond Counsel. Certain legal matters will be passed upon for the Commission by the General Counsel to the Commission and by Nossaman Guthner Knox & Elliot, LLP, Los Angeles, California, special counsel to the Commission. Certain legal matters will be passed upon for the Underwriters by their counsel, Vinson & Elkins L.L.P., Austin, Texas. It is expected that delivery of the Series 2002 Second Tier BANS will be made through DTC in New York, New York on or about August 29, 2002.

See page viii for maturity dates, principal amounts, maturity amounts, prices or yields.

Salomon Smith Barney **Goldman, Sachs & Co.** **Lehman Brothers**

SERIES 2002 SECOND TIER BANS
MATURITY SCHEDULE

Maturity (June 1)	Principal Amount	Interest Rate	Yield	CUSIP No.[1]
2007	$ 9,970,000	3.125%	3.170%	882762 BP1
2007	14,960,000	4.000	3.170	882762 BQ9
2007	100,000,000	5.000	3.170	882762 BR7
2008	8,515,000	3.375	3.470	882762 BS5
2008	21,605,000	4.000	3.470	882762 BT3
2008	744,950,000	5.000	3.470	882762 BU0

(Interest to accrue from August 15, 2002)

(1) CUSIP numbers have been assigned to this issue by Standard & Poor's CUSIP Service Bureau, a division of the McGraw-Hill Companies, Inc. and are included solely for the convenience of the owners of the Series 2002 Second Tier BANS. Neither the Commission nor the Underwriters shall be responsible for the selection or correctness of the CUSIP numbers set forth herein.

COMMISSION, DEPARTMENT AND CONSULTANTS AND ADVISORS

Texas Transportation Commission

Name	Title	Term Expires	Occupation
John W. Johnson	Commissioner	February, 2005	Businessman
Robert L. Nichols	Member	February, 2003	Businessman
Ric Williamson	Member	February, 2007	Businessman

Texas Department of Transportation

Administration

Name	Position
Michael W. Behrens, P.E.	Executive Director
Steven E. Simmons, P.E.	Deputy Executive Director
Amadeo Saenz Jr., P.E.	Assistant Executive Director for Engineering Operations
Cathy J. Williams, PHR	Assistant Executive Director for Support Operations
Edward A. Wueste	Assistant Executive Director for Border Trade

Texas Turnpike Authority Division

Phillip E. Russell, P.E.	Director
Robert B. Daigh, P.E.	Director of Turnpike Planning and Development
Teresa J. Lemons	Director of Finance and Administration
Timothy Weight, P.E.	Director of Construction
David T. Powell	Director of Information Technology

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James M. Bass	Director

Office of General Counsel

Richard Monroe	General Counsel

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Special Counsel ..... Nossaman Guthner Knox & Elliot, LLP
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Traffic Consultants ..... URS Corporation
New York, New York

Vollmer Associates LLP
New York, New York

General Engineering Consultant ..... Post, Buckley, Schuh & Jernigan, Inc. ("PBS&J")
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CUSIP numbers have been assigned to this issue by Standard & Poor's CUSIP Service Bureau for the convenience of the owners of the Series 2002 Obligations. Neither the Commission nor the Underwriters shall be responsible for the selection or the correctness of the CUSIP numbers.

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THE UNDERWRITERS HAVE PROVIDED THE FOLLOWING SENTENCE FOR INCLUSION IN THIS OFFICIAL STATEMENT. THE UNDERWRITERS REVIEWED THE INFORMATION IN THIS OFFICIAL STATEMENT IN ACCORDANCE WITH, AND AS PART OF, THEIR RESPECTIVE 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 SERIES 2002 OBLIGATIONS MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITERS AFTER SUCH SERIES 2002 OBLIGATIONS ARE RELEASED FOR SALE AND SUCH SERIES 2002 OBLIGATIONS MAY BE OFFERED AND SOLD AT PRICES OTHER THAN THE INITIAL OFFERING PRICE, INCLUDING SALES TO DEALERS WHO MAY SELL SUCH SERIES 2002 OBLIGATIONS INTO INVESTMENT ACCOUNTS. IN CONNECTION WITH THE OFFERING OF THE SERIES 2002 OBLIGATIONS, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2002 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 Series 2002 Obligations has been filed with the United States Securities and Exchange Commission under the Securities Act of 1933, as amended, in reliance upon an exemption provided thereunder. The Series 2002 Obligations have not been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Series 2002 Obligations been registered or qualified under the securities laws of any other jurisdiction. The Commission assumes no responsibility for the registration or qualification for sale or other disposition of the Series 2002 Obligations under the securities laws of any jurisdiction in which the Series 2002 Obligations may be offered, sold or otherwise transferred. This disclaimer of responsibility for registration or qualification for sale or other disposition of the Series 2002 Obligations shall 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 SERIES 2002 OBLIGATIONS AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THESE SECURITIES 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 Commission, that are not purely historical, are forward-looking statements, including statements regarding the Commission's expectations, hopes, intentions or strategies regarding the future and the projections in the GEC's System Report and the Traffic and Revenue Report. All forward-looking statements included in this Official Statement are based on information available to the Commission on the date hereof, and the Commission assumes no obligation to update any such forward-looking statements. See "RISK FACTORS – Forward-Looking Statements."

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OFFICIAL STATEMENT

relating to

$1,149,993,781.80
TEXAS TURNPIKE AUTHORITY
CENTRAL TEXAS TURNPIKE SYSTEM
FIRST TIER REVENUE BONDS
SERIES 2002-A

$150,000,000.00
TEXAS TURNPIKE AUTHORITY
CENTRAL TEXAS TURNPIKE SYSTEM
FIRST TIER REVENUE BONDS
SERIES 2002-B
(WEEKLY RATE DEMAND BONDS)

$900,000,000.00
TEXAS TURNPIKE AUTHORITY
CENTRAL TEXAS TURNPIKE SYSTEM
SECOND TIER BOND ANTICIPATION NOTES
SERIES 2002

INTRODUCTION

This Official Statement (the "*Official Statement*") contains certain information relating to the offering and sale by the Texas Transportation Commission (the "*Commission*") of its Texas Turnpike Authority Central Texas Turnpike System First Tier Revenue Bonds, Series 2002-A (the "*Series 2002-A Bonds*"), First Tier Revenue Bonds, Series 2002-B (Weekly Rate Demand Bonds) (the "*Series 2002-B Bonds*" and, together with the Series 2002-A Bonds, the "*Series 2002 First Tier Bonds*"), and Second Tier Bond Anticipation Notes, Series 2002 (the "*Series 2002 Second Tier BANS*" and, together with the Series 2002 First Tier Bonds, the "*Series 2002 Obligations*"). This Official Statement also contains information regarding the Series 2002 First Tier Note delivered to Lone Star Infrastructure, the developer (the "*Developer*") of the State Highway 130 element of the 2002 Project (as described below) and the loan from the United States Department of Transportation ("*USDOT*") to the Commission made pursuant to the Secured Loan Agreement (as defined below) and evidenced by the Texas Turnpike Authority Central Texas Turnpike System Subordinate Lien Revenue Bond, Series 2002 (the "*2002 TIFIA Bond*"). See "TIFIA FUNDING."

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, or that they will be realized. The 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 "APPENDIX B – SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Definitions."

The Series 2002 First Tier Bonds and the Series 2002 First Tier Note are special, limited obligations of the Commission payable from and secured by a first lien on, pledge of and security interest in the Trust Estate granted in the Indenture, on an equal and ratable basis with any Additional First Tier Obligations issued in the future in accordance with the provisions of the Indenture (collectively, the "*First Tier Obligations*"). The Series 2002 Second Tier BANS are special, limited obligations of the Commission payable solely from and secured by a second lien on, pledge of and security interest in the

Trust Estate granted in the Indenture, on an equal and ratable basis with any Additional Second Tier Obligations issued in the future in accordance with the provisions of the Indenture (collectively, the "*Second Tier Obligations*"). The lien securing the Second Tier Obligations is subordinate and junior to the lien securing the First Tier Obligations. The Series 2002 Second Tier BANS are also payable from the proceeds of any bonds, notes or obligations issued to retire the Series 2002 Second Tier BANS. See "SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2002 OBLIGATIONS – Sources of Payment."

The Series 2002 Obligations are being issued 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 (the "*System*") located in the greater City of Austin, Texas metropolitan area in Travis and Williamson Counties, Texas. The System initially will consist of the 2002 Project, which includes the construction of three elements of the System: segments 1 through 4 of State Highway 130, from Interstate Highway 35 to United States Highway 183; State Highway 45 North; and Loop 1. The elements of the 2002 Project, together with certain other future connector facilities, are shown on the map on page ii hereof. The System will also include any future Project to expand, enlarge or extend the System, any future Project pooled with the System pursuant to the Turnpike Act, and any other roads, bridges, tunnels or other toll facilities for which the Commission has operational responsibility and is collecting Tolls, unless the Commission declares, in writing delivered to the Trustee, that such roads, bridges, tunnels or other toll facilities are not part of the System for the purposes of the Indenture. See "THE SYSTEM AND THE 2002 PROJECT."

The elements of the 2002 Project have been in various stages of planning, design and construction since the early 1980's in order to help alleviate traffic congestion and improve mobility at various locations throughout the northern and eastern regions of the greater City of Austin, Texas metropolitan area. Between 1970 and 2000, Travis and Williamson Counties experienced population growth rates relatively higher than most other areas of the State. See "APPENDIX E – GEC'S SYSTEM REPORT." From 1990-2000, Travis County's population increased by 235,000 persons (40.9 percent) followed by Williamson County, with a population increase of 110,416 persons (79.1 percent). Similarly, the populations of the cities in the 2002 Project area increased significantly between 1970 and 1990. The City of Austin, the largest city in the area, added the greatest total population (213,814 persons, representing an 84.9 percent increase).

The State Highway 45 North element will provide an east-west roadway for the Austin metropolitan area. Interstate Highway 35 represents one of the few north-south roadways serving Austin and its surrounding communities. Currently, Interstate Highway 35 is experiencing high levels of congestion and delays due in part to the increase in international truck traffic resulting from the North American Free Trade Agreement ("*NAFTA*") and the inability of the highway lane capacity on Interstate Highway 35 to keep pace with increased traffic. Interstate Highway 35 is one of the major north-south roadways providing access to the lower Rio Grande Valley and the Mexican Border from the north. The City of Austin's population growth has caused an accelerated deterioration of mobility along Interstate Highway 35. Because of these factors, an increase in the number of accidents has occurred and Interstate Highway 35 has experienced a steady degradation in its level of service (LOS). The Commission's current LOS rating of Interstate Highway 35 is E/F, the two lowest rating categories. The State Highway 130 element of the 2002 Project will provide an eastern alternative to Interstate Highway 35.

Additional sources of funding for the 2002 Project will be provided through state, local, federal and private sources, and from investment earnings on amounts deposited in the Construction Fund. See "PLAN OF FINANCE." The Commission has covenanted in the Indenture to provide, subject to legislative appropriation of constitutionally-dedicated funds, $700,000,000 toward payment of construction costs of the 2002 Project and approximately $24,560,000 toward the cost of right-of-way for the Loop 1 element of the 2002 Project, and to make available other funds necessary to complete the 2002 Project, acquire necessary right-of-way and ensure the timely construction and opening of certain major

connectors and feeders to the 2002 Project. See "SYSTEM-RELATED FUNDING OBLIGATIONS OF THE COMMISSION." Further, pursuant to separate agreements, certain local political subdivisions have agreed to pay a portion of the Costs of right-of-way acquisition and utility relocation for the 2002 Project. See "RIGHT-OF-WAY FUNDING."

Pursuant to the Transportation Infrastructure Finance and Innovation Act of 1998, 23 United States Code, Section 181, et seq. ("*TIFIA*"), the USDOT has agreed to lend to the Commission up to $916,760,000 to pay or reimburse the Commission for a portion of the Costs of the 2002 Project under the Master Secured Loan Agreement (the "*Secured Loan Agreement*"). See "TIFIA FUNDING" and "APPENDIX G – SUMMARY OF SECURED LOAN AGREEMENT." To evidence the Commission's obligation under the Secured Loan Agreement, the Commission has issued the 2002 TIFIA Bond in accordance with the First Supplemental Indenture (as defined below). The 2002 TIFIA Bond and other Subordinate Lien Obligations hereafter issued are payable from and secured by a lien on, pledge of and security interest in the Trust Estate subordinate and junior to the First Tier Obligations and Second Tier Obligations unless, with respect to the 2002 TIFIA Bond, a Bankruptcy-Related Event occurs under the Secured Loan Agreement and the Indenture while USDOT owns the 2002 TIFIA Bond. See "SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2002 OBLIGATIONS – Additional Obligations – Springing First Tier Obligation" and "– Default and Remedies – 2002 TIFIA Bond Default Remedy."

Further, as required by the Turnpike Act, the Developer has agreed to accept deferred payment for a portion of its compensation, in an amount up to $10,000,000, relating to development, design and construction of the State Highway 130 element of the 2002 Project. To evidence the Commission's obligation to make such deferred payment, the Commission is issuing the Series 2002 First Tier Note, which is secured ratably with the other First Tier Obligations by a first lien on, pledge of and security interest in the Trust Estate.

The Texas Department of Transportation (the "*Department*") is an agency of the State created to provide a safe, effective and efficient transportation system throughout the State. The Department is governed by the three-member Commission. The Texas Turnpike Authority Division of the Department ("*TTA*") was created under Chapter 361 of the Texas Transportation Code, as amended (the "*Turnpike Act*"). In order to allow the Commission to make the most efficient use of its resources, the State Legislature granted authority to the Commission, acting for and through TTA, to design, construct, operate and expand turnpike projects as a part of the State's highway system. The Department currently has an annual budget of approximately $5.1 billion and a staff of approximately 15,000 that manages the letting of annual construction contracts of approximately $3 billion. See "THE COMMISSION."

On June 27, 2002, the Commission adopted several minute orders relating to the Series 2002 Obligations and the 2002 Project (the "*Authorizing Minute Order*," the "*Funding Minute Order*," and the "*Toll Rate Minute Order*"), each of which is included in "APPENDIX C – MINUTE ORDERS OF THE COMMISSION." The Series 2002 Obligations and the Series 2002 First Tier Note will be issued by the Commission pursuant to the laws of the State, particularly Section 361.171 of the Turnpike Act and Chapter 1371, Texas Government Code, as amended (collectively, the "*Enabling Acts*"), the Authorizing Minute Order and an Indenture of Trust, dated July 15, 2002 with respect to the Series 2002 First Tier Bonds (the "*Indenture*"), by and between the Commission and Bank One, National Association (the "*Trustee*"), as supplemented by the First Supplemental Indenture of Trust, dated July 15, 2002 with respect to the 2002 TIFIA Bond (the "*First Supplemental Indenture*"), the Second Supplemental Indenture of Trust, dated August 1, 2002 with respect to the Series 2002-B Bonds (the "*Second Supplemental Indenture*"), the Third Supplemental Indenture of Trust, dated August 1, 2002 with respect to the Series 2002 First Tier Note (the "*Third Supplemental Indenture*"), and the Fourth Supplemental Indenture of Trust, dated August 1, 2002 with respect to the Series 2002 Second Tier BANS (the "*Fourth Supplemental Indenture*"), each between the Commission and the Trustee.

The construction of the 2002 Project will be the responsibility of the Department; however, the Department has retained the engineering firm of HDR, Inc. to provide certain program management

services, which include design and construction oversight on the State Highway 130 element and the engineering firm of Post, Buckley, Schuh & Jernigan, Inc. ("*PBS&J*") to provide construction oversight on the Loop 1 and State Highway 45 North elements.

The State Highway 130 element will be constructed pursuant to an exclusive development agreement (similar to a design-build contract) with Lone Star Infrastructure (the "*Developer*"), and the Loop 1 and State Highway 45 North elements will be constructed pursuant to a traditional design-bid-build process. See "THE SYSTEM AND THE 2002 PROJECT – Construction of 2002 Project" and "THE DEVELOPER."

The 2002 Project will be maintained and operated by the Department. A portion of the maintenance and operation costs of the 2002 Project will be funded through legislative appropriations to the Department of constitutionally dedicated funds. See "SYSTEM-RELATED FUNDING OBLIGATIONS OF COMMISSION" and "RISK FACTORS COSTS OF 2002 PROJECT – Funding of Commission Obligations."

In response to a written request from the Governor of the State to the Commission, the Department has outlined a long-term transportation plan (the "*Plan*") describing the "Trans Texas Corridor," a proposed all-Texas 4,000 mile network of transportation and communication infrastructure facilities and corridors to be located parallel or adjacent to the existing State Highway System. The Plan contemplates that financing for the Trans Texas Corridor would be accomplished primarily from toll revenue bonds issued both on behalf of public toll road authorities and private toll road developers and that the administration of such projects would be through the Department, regional mobility authorities or regional toll authorities. No financing arrangements or commitments currently exist or have been entered into with respect to the Plan, and significant action by the State Legislature would be required to implement the Plan. The Plan as currently written will complement and not compete with the 2002 Project.

Investment in the Series 2002 Obligations involves certain risks, some of which are discussed throughout this Official Statement. The statements contained in this Official Statement, and in other information provided by the Commission, that are not purely historical, are forward-looking statements, including statements regarding the Commission'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 Commission on the date hereof, and the Commission 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 Series 2002 Obligations.

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 SERIES 2002 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 SERIES 2002 OBLIGATIONS. NEITHER THE COMMISSION NOR THE DEPARTMENT HAS ANY TAXING POWER. THE INDENTURE DOES NOT CREATE A MORTGAGE ON THE SYSTEM.

PLAN OF FINANCE

Costs of the 2002 Project will be financed with proceeds of the Series 2002 Obligations, funds provided by the Commission, contributions toward right-of-way acquisition Costs from certain local political subdivisions, disbursements under the Secured Loan Agreement, interest earnings on amounts in

the Construction Fund and deferred construction payments evidenced by the Series 2002 First Tier Note, all as more fully described below.

Proceeds of the Series 2002 Obligations

Proceeds from the sale of the Series 2002 Obligations will be applied to (i) finance a portion of the Costs of the 2002 Project, (ii) pay capitalized interest on the Series 2002 Obligations during construction of the 2002 Project and for the first 11 months following the anticipated completion date of the 2002 Project (December 1, 2007), and (iii) pay certain Issuance Costs of the Series 2002 Obligations. In addition, proceeds from the Series 2002 First Tier Bonds will be used to fund the First Tier Debt Service Reserve Fund. See "SOURCES AND USES OF FUNDS DERIVED FROM SERIES 2002 OBLIGATIONS." The Series 2002 First Tier Bonds are intended to provide long-term financing for the 2002 Project. Conversely, the Series 2002 Second Tier BANS are intended to provide interim financing for the 2002 Project and are expected to be refinanced from the proceeds of Additional First Tier Obligations, Additional Second Tier Obligations, Additional Subordinate Lien Obligations, the proceeds of the 2002 TIFIA Bond or other lawfully available sources. See "SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2002 OBLIGATIONS – Additional Obligations" and "APPENDIX G – SUMMARY OF CERTAIN PROVISIONS OF THE SECURED LOAN AGREEMENT." See also "RISK FACTORS – Refunding of Series 2002 Second Tier BANS."

Funding Obligations of the Commission

Pursuant to the Funding Minute Order, the Commission has undertaken to pay $700,000,000 in construction costs of the 2002 Project, payable in monthly installments in each of the Fiscal Years 2004 through 2008, and approximately $24,560,000 toward the cost of right-of-way for the Loop 1 element of the 2002 Project, and to make available other funds necessary to complete the 2002 Project, as described below. See "APPENDIX C – MINUTE ORDERS OF THE COMMISSION." Subject to constitutionally-dedicated funds being appropriated to the Commission in a manner that would allow their use to pay the Costs of the 2002 Project, as set forth in the Funding Minute Order, the Commission covenants in the Indenture (i) to carry out its undertakings set forth in the Funding Minute Order and to make funds available to the Trustee, to the extent set forth in the Funding Minute Order, in a manner and within the time necessary to allow the Trustee to pay the Costs of the 2002 Project, (ii) to make lawfully available funds available in amounts sufficient to complete the construction of the 2002 Project, including necessary right-of-way, if the proceeds of the Series 2002 Obligations and the other funds made available pursuant to the Funding Minute Order and the right-of-way funding agreements between the Commission and certain local political subdivisions are insufficient for such purpose, and (iii) to use its best efforts to issue, sell and deliver Additional Obligations, if necessary, to provide such lawfully available funds to refund the Series 2002 Second Tier BANS or to complete construction of the 2002 Project.

Pursuant to Article VIII, Section 7-a of the State Constitution ("*Section 7-a*"), (i) 75% of the net revenues generated from the state motor fuels tax and (ii) the net revenues generated from the state motor vehicle registration fees (except for a portion that is reserved for the county governments) are dedicated for acquiring right-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 State Constitution, certain revenues received from the federal government as reimbursement for state expenditures of funds that are themselves dedicated pursuant to Section 7-a are also constitutionally dedicated and shall be used only for those purposes. Such funds are deposited into the State Highway Fund and, upon appropriation to the Department, are administered by the Commission. The Department currently has an annual budget of approximately $5.1 billion, which includes an annual letting of construction contracts of approximately $3.0 billion. Within existing legislative transfer authority, the annual budget amounts are available, at the discretion of the Commission, for construction, contracted maintenance and right-of-way acquisition, including the Commission's funding obligations for the 2002 Project. See "SYSTEM-RELATED FUNDING OBLIGATIONS OF COMMISSION" and

"FUNDING OF COMMISSION OBLIGATIONS." See also "RISK FACTORS – Funding of Commission Obligations."

ROW Contributions by Certain Local Political Subdivisions

Pursuant to the Funding Minute Order and the Indenture, the Commission has covenanted to use lawfully available funds to acquire all necessary right-of-way for the 2002 Project that is not acquired or paid for by other entities. The 2002 Project will be a part of the State Highway System and all right-of-way is being acquired in, or will ultimately be held in, the name of the State. As with many State Highway projects, the Commission expects political subdivisions benefiting from the highway improvements to pay for all or a portion of the right-of-way and utility relocation costs (the "*ROW Costs*"). The Commission has executed separate agreements (each, a "*Contribution Agreement*") with certain contributing political subdivisions (the "*Contributing Subdivisions*"), pursuant to which the Contributing Subdivisions have agreed to pay a portion of the ROW Costs for the 2002 Project, which portion is currently estimated by the Commission to be $487,150,000. As of the date of this Official Statement, the Commission has received approximately $234,317,019 in cash and real property from the Contributing Subdivisions under the Contribution Agreements. Under certain of the Contribution Agreements, if the Commission determines that the amount contributed by any Contributing Subdivision is insufficient to cover the ROW Costs for which it is responsible, the Contributing Subdivisions have agreed to provide additional funding to pay such ROW Costs. See "RIGHT-OF-WAY FUNDING." See also "RISK FACTORS – COSTS OF 2002 PROJECT – Funding of Commission Obligations" and "- Local Funding Risks of Right-of-Way Cost."

Secured Loan Agreement and 2002 TIFIA Bond

Pursuant to TIFIA and the First Supplemental Indenture, the Commission has entered into the Secured Loan Agreement with the USDOT pursuant to which the Commission is authorized, subject to the conditions set forth therein, to borrow up to $916,760,000 to pay or reimburse the Commission for "Eligible Project Costs" (as defined in "APPENDIX G – SUMMARY OF CERTAIN PROVISIONS OF THE SECURED LOAN AGREEMENT") of the 2002 Project. Additionally, the Secured Loan Agreement permits borrowing thereunder to refinance interim construction financing up to one year past the substantial completion of the 2002 Project. The Commission's obligations under the Secured Loan Agreement will be evidenced by the 2002 TIFIA Bond, which constitutes a Subordinate Lien Obligation secured by a lien on, pledge of and security interest in the Trust Estate that is subordinate and junior to the lien on, pledge of and security interest in the Trust Estate securing the First Tier Obligations and the Second Tier Obligations; provided, however, that upon the occurrence of a Bankruptcy-Related Event under the Secured Loan Agreement and the Indenture while the USDOT owns the 2002 TIFIA Bond, the 2002 TIFIA Bond will become a First Tier Obligation on a parity with other First Tier Obligations, except that it will not be entitled to be paid from amounts in the First Tier Debt Service Reserve Fund. See "TIFIA FUNDING," "SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2002 OBLIGATIONS – Additional Obligations – Springing First Tier Obligation," "- Default and Remedies – 2002 TIFIA Bond Default Remedy" and "APPENDIX G – SUMMARY OF CERTAIN PROVISIONS OF THE SECURED LOAN AGREEMENT." See also "RISK FACTORS – Dilution of First-Tier Security Upon Bankruptcy-Related Event." Initially, the Commission expects to borrow approximately $16,760,000 under the Secured Loan Agreement to pay Costs of the 2002 Project. The balance of the 2002 TIFIA Bond is available, as needed, as reimbursements of eligible projects costs, to finance or refinance costs of the 2002 Project, including retirement of the Series 2002 Second Tier BANS. See "RISK FACTORS – Refunding of Series 2002 Second Tier BANS."

Interest Earnings

The Construction Fund will be funded with (i) proceeds of the Series 2002 Obligations, (ii) contributions of highway funds from the Commission, (iii) contributions toward ROW Costs by the Contributing Subdivisions, (iv) proceeds of the 2002 TIFIA Bond, (v) interest earnings on amounts in the

Construction Fund and (vi) any other moneys received by the Trustee for the payment of Costs of the 2002 Project. See "SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2002 OBLIGATIONS – Funds and Accounts – Construction Fund." As stated above, investment earnings on amounts deposited in the Construction Fund will be retained in the Construction Fund and will be available to pay Costs of the 2002 Project.

Simultaneously with the award of the Series 2002 Obligations, the Commission conducted a competitive process for the investment of the proceeds of the Series 2002 Obligations. The Commission entered into the process and accepted the bids described below to establish fixed rates of return for the proceeds. Bank of America, N.A. ("*Bank of America*") submitted the winning bid for a portfolio of securities with a purchase price of approximately $995,000,000 and a yield of approximately 2.98% for amounts to be deposited in the First Tier Debt Service Fund and the Second Tier Debt Service Fund to fund capitalized interest on the Series 2002 First Tier Bonds and the Series 2002 Second Tier BANS, respectively, and amounts to be deposited in the Construction Fund. The Commission expects the portfolio of securities to be delivered by Bank of America on the date of delivery of the Series 2002 Obligations.

Furthermore, amounts to be deposited in the First Tier Debt Service Reserve Fund are to be invested under investment agreements with Wachovia Bank, National Association ("*Wachovia*") and Salomon Smith Barney Inc. ("*Salomon*"). $15,000,000 of the amount deposited in the First Tier Debt Service Reserve Fund will be invested under a forward purchase agreement between the Trustee, the Commission and Wachovia with term of ten (10) years and a yield of approximately 4.475%. The balance of the First Tier Debt Service Reserve Fund, approximately $115,000,000, will be invested pursuant to a flexible repurchase agreement between the Trustee, the Commission and Salomon with a twenty (20) year term and a yield of approximately 5.20%. The Commission also accepted the bid of Salomon Holding Company Inc. ("*Salomon Brothers*") for approximately $600,000,000 of the amounts to be deposited in the Construction Fund. This amount will be invested under a forward purchase agreement between the Trustee, the Commission and Salomon Brothers at yields ranging from approximately 1.825% to 2.50%. Of the remaining amounts deposited into the Construction Fund, $200,000,000 will be invested under a forward purchase agreement between the Trustee, the Commission and Merrill Lynch Capital Services, Inc. with a yield of approximately 1.835%, and $100,000,000 will be invested under a forward purchase agreement between the Trustee, the Commission and Bank of America with a yield of approximately 1.796%. The Commission anticipates entering into the investment agreements described above on or prior to the date of delivery of the Series 2002 Obligations.

Series 2002 First Tier Note

Pursuant to an Exclusive Development Agreement with the Commission, the Developer has agreed, subject to the conditions set forth therein, to perform all work necessary to develop, design and construct the State Highway 130 element of the 2002 Project. The Exclusive Development Agreement is a guaranteed lump-sum, guaranteed completion date contract pursuant to which the Commission will pay to the Developer a fixed price of $952,644,000 as total compensation for development, design and construction of the State Highway 130 element (segments 1 through 4), subject to adjustment under limited circumstances as provided therein. As required by the Turnpike Act, the Developer has agreed to accept deferred payment in an amount of up to $10,000,000 for progress payments otherwise owing upon completion of the State Highway 130 element. To evidence its obligation to make such deferred payment, the Commission will issue to the Developer the Series 2002 First Tier Note in an amount up to $10,000,000, which note is secured ratably with the other First Tier Obligations by a first lien on, pledge of and security interest in the Trust Estate. The Series 2002 First Tier Note accrues interest from an anticipated starting date of August 15, 2008, at a rate of 6.5%, and matures on August 15, 2036. See "APPENDIX H – SUMMARY OF CERTAIN PROVISIONS OF THE EXCLUSIVE DEVELOPMENT AGREEMENT AND THE CAPITAL MAINTENANCE AGREEMENT – Compensation and Payment – Developer Note."

Traffic and Revenue Report and GEC's System Report

The GEC's System Report of PBS&J (the "*General Engineering Consultant*" or "*GEC*") is attached as APPENDIX E and the Traffic and Revenue Report prepared by URS Corporation and Vollmer Associates LLP (the "*Traffic Consultants*") is attached as APPENDIX F.

ESTIMATED INITIAL SOURCES AND USES OF FUNDS FOR 2002 PROJECT

The following table shows the estimated sources of initial funding for the 2002 Project, and the application thereof.

Sources of Funds	
Proceeds of Series 2002 Obligations and Series 2002 First Tier Note	$2,267,834,897.50
2002 TIFIA Bond[1]	16,760,000.00
Funding Obligations of Commission	700,000,000.00
Funds Provided by Contributing Subdivisions and Commission for ROW	511,710,000.00
Interest Earnings[2]	160,435,497.69
Accrued Interest	3,168,312.05
Total Sources of Funds	$3,659,908,707.24
Uses of Funds	
Construction Costs	$2,247,098,000.00
ROW Costs	694,902,000.00
Capitalized Interest[3]	524,775,986.32
Debt Service Funds (accrued interest)	3,168,312.05
First Tier Debt Service Reserve Fund Requirement	129,999,378.18
Bond Insurance	42,690,985.56
Issuance Costs, including Underwriters' Discount	17,274,045.13
Total Uses of Funds	$3,659,908,707.24

(1) Interim funding is provided by the Series 2002 Second Tier BANS. It is assumed that up to $900,000,000 of the 2002 TIFIA Bond will be drawn down in 2007 and 2008 to refinance the Series 2002 Second Tier BANS. See "2002 Project Estimated Cash Flow and Debt Service Coverage Table" and "Plan of Finance – Secured Loan Agreement and 2002 TIFIA Bond."

(2) Based on expected investment earnings in the Debt Service Fund, the Construction Fund, and the First Tier Debt Service Reserve Fund. See "PLAN OF FINANCE – Interest Earnings," "INVESTMENT AUTHORITY AND INVESTMENT PRACTICES OF THE COMMISSION" and "RISK FACTORS – Unpredictability of Investment Earnings" and "- Forward-Looking Statements."

(3) Funded from initial deposit of $211,181,670.79 in the First Tier Debt Service Fund and $227,721,177.21 in the Second Tier Debt Service Fund plus investment earnings on such amounts and, with respect to the Series 2002 First Tier Bonds, the amounts in the First Tier Debt Service Reserve Fund.

For a detailed estimate of the application of proceeds from each series of the Series 2002 Obligations, see "SOURCES AND USES OF FUNDS DERIVED FROM SERIES 2002 OBLIGATIONS."

Series 2002 Project Estimated Cash Flow and Debt Service Coverage

The table on the following page has been compiled to show estimated Revenues of the 2002 Project for the Fiscal Years 2008 through 2042 as estimated by the Traffic Consultants, including investment and other earnings for the same period as estimated by the Commission. Based on the projections for estimated Revenues and the Debt Service Requirements for the Series 2002 Obligations, estimated debt service coverage for each of the following periods is set forth in the table on the following pages. See "SCHEDULE I – DEBT SERVICE REQUIREMENTS" for the debt service requirements with respect to each series of Series 2002 Obligations

2002 Project Estimated Cash Flow and Debt Service Coverage Table
(Dollar Amounts shown in Thousands)

Fiscal Year	Revenues[1]	Rate Stabilization Fund	First Tier Net Debt Service[2]	Coverage: All First Tier Debt Service	Coverage: With Stabilization Fund Balance	TIFIA Debt Service[3]	Revenues Available for O&M	Total Operations Costs[4]	Operations paid from Revenues	Commission Support: Operations paid from Commission	Commission Support: Total Maint. Costs	Commission Support: Total Reserve Maintenance	Revenues Available for Maintenance
2008	$ 37,356	$37,356	--	--	--	--	--	$ 14,490	--	$ 14,490	$ 12,237	$ 913	--
2009	57,844	37,356	$ 35,883	1.61	2.65	--	$ 21,961	14,901	$ 14,901	--	12,743	940	$ 7,059
2010	72,108	37,356	45,312	1.59	2.42	$ 18,837	7,960	22,472	7,960	14,512	13,269	967	--
2011	85,241	37,356	45,312	1.88	2.71	30,671	9,258	21,853	9,258	12,594	13,815	995	--
2012	93,603	37,356	49,817	1.88	2.63	32,311	11,476	22,438	11,476	10,962	14,383	1,209	--
2013	99,546	37,356	53,022	1.88	2.58	34,358	12,167	22,639	12,167	10,472	14,410	1,024	--
2014	103,845	37,356	55,467	1.87	2.55	35,708	12,670	23,257	12,670	10,587	14,842	1,328	--
2015	108,255	37,356	57,917	1.87	2.51	37,157	13,182	24,493	13,182	11,311	15,288	3,130	--
2016	131,107	37,356	71,117	1.84	2.37	44,034	15,957	23,774	15,957	7,817	15,746	1,119	--
2017	138,118	37,356	74,967	1.84	2.34	46,369	16,783	24,470	16,783	7,687	16,219	64,346	--
2018	145,359	37,356	78,812	1.84	2.32	48,909	17,639	25,186	17,639	7,547	16,705	1,187	--
2019	152,371	37,356	82,662	1.84	2.30	51,244	18,466	25,924	18,466	7,458	17,206	1,223	--
2020	159,622	37,356	86,512	1.85	2.28	53,793	19,318	27,624	19,318	8,306	17,723	1,260	--
2021	170,789	37,356	92,577	1.84	2.25	57,569	20,644	28,437	20,644	7,793	18,254	1,633	--
2022	180,937	37,356	98,362	1.84	2.22	60,716	21,860	29,274	21,860	7,414	18,802	1,586	--
2023	191,055	37,356	104,152	1.83	2.19	63,836	23,068	30,136	23,068	7,067	19,366	3,965	--
2024	201,113	37,356	109,937	1.83	2.17	66,907	24,270	31,023	24,270	6,753	19,947	3,372	--
2025	211,231	37,356	115,722	1.83	2.15	70,028	25,482	32,839	25,482	7,357	20,545	1,460	--
2026	248,694	37,356	137,022	1.81	2.09	81,664	30,009	31,500	30,009	1,491	21,162	1,504	--
2027	258,659	37,356	142,172	1.82	2.08	85,301	31,187	32,427	31,187	1,240	21,796	137,803	--
2028	268,626	37,356	147,287	1.82	2.08	88,975	32,365	33,382	32,365	1,018	22,450	2,008	--
2029	278,551	37,356	152,352	1.83	2.07	92,666	33,534	34,366	33,534	832	23,124	1,644	--
2030	288,396	37,356	157,337	1.83	2.07	96,361	34,698	35,255	34,698	556	23,818	1,693	--
2031	298,115	37,356	162,237	1.84	2.07	100,043	35,835	36,294	35,835	458	24,532	5,023	--
2032	307,678	37,356	167,017	1.84	2.07	103,700	36,962	37,364	36,962	402	25,268	2,131	--
2033	317,037	37,356	171,662	1.85	2.06	107,313	38,063	38,465	38,063	402	26,026	1,850	--
2034	326,171	37,356	176,147	1.85	2.06	110,886	39,139	39,600	39,139	461	26,807	1,906	--
2035	335,385	37,356	180,657	1.86	2.06	114,507	40,221	40,626	40,221	405	27,611	2,470	--
2036	374,715	37,356	202,052	1.85	2.04	127,709	44,955	41,836	41,836	--	28,439	2,022	3,119
2037	383,613	37,356	206,317	1.86	2.04	131,305	45,992	43,070	43,070	--	29,293	116,215	2,922
2038	392,455	37,356	210,512	1.86	2.04	134,908	47,035	44,341	44,341	--	30,171	2,145	2,695
2039	401,298	37,356	183,447	2.19	2.39	171,520	46,332	45,650	45,650	--	31,077	6,363	682
2040	410,177	37,356	187,618	2.19	2.39	175,188	47,371	47,017	47,017	--	32,009	2,275	353
2041	419,057	37,356	191,776	2.19	2.38	178,877	48,405	48,406	48,405	1	32,969	5,574	--
2042	557,932	37,356	259,528	2.15	2.29	233,413	102,347	49,802	49,802	--	33,958	3,488	52,545
	$8,206,073		**$4,292,686**			**$2,886,780**	**$1,026,607**	**$1,124,628**	**$957,232**	**$167,396**	**$752,012**	**$387,773**	**$69,375**

[1] As used in this table, Revenues include Tolls, "Service Center Revenues" (as described in Section 8.3 of the Traffic and Revenue Report), earnings on the First Tier Debt Service Reserve Fund and earnings on the Stabilization Fund.

[2] First Tier Net Debt Service includes Debt Service on the Series 2002 First Tier Note and is net of Capitalized Interest. Reflects the actual interest rates for the Series 2002-A Bonds and assumes an all in rate of 5.00% on the Series 2002-B Bonds and that the principal of the Series 2002-B Bonds will be paid at maturity.

[3] Assumes that a portion of the 2002 TIFIA Bond is drawn down in 2007 and 2008 to refinance the Series 2002 Second Tier BANS. Should long-term fixed-interest rates be lower than the rate of the 2002 TIFIA Bond, Additional First Tier Obligations, Second Tier Obligations or Subordinate Lien Obligations may be issued to refinance the Series 2002 Second Tier BANS on their respective maturity dates.

[4] Operating expenses are net of indirect costs of the Department to be paid from general Department funds.

SOURCES AND USES OF FUNDS DERIVED FROM SERIES 2002 OBLIGATIONS

The proceeds from the sale of each series of Series 2002 Obligations are estimated to be applied as set forth in the following table:

Sources and Uses of Funds	Series 2002-A Bonds	Series 2002-B Bonds	Series 2002 Second Tier BANS	Total
Sources of Funds:				
Principal Amount	$1,149,993,781.80	$150,000,000.00	$900,000,000.00	$2,199,993,781.80
Plus: Premium	11,220,781.75	--	68,112,050.25	79,332,832.00
Less: Original Issue Discount	(21,429,442.20)	--	(62,274.10)	(21,491,716.30)
Accrued Interest	1,445,182.57	--	1,723,129.48	3,168,312.05
Total Sources of Funds	$1,141,230,303.92	$150,000,000.00	$969,772,905.63	$2,261,003,209.55
Uses of Funds:				
Deposit to Construction Fund	$802,757,088.74	$91,370,246.48	$734,840,305.41	$1,628,967,640.63
Deposit to First Tier Debt Service Reserve Fund	114,999,378.18	15,000,000.00	--	129,999,378.18
Deposit to First Tier Debt Service Fund(1)	174,558,846.76	38,068,006.60	--	212,626,853.36
Deposit to Second Tier Debt Service Fund(2)	--	--	229,444,306.69	229,444,306.69
Bond Insurance	38,463,727.23	4,227,258.33	--	42,690,985.56
Issuance Costs (including Underwriters' Discount)	10,451,263.01	1,334,488.59	5,488,293.53	17,274,045.13
Total Uses of Funds	$1,141,230,303.92	$150,000,000.00	$969,772,905.63	$2,261,003,209.55

(1) Includes capitalized interest deposited to First Tier Debt Service Fund.
(2) Includes capitalized interest deposited to Second Tier Debt Service Fund.

THE SERIES 2002 OBLIGATIONS

General

The Series 2002-A Bonds are being issued in accordance with the Enabling Acts, the Indenture and the Authorizing Minute Order. The Authorizing Minute Order is included in "APPENDIX C – MINUTE ORDERS OF THE COMMISSION." The Series 2002-B Bonds are being issued in accordance with the Enabling Acts, the Indenture, the Authorizing Minute Order and the Second Supplemental Indenture. The Series 2002 Second Tier BANS are being issued in accordance with the Enabling Acts, the Indenture, the Authorizing Minute Order and the Fourth Supplemental Indenture.

The Trustee will act as the initial Paying Agent and Bond Registrar with respect to each series of Series 2002 Obligations. Bank One, National Association is the initial Trustee.

Series 2002-A Bonds. The Series 2002-A Bonds shall be dated August 15, 2002 (the "*Dated Date*"), and will be issued in part as (i) Current Interest Bonds ("*Series A CIBs*"), and (ii) Capital Appreciation Bonds ("*Series A CABs*"). Interest accruing on the Series A CIBs and the accreted interest on the Series A CABs will be calculated on the basis of a 360-day year of twelve 30-day months.

Series A CIBs. The Series A CIBs are to mature on the dates and in the principal amounts shown on page iv hereof. The Series A CIBs will each be issued as fully-registered obligations in principal denominations of $5,000 or any integral multiple thereof within a maturity. Interest on the Series A CIBs

will accrue from August 15, 2002 at the interest rate shown on page iv hereof, and such interest shall be payable to the registered owners thereof on February 15 and August 15 of each year, commencing February 15, 2003, until maturity or prior redemption.

Series A CABs. The Series A CABs will be issued as Non-Callable Series A CABs (the "*Non-Callable CABs*") and Callable Series A CABs (the "*Callable CABs*") as described on page iv hereof. The Series A CABs will mature on the dates and in the Maturity Amounts set forth on page iv hereof. The "Maturity Amount" with respect to the Series A CABs means the Compounded Amount of the Series A CABs due on their respective Stated Maturities. The Series A CABs will each be issued as fully-registered obligations in Maturity Amount denominations of $5,000 or any integral multiple thereof within a maturity. Interest on the Series A CABs will accrete from the date of initial delivery thereof, will be compounded on each February 15 and August 15 (each an "*Accretion Date*"), commencing February 15, 2003, and will be payable at maturity or prior redemption. The Maturity Amounts of the Series A CABs will be payable only at maturity. Tables of accreted values of the Non-Callable CABs and the Callable CABs, per $5,000 Maturity Amount based on such initial offering prices and the approximate yields therefor, are presented in "SCHEDULE II – ACCRETED VALUE TABLE – NON-CALLABLE CABs" and "SCHEDULE III – ACCRETED VALUE TABLE – CALLABLE CABs" attached hereto, respectively. Such tables of accreted values are provided for informational purposes only and may not reflect the prices for the Series A CABs in the secondary market.

For any day other than an Accretion Date with respect to a Series A CAB, the Accreted Value shall be determined by a straight-line interpolation between the values for the applicable semiannual compounding dates (based on 30-day months).

Series 2002-B Bonds. The Series 2002-B Bonds will accrue interest from their date of delivery, will bear interest at a Weekly Rate (as defined in "APPENDIX D – SUMMARY OF CERTAIN PROVISIONS RELATED TO SERIES 2002-B BONDS AND SUMMARY OF CERTAIN PROVISIONS OF INITIAL LIQUIDITY AGREEMENT"), and will mature on August 15, 2042. Interest on the Series 2002-B Bonds is payable on the first Business Day of each month, commencing October 1, 2002, and will be calculated on the basis of a 365- or 366-day year for the number of days actually elapsed from the last interest payment date for the Series 2002-B Bonds, based on the calendar year in which the Weekly Rate Period commences, the date of conversion to a Fiscal Rate, and after conversion to a Fixed Rate, on the basis of a 360-day year composed of twelve 30-day months. The Series 2002-B Bonds will each be issued as fully registered obligations in principal denominations of $100,000 and integral multiples of $5,000 in excess thereof while in a Weekly Rate and in integral multiples of $5,000 while in a Fixed Rate. The Series 2002-B Bonds may be converted to bear interest at a Fixed Rate upon the satisfaction of certain conditions set out in the Second Supplemental Indenture. It is expected that in the event of a change from the Weekly Rate to a Fixed Rate, the Series 2002-B Bonds will be remarketed pursuant to a new offering document that will explain in detail the terms and conditions of the Series 2002-B Bonds following such conversion to a Fixed Rate. **Accordingly, provisions of the Second Supplemental Indenture and the Series 2002-B Bonds relating to the terms of the Series 2002-B Bonds following a conversion to a Fixed Rate are not discussed in this Official Statement.** Reference is made to "APPENDIX D – SUMMARY OF CERTAIN PROVISIONS RELATED TO SERIES 2002-B BONDS AND SUMMARY OF CERTAIN PROVISIONS OF INITIAL LIQUIDITY AGREEMENT" for a description of the interest rate modes, remarketing, conversion and tender provisions, and liquidity support features of the Series 2002-B Bonds, and of the Remarketing Agreement (as defined therein), the Liquidity Agreement (as defined therein) and the Liquidity Provider (as defined therein) with respect to the Series 2002-B Bonds.

Series 2002 Second Tier BANS. The Series 2002 Second Tier BANS will mature on the dates and in the principal amounts shown on page viii hereof. Interest on the Series 2002 Second Tier BANS

will accrue from August 15, 2002 at the interest rates shown on page viii hereof and such interest shall be payable to the registered owners thereof on December 1 and June 1 of each year, commencing December 1, 2002, until maturity, and will be calculated on the basis of a 360-day year composed of twelve 30-day months. The Series 2002 Second Tier BANS will be issued as fully registered obligations in principal denominations of $5,000 or any integral multiple thereof within a maturity.

Yield on Capital Appreciation Bonds

The approximate yields of the Series A CABs as set forth on page iv of this Official Statement are based upon the initial offering prices therefor set forth on such page. For various reasons, securities that do not pay interest periodically, such as the Series A CABs, have traditionally experienced greater price fluctuations in the secondary market than securities that pay interest on a periodic basis.

Redemption

Mandatory Sinking Fund Redemption. The Series A CIBs maturing on August 15, 2042 and bearing interest at a rate of 5% per annum (the "Term Bonds") are subject to mandatory sinking fund redemption prior to maturity in the principal amounts and on the dates set forth in the following tables. Outstanding Term Bonds are required to be redeemed in part by the Trustee on such dates with funds from the First Tier Debt Service Fund created and maintained pursuant to the Indenture. If less than all of a Maturity of the Term Bonds is called for redemption, the Trustee will select by lot the Term Bonds to be redeemed within each Maturity (provided that a portion of the Term Bonds may be redeemed only in an integral multiple of $5,000); provided that, for so long as the only owner of the Term Bonds is DTC, the selection of Term Bonds within a stated maturity will be made by DTC. The Term Bonds will be redeemed at a redemption price equal to the principal amount thereof, plus accrued interest to the date of redemption, without premium, on the date and in the principal amounts, respectively, as follows:

Series A CIBs Bearing Interest at 5% Per Annum and Maturing August 15, 2042

Redemption Date	Amount
August 15, 2040	$158,755,000
August 15, 2041	170,850,000
August 15, 2042*	86,760,000

*(final maturity)

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

Optional Redemption.

Series 2002-A Bonds.

Series A CIBs. The Series A CIBs are subject to redemption prior to maturity at the option of the Commission, with funds derived from any available source, on August 15, 2012, or on any date thereafter, in whole or in part, at a redemption price of par plus accrued interest to the redemption date.

Callable CABs. The Callable CABs are subject to redemption prior to maturity at the option of the Commission, with funds derived from any available source, on August 15, 2012, or on any date thereafter, in whole or in part, at the redemption price (expressed as a percentage of the Accreted Value of such Callable CABs on the redemption date) applicable to the date of redemption falling within the applicable redemption period, as set forth in the following schedule:

Redemption Period	Redemption Price
August 15, 2012 through February 14, 2013	102.00%
February 15, 2013 through August 14, 2013	101.50%
August 15, 2013 through February 14, 2014	101.00%
February 15, 2014 through August 14, 2014	100.50%
August 15, 2014 and thereafter	100.00%

Non-Callable CABs. The Non-Callable CABs are not subject to optional redemption prior to maturity.

Series 2002-B Bonds. While bearing interest at a Weekly Rate, the Series 2002-B Bonds are subject to redemption and payment prior to maturity at the option of the Commission, in whole or in part, in authorized denominations, on any Interest Payment Date, at a redemption price equal to one hundred percent (100%) of the principal amount redeemed, plus interest accrued to the redemption date.

Special Mandatory Redemption

Series 2002-B Bonds. The Series 2002-B Bonds that are Liquidity Provider Bonds (as defined in APPENDIX D) are subject to special mandatory redemption and payment prior to maturity as provided in the Liquidity Agreement (as defined in APPENDIX D), in whole or in part, on the dates and at the redemption prices provided in such Liquidity Agreement. The initial Liquidity Agreement, a 364-day Standby Bond Purchase Agreement between the Commission and The Bank of Nova Scotia, acting through its New York Agency (the "Standby Bond Purchase Agreement"), will require the special mandatory redemption of any Liquidity Provider Bonds in equal or nearly equal quarterly installments, the first such installment being payable three months following the earlier of (w) Substantial Completion of the 2002 Project, (x) the occurrence and continuance of an "Event of Termination" under the Standby Bond Purchase Agreement, (y) December 1, 2007 or (z) the scheduled expiration date of the Standby Bond Purchase Agreement (but only if such date occurs after (w) and (y) of this paragraph) and on each date thereafter that is three months following the prior date of payment so that each Liquidity Provider Bond is paid in full no later than the tenth anniversary of the date of the initial delivery of the Series 2002-B Bonds or the fifth anniversary of the scheduled expiration date of the Standby Bond Purchase Agreement, whichever is later. The special mandatory redemption provisions required by any extensions of the Standby Bond Purchase Agreement or future Alternate Liquidity Agreements (as defined in APPENDIX D) may vary from the redemption provisions above. See "APPENDIX D – SUMMARY OF CERTAIN PROVISIONS RELATED TO SERIES 2002-B BONDS AND SUMMARY OF CERTAIN PROVISIONS OF INITIAL LIQUIDITY AGREEMENT."

Series 2002 Second Tier BANS Not Subject to Redemption

The Series 2002 Second Tier BANS are not subject to redemption prior to maturity.

Selection of Series 2002 Obligations to be Redeemed

The Commission shall designate each maturity of a series of Series 2002 Obligations to be redeemed. If less than all of a Maturity of a series of Series 2002 Obligations is called for redemption, the

Trustee will select by lot the Series 2002 Obligations to be redeemed within each Maturity of a series of Series 2002 Obligations (provided that a portion of any Obligation may be redeemed only in principal amounts or maturity amounts, as applicable, of $5,000 or any integral multiple thereof); provided that, for so long as the only owner of the Series 2002 Obligations is DTC, the selection of Series 2002 Obligations within a stated maturity will be made by DTC.

Notice and Conditional Redemption. The Trustee, at the expense of the Commission, will send notice of any redemption, identifying the Series 2002 Obligations to be redeemed, the redemption date, the method and place of payment, the CUSIP number, the date of issue, the interest rate, the Maturity date and any other descriptive information determined by the Trustee to be required to identify the Series 2002 Obligations, by first class mail, or other commercially acceptable method of communication, to each Registered Owner of an Obligation called for redemption to the Registered Owner's address listed on the Bond Register. In the case of an optional redemption, the notice of redemption may state (i) that it is conditioned upon the deposit of moneys, in an amount equal to the amount necessary to effect the redemption, with the Trustee no later than the redemption date or (ii) that the Commission retains the right to rescind such notice at any time prior to the scheduled redemption date if the Commission delivers a certificate to the Trustee instructing the Trustee to rescind the redemption notice, and such notice and optional redemption shall be of no effect if such moneys are not so deposited or if the notice is rescinded in accordance with the provisions of the Indenture. Any redemption notice must be sent by the Trustee at least 30 days prior to the scheduled redemption date. With respect to Book-Entry Obligations, the Trustee will send a notice of redemption to the Securities Depository pursuant to the Letter of Representations and the Trustee is not required to give the notice to any Beneficial Owners. If notice is given as stated in this paragraph, failure of any Registered Owner to receive such notice, or any defect in the notice, will not affect the redemption or the validity of the proceedings for the redemption of the Series 2002 Obligations.

Purchase of Series 2002 Obligations at Any Time. The Trustee, upon the written request of the Commission, will purchase Series 2002 Obligations as specified by the Commission in the open market at a price not exceeding the price specified by the Commission. Such purchase of Series 2002 Obligations will be made with funds available under the Indenture or provided by the Commission in such written request. Upon purchase by the Trustee, such Series 2002 Obligations shall be treated as delivered for cancellation. No provision in the Indenture prevents the Commission from purchasing Series 2002 Obligations on the open market without the involvement of the Trustee and delivering such Series 2002 Obligations to the Trustee for cancellation. Series 2002 Obligations purchased as described in this paragraph that are subject to mandatory sinking fund redemption may be credited against future mandatory sinking fund redemption payments. The principal amount of Series 2002 Obligations to be redeemed by optional redemption under the Indenture may be reduced by the principal amount of Series 2002 Obligations purchased by the Commission and delivered to the Trustee for cancellation at least 15 days prior to the last date on which the notice of redemption can be mailed.

Trustee

The Commission covenants to maintain and provide a Trustee at all times while the Series 2002 Obligations are outstanding, and any successor Trustee must be a corporation or banking association, duly organized and doing business under the laws of the United States or of any state, authorized under such laws to exercise corporate trust powers and subject to supervision or examination by federal or state banking authority, of good standing, and having, at the time of its appointment, a combined capital and surplus aggregating not less than $100,000,000, or is an affiliate of, or has a contractual relationship with, a corporation or banking association meeting such capital and surplus requirement which guarantees the obligations and liabilities of the proposed trustee, and which is subject to supervision or examination by federal or state banking authority. In the event that the entity at any time acting as Trustee should resign or otherwise cease to act as such, the Commission will promptly appoint a successor Trustee by written

instrument. If an instrument of acceptance has not been delivered to the resigning Trustee within 30 days after the giving of such notice of resignation, the resigning Trustee or any Secured Owner may petition a court of competent jurisdiction for the appointment of a successor Trustee.

Book-Entry-Only System

The Depository Trust Company ("*DTC*"), New York, New York, will act as securities depository for the Series 2002 Obligations. The Series 2002 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 Obligation per series and maturity will be issued in the aggregate principal amount of such issue, and will be deposited with DTC. If, however, the aggregate principal amount of a maturity exceeds $500,000,000, one certificate will be issued with respect to each $500,000,000 of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such maturity.

DTC, the world's largest 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 2 million issues of United States and non-United States equity issues, corporate and municipal debt issues, and money market instruments from over 85 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 United States and non-United States 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, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both United States and non-United States 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 SEC. More information about DTC can be found at www.dtcc.com.

Purchases of Series 2002 Obligations under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2002 Obligations on DTC's records. The ownership interest of each actual purchaser of each 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 Series 2002 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 Series 2002 Obligations, except in the event that use of the book-entry system for the Series 2002 Obligations is discontinued.

To facilitate subsequent transfers, all Series 2002 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 Series 2002 Obligations with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2002 Obligations; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2002 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 Series 2002 Obligations may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2002 Obligations, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Series 2002 Obligations may wish to ascertain that the nominee holding the Series 2002 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 Trustee and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of a series of Series 2002 Obligations within a Maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to a series of Series 2002 Obligations unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Commission 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 Series 2002 Obligations are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Series 2002 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 Commission, or the Trustee, on 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 securities 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 nor its nominee, the Trustee, or the Commission, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Commission, or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to a series of Series 2002 Obligations at any time by giving reasonable notice to the Commission, or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, Obligation certificates for such series are required to be printed and delivered.

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

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Commission believes to be reliable, but the Commission takes no responsibility for the accuracy thereof.

The Trustee and the Commission, so long as the DTC book-entry system is used for any series of Series 2002 Obligations, will send any notice of redemption, notice of proposed amendment to the Indenture, or other notices with respect to such Series 2002 Obligations only to DTC. Any failure by DTC to advise any DTC Participant, or of any Direct Participant or Indirect Participant to notify the Beneficial Owners, of any notices and their contents or effect will not affect the validity of the redemption of the Series 2002 Obligations called for redemption or of any other action premised on any such notice. Redemption of portions of the Series 2002 Obligations by the Commission will reduce the outstanding principal amount of such Series 2002 Obligations held by DTC. In such event, DTC may implement, through its book-entry system, a redemption of such Series 2002 Obligations held for the account of DTC Participants in accordance with its own rules or other agreements with DTC Participants and then Direct Participants and Indirect Participants may implement a redemption of such Series 2002 Obligations from the Beneficial Owners. Any such selection of the Series 2002 Obligations to be redeemed will not be governed by the Indenture and will not be conducted by the Commission or the Trustee. Neither the Commission nor the Trustee will have any responsibility or obligation to Direct Participants, Indirect Participants, or the persons for whom DTC Participants act as nominees, with respect to the payments on the Series 2002 Obligations or the providing of notice to Direct Participants, Indirect Participants, or Beneficial Owners of the selection of portions of the Series 2002 Obligations for redemption.

Record Date

With respect to the Series A CIBs, the Record Date for the payment of interest is the last day of January and the last day of July of each year. With respect to the Series 2002 Second Tier BANS, the Record Date for the payment of interest is the fifteenth day of May and the fifteenth day of November of each year. If any such Record Date is not a Business Day, then the Record Date shall be the Business Day next preceding such date.

With respect to the Series 2002-B Bonds while bearing interest at Weekly Rates, the Record Date is the first Business Day (as such term is defined in "APPENDIX D – SUMMARY OF CERTAIN PROVISIONS RELATED TO SERIES 2002-B BONDS AND SUMMARY OF CERTAIN PROVISIONS OF INITIAL LIQUIDITY AGREEMENT") immediately preceding each Interest Payment Date.

Transfers and Exchanges

Beneficial ownership of the Series 2002 Obligations registered in the name of Cede & Co. will initially be transferred as described under "THE SERIES 2002 OBLIGATIONS – Book-Entry-Only System" above.

As initial Bond Registrar, so long as any Series 2002 Obligations of a series remains outstanding, the Trustee will maintain a Bond Register for the registration and transfer of the Series 2002 Obligations of such series in accordance with the terms of the Indenture.

Upon surrender of any Series 2002 Obligation at the designated office of the Trustee, together with an assignment duly executed by the current Registered Owner of such Series 2002 Obligation or

such Registered Owner's duly authorized representative, such Series 2002 Obligation may, at the option of the Registered Owner, be exchanged for an equal aggregate principal amount of Series 2002 Obligations of the same Series and Maturity, of Authorized Denominations and bearing interest at the same rate and in the same form as the Obligation being surrendered for exchange, registered in the name or names designated on the assignment; provided that the Trustee is not required to exchange or register the transfer of Series 2002 Obligations after the giving of notice calling such Series 2002 Obligations for redemption, in whole or in part.

The Trustee may make a charge to any Registered Owner requesting such exchange or registration in the amount of any tax or other governmental charge required to be paid with respect thereto and the Commission may charge such amount as it deems appropriate for each new Series 2002 Obligation delivered upon such exchange or transfer, which charge or charges shall be paid before any new Series 2002 Obligation shall be delivered.

The Trustee will not be required to transfer or exchange any Series 2002 Obligation after the giving of notice calling such Series 2002 Obligations for redemption, in whole or in part.

SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2002 OBLIGATIONS

Sources of Payment

Limited Obligations. The First Tier Obligations are special, limited obligations of the Commission and are payable solely from, and secured solely by a first lien on and pledge of the Trust Estate, consisting of (i) all Revenues, and to the extent set forth in a supplemental indenture, any Additional Obligation Security, (ii) all moneys, including investment earnings, deposited into the Revenue Fund, the Construction Fund (except for any amounts held in a subaccount 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 Fund, the First Tier Debt Service Reserve Fund (provided, however, that the principal portion of any Series 2002-B Bonds while they are Liquidity Provider Bonds (as defined in "APPENDIX D – SUMMARY OF CERTAIN PROVISIONS RELATED TO SERIES 2002-B BONDS AND SUMMARY OF CERTAIN PROVISIONS OF INITIAL LIQUIDITY AGREEMENT") shall not be secured by, or entitled to any benefit of, such reserve fund), the Rate Stabilization Fund and the General Reserve Fund, described below, (iii) any 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 Second Tier Obligations are special, limited obligations of the Commission and are payable solely from, and secured solely by, subordinate to the security interest in the Trust Estate pledged for the security and payment of the First Tier Obligations, a lien on and pledge of the Trust Estate, consisting of (i) all Revenues, and to the extent set forth in a supplemental indenture, any Additional Obligation Security, (ii) all moneys, including investment earnings, deposited into the Revenue Fund, the Construction Fund (except for any amounts held in a subaccount 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 Second Tier Debt Service Fund, the Second Tier Debt Service Reserve Fund, if any, the Rate Stabilization Fund and the General Reserve Fund, described below, but not including any amounts held in the First Tier Debt Service Fund or the First Tier Debt Service Reserve Fund, (iii) any 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 Second Tier Obligations. The Series 2002 Second Tier BANS are also payable from the proceeds of any bonds, notes or obligations issued to retire the Series 2002 Second Tier BANS.

No debt service reserve fund is provided with respect to the Series 2002 Second Tier BANS; and the Series 2002 Second Tier BANS will have no right to any monies held in the Second Tier Debt Service Reserve Fund in connection with any Additional Second Tier Obligations.

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 SERIES 2002 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 SERIES 2002 OBLIGATIONS. NEITHER THE COMMISSION NOR THE DEPARTMENT HAS ANY TAXING POWER. THE INDENTURE DOES NOT CREATE A MORTGAGE ON THE SYSTEM.

Other than the pledge of the Trust Estate, the Commission has not mortgaged, assigned or pledged any interest in any real or personal property or improvements, including any interest in the System or any expansions or extensions thereto, as security for payment of the Series 2002 Obligations.

Revenues. "*Revenues*" consist of all income and revenues derived from the operation of the System, including (a) all rates, rents, fees, charges, fines and other income derived by the Commission from vehicular usage of the System together with all rights of the Commission to receive the same (collectively, the "*Tolls*") received by or on behalf of the Commission, (b) any other sources of revenues or funds of the Commission derived from or attributable to the System or from the ownership or the holding of certain properties constituting a part of the System, (c) the proceeds of any insurance covering business-interruption loss relating to the System, (d) any other sources of revenues or funds of the Commission that the Commission chooses to designate as Revenues pursuant to a Supplemental Indenture, (e) the interest and income earned on any fund or account in which said interest or income is required to be credited to the Revenue Fund created under the Indenture and (f) transfers of excess funds from the Rate Stabilization Fund to the Revenue Fund as described under "SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2002 OBLIGATIONS – Funds and Accounts – Rate Stabilization Fund." The Indenture provides that in the event the Commission receives advances or prepayments or otherwise operates or participates in a system in which funds are collected prior to the actual usage of the System, such funds shall not be deemed to be Revenues until such actual usage occurs or the funds are earned pursuant to the agreement under which the Commission receives such funds. "*Revenues*" expressly does not include Additional Obligation Security.

Funds and Accounts

The Indenture establishes certain special funds of the Commission. They are designated the "Revenue Fund," the "Construction Fund," the "First Tier Debt Service Fund," the "First Tier Debt Service Reserve Fund," the "Rate Stabilization Fund," the "Second Tier Debt Service Fund," the "Second Tier Debt Service Reserve Fund," the "Subordinate Lien Debt Service Fund," the "General Reserve Fund" and the "Rebate Fund," all of which are held by the Trustee. The Indenture also establishes the "Operating Account," the "Maintenance Account," and the "Reserve Maintenance Account," each to be held by the Commission outside of the Indenture. The Second Supplemental Indenture establishes a special fund of the Commission designated the "Series 2002-B Bonds Purchase Fund." Capitalized terms under this caption will have the respective meanings assigned to such terms in the Indenture or the Second Supplemental Indenture, as applicable. See "APPENDIX B – SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE."

Revenue Fund. In the Indenture, the Commission covenants that all Revenues will be deposited daily, as far as practicable, with the Trustee or in the name of the Trustee with a depositary, to the credit of the Revenue Fund.

Construction Fund. The Indenture creates two separate accounts in the Construction Fund designated the "Bond and Replacement Proceeds Account" and the "Capital Contribution Account." Moneys held in the Construction Fund will be used to pay the Costs of the 2002 Project. See "SOURCES AND USES OF FUNDS DERIVED FROM SERIES 2002 OBLIGATIONS." The Indenture provides that a special account will be created and identified for each construction project, although the Commission may direct the transfer of funds from one account in the Construction Fund to another account in such Fund.

The Commission will deposit to the Bond and Replacement Proceeds Account (i) the proceeds of the Series 2002 Obligations remaining after making required deposits to the First Tier Debt Service Fund and the First Tier Debt Service Reserve Fund and (ii) any disbursements of the 2002 TIFIA Bond for Eligible Project Costs for the 2002 Project. See "PLAN OF FINANCE" and "APPENDIX G – SUMMARY OF CERTAIN PROVISIONS OF THE SECURED LOAN AGREEMENT." The Commission will deposit to the Capital Contribution Account the amounts received from any Person to pay the Costs of the 2002 Project, including amounts received from Contributing Subdivisions to pay ROW Costs. See "RIGHT-OF-WAY FUNDING." The Commission further covenants to deposit to the Capital Contribution Account, in monthly installments in each of the Fiscal Years 2004 through 2008 (which period commences September 1, 2003), the Commission's $700,000,000 contribution to the 2002 Project. See "SYSTEM-RELATED FUNDING OBLIGATIONS OF COMMISSION – Commission Funding Obligations."

The Trustee will disburse moneys on deposit in the Construction Fund to pay or reimburse payment of the Costs of the 2002 Project within two Business Days after receipt by the Trustee of a written requisition of the Commission. Upon receipt of each requisition, the Trustee will transfer from the Construction Fund the amounts to be paid as set forth in such requisition, and the Commission covenants to apply such funds to the payments described in the requisition. If for any reason the Commission should decide prior to release of payment by the Trustee of any item not to pay such item, the Commission will give notice, confirmed in writing, of such decision to the Trustee and the Trustee is then required not to make such payment.

If at any time the Commission certifies that (i) Substantial Completion (as defined below) of a Project has occurred, (ii) the Cost of such Project has been finally determined and (iii) the funds remaining in the account established for such Project exceed the remaining Costs of the Project, then (a) to the extent that such remaining amounts represent proceeds of the Series 2002 Obligations and the 2002 TIFIA Bond, including investment earnings on such proceeds, the Trustee will transfer such amount, on a pro rata basis based upon the respective Outstanding principal amounts of the First Tier Obligations, Second Tier Obligations and Subordinate Lien Obligations, to the First Tier Debt Service Fund, the Second Tier Debt Service Fund and the Subordinate Lien Debt Service Fund to be used to redeem the respective Series 2002 Obligations and 2002 TIFIA Bond, and (b) any additional amount not representing proceeds of the Series 2002 Obligations and the 2002 TIFIA Bond shall be used to pay or redeem the Obligations whose proceeds funded such excess, as specified in a certificate of a TTA Representative, provided that such excess funds may be transferred to such other fund or account as directed in a certificate of a TTA Representative if such certificate is accompanied by an opinion of Bond Counsel to the effect that such transfer and/or application will not adversely affect the tax-exempt status of the interest on the Outstanding Obligations under the Code and that such transfer and/or application is authorized by law.

"*Substantial Completion*," as certified by the Commission, is the point in time at which the 2002 Project or any additional Project has been partially opened to traffic to the extent that the portions open to traffic were projected to produce eighty percent (80%) of the Revenues of such Project in the Traffic and Revenue Report issued at the time of the issuance of the Series 2002 Obligations to finance the Cost of such Project.

First Tier Debt Service Fund. The Indenture creates two separate accounts in the First Tier Debt Service Fund designated the "First Tier Interest Account" and the "First Tier Principal Account" and permits the Trustee and the Commission, pursuant to a Supplemental Indenture, to create such additional accounts in the First Tier Debt Service Fund as they deem necessary or appropriate. The Indenture requires withdrawal from time to time from the First Tier Interest Account and the First Tier Principal Account for deposit with the Trustee of sufficient moneys for paying the interest on and the principal of and premium on the First 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 First Tier Debt Service Fund as provided in any Supplemental Indenture. If at the time the Trustee is required to make a withdrawal from the First Tier Debt Service Fund the moneys therein are not sufficient for such purpose, the Trustee will withdraw the amount of such deficiency from the moneys on deposit in the following funds or accounts and transfer the same to the First Tier Debt Service Fund in the following order: the Revenue Fund; the General Reserve Fund; the Rate Stabilization Fund; and the First Tier Debt Service Reserve Fund (except as provided below).

First Tier Debt Service Reserve Fund. Money, investments and First Tier DSRF Security (as defined below) held in the First Tier Debt Service Reserve Fund will be held and used for the purpose of paying interest on, maturing principal of, and mandatory sinking fund redemption price of First Tier Obligations whenever and to the extent that the moneys held for the credit of the First Tier Debt Service Fund, after making all required transfers from other Funds, are insufficient for such purpose. Notwithstanding the foregoing, the principal portion of any Series 2002-B Bonds while they are Liquidity Provider Bonds (as defined in "APPENDIX D – SUMMARY OF CERTAIN PROVISIONS RELATED TO SERIES 2002-B BONDS AND SUMMARY OF CERTAIN PROVISIONS OF INITIAL LIQUIDITY AGREEMENT) and the 2002 TIFIA Bond, respectively, are not secured by the First Tier Debt Service Reserve Fund, and under no circumstances shall amounts in the First Tier Debt Service Reserve Fund be used to pay the principal portion of any Series 2002-B Bonds while they are Liquidity Provider Bonds or the 2002 TIFIA Bond. See "SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2002 OBLIGATIONS – Default and Remedies – 2002 TIFIA Bond Default Remedy."

If at any time the moneys and the principal amount of any First Tier DSRF Security held in the First Tier Debt Service Reserve Fund exceeds the First Tier Debt Service Reserve Requirement (as defined below), subject to receipt of an opinion of Bond Counsel to the effect that such transfer and use will not adversely affect the tax treatment of any Outstanding Obligations, the Commission will direct whether such excess moneys are to be transferred by the Trustee to the credit of the First Tier Debt Service Fund, used to reduce the principal amount of any First Tier DSRF Security or, to the extent that such excess was derived from Revenues, transferred to the Revenue Fund or the General Reserve Fund. The "*First Tier Debt Service Reserve Requirement*" is an amount equal to the least of (i) the maximum Annual Debt Service of all First Tier Obligations, (ii) 1.25 times the Average Annual Debt Service of all First Tier Obligations, or (iii) ten percent (10%) of the aggregate amount of the Outstanding First Tier Obligations, as determined on the date each Series of First Tier Obligations is issued (but under no circumstances will the 2002 TIFIA Bond be taken into account in making such calculation). The First Tier Debt Service Reserve Requirement will be initially funded with proceeds of the Series 2002 Obligations. See "SOURCES AND USES OF FUNDS DERIVED FROM SERIES 2002 OBLIGATIONS."

In lieu of the deposit of moneys into the First Tier Debt Service Reserve Fund, the Commission may cause to be provided a surety bond, an insurance policy, a letter of credit or similar financial instrument (each, a "*First Tier DSRF Security*") payable to the Trustee for the benefit of the Secured Owners in an amount equal to the difference between the First Tier Debt Service Reserve Requirement and the amounts then on deposit in the First Tier Debt Service Reserve Fund. Each First Tier DSRF Security must be satisfactory to the Rating Agency (as evidenced by a letter from the Rating Agency confirming that the First Tier DSRF Security will not result in the rating on any outstanding First Tier Obligations being downgraded). The First Tier DSRF Security will be payable (upon the giving of required notice) on any Interest Payment Date, principal payment date or redemption date on which moneys will be required to be withdrawn from the First Tier Debt Service Reserve Fund and applied to the payment of the principal of or interest on any First Tier Obligations to the extent that such withdrawals cannot be made by amounts on deposit in the First Tier Debt Service Reserve Fund. If a disbursement is made pursuant to a First Tier DSRF Security, the Commission will be obligated either (i) to cause the reinstatement to the maximum limits of such First Tier DSRF Security or (ii) to deposit into the First Tier Debt Service Reserve Fund, funds in the amount of the disbursement made under such First Tier DSRF Security, or a combination of such alternatives, as will provide that the amount credited to the First Tier Debt Service Reserve Fund equals the First Tier Debt Service Reserve Requirement within 18 months. If the rating on the First Tier Obligations is downgraded or threatened to be downgraded as a result of the First Tier DSRF Security, the Commission will use reasonable efforts to replace such First Tier DSRF Security with one that would not cause the rating on the First Tier Obligations to be downgraded, but will not be obligated to pay, or commit to pay, increased fees, expenses or interest in connection with such replacement or to deposit Revenues in the First Tier Debt Service Reserve Fund in lieu of replacing such First Tier DSRF Security with another.

Rate Stabilization Fund. The Commission has covenanted in the Indenture to accumulate and maintain the Rate Stabilization Fund Requirement in the Rate Stabilization Fund. Moneys held in the Rate Stabilization Fund are intended to assure that rates and charges associated with the System remain competitive and reasonable.

Rate Stabilization Fund Requirement. For so long as the Series 2002 Obligations and the 2002 TIFIA Bond remain outstanding, the Rate Stabilization Fund Requirement will be equal to the greater of $10,000,000 or all Revenues received through August 31, 2008 (less the required deposits, if any, into the First Tier Debt Service Fund and the First Tier Debt Service Reserve Fund during that period). A Supplemental Indenture may increase the Rate Stabilization Fund Requirement (or, if the Series 2002 Obligations and the 2002 TIFIA Bond are no longer Outstanding, decrease it). Whenever amounts in the Rate Stabilization Fund are used to cure a deficiency in the First Tier Debt Service Fund, the Second Tier Debt Service Fund or the Subordinate Lien Debt Service Fund, the Rate Stabilization Fund Requirement shall be reduced by such amount, or to $10,000,000, if such reduction would result in a Rate Stabilization Fund Requirement below $10,000,000.

Funding of Rate Stabilization Fund. In each Fiscal Year, after first having made or provided for all required deposits described in items "First" through "Seventh" of "SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2002 OBLIGATIONS – Flow of Funds," the Trustee shall transfer from the Revenue Fund to the Rate Stabilization Fund each month amounts sufficient to accumulate in the Rate Stabilization Fund an amount equal to the Rate Stabilization Fund Requirement. If the Rate Stabilization Fund Requirement is not accumulated by September 1, 2008, the deficiency shall be funded (after making the required deposits described above) in seventy-five (75) approximately equal monthly deposits from the Revenue Fund. If at any time the Rate Stabilization Fund is reduced below the Rate Stabilization Fund Requirement, the deficiency shall be funded (after making the required deposits described above) in twenty-four (24) approximately equal monthly deposits from the Revenue Fund.

Uses of Moneys in the Rate Stabilization Fund. Amounts on deposit in the Rate Stabilization Fund, if any, may be used to cure a deficiency in the First Tier Debt Service Fund, the Second Tier Debt Service Fund or the Subordinate Lien Debt Service Fund (prior to the amounts in the respective reserve funds being used for such purpose). Upon direction of the Commission, amounts held in the Rate Stabilization Fund may be (i) deposited to the Operating Account in any month that Revenues on deposit in the Revenue Fund are less than Projected Operating Expenses Capacity, (ii) used to pay Operating Expenses or Maintenance Expenses for which Revenues or amounts on deposit in the Operating Account or Maintenance Account are insufficient, or (iii) used, to the extent such amounts exceed the Rate Stabilization Fund Requirement, for any other purpose for which Revenues are permitted to be used under applicable law and the Indenture. The Indenture specifies that the use of the amounts on deposit in the Rate Stabilization Fund for any of the foregoing purposes will not constitute an Event of Default. In the event that the amounts on deposit in the Rate Stabilization Fund exceed the Rate Stabilization Fund Requirement, the Commission may direct the transfer of such excess to the Revenue Fund.

Second Tier Debt Service Fund. Moneys held in the Second Tier Debt Service Fund will be held by the Trustee in trust for the benefit of the Second Tier Obligations, to the extent the foregoing are payable from such Fund, and, to said extent and pending application, will be subject to a lien and charge in favor of the Secured Owners of the Second Tier Obligations until paid out or transferred as hereinafter provided. Moneys held in the Second Tier Debt Service Fund are solely for the benefit of the Second Tier Obligations and do not secure payment of the First Tier Obligations. The Indenture requires withdrawal from time to time from the Second Tier Debt Service Fund for deposit with the Trustee of sufficient moneys for paying the interest on and the principal of and premium on 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 provided in any Supplemental Indenture. If at the time the Trustee is required to make a withdrawal from the Second Tier Debt Service Fund the moneys therein are not sufficient for such purpose, subject to the requirements of the Indenture, the Trustee will withdraw the amount of such deficiency from the moneys on deposit in the following funds or accounts and transfer the same to the Second Tier Debt Service Fund in the following order: the Revenue Fund; the General Reserve Fund; the Rate Stabilization Fund; and the Second Tier Debt Service Reserve Fund (except to the extent provided below).

Second Tier Debt Service Reserve Fund. One or more Second Tier Debt Service Reserve Funds may be created with respect to each Series of Additional Second Tier Obligations. No Second Tier Debt Service Reserve Fund is provided with respect to the Series 2002 Second Tier BANS; and the Series 2002 Second Tier BANS will have no right to any monies held in the Second Tier Debt Service Reserve Fund in connection with any Additional Second Tier Obligations.

Subordinate Lien Debt Service Fund. Moneys held in the Subordinate Lien Debt Service Fund will be held by the Trustee in trust for the benefit of the Subordinate Lien Obligations, to the extent the foregoing are payable from such Fund, and, to said extent and pending application, will be subject to a lien and charge in favor of the Owners of the Subordinate Lien Obligations until paid out or transferred as hereinafter provided. Moneys held in the Subordinate Lien Debt Service Fund are solely for the benefit of the Subordinate Lien Obligations and do not secure payment of the First Tier Obligations or the Second Tier Obligations. The Indenture requires withdrawal from time to time from the Subordinate Lien Debt Service Fund for deposit with the Trustee of sufficient moneys for paying the interest on and the principal of and premium on the Subordinate Lien 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 Subordinate Lien Debt Service Fund as provided in any Supplemental Indenture. If at the time the Trustee is required to make a withdrawal from the Subordinate Lien Debt Service Fund the moneys therein are not sufficient for such purpose, subject to the requirements of the Indenture, the Trustee will withdraw the amount of such deficiency from the moneys on deposit in the following funds or accounts

and transfer the same to the Subordinate Lien Debt Service Fund in the following order: the Revenue Fund; the General Reserve Fund; the Rate Stabilization Fund and the respective Subordinate Lien Debt Service Reserve Funds for a special series of Subordinate Lien Obligations (except to the extent provided below).

Subordinate Lien Debt Service Reserve Fund. One or more Subordinate Lien Debt Service Reserve Funds may be created with respect to each Series of Additional Subordinate Lien Obligations issued pursuant to any Supplemental Indenture. No Subordinate Lien Debt Service Reserve Fund is provided with respect to the 2002 TIFIA Bond, and the 2002 TIFIA Bond will have no right to any monies held in any Subordinate Lien Debt Service Reserve Fund in connection with any Series of Additional Subordinate Lien Obligations.

General Reserve Fund. Moneys held in the General Reserve Fund will be used by the Trustee as provided in the Indenture and may be expended upon direction of the Commission to restore deficiencies in any funds or accounts created under the Indenture. Any moneys remaining in the General Reserve Fund on the last day of a Fiscal Year, after satisfying the requirements described in "SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2002 OBLIGATIONS – Flow of Funds – Tenth," will first be used to repay to the Commission the amount expended by the Commission in that Fiscal Year to pay Maintenance Expenses. See "SYSTEM-RELATED FUNDING OBLIGATIONS OF COMMISSION – Covenant to Fund Maintenance Account." After satisfying those requirements, such moneys may be expended for any of the following purposes, with no one item having priority over any of the others:

(a) to purchase or redeem First Tier Obligations, Second Tier Obligations or Subordinate Lien Obligations;

(b) to pay Maintenance Expenses;

(c) to make payments into the Construction Fund;

(d) to fund improvements, extensions and replacements of the System; or

(e) for any other lawful purpose.

Rebate Fund. The Rebate Fund is a trust fund, although the amounts therein do not constitute part of the Trust Estate. Amounts held in the Rebate Fund may be used solely to make payments to the United States of amounts due under section 148 of the Internal Revenue Code of 1986, as amended (the "*Code*"), and to pay costs related to the calculation of such amounts, although the Commission covenants in the Indenture to calculate and pay directly to the United States all amounts due for payment of "arbitrage rebate" under section 148(a) of the Code. Upon satisfaction of the Commission's covenants relating to payment of such arbitrage rebate, any amounts remaining in the Rebate Fund will be deposited in the Revenue Fund. Moneys held in the Rebate Fund do not secure the payment of any Series 2002 Obligations.

Operating Account. As described above, the Indenture requires the Commission to establish the Operating Account, which will be held by the Commission in the name of the Commission outside of the Indenture until applied as described below. Moneys held in the Operating Account will be used to pay costs incurred by the Commission in operating the System. In making payments from the Operating Account, the Commission will be deemed to be certifying that obligations in the stated amounts have been incurred by the Commission and that each item thereof was properly incurred in operating the System, and has not been paid previously. Moneys held in the Operating Account do not secure the

payment of any Series 2002 Obligations. The Commission has covenanted in the Indenture, subject to funds being appropriated by the State Legislature for such purposes, to deposit funds to the Operating Account to the extent that Revenues are insufficient to make the required monthly deposits. See "SYSTEM-RELATED FUNDING OBLIGATIONS OF COMMISSION – Covenant to Cover Shortfalls in Operating Account."

Maintenance Account. The Indenture requires the Commission to establish the Maintenance Account, which will be held by the Commission in the name of the Commission outside of the Indenture. Moneys held in the Maintenance Account will be used to pay costs incurred by the Commission in maintaining and repairing the System. In making payments from the Maintenance Account, the Commission will be deemed to be certifying that obligations in the stated amounts have been incurred by the Commission and that each item thereof was properly incurred in maintaining and repairing the System, and has not been paid previously. Moneys held in the Maintenance Account do not secure the payment of any Series 2002 Obligations. The Commission has covenanted in the Indenture, subject to funds being appropriated by the State Legislature for such purposes, to pay any required Maintenance Expenses to the extent moneys in the Maintenance Account are insufficient for such purpose. See "SYSTEM-RELATED FUNDING OBLIGATIONS OF COMMISSION – Covenant to Fund Maintenance Account."

Reserve Maintenance Account. The Indenture requires the Commission to establish the Reserve Maintenance Account, which will be held by the Commission in the name of the Commission outside of the Indenture. Moneys held in the Reserve Maintenance Account will be used to pay current capital expenditures shown in the Annual Capital Budget for the System, plus the cost of unusual or extraordinary maintenance (as determined solely by the Commission) and will be disbursed only for such purposes, except as otherwise provided in the Indenture. Such purposes include, but are not limited to, paying the cost of constructing, repairing, replacing, improving and reconstructing improvements and betterments to all parts of the System at any time open to vehicular traffic, including, without limitation, additional lanes, tunnels, interchanges, toll plazas, bridges, connecting roads, transit interface facilities, safety rails and other safety improvements, illumination, signage and any equipment and other improvements deemed necessary or desirable by the Commission. Moneys held in the Maintenance Account do not secure the payment of any Series 2002 Obligations. The Commission has covenanted in the Indenture, subject to funds being appropriated by the State Legislature for such purposes, to pay any required capital expenses to the extent moneys in the Reserve Maintenance Account are insufficient for such purpose. See "SYSTEM-RELATED FUNDING OBLIGATIONS OF COMMISSION – Covenant to Fund and Cover Shortfalls in Reserve Maintenance Account."

Series 2002-B Bonds Purchase Fund. The Second Supplemental Indenture creates the "Series 2002-B Bonds Purchase Fund" to be established with the Trustee for payment of the purchase price of tendered Series 2002-B Bonds. Moneys in the Series 2002-B Bonds Purchase Fund shall be held in trust by the Trustee, but not as part of the Trust Estate securing the Series 2002 Obligations. The Series 2002-B Bonds Purchase Fund is a Bond Purchase Fund under the Indenture and does not constitute a part of the Trust Estate. See "APPENDIX D – SUMMARY OF CERTAIN PROVISIONS RELATED TO SERIES 2002-B BONDS AND SUMMARY OF CERTAIN PROVISIONS OF INITIAL LIQUIDITY AGREEMENT."

Flow of Funds

The Indenture establishes the Revenue Fund for the application and deposit of all Revenues. As far as practicable, the Commission will deposit all Revenues daily to the credit of the Revenue Fund.

In recognition that Series 2002 Obligations, as defined in the Indenture, may come due on various dates; that First Tier Obligations have a security interest in the Trust Estate senior to the Second Tier

Obligations and the Subordinate Lien Obligations; that the security interest in the Trust Estate securing the Second Tier Obligations is superior to the security interest securing the Subordinate Lien Obligations; and that Second Tier Obligations and Subordinate Lien Obligations, or interest thereon, may become due and payable on a date or dates in a Fiscal Year prior to the date a First Tier Obligation or the interest thereon is due and Subordinate Lien Obligations may come due prior to First Tier Obligations and Second Tier Obligations, the Commission has covenanted that no transfer from the Revenue Fund to any Fund, other than the First Tier Debt Service Fund or the First Tier Debt Service Reserve Fund, will be made in any Fiscal Year unless, in the opinion of a TTA Representative set forth in a certificate delivered to the Trustee, the transfer is not anticipated to result in the inability of the Commission to make a later transfer, as required by the Indenture, to a fund securing Series 2002 Obligations that have a security interest in the Trust Estate senior to that securing the Series 2002 Obligations that are secured by the Fund into which the transfer is scheduled to be made.

Except as provided above, the Trustee will transfer amounts on deposit in the Revenue Fund to the following funds and in the following order of priority:

(1) **First**, to the Rebate Fund from time to time, moneys that the Commission determines to deposit to such fund (i) for purposes of compliance with any amendments to section 148(a) of the Code or (ii) as it otherwise deems necessary or appropriate to provide funds for payments to the United States of amounts due under section 148 of the Code and to pay costs related to the calculation of such amounts.

(2) **Second**, to the applicable account of the First Tier Debt Service Fund (or to a fund or account created to pay or repay amounts owed under a Credit Facility entered into in connection with a Series of First Tier Obligations) on or before the last Business Day preceding each Interest Payment Date or principal (or sinking fund redemption) payment date for the First Tier Obligations (or such other day as set forth in a Supplemental Indenture), the amounts due on any First Tier Obligation.

(3) **Third**, to the First Tier Debt Service Reserve Fund on or before the last Business Day of each month, (i) the amount, if any, required to make the amount on deposit in the First Tier Debt Service Reserve Fund equal to the First Tier Debt Service Reserve Requirement, which restoration is intended to occur within 18 months of the occurrence of any deficiency, and (ii) the amount set forth in a Supplemental Indenture if an amount different from the First Tier Debt Service Reserve Requirement is required.

(4) **Fourth**, to the applicable account of the Second Tier Debt Service Fund (or to a fund or account created to pay or repay amounts owed under a Credit Facility entered into in connection with a Series of Second Tier Obligations) on or before the last Business Day preceding each Interest Payment Date or principal (or sinking fund redemption) payment date for the Second Tier Obligations (or such other day as set forth in a Supplemental Indenture), the amounts due on any Second Tier Obligation.

(5) **Fifth**, to the Second Tier Debt Service Reserve Fund on or before the last Business Day of each month the amount set forth in a Supplemental Indenture establishing the Second Tier Debt Service Reserve Requirement is required.

(6) **Sixth**, to the applicable account of the Subordinate Lien Debt Service Fund (or to a fund or account created to pay or repay amounts owed under a Credit Facility entered into in connection with a Series of Subordinate Lien Obligations) on or before the last Business Day preceding each Interest Payment Date or principal (or sinking fund redemption) payment date for the Subordinate Lien Obligations (or such other day as set forth in a Supplemental Indenture), the amounts due on any Subordinate Lien Obligation.

(7) **Seventh**, to any reserve fund or other funds or accounts created under Supplemental Indentures for the security of Subordinate Lien Obligations.

(8) **Eighth**, to the Rate Stabilization Fund on or before the last Business Day of each month, amounts sufficient to accumulate in or restore the balance in such Fund, as soon as possible, to an amount equal to the Rate Stabilization Fund Requirement. However, to the extent the Rate Stabilization Fund Requirement is not accumulated by the end of the period during which capitalized interest on all or a portion of the Outstanding First Tier Obligations will be paid from amounts deposited in the First Tier Debt Service Fund from the proceeds of the Series 2002 Obligations and investment earnings on such proceeds, the balance of such requirement will be funded in 75 approximately equal monthly deposits from the Revenue Fund, after having made all higher-priority deposits.

(9) **Ninth**, to the Operating Account on or before the last Business Day of each month, an amount sufficient to make the balance in the Operating Account equal to the amount contemplated by (i) the Commission's Annual Operating Budget and (ii) a certificate of a TTA Representative, to be necessary to pay Operating Expenses for the ensuing two months (the "*Operating Account Requirement*"). Notwithstanding the foregoing, in any Fiscal Year in which the portion of Operating Expenses estimated to be paid with Revenues for such period is equal to less than the Projected Operating Expenses, the amount required to be transferred from the Revenue Fund to the Operating Account each month will be limited to the amount set forth in the Annual Operating Budget for that Fiscal Year. The Commission has covenanted in the Indenture to cover shortfalls in the Operating Account. See "SYSTEM-RELATED FUNDING OBLIGATIONS OF COMMISSION – Covenant to Cover Shortfalls in Operating Account."

(10) **Tenth**, to the General Reserve Fund (after retaining such funds in the Revenue Fund as are required by the Indenture and subject to certain conditions as described above in "Funds and Accounts – General Reserve Fund") on or before the last Business Day of each Fiscal Year (or more frequently if every such condition has been satisfied), any Surplus Revenues from the Revenue Fund. "*Surplus Revenues*" are those funds held in the Revenue Fund that a TTA Representative determines, in a certificate (the "*Surplus Revenues Certificate*") delivered to the Trustee, to be in excess of the amount required to be reserved therein for future transfers to the First Tier Debt Service Fund, the Second Tier Debt Service Fund or any fund or account established for the payment or security of any Series 2002 Obligations. The Surplus Revenues Certificate must also state that as of the date of the transfer (i) no Event of Default has occurred and is continuing and (ii) every Fund and Account contains the amount then required to be on deposit therein.

The Commission has covenanted in the Indenture that no transfer from the Revenue Fund to any fund, other than the First Tier Debt Service Fund or the First Tier Debt Service Reserve Fund, will be made in any year if the result of the transfer is anticipated, in the opinion of a TTA Representative, to result in the inability of the Commission to make a later transfer, as required by the Indenture, to a fund securing Series 2002 Obligations that have a security interest in the Trust Estate senior to that securing the Series 2002 Obligations that are secured by the Fund into which the transfer is scheduled to be made.

Rate Covenant

Maintenance of Rates. The Commission has covenanted in the Indenture that it will (a) adopt and maintain in effect a Toll rate schedule for the System, in substantial conformity with the recommendation of the Traffic Consultants and (b) establish charges for other uses of the property constituting a part of the System, such as real property leases, designed collectively to produce Revenues in each Fiscal Year in an amount at least equal to the sum of (i) and (ii) below as follows:

(i) the amounts required to be deposited in the First Tier Debt Service Reserve Fund, the Second Tier Debt Service Reserve Fund, the Rate Stabilization Fund, and any other fund established by a Supplemental Indenture to be funded by Revenues; and

(ii) the greater of (a), (b) or (c) as follows:

(a) one hundred forty percent (140%) of the Annual Debt Service (as defined below) on all Outstanding First Tier Obligations; or

(b) one hundred ten percent (110%) of the Annual Debt Service on all Outstanding First Tier Obligations, all Outstanding Second Tier Obligations and the 2002 TIFIA Bond; or

(c) one hundred percent (100%) of the Annual Debt Service on all Outstanding First Tier Obligations, all Outstanding Second Tier Obligations, and all Outstanding Subordinate Lien Obligations.

In the process of developing and adopting the Toll rate schedule for a period or portion of a period that constitutes a Construction and Ramp-Up Period (as defined below), the Traffic Consultants and the Commission will assume that Revenues for such period include the amounts forecasted to be on deposit in the Rate Stabilization Fund and the General Reserve Fund as reflected in the Annual Operating Budget for such period.

In making the calculations in (a), (b) and (c) above, the Commission may take into account any amounts reasonably expected to be received in the Fiscal Year from or as a result of any Additional Obligation Security the Commission has pledged for the benefit of all Series 2002 Obligations or the Series 2002 Obligations of any particular Tier or Series; however, if the pledge is not for the benefit of all Series 2002 Obligations, the amounts reasonably expected to be received may be taken into account only when making the calculation for the affected Tier.

"*Annual Debt Service*," for any annual period, means with respect to all Outstanding Series 2002 Obligations or to all First Tier Obligations, Second Tier Obligations or Subordinate Lien Obligations, (i) the amount of principal and interest paid or payable with respect to such Series 2002 Obligations in the annual period, plus (ii) Reimbursement Obligations paid or payable by the Commission in such annual period (but only to the extent they are not duplicative of such principal and interest), plus (iii) the amounts, if any, paid or payable by the Commission in such annual period with respect to Approved Swap Agreements, minus (iv) the amounts, if any, paid or payable to the Commission in such annual period with respect to Approved Swap Agreements, provided that the difference between the amounts described in clauses (iii) and (iv) will be included only to the extent that such difference would not be recognized as a result of the application of the assumptions set forth below, and minus (v) all amounts which are deposited to the credit of a debt service fund or the Construction Fund for the payment of interest on First Tier Obligations, Second Tier Obligations or Subordinate Lien Obligations, as the case may be, from original proceeds from the sale of such Series 2002 Obligations or from any other lawfully available source (other than the Revenue Fund or any moneys that would constitute Revenues in the subject annual period), and that are used or scheduled to be used to pay interest on such Series 2002 Obligations during any annual period. The Indenture sets forth the following assumptions to be used in calculating Annual Debt Service:

(A) in determining the principal amount paid or payable with respect to Series 2002 Obligations or Reimbursement Obligations in each annual period, payment will be assumed to be made in accordance with any amortization schedule established for such Indebtedness, including amounts paid or payable pursuant to any mandatory redemption schedule for such Indebtedness;

(B) if any of the Indebtedness or proposed Indebtedness constitutes Balloon Indebtedness or Short-Term Indebtedness, then such amounts thereof as constitute Balloon Indebtedness or Short-Term Indebtedness will be treated as if such Indebtedness is 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 as calculated by, and set forth in a certificate of a TTA Representative. Anything to the contrary herein notwithstanding, during the annual period preceding the final maturity date of such Balloon Indebtedness and in every case with respect to Short-Term Indebtedness, all of the principal thereof will be considered to be due on the Maturity or due date of such Balloon Indebtedness or Short-Term Indebtedness unless the Commission provides to the Trustee a certificate of a Financial Consultant certifying that, in its judgment, the Commission will be able to issue take-out Indebtedness for such Balloon Indebtedness or Short Term Indebtedness, in which event the Balloon Indebtedness or Short-Term Indebtedness will be amortized over the term of such proposed refunding Indebtedness and will bear the interest rate specified in the certificate of the Commission's financial consultant;

(C) as to any annual period prior to the date of any calculation, such requirements will be calculated solely on the basis of Series 2002 Obligations that were Outstanding as of the first day of such period; and as to any future annual period such requirements will be calculated solely on the basis of Obligations Outstanding as of the date of calculation plus any Series 2002 Obligations then proposed to be issued;

(D) if any of the Indebtedness or proposed Indebtedness constitutes Variable Rate Indebtedness, then subject to the following proviso, interest in future periods will be based on the Assumed Variable Rate; provided, however, that if the Commission has entered into an Approved Swap Agreement with respect to a Series of Series 2002 Obligations constituting Variable Rate Indebtedness, then the fixed interest rate payable by the Commission under the Approved Swap Agreement will be assumed to be the interest rate on such Series 2002 Obligations if (i) the notional amount under the Approved Swap Agreement is equal to or greater than the Outstanding principal amount of the Series 2002 Obligations and reduces in the amounts and on the dates that the Series 2002 Obligations mature and (ii) the variable interest rate payable by the Commission on the Series 2002 Obligations is determined by the same formula or reference to the same index as the interest rate payable to the Commission under the Approved Swap Agreement, such that the Commission assumes no basis risk under the swap transaction; and

(E) termination or similar payments under an Approved Swap Agreement will not be taken into account in any calculation of Annual Debt Service.

"*Construction and Ramp-Up Period*" refers to the period commencing with the delivery of Series 2002 Obligations to finance the Costs of the 2002 Project or the costs of expanding, enlarging or extending the System and ending forty-eight (48) months after the opening to vehicular or passenger traffic of (i) any part of the 2002 Project or (ii) the improvements financed with the proceeds of the Series 2002 Obligations in the case of Series 2002 Obligations issued subsequent to the issuance of the Series 2002 Obligations and the 2002 TIFIA Bond, provided, however, when such term is used in determining (A) anticipated Revenues for purposes of applying the Rate Covenant to the requirements relating to the 2002 TIFIA Bond or (B) Projected Revenues for purposes of determining the Projected Debt Service Coverage Ratio for the 2002 TIFIA Bond, the end of the period shall be forty-eight (48) months after the commencement of the amortization of the 2002 TIFIA Bond.

Certification by Traffic Consultants. Prior to adopting any change in the schedule of rates or Tolls for the System, the Commission will obtain and file with the Trustee a certificate by the Traffic Consultants stating either (i) in its opinion, if such proposed Toll rate schedule had been in effect during the preceding annual period, and taking into effect the Revenues anticipated to be received in such annual

period, it would not have caused a decrease in the Revenues for said preceding annual period; or (ii) in its opinion, the adoption of such proposed Toll rate schedule will not adversely affect the ability of the Commission to comply with the Rate Covenant.

Any such certificate by the Traffic Consultants will be based on the opinion of the Traffic Consultants as to Revenues to be derived by the Commission from the ownership and operation of the System (which Revenues will be deemed to include all investment income previously described herein as constituting Revenues of the System, as estimated by the Commission), and upon certification by the Commission as to the amount of Operating Expenses paid or accrued during any pertinent annual period, assuming that the proposed Toll rate schedule had been in effect during such pertinent annual period.

No Event of Default. The failure of the System in any Fiscal Year to produce Revenues in the amounts contemplated by the Rate Covenant, which failure may continue during the succeeding Fiscal Year, will not constitute an Event of Default under the Indenture if (i) certain other Events of Default (including failure to pay debt service and any defaults under a Supplemental Indenture) have not occurred as a result of such failure, (ii) the Commission, promptly after determining that the requirements of the Rate Covenant were not met, requests that the Traffic Consultants make written recommendations as to appropriate revisions to the Toll rate schedule necessary or appropriate to meet the requirements of the Rate Covenant and furnishes the Trustee with a copy of such request and (iii) the Commission complies with the recommendations of the Traffic Consultants with respect to Tolls. In addition to any other remedies the Trustee may have under the Indenture, if the Commission does not comply with the recommendations of the Traffic Consultants in respect of Tolls, the Trustee may, and upon the request of the Secured Owners of not less than twenty-five percent (25%) in principal amount of the First Tier Obligations then Outstanding and upon being indemnified to its satisfaction will, institute and prosecute in a court of competent jurisdiction in Travis County, Texas, any appropriate action to compel the Commission to revise the Toll rate schedule. The Commission covenants in the Indenture that it will adopt and charge Tolls in compliance with any final order or decree entered in any such proceeding.

In preparing its recommendations, the Traffic Consultants may rely upon written estimates of Revenues prepared by the other Consultants of the Commission. Copies of such written estimates signed by such Consultants will be attached to such recommendations. The Commission covenants in the Indenture that promptly after receipt of such recommendations and the adoption of any revised Toll rate schedule, certified copies thereof will be filed with the Trustee.

Additional Obligations

Additional First Tier Obligations. The Commission is authorized under the Indenture to issue Additional First Tier Obligations constituting Short-Term Indebtedness and Long-Term Indebtedness, subject to certain restrictions and conditions as described below.

Series 2002 First Tier Note. As described under "PLAN OF FINANCE," incident to the issuance of the Series 2002 Obligations, the Commission will issue and deliver the Series 2002 First Tier Note pursuant to the Third Supplemental Indenture of Trust, dated August 1, 2002 and the Exclusive Development Agreement to pay a portion of the fee paid to the Developer. See "THE SYSTEM AND THE 2002 PROJECT – Construction of 2002 Project" and "APPENDIX H – SUMMARY OF CERTAIN PROVISIONS OF THE EXCLUSIVE DEVELOPMENT AGREEMENT AND THE CAPITAL MAINTENANCE AGREEMENT." No amounts are currently owing under the Series 2002 First Tier Note.

Conversion of Series 2002-B Bonds to Fixed Interest Rate. The Series 2002-B Bonds may be converted to a fixed interest rate in accordance with the Indenture and the Second Supplemental

Indenture. See "APPENDIX D – SUMMARY OF PROVISIONS RELATED TO SERIES 2002-B BONDS."

Short-Term Indebtedness. The Commission agrees in the Indenture that it will not issue any Additional First Tier Obligations constituting Short-Term Indebtedness unless immediately after the incurrence of such Short-Term Indebtedness the outstanding principal amount of (i) all Short-Term Indebtedness issued as First Tier Obligations or Second Tier Obligations, plus (ii) all First Tier Obligations or Second Tier Obligations Outstanding in the form of Variable Rate Indebtedness that do not constitute Short-Term Indebtedness, will not exceed twenty percent (20%) of the aggregate principal amount of all Outstanding Obligations. Short-Term Indebtedness issued pursuant to the provisions described in this paragraph will be on a parity with other First Tier Obligations.

Long-Term Indebtedness. The Commission has agreed in the Indenture that it will not issue any Additional First Tier Obligations constituting Long-Term Indebtedness unless it delivers specified documentation, including certain opinions, certificates and the following:

(a) a letter from each Rating Agency then maintaining a rating on the Outstanding First Tier Obligations to the effect that the Additional First Tier Obligations have received an investment-grade rating from such Rating Agency, and either

(b) a report of the Traffic Consultant to the effect that (A) the Revenues during the preceding annual period ending not more than ninety (90) days prior to the date of delivery of the proposed Additional First Tier Obligations were sufficient to satisfy the requirements of the Rate Covenant (which report may assume that a revision of the Tolls that was approved and implemented by the Commission subsequent to the beginning of such annual period had been in effect for the entire annual period), and (B) the Projected Revenues for each Fiscal Year over the term of the proposed Additional First Tier Obligations are expected to produce a Projected Debt Service Coverage Ratio of at least (1) 1.50 with respect to First Tier Obligations, (2) 1.20 with respect to First Tier Obligations and Second Tier Obligations and (3) 1.10 with respect to all Obligations; or:

(c) if the Long-Term Indebtedness is being incurred solely for the purposes of refunding, repurchasing or refinancing (whether in advance or otherwise) any Outstanding Long-Term Indebtedness, a certificate of a TTA Representative certifying that the Average Annual Debt Service on all Series 2002 Obligations prior to the issuance of the proposed Long-Term Indebtedness is greater than the Average Annual Debt Service on all Series 2002 Obligations after the issuance of such proposed Long-Term Indebtedness.

The Commission may, without complying with the provisions described in clauses (b) and (c) immediately above, issue Additional First Tier Obligations for the purpose of refunding the Series 2002 Second Tier BANS on or before their respective maturity dates, provided the Projected Debt Service Coverage Ratio is at least equal to 1.50 with respect to First Tier Obligations. Furthermore, the Commission may, without complying with the provisions described in clauses (b) and (c) immediately above, issue Additional Second Tier Obligations or Additional Subordinate Lien Obligations for the purpose of refunding the Series 2002 Second Tier BANS on or before their respective maturity dates, so long as the net effective interest rate on such Additional First Tier Obligations, after taking into account any discount or premium, is less than the interest rate on the 2002 TIFIA Bond.

Completion Obligations. To finance the costs of completion of (i) the portion of the System financed with the proceeds of the Series 2002 Obligations and the 2002 TIFIA Bond or (ii) any improvements, extensions or enlargements to the System financed with the proceeds of Additional First Tier Obligations, the Commission may, without complying with the provisions described above under

"Additional First Tier Obligations – Long-Term Indebtedness," issue Additional First Tier Obligations in a principal amount not in excess of ten percent (10%) of the principal amount of the original First Tier Obligations issued to finance such facilities, if prior to the issuance thereof the Commission certifies: (A) that at the time the original First Tier Obligations for the facilities to be completed were issued, the Commission had reason to believe that the proceeds of such First Tier Obligations, together with other moneys then expected to be available, would provide sufficient moneys for the completion of such facilities, (B) as to the amount estimated to be needed to so complete the facilities, and (C) that the proceeds of such First Tier Obligations to be applied to the completion of the facilities, together with (1) reasonably estimated investment income to be earned on such proceeds and available to pay such Cost, (2) the amount of moneys, if any, committed to such completion from available cash or marketable securities and reasonably estimated earnings thereon, (3) enumerated bank loans (including letters or lines of credit) and (4) any other moneys reasonably expected to be available, will be a total amount equal to at least the amount estimated to be required to complete the facilities. The principal amount of the proposed completion Series 2002 Obligations to be used in applying the test set forth in this paragraph includes the amount required to (a) provide completed and equipped facilities of substantially the same type and scope contemplated at the time such prior First Tier Obligations were originally issued, (b) provide for capitalized interest during the period of construction, (c) provide the required deposit, if any, to cause the balance in the First Tier Debt Service Reserve Fund to equal the First Tier Debt Service Reserve Requirement and (d) pay the costs and expenses of issuing such First Tier Obligations.

Springing First Tier Obligation. Upon the occurrence of a Bankruptcy-Related Event under the Secured Loan Agreement and the Indenture while the USDOT owns the 2002 TIFIA Bond, the 2002 TIFIA Bond automatically will become a First Tier Obligation for purposes of the Indenture, except that it will not be entitled to be paid from amounts in the First Tier Debt Service Reserve Fund. See "SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2002 OBLIGATIONS – Default and Remedies – 2002 TIFIA Bond Default Remedy" and "RISK FACTORS – Dilution of First-Tier Security Upon Bankruptcy-Related Event."

Additional Second Tier Obligations. The Indenture permits the Commission to issue Additional Second Tier Obligations constituting both Short-Term Indebtedness and Long-Term Indebtedness, subject to certain restrictions and conditions as follow. With respect to Additional Second Tier Obligations constituting Short-Term Indebtedness, the Indenture restricts the amount of such Short-Term Indebtedness that can be issued to an amount that, when combined with other Short-Term Indebtedness and any Variable Rate Indebtedness then Outstanding, does not exceed twenty percent (20%) of the aggregate principal amount of all Outstanding Obligations. In addition, the Commission must deliver a letter from each Rating Agency then maintaining a rating on the Outstanding First Tier Obligations or Second Tier Obligations to the effect that the Additional Second Tier Obligations being issued as Short-Term Indebtedness have received an investment-grade rating. With respect to Additional Second Tier Obligations constituting Long-Term Indebtedness, the Indenture conditions issuance on delivery of certain documents, opinions, certificates, including a letter from each Rating Agency then maintaining a rating on the Outstanding First Tier Obligations or Second Tier Obligations to the effect that the Additional Second Tier Obligations have received an investment-grade rating from the Rating Agency and either (i) a report of the Traffic Consultants certifying as to (A) compliance with the Rate Covenant and (B) Projected Revenues for each Fiscal Year during the term of the Additional Second Tier Obligations that produce a Projected Debt Service Coverage Ratio of at least 1.20 with respect to First Tier Obligations and Second Tier Obligations and of at least 1.10 with respect to all Obligations, *or* (ii) if the Long-Term Indebtedness is being issued to refund, refinance or repurchase any Outstanding Long-Term Indebtedness, a Commission certification that Average Annual Debt Service will be reduced by issuance of such refunding Long-Term Indebtedness. The payment of any Second Tier Obligations will at all times be subordinate and junior to the payment of any First Tier Obligations, including Additional First Tier Obligations, then outstanding and any Additional First Tier Obligations thereafter issued. See

"APPENDIX B – SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Limitations on Other Indebtedness – Limitations on Issuance of Additional Second Tier Obligations and Execution of Approved Second Tier Swaps – Approved Swap Agreements."

Additional Subordinate Lien Obligations. As described under "PLAN OF FINANCE," incident to issuance of the Series 2002 Obligations, the Commission will enter into the Secured Loan Agreement, pursuant to which the Commission will issue the 2002 TIFIA Bond, which will entitle the Commission to borrow an aggregate principal amount of up to $916,760,000. The 2002 TIFIA Bond will constitute a Subordinate Lien Obligation, payable from and secured by the Trust Estate on a basis subordinate and junior to that of any First Tier Obligations and Second Tier Obligations. No amounts are currently owing under the 2002 TIFIA Bond, and no other Subordinate Lien Obligations are currently outstanding. The Indenture also permits the Commission to issue Additional Subordinate Lien Obligations constituting both Short-Term Indebtedness and Long-Term Indebtedness, subject to certain restrictions and the following conditions. With respect to Additional Subordinate Lien Obligations constituting Short-Term Indebtedness, the Indenture restricts the amount of such Short-Term Indebtedness that can be issued to an amount that, when combined with other Short-Term Indebtedness and any Variable Rate Indebtedness then Outstanding, does not exceed twenty percent (20%) of the aggregate principal amount of all Outstanding Obligations. In addition, the Commission must deliver a letter from each Rating Agency then maintaining a rating on any Outstanding Obligations to the effect that the Additional Subordinate Lien Obligations being issued as Short-Term Indebtedness have received an investment-grade rating. With respect to Additional Subordinate Lien Obligations constituting Long-Term Indebtedness, the Indenture conditions issuance on delivery of certain documents, opinions and certificates, and either (i) a report of the Traffic Consultants certifying as to (A) compliance with the Rate Covenant and (B) Projected Revenues for each Fiscal Year during the term of the Additional Subordinate Lien Obligations that produce a Projected Debt Service Coverage Ratio of at least 1.10 with respect to all Obligations, or (ii) if the Long-Term Indebtedness is being issued to refund, refinance or repurchase any Outstanding Long-Term Indebtedness, a Commission certification that Average Annual Debt Service will be reduced by issuance of such refunding Long-Term Indebtedness. The payment of any Subordinate Lien Obligations will at all times be subordinate and junior to the payment of any First Tier Obligations and Second Tier Obligations, including Additional First Tier Obligations and Additional Second Tier Obligations, then Outstanding and any Additional First Tier Obligations and Additional Second Tier Obligations thereafter issued. See "APPENDIX B – SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Limitations on Other Indebtedness – Limitations on Issuance of Additional Subordinate Lien Obligations and Execution of Approved Subordinate Lien Swaps – Approved Swap Agreements."

Additional Covenants of the Commission

Covenant Not to Build Competing System. The Commission has agreed in the Indenture to use its best efforts to further the economic viability of the System and, except as described below, to refrain from initiating, supporting or approving any Capital Project (as defined below) on the State Highway System that would have the purpose or reasonably foreseeable effect of materially adversely affecting the ability of the Commission to comply with its covenants in the Indenture, particularly the Rate Covenant and its covenant to pay when due the principal of and interest on all Series 2002 Obligations. Additionally, the Commission has covenanted in the Indenture not to construct, operate, assist, provide funding for, or support, directly or indirectly, and to exercise all discretionary authority available to it under applicable law to dissuade other governmental, non-profit or private entities, directly or indirectly, from constructing, operating, permitting, assisting or supporting, any State Highway Capital Projects or improvements, realignments or enhancements of State Highway System Capital Projects that would have the purpose or reasonably foreseeable effect of materially adversely affecting the ability of the Commission to comply with the covenants in the Indenture, particularly those covenants noted in the previous sentence, except for: (i) any State highway improvements necessary for improved safety,

maintenance or operational purposes; (ii) any intercity, intra-city, commuter, urban, high speed rail projects or any combination of the foregoing supported by the State and/or others; and (iii) any High-Occupancy-Vehicle exclusive lanes operationally required by environmental regulatory agencies.

"*Capital Projects*" for purposes of this subsection means those projects undertaken to construct a transportation facility for motorized vehicular traffic where no such facility existed previously or to construct a portion of a transportation facility where additional or widened traffic lanes are physically added on to existing traffic lanes on an existing facility, but excluding any projects (i) included in the Capital Area Metropolitan Planning Organization's "CAMPO 2025 Transportation Plan" issued in 2000 (the "*CAMPO 2025 Transportation Plan*"), a planning guide that contains transportation policy and projects for the next 25 years (to 2025), or (ii) undertaken to increase traffic capacity by modifying existing facilities through the installation of traffic sensors, metering devices, intersection grade separations, and Intelligent Transportation Systems equipment or work involving the re-striping of traffic lanes, medians and shoulders.

Notwithstanding the provisions summarized above under this subcaption (the "*Non-Compete Provisions*") and without causing the occurrence of an Event of Default under the Indenture through violation of the Non-Compete Provisions, the Commission may take any action otherwise not permitted by the Non-Compete Provisions or fail to take any action otherwise required by the Non-Compete Provisions (any such action or inaction, a "*Permitted Breach*"), if

(a) it engages the Traffic Consultants to study and report on the anticipated annual effect on Revenues of the Permitted Breach; and

(b) it deposits with the Trustee the amount, if any, shown by the report of the Traffic Consultants to be the amount by which Revenues will be reduced by the Permitted Breach. In computing the amount of the deposit under this clause (b), the Commission may take into account investment earnings anticipated to be earned by the amount deposited if such amount is invested in Defeasance Securities (as defined in the Indenture) and an independent certified public accountant certifies that the amount of the deposit, together with investment earnings on the Defeasance Securities, will produce in each year an amount equal to the amount by which the Traffic Consultants estimates that Revenues will be reduced in each of such years as a result of the Permitted Breach.

Commission Funding Covenants. Pursuant to the Funding Minute Order, the Commission has undertaken to make a contribution of $700,000,000 from lawfully available funds, to pay a portion of the construction costs of the 2002 Project and approximately $24,560,000 toward the cost of right-of-way for the Loop 1 element, and to make available other funds necessary to complete the 2002 Project. In addition, the Commission has covenanted in the Indenture that, using lawfully available funds, it will cover shortfalls in the Operating Account, the Maintenance Account and the Reserve Maintenance Account. Further, the Commission has covenanted that it (i) will pay any Maintenance Expenses when due to the extent moneys held in the Maintenance Account are insufficient for such purpose and (ii) pay certain capital expenses of the System to the extent moneys in the Reserve Maintenance Account are insufficient for such purpose. For a more detailed discussion of such obligations and covenants, see "SYSTEM-RELATED FUNDING OBLIGATIONS OF COMMISSION" and "RISK FACTORS – Costs of 2002 Project – Funding of Commission Obligations."

Reservation of Right to Transfer System

Under the Indenture, the Commission has reserved the right to transfer all or any part of the System to a Regional Mobility Authority established under Chapter 361 of the Texas Transportation Code, a Regional Tollway Authority established under Chapter 366 of the Texas Transportation Code or

another governmental entity authorized by law to own and operate toll facilities, but only upon satisfaction of the following conditions:

(a) the General Engineering Consultant issues a report in which it estimates the Operating Expenses and Maintenance Expenses for the System following such transfer for each Fiscal Year that any Series 2002 Obligations are scheduled to be Outstanding;

(b) the Traffic Consultants issue a traffic and revenue projection showing the Projected Revenues for the System following such transfer for each Fiscal Year that any Series 2002 Obligations are scheduled to be Outstanding;

(c) based upon the reports of the General Engineering Consultant and the Traffic Consultants described in clauses (a) and (b) above, the Commission certifies that (i) the Projected Debt Service Coverage Ratio would be sufficient to allow each of the then-Outstanding Obligations to be issued in compliance with the terms of the Indenture if such Series 2002 Obligations were being issued on the date of such certification and (ii) the Commission is not in default under the Indenture;

(d) each Rating Agency then maintaining a rating on the Outstanding Obligations issues a letter to the Commission to the effect that such transfer would not have the effect of causing the Rating Agency to lower such existing rating;

(e) if the 2002 TIFIA Bond is still outstanding, the USDOT consents in writing to such transfer and the additional requirements of the Secured Loan Agreement relating to such transfer are satisfied or waived by the USDOT;

(f) any moneys paid by the Department from the State Highway Fund for the design, construction, operation and maintenance of the transferred property is repaid to the State Highway Fund;

(g) the Commission delivers an opinion of Counsel to the effect that the transfer is authorized by law; and

(h) the Commission delivers an Opinion of Bond Counsel to the Trustee to the effect that the transfer will not adversely affect the treatment for federal income tax purposes of interest on any Outstanding Obligations.

Default and Remedies

Events of Default. The occurrence and continuation of any of the following constitutes an "Event of Default" under the Indenture:

(a) failure by the Commission to pay the principal of and premium, if any, or interest on any of the Series 2002 Obligations or to pay Capital Payments when the same shall become due and payable, either at Stated Maturity, by proceedings for redemption or pursuant to the terms of the Obligation or any failure of the Commission to purchase or cause to be purchased any Tender Indebtedness, including any applicable Variable Rate Indebtedness, upon any optional or mandatory tender to the Commission or a tender agent of the Commission; or

(b) an event of default under a Credit Facility, a First Tier DSRF Security, a Second Tier DSRF Security, an Approved Swap Agreement, or a Reimbursement Agreement; or

(c) the Commission unreasonably delays or fails to carry out with reasonable dispatch or discontinue the construction of any portion of the System for which Series 2002 Obligations have been issued and are then Outstanding; or

(d) substantially all or any major portion of the System is destroyed or damaged to the extent of impairing its efficient operation and materially adversely affecting the Revenues and is not promptly repaired, replaced, or reconstructed (whether such failure promptly to repair, replace, or reconstruct the same is due to the impracticability of such repair, replacement, or reconstruction or to lack of funds therefor or for any other reason); or

(e) judgment for the payment of money is rendered against the Commission if such judgment is under any circumstances payable from Revenues and is in an amount such that its payment would, in the opinion of the Trustee, have a materially adverse effect upon the financial condition of the System and any such judgment is not discharged within ninety (90) days from the entry thereof or an appeal is not taken therefrom or from the order, decree or process upon which or pursuant to which such judgment has been granted or entered, in such manner as to set aside or stay the execution of or levy under such judgment, decree or process or the enforcement thereof, or

(f) a bankruptcy or insolvency event with respect to the Commission has occurred and has not been cured, vacated, discharged, or stayed within sixty (60) days after the occurrence thereof; or

(g) the Commission fails to duly and punctually perform any other covenant, condition, agreement, or provision contained in the Series 2002 Obligations or in the Indenture, and, with the exception of certain incurable defaults, such failure continues for sixty (60) days after written notice specifying such failure and requiring it to be remedied has been given to the Commission by the Trustee, which may give such notice in its discretion and must give such notice at the written request of the Secured Owners of not less than ten percent (10%) in principal amount of the Series 2002 Obligations then Outstanding; and the Trustee will investigate and consider any allegation of such default or Event of Default of which any Bond Insurer of record notifies the Trustee in writing.

Remedies. Upon the happening and continuance of any Event of Default, the Trustee may proceed, and upon the written request of the Secured Owners of not less than twenty percent (20%) in principal amount of the Series 2002 Obligations then Outstanding hereunder must proceed, subject to certain provisions of the Indenture, to protect and enforce its rights and the rights of the Secured Owners under the Enabling Acts and under the Indenture 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 Indenture or in aid or execution of any power herein 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.

In enforcing any remedy under the Indenture, the Trustee is 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 Commission for principal, interest or otherwise under any of the provisions of the Indenture or of the Outstanding Series 2002 Obligations and unpaid, with interest on overdue payments, to the extent permitted by law, at the rate or rates of interest borne by such Series 2002 Obligations, together with any and all costs and expenses of collection and of all proceedings hereunder and under such Series 2002 Obligations, without prejudice, to any other right or remedy of the Trustee or of the Secured Owners, and to recover and enforce judgment or decree against the Commission, but solely as provided in the Indenture and in such Series 2002 Obligations, for any portion of such amounts remaining unpaid, with interest, costs and expenses, and to collect (but solely from Revenues) in any manner provided by law, the

moneys adjudged or decreed to be payable. See "RISK FACTORS – Limitation and Enforceability of Remedies."

Pro Rata Application of Funds. If at any time the moneys in the First Tier Debt Service Fund, the Second Tier Debt Service Fund or the Subordinate Lien Debt Service Fund, along with moneys in the respective reserve funds and other funds established by the Indenture, are not sufficient to pay the principal of or the interest on the First Tier Obligations or the Second Tier Obligations as the same become due and payable, such moneys, together with any moneys then or thereafter available for such purpose, whether through the exercise of the remedies provided for in the Indenture or otherwise, will be applied (subject to the certain provisions of the Indenture governing rights and compensation of the Trustee) as set forth in (a) through (f) below; provided, however, that 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 the Subordinate Lien Obligations or (ii) constituting Additional Obligation Security for the benefit of one or more specific Series of Series 2002 Obligations will not be applied as provided in (a) through (f) below but will be used only for the purpose for which such deposits were made:

(a) Unless the principal of all First Tier Obligations is due and payable, all such moneys will be applied **first**: to the payment of all installments of interest then due 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, 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 that 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, or if no First Tier Obligations have matured, then to the retirement of First Tier Obligations.

(b) If the principal of all First Tier Obligations is then due and payable, all such moneys will 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 Obligations over any other First Tier Obligations, ratably, according to the amounts due respectively for principal and interest, without any discrimination or preference except as to any difference in the respective rates of interest specified in the First Tier Obligations.

(c) If no default exists 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 Second Tier Obligations is then due and payable, all such moneys will be applied **first**: to the payment 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 are not sufficient to pay in full any particular installment, then to the payment ratably, according to the amounts due on such installment, 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 that 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, or if no Second Tier Obligations have matured, to the retirement of Second Tier Obligations.

(d) If no default exists 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 moneys will 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 Obligations over any other Second Tier Obligations, ratably, according to the amounts due respectively for principal and interest, without any discrimination or preference except as to any difference in the respective rates of interest specified in the Second Tier Obligations.

(e) If no default exists in the payment of the principal of, premium, if any, or interest on the First Tier Obligations or the Second Tier Obligations but the principal of, premium, if any, or interest on Subordinate Lien Obligations has not been paid when due, unless the principal of all Subordinate Lien Obligations is then due and payable, all such moneys will be applied **first**: to the payment of all installments of interest then due on the Subordinate Lien Obligations, in the order of the maturity of the installments of such interest, and, if the amount available are not sufficient to pay in full any particular installment, then to the payment ratably, according to the amounts due on such installment, without any discrimination or preference except as to any difference in the respective rates of interest specified in the Subordinate Lien Obligations; and **second**: to the payment of the principal of any Subordinate Lien Obligations that have matured, and, if the amount available is not sufficient to pay all of such matured Subordinate Lien Obligations, then to the payment thereof ratably, according to the amount due, or if no Subordinate Lien Obligations have matured, to the retirement of Subordinate Lien Obligations.

(f) If no default exists in the payment of the principal of, premium, if any, or interest on the First Tier Obligations or the Second Tier Obligations but the principal of all the Subordinate Lien Obligations is then due and payable, all such moneys will be applied to the payment of the principal and interest then due and unpaid upon the Subordinate Lien 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 Subordinate Lien Obligations over any other Subordinate Lien Obligations, ratably, according to the amounts due respectively for principal and interest, without any discrimination or preference except as to any difference in the respective rates of interest specified in the Subordinate Lien Obligations.

Majority of Secured Owners May Control Proceedings. Any other provisions of the Indenture notwithstanding, the Secured Owners of not less than a majority in principal amount of First Tier Obligations then Outstanding (or, if no First Tier Obligation is then Outstanding, then the Secured Owners of not less than a majority in principal amount of the Second Tier Obligations then Outstanding) will have the right, subject to certain provisions of the Indenture regarding the Trustee's rights, to direct the method and place of conducting all remedial actions to be taken by the Trustee under the Indenture. However, the Trustee will have the right to decline to follow any such direction that in the opinion of the Trustee would be unjustly prejudicial to Secured Owners that are not parties to such direction.

Restrictions Upon Action by Individual Secured Owner. No Secured Owners of any of the Outstanding Series 2002 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 Indenture or the protection or enforcement of any right under the Indenture or any resolution or minute order of the Commission authorizing the issuance of First Tier Obligations or Second Tier Obligations, or any right under applicable laws of the State (except for an action for the recovery of overdue and unpaid principal, interest or redemption premium) unless (i) such Secured Owner gives the Trustee written notice of the event of default or breach of trust or duty on account of which such suit or action is to be taken, (ii) the Secured Owners of not less than twenty percent (20%) in principal amount of the First Tier Obligations and Second Tier Obligations then Outstanding have (A) made written request of the Trustee after the right to exercise such powers or right of action, as the case may be, have accrued, (B) afforded the Trustee a reasonable opportunity either to (1) proceed to exercise the powers granted under the Indenture or applicable laws of the State or (2) to institute such action, suit or proceeding in its or their name, and (C) offered the Trustee reasonable security and indemnity satisfactory to it against the costs, expenses and

liabilities to be incurred by it, and (iii) the Trustee has refused or neglected to comply with the request described in clause (ii)(A) within a reasonable time.

2002 TIFIA Bond Default Remedy. Upon the occurrence of a Bankruptcy-Related Event under the Secured Loan Agreement and the Indenture while the USDOT owns the 2002 TIFIA Bond, the 2002 TIFIA Bond will be deemed to be and will automatically become, as of the date of occurrence of such a Bankruptcy-Related Event, a First Tier Obligation for all purposes of the Indenture and the USDOT, acting through the Federal Highway Administration, will be deemed the Secured Owner of such First Tier Obligation. In the event that occurrence of such a Bankruptcy-Related Event and any then existing defaults under the Secured Loan Agreement are cured, the 2002 TIFIA Bond will no longer be treated as a First Tier Obligation and will revert to the status of a Subordinate Lien Obligation. Notwithstanding the other provisions described in this section, if on the date that such a Bankruptcy-Related Event occurs there are any amounts on deposit in the First Tier Debt Service Fund or the First Tier Debt Service Reserve Fund, such amounts will be used to pay amounts due or to become due on the First Tier Obligations Outstanding immediately prior to the occurrence of such Bankruptcy-Related Event. In the event the 2002 TIFIA Bond is deemed a First Tier Obligation, the Indenture provides that the 2002 TIFIA Bond (i) will not be secured by the First Tier Debt Service Reserve Fund and (ii) will not be taken into account in computing the First Tier Debt Service Reserve Requirement. See "SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2002 OBLIGATIONS – Funds and Accounts – First Tier Debt Service Reserve Fund."

BOND INSURANCE

Ambac Assurance Corporation ("*Ambac Assurance*") has committed to deliver its insurance policy with respect to the Series 2002 First Tier Bonds (but not the Series 2002 Second Tier BANS). The following information has been furnished by Ambac Assurance for use in this Official Statement. Such information has not been independently verified by the Commission or the Underwriters and is not guaranteed as to completeness or accuracy by the Commission or the Underwriters and is not to be construed as a representation of the Commission or the Underwriters. Reference is made to "APPENDIX J – FORM OF BOND INSURANCE POLICIES" for specimens of the insurance policies of Ambac Assurance.

Payment Pursuant to Financial Guaranty Insurance Policy

Ambac Assurance has made a commitment to issue a financial guaranty insurance policy (the "*Financial Guaranty Insurance Policy*") relating to each series of Series 2002 First Tier Bonds effective as of the date of issuance of the Series 2002 First Tier Bonds. Under the terms of the Financial Guaranty Insurance Policy, Ambac Assurance will pay to The Bank of New York, in New York, New York or any successor thereto (the "*Insurance Trustee*") that portion of the principal of and interest on the Series 2002 First Tier Bonds which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Obligor (as such terms are defined in the Financial Guaranty Insurance Policy). Ambac Assurance will make such payments to the Insurance Trustee on the later of the date on which such principal and interest becomes Due for Payment or within one business day following the date on which Ambac Assurance shall have received notice of Nonpayment from the Trustee. The insurance will extend for the term of each series of Series 2002 First Tier Bonds and, once issued, cannot be canceled by Ambac Assurance.

The Financial Guaranty Insurance Policy will insure payment only on stated maturity dates and on mandatory sinking fund installment dates, in the case of principal, and on stated dates for payment, in the case of interest. If any Series 2002 First Tier Bonds become subject to mandatory redemption and insufficient funds are available for redemption of all outstanding Series 2002 First Tier Bonds, Ambac Assurance will remain obligated to pay principal of and interest on outstanding Series 2002 First Tier

Bonds on the originally scheduled interest and principal payment dates including mandatory sinking fund redemption dates. In the event of any acceleration of the principal of any Series 2002 First Tier Bonds, the insured payments will be made at such times and in such amounts as would have been made had there not been an acceleration.

In the event the Trustee has notice that any payment of principal of or interest on a Series 2002 First Tier Bond which has become Due for Payment and which is made to a Registered Owner by or on behalf of the Obligor has been deemed a preferential transfer and theretofore recovered from its registered owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court of competent jurisdiction, such registered owner will be entitled to payment from Ambac Assurance to the extent of such recovery if sufficient funds are not otherwise available.

The Financial Guaranty Insurance Policy does not insure any risk other than Nonpayment, as defined in the Policy. Specifically, the Financial Guaranty Insurance Policy does not cover:

1. payment on acceleration, as a result of a call for redemption (other than mandatory sinking fund redemption) or as a result of any other advancement of maturity.

2. payment of any redemption, prepayment or acceleration premium.

3. nonpayment of principal or interest caused by the insolvency or negligence of any Trustee , Paying Agent or Bond Registrar, if any.

If it becomes necessary to call upon the Financial Guaranty Insurance Policy, payment of principal requires surrender of Series 2002 First Tier Bonds to the Insurance Trustee together with an appropriate instrument of assignment so as to permit ownership of such Series 2002 First Tier Bonds to be registered in the name of Ambac Assurance to the extent of the payment under the Financial Guaranty Insurance Policy. Payment of interest pursuant to the Financial Guaranty Insurance Policy requires proof of Registered Owner entitlement to interest payments and an appropriate assignment of the Registered Owner's right to payment to Ambac Assurance.

Upon payment of the insurance benefits, Ambac Assurance will become the owner of the Series 2002 First Tier Bond, appurtenant coupon, if any, or right to payment of principal or interest on such Series 2002 First Tier Bond and will be fully subrogated to the surrendering Registered Owner's rights to payment.

The Financial Guaranty Insurance Policy does not insure against loss relating to payments of the purchase price of Series 2002-B Bonds upon tender by a registered owner thereof or any preferential transfer relating to payments of the purchase price of Series 2002-B Bonds upon tender by a registered owner thereof. See "THE INITIAL LIQUIDITY PROVIDER FOR THE SERIES 2002-B BONDS."

Ambac Assurance

Ambac Assurance is a Wisconsin-domiciled stock insurance corporation regulated by the Office of the Commissioner of Insurance of the State of Wisconsin and licensed to do business in 50 states, the District of Columbia, the Territory of Guam and the Commonwealth of Puerto Rico, with admitted assets of approximately $5,389,000,000 (unaudited) and statutory capital of approximately $3,363,000,000 (unaudited) as of March 31, 2002. Statutory capital consists of Ambac Assurance's policyholders' surplus and statutory contingency reserve. Standard & Poor's Credit Market Services, A Division of The McGraw-Hill Companies, Inc., Moody's Investors Service and Fitch, Inc. have each assigned a triple-A financial strength rating to Ambac Assurance.

Ambac Assurance has obtained a ruling from the Internal Revenue Service to the effect that the insuring of an obligation by Ambac Assurance will not affect the treatment for federal income tax purposes of interest on such obligation and that insurance proceeds representing maturing interest paid by Ambac Assurance under policy provisions substantially identical to those contained in its financial guaranty insurance policy shall be treated for federal income tax purposes in the same manner as if such payments were made by the Obligor of the Series 2002 First Tier Bonds.

Ambac Assurance makes no representation regarding the Series 2002 First Tier Bonds or the advisability of investing in the Series 2002 First Tier Bonds and makes no representation regarding, nor has it participated in the preparation of, the Official Statement other than the information supplied by Ambac Assurance and presented under the heading "BOND INSURANCE."

Available Information

The parent company of Ambac Assurance, Ambac Financial Group, Inc. (the "*Company*"), is subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the "*Exchange Act*"), and in accordance therewith files reports, proxy statements and other information with the Securities and Exchange Commission (the "*SEC*"). These reports, proxy statements and other information can be read and copied at the SEC's public reference room at 450 Fifth Street, N.W., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. The SEC maintains an Internet site at http://www.sec.gov that contains reports, proxy and information statements and other information regarding companies that file electronically with the SEC, including the Company. These reports, proxy statements and other information can also be read at the offices of the New York Stock Exchange, Inc. (the "*NYSE*"), 20 Broad Street, New York, New York 10005.

Copies of Ambac Assurance's financial statements prepared in accordance with statutory accounting standards are available from Ambac Assurance. The address of Ambac Assurance's administrative offices and its telephone number are One State Street Plaza, 19th Floor, New York, New York 10004 and (212) 668-0340.

Incorporation of Certain Documents by Reference

The following documents filed by the Company with the SEC (File No. 1-10777) are incorporated by reference in this Official Statement:

1) The Company's Current Report on Form 8-K dated January 23, 2002 and filed on January 25, 2002;

2) The Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2001 and filed on March 26, 2002;

3) The Company's Current Report on Form 8-K dated April 17, 2002 and filed on April 18, 2002;

4) The Company's Quarterly Report on Form 10-Q for the fiscal quarterly period ended March 31, 2002 and filed on May 13, 2002; and

5) The Company's Current Report on Form 8-K dated July 17, 2002 and filed on July 19, 2002.

All documents subsequently filed by the Company pursuant to the requirements of the Exchange Act after the date of this Official Statement will be available for inspection in the same manner as described above in "Available Information."

THE INITIAL LIQUIDITY PROVIDER FOR THE SERIES 2002-B BONDS

The Bank of Nova Scotia, acting through its New York Agency, has been selected by the Commission to provide the Standby Bond Purchase Agreement for the purchase of all or a portion of the Series 2002-B Bonds that are not remarketed upon the tender thereof (while bearing interest at the Weekly Rate). Set forth in "APPENDIX D – SUMMARY OF CERTAIN PROVISIONS RELATED TO SERIES 2002-B BONDS AND SUMMARY OF CERTAIN PROVISIONS OF INITIAL LIQUIDITY AGREEMENT – The Initial Liquidity Agreement" is a summary of certain terms and provisions of the Standby Bond Purchase Agreement.

The following information has been furnished by The Bank of Nova Scotia ("*Scotiabank*") for use in this Official Statement. Such information has not been independently verified by the Commission or the Underwriters and is not guaranteed as to completeness or accuracy by the Commission or the Underwriters and is not to be construed as a representation of the Commission or the Underwriters.

Scotiabank was founded in 1832 in Halifax and currently employs 46,804 people in 2,005 branches and offices throughout the world. Scotiabank is a Canadian chartered bank with its principal office located in Toronto, Ontario.

Scotiabank's activities include providing a full range of retail, commercial and corporate banking services through its extensive network of branches located in all Canadian provinces and territories. Outside Canada, Scotiabank has branches and offices in over 50 countries and provides a wide range of banking and related financial services, both directly and through subsidiary and/or associated banks, trust companies and other financial firms.

For the fiscal year ended October 31, 2001, Scotiabank recorded total assets of CDN$284.4 billion (US$180.2 billion) and total deposits of CDN$186.2 billion (US$118.0 billion). Net income for the fiscal year ended October 31, 2001 equaled CDN$2.169 billion (US$1.374 billion), compared to CDN$1.926 billion (US$1.220 billion) for the prior fiscal year. Amounts above are shown in Canadian dollars and also reflect the United States dollar equivalent as of October 31, 2001 (1.0000 United States dollar equals 1.5785 Canadian dollars).

For the quarter ended April 30, 2002, Scotiabank recorded total assets of CDN$297.1 billion (US$189.5 billion) and total deposits of CDN$195.4 billion (US$124.6 billion). Net income for the quarter ended April 30, 2002 equaled CDN$571 million (US$364 million), compared to CDN$512 million (US$327 million) for the same period the prior year. Amounts above are shown in Canadian dollars and also reflect the United States dollar equivalent as of April 30, 2002 (1.0000 United States dollar equals 1.5676 Canadian dollars).

Scotiabank will provide to anyone, upon written request, a copy of its most recent annual report, as well as a copy of its most recent quarterly financial report. Requests should be directed to: The Bank of Nova Scotia, New York Agency, One Liberty Plaza, 26th Floor, New York, NY, 10006. Attention: Public Finance Department.

THE COMMISSION

The Commission

The State 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 State Legislature changed the name of the State Highway Commission to the State Highway

and Public Transportation Commission. In 1991, the State Legislature changed the name to the current name, the Texas Transportation Commission. The State Legislature directed the Commission to plan and make policies for the location, construction, and maintenance of a comprehensive system of State highways and public roads.

The Commission governs the Department and is charged by statute with policy-making responsibilities. The Department is charged with the management responsibilities for implementing the policies of the Commission. The Department is managed by the Executive Director and supported by the staff. The State Legislature provided that the Commission must divide the State into no more than 25 regional districts for the purpose of the performance of the Department's duties. There are currently 25 districts.

The Commission consists of three members appointed by the Governor with the advice and consent of the State Senate. One member is designated by the Governor as the Commissioner and serves as the chief executive 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 the Department, directly or indirectly owns or controls more than ten percent (10%) interest in a business that is regulated by or receives funds from the Department, uses or receives a substantial amount of goods, services or funds from the Department, or is registered, certified, or licensed by the Department. Members of the Commission serve staggered six-year terms, with one member's term expiring February 1 of each odd-numbered year.

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 SERIES 2002 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 SERIES 2002 OBLIGATIONS. NEITHER THE COMMISSION NOR THE DEPARTMENT HAS ANY TAXING POWER. THE INDENTURE DOES NOT CREATE A MORTGAGE ON THE SYSTEM.

John W. Johnson, Commissioner

John W. Johnson is the Commissioner of Transportation for Texas, chair of the three-member Commission that oversees statewide activities of the Department. Mr. Johnson was appointed a member of the Commission by then-Governor George W. Bush, effective February 1999. Mr. Johnson became Commissioner in April 2000.

Mr. Johnson is chairman of Permian Mud Service Inc. and chairman of the executive committee of its subsidiary, Champion Technologies Inc. An oil field service business, Permian Mud Service Inc. and its subsidiaries have operations in North America, South America and the Eastern Hemisphere. He was the founding chairman of Southwest Bank of Texas and serves as chairman of the bank's executive committee.

Mr. Johnson serves on the Governor's Business Council and on the Task Force on Charter Schools. President George W. Bush, in the fall of 2001, named Mr. Johnson to serve on the J. William Fulbright Foreign Scholarship Board.

Mr. Johnson earned a Bachelor of Science in Civil Engineering from Vanderbilt University and he is a former member of the university's board of trustees. He received the Flowers Underwood Distinguished Alumnus Award in 1996.

Robert L. Nichols, Member

Robert L. Nichols was appointed by then-Governor George W. Bush to the Commission in May 1997.

An East Texas businessman, Mr. Nichols founded and was chief executive officer for four plastics-related companies in Jacksonville between 1975 and 1996.

Mr. Nichols served on the Jacksonville city council from 1980 to 1984 and was mayor of Jacksonville from 1985 to 1989. He has been chairman of the board of the Jacksonville Development Corporation since its creation in 1995. He has been a board member of the Jacksonville Chamber of Commerce many times, and he serves on the boards of the Nan Travis Memorial Hospital and Lon Morris College.

His civic and professional accomplishments have earned him local and national recognition: the 1981 and 1986 Citizen of the Year awards and the 1996 Businessman of the Year award (all from the Jacksonville Chamber of Commerce); the 1985 Small Business Person of the Year award from the Dallas region of the United States Small Business Administration; and the 1979 Governor's Industrial Expansion Citation from Gov. William P. Clements.

Earning his Bachelor of Science in Industrial Engineering, Mr. Nichols graduated from Lamar University in 1968.

Ric Williamson, Member

Richard F. ("Ric") Williamson was appointed to the Commission by Governor Rick Perry in March 2001.

Prior to his appointment to the Commission, Mr. Williamson served from 1985-1998 in the Texas Legislature. He served on a number of legislative committees including: House/Senate Budget Conference Committee, Appropriations Committee (vice chairman), Ways And Mean Committee, House Select Committee On Revenue and Public Education Funding, House/Senate Criminal Justice Conference Committee, Health and Human Services Conference Committee, Juvenile Justice and Family Issues Committee, and the House/Senate Fiscal Management Conference Committee.

Mr. Williamson serves or has served on several boards including the Southern Regional Education Board, Legislative Budget Board, Department of Information Resources, Uniform Statewide Accounting System Committee, the Southern Legislative Conference, and the Weatherford Little League Association.

His professional and legislative accomplishments have earned him many awards from Texas media, including recognition twice (1989 and 1991) by Texas Monthly magazine as among the "Ten Best Legislators." Further recognitions include the Dallas Morning News "Best of the 75th Legislative Session" in 1997, and the 1992 Texas Chamber of Commerce Leadership Award.

Mr. Williamson graduated with a Bachelor of Arts from The University of Texas at Austin in 1974.

The Department

The Department is managed by the Executive Director. The Department is organized into 25 districts and 28 divisions/offices, including TTA. The Department currently has an annual budget of approximately $5.1 billion and a staff of approximately 15,000, which manage approximately $3 billion in annual construction contract lettings. Within existing legislative transfer authority, the annual budget amounts are available to be transferred, at the discretion of the Commission, into construction, contracted maintenance and right-of-way acquisition, which represent the Commission's funding obligations for the 2002 Project. See "APPENDIX C – MINUTE ORDERS OF THE COMMISSION," "SYSTEM-RELATED FUNDING OBLIGATIONS OF COMMISSION" and "FUNDING OF COMMISSION OBLIGATIONS."

The Department is subject to the Texas Sunset Act. Under the provisions of the Texas Sunset Act, the Department will be abolished September 1, 2009, unless the State Legislature affirmatively takes action to continue the Department's existence. The Texas Sunset Act, however, recognizes the continuing obligation to provide for the payment of bonded indebtedness and all other obligations, including lease, contract, and other written obligations (including contracts such as the Indenture), by a State agency abolished under the provisions thereof and provides that the Governor shall designate an appropriate State agency to continue to execute and adhere to all covenants with respect to any outstanding bonds or other obligations.

TTA is a division of the Department and is controlled and governed by the Commission. TTA was created in 1997 by an act of the State Legislature as a division of the Department. As originally created in 1997, TTA had a separate board of directors. The independent board of directors was abolished by the State Legislature in 2001 and all of its duties were given to the Commission. The Commission, using the resources of TTA and the other resources of the Department, has the statutory authority to study, plan, design, construct, finance, operate and maintain turnpikes in all 254 counties of the State. The projects of TTA are part of the State Highway System. The Commission has the authority to issue turnpike revenue bonds to pay all or a part of the cost of a turnpike project, to enter into exclusive development agreements to prosecute projects, and to acquire right-of-way through quick-take procedures.

Excerpts from the unaudited Annual Financial Report of the Department are included in "APPENDIX A – EXCERPTS OF ANNUAL FINANCIAL REPORT OF THE DEPARTMENT (UNAUDITED)."

GASB 34. During Fiscal Year 2002, the State of Texas is required to implement certain provisions of Governmental Accounting Standards Board ("GASB") Statements 33, 34, 37 and 38 (collectively, "GASB 34"). These statements establish standards for external financial reporting for governmental entities and require that financial statements be presented on a consolidated basis to focus on the entity as a whole. Previously, financial statements focused on the accountability of individual fund groups rather than on the governmental entity as a whole.

GASB 34 will materially affect the financial data accumulation and financial statement presentation processes of the State and, therefore, of the Commission. Among the changes that will result from the implementation of GASB 34 are the consolidation of multiple funds, the adoption of full accrual revenue and expenditure recognition, and the recognition of accumulated depreciation on many long-term assets such as bridges, equipment and buildings. The Commission's largest fixed asset, the highway system, will be reported using the modified approach. Under the modified approach, an asset is not depreciated. Instead, the asset is required to be maintained at a specified minimum condition level that is measured using condition assessments as reported in the required supplementary information section of the financial statements. The Commission expects that its financial statements for Fiscal Year 2002 will

allow the State Comptroller to prepare the Comprehensive Annual Financial Report for the State in accordance with GASB 34. In Fiscal Year 2003, the Commission intends to issue special purpose financial statements for the System which will be in accordance with generally accepted accounting principles, including GASB 34.

The following is a biographical summary of certain of the Department's senior staff members who have responsibility with respect to the System:

Michael W. Behrens, P.E., Executive Director

Michael W. Behrens is Executive Director of the Department. Under Commission direction, he manages, directs, and implements Department policies, programs, and operating strategies. He also represents the Department before the State Legislature and other entities. He became executive director September 1, 2001.

In 1971, Mr. Behrens earned his Bachelor of Science in Civil Engineering from Texas A&M University, and he began his career with the Department as an engineering assistant in the Yoakum District. Other positions he held in the Yoakum District include Victoria resident engineer, La Grange area engineer, district planning engineer, and assistant district engineer.

In 1992, after serving as acting district engineer for the Yoakum District, Mr. Behrens was appointed district engineer for the 11-county district. He became the Department's assistant executive director for engineering operations in Austin in April 1998.

Mr. Behrens has served as chairman of Department's Standing Committee on Training. He has co-chaired the AGC-TxDOT Joint Committee, and he holds memberships on the Texas CEC-TSPE-TxDOT Liaison Committee, the AASHTO-ACEC Joint Committee, and the AASHTO Standing Committee on Highways.

Steven E. Simmons, P.E., Deputy Executive Director

Steven E. Simmons is the deputy executive director of the Department. Under the direction of the executive director, he implements and manages Department policies and programs. He assists with the daily administrative and engineering operations of the Department. Mr. Simmons became the deputy executive director on November 1, 2001.

After earning his bachelor's degree in civil engineering from The University of Houston in 1981, Simmons joined the Department's Houston District in 1982 as a project manager in the Northwest Harris/Waller Area Office. He became a licensed professional engineer in 1986 and progressed through several positions within the Houston District. He was named deputy district engineer for the Houston District in 1993. He was named to the post of Fort Worth district engineer in June 1998. In that post he served on the Regional Transportation Council of the North Central Texas Council of Governments working to solve transportation issues in the region.

Under his leadership, the Fort Worth District received the Design Excellence Award for a Metropolitan District in 1997, 1998 and 1999 — something no other district has attained. As district engineer, he oversaw more than $200 million in construction work each year. He served on the Civil Engineering Advisory Board for the University of Texas at Arlington and on engineering advisory boards for the University of Houston. In 1997, he received the University of Houston's Young Engineer of the Year award.

Amadeo Saenz Jr., P.E., Assistant Executive Director for Engineering Operations

Amadeo Saenz Jr. is the assistant executive director for engineering operations of the Department. Under the direction of the executive director, Mr. Saenz implements and manages the Department's engineering operations policies, programs and operating strategies according to federal and state laws and Commission regulations and directives. He also oversees and coordinates engineering operations to ensure efficient and effective management.

After earning a bachelor of science degree in civil engineering (with honors) at The University of Texas at Austin, Mr. Saenz joined the Department in 1978 in the Pharr District as an engineering laboratory assistant. Working within the district, he progressed through various positions including engineering assistant, assistant area engineer, assistant field operations engineer, and area engineer.

He was named district engineer in the Pharr District in October 1993. He held this position until his present appointment at Department headquarters in Austin, which became effective November 1, 2001.

Cathy J. Williams, PHR, Assistant Executive Director for Support Operations

Cathy J. Williams is assistant executive director for support operations for the Department. She assists in setting departmental policy and procedures, and provides guidance for administrative functions working closely with districts, divisions and offices. Ms. Williams became assistant executive director for support operations September 1998.

Joining the Department's Paris District office in 1973, Ms. Williams left the department in 1980 to complete her degrees and work in the private sector, returning to the Department in March 1985 as an accountant in the Equipment and Procurement Division in Austin. She worked as staff services assistant, management auditor and chief accountant in the division before transferring as budget analyst to the Finance Division in 1989.

While support operations executive assistant from 1990 to 1993, Ms. Williams served as liaison with the Governor's Ombudsman Office before becoming the administrative manager for the Human Resources Division. Appointed interim director of the division in February 1994, she became director in October of the same year, overseeing employee classification, personnel administration, employee relations, employee training and development, recruitment activities, management applicant screening and administrative staff.

After earning her bachelor's degree in personnel and human resource management in 1980, Ms. Williams graduated from East Texas State University with a master's degree in business administration in 1982. She was certified as a Professional in Human Resources (PHR) in 1994. She is a member of Executive Women in Texas Government and of the Department's Women's Information Network.

Edward A. Wueste, Assistant Executive Director for Border Trade

Edward A. Wueste is assistant executive director for border trade transportation for the Department. He works closely with the Pharr, Laredo and El Paso districts and the International Relations Office to find and direct resources to expedite strategically important border trade transportation projects. Mr. Wueste also chairs the Border Region Transportation Task Force to establish the Department's priorities along the border from Brownsville to El Paso. He became assistant executive director for border trade transportation on May 1, 1999.

Before joining the Department, Mr. Wueste worked for the Federal Highway Administration (FHWA), and from 1995 to 1999 was the regional administrator for Region 6, comprising Arkansas, Louisiana, New Mexico, Oklahoma and Texas. During his 38-year-career with FHWA, Mr. Wueste gained extensive experience in strategic transportation planning and coordination with state, federal and foreign government agencies. His assignments included Arizona, Arkansas, Louisiana, Texas, Oklahoma, Washington, D.C., and Kuwait. While FHWA division administrator in Arizona, Mr. Wueste was a member of the Bi-National Joint Working Committee and he facilitated joint planning between Mexico and the United States.

James M. Bass, Director, Finance Division

James M. Bass is Director of the Finance Division of the Department, overseeing management of the Department's financial planning operations. Under his direction, the division develops and implements systems and policies related to accounting, forecasting, budgeting, payment for goods and services, and the processing of receipts and revenues. The division also conducts cost-efficiency studies, manages the State Infrastructure Bank, and analyzes and reports the financial effects of proposed legislation.

Mr. Bass began his career with the Department in 1985 working summers in the Fort Worth District, where he maintained records and audited field measurements, among other duties. While earning his Bachelor of Business Administration in Accounting at The University of Texas at Austin, he also worked part time as an engineering aide in the Austin District's South Travis / Hays County Area Office. There he audited field measurements and processed monthly payments to highway contractors. After graduation in 1991, Mr. Bass became employed full-time as an accounting clerk in the Finance Division.

Becoming a manager in the Budget and Forecasting Branch in 1997, Mr. Bass was responsible for preparation of the Department's Legislative Appropriations Request and Operating Budget, and corresponded with the Legislative Budget Board, State Auditor's Office and the Office of the Texas Comptroller. He also worked on the Department's Cash Forecasting System for the State Highway Fund, which details over $5 billion in annual revenue and expenditures on a monthly basis. Mr. Bass was selected as division director effective November, 1999.

Richard Monroe, General Counsel

Richard Monroe is general counsel for the Department. Under his direction, the Office of General Counsel renders legal advice to the Commission, administration, districts, divisions and offices. He also assists in drafting department rules, reviews legislation, serves as counsel at Commission meetings, and presides over public hearings. Mr. Monroe became general counsel in 1998.

He joined the Department in 1989 as deputy general counsel, giving legal advice to the Commission and Department management. He also served as a hearing officer in grievance cases and was the liaison with the state attorney general. He left the Department in 1996, and worked for the Texas Workforce Commission and the Texas Railroad Commission before returning to the Department in 1998.

Prior to 1989, Mr. Monroe served as deputy regional counsel for the United States Department of Energy, as Lubbock assistant district attorney, as Abilene assistant city attorney, and as an Internal Revenue Service attorney.

Mr. Monroe has more than 27 years of legal experience in the field, and has worked in both the private and public sectors. He has been a member of the State Bar of Texas since 1971.

A native of Dallas, Mr. Monroe earned his bachelor's degree in business administration from Southern Methodist University in 1968 and his doctorate of jurisprudence in 1971 from the Southern Methodist University School of Law.

Phillip E. Russell, P.E., Director, TTA Division

Phillip E. Russell is the Director of TTA Division of the Department. Under his direction, the division is responsible for the development and operation of a system of toll roads, bridges and tunnels on the State Highway System. He became director in November 1998.

Mr. Russell joined the Department's Burnet Area Office in the Austin District in 1978, and worked as an engineering aide while earning his bachelor's degree in civil engineering. After graduating from The University of Texas at Austin in 1982, he moved to the Dallas District as an engineering assistant in the Hutchins Area Office. He became a design engineer in the district's advance planning office in 1985 and a licensed professional engineer in 1987. From 1989 to 1993, Mr. Russell was the assistant district-planning engineer.

Moving to the Bryan District, Mr. Russell was director of transportation planning and development from 1993 to 1998. He developed and coordinated project planning for the 10-county district, and oversaw the traffic safety and public transportation programs. He also served as staff attorney for four years.

Mr. Russell earned his doctorate of jurisprudence from Texas Wesleyan University School of Law in Fort Worth in 1993, graduating with honors.

Robert B. Daigh, P.E., Director of Turnpike Planning and Development, TTA Division

Robert B. Daigh, P.E. is the Director of Turnpike Planning and Development for TTA Division of the Department.

In 1977, Mr. Daigh graduated from The University of Texas at Austin, with a Bachelor of Science Degree in Civil Engineering. He began his professional career in Houston as a staff engineer at Turner Collie & Braden, Inc. (TC&B). Four years later, he transferred to TC&B's Austin office, where he held positions as lead structural engineer and manager of public works. In 1988, Mr. Daigh joined the Department's Georgetown Area Office. In 1994, Robert transferred to the Austin District Headquarters where he served as District Programming and Consultant Contracts Engineer. He is a former president of the Central Texas Chapter of the American Concrete Institute, and a former director of the Capitol Area Chapter of the Texas Society of Professional Engineers.

Teresa J. Lemons, Director of Administration and Finance, TTA Division

Teresa J. Lemons is the Director of Finance and Administration for TTA Division of the Department. As such, she oversees the financial and administrative functions of TTA Division, including debt management. She has been employed by the Department since 1998. Prior to joining the staff of TTA, she managed the Department's State Infrastructure Bank in the Finance Division of the Department.

Ms. Lemons has over fifteen years of private-sector management experience in the commercial banking industry, primarily in operations. She graduated from Texas A&M University–Commerce with a Bachelor of Business Administration in Finance.

Timothy Weight, P.E., Director of Construction, TTA Division

Mr. Weight is the Director of Construction for TTA. As such, he oversees all construction-related activities for TTA. Mr. Weight has over 19 years of experience with the Department and has been responsible for the design and construction of more than $220,000,000 of transportation projects in Texas. He earned his Bachelor of Science degree from the University of Missouri at Rolla in 1981 and became a licensed professional engineer in Texas in February 1988.

David T. Powell, Director of Information Technology, TTA Division

David Powell is Director of Turnpike Information Technology for TTA. As such, he will oversee the implementation of toll collection systems for the System. Mr. Powell has over 20 years experience in information systems. He began working with toll collection systems at the Oklahoma Turnpike Authority almost 15 years ago as the Director of Information Systems and toll audit. Since leaving Oklahoma he has worked as a consultant on a number of toll projects including the Transportation Corridor Agencies in Orange County California, the ETR-407 in Ontario, and the SunPass Electronic Toll Collection and Violation Enforcement Systems in Florida.

Mr. Powell is a graduate of The University of Texas at Austin with a degree in Computer Science.

Retirement Plan

The Department participates in the Employees Retirement System of Texas (the "*ERS*"), which is operated by the State and covers State employees and law enforcement and custodial officers. As of August 31, 2001, the ERS had 149,956 active members and 47,392 annuitants. The ERS also administers the State's Uniform Group Insurance Program, which provides insurance coverage to active and retired State employees and their families and employees of Texas higher education institutions.

The ERS is maintained on an actuarial basis. As of August 31, 2001, the plan's accumulated assets exceeded its total actuarial liability by $866.8 million (the plan's "overfunded actuarial liability"). The average level annual amount needed per employee to pay pension costs (the "normal cost") exceeds the contributions required to be made by plan participants. The remaining amount of normal cost not paid by employee contributions will be covered by ERS assets in excess of accrued liabilities. The ERS available net asset balance (the net asset balance reduced by the actuarial present value of future normal costs over contributions, assuming the current contribution rate is maintained permanently) is $8.3 million. The ERS fair value of pooled investments as of August 31, 2001, was $20.1 billion.

Contributions to the ERS are made by both the State and covered employees. The Constitution mandates a State contribution rate of not less than 6 percent (6%) or more than ten percent (10%) of payroll for the ERS; member contributions may not be less than 6 percent (6%) of payroll. The State Legislature, however, may appropriate additional funds as are actuarially determined to be needed to fund benefits authorized by law. For the 2002-2003 biennium, the State Legislature set the State's contribution rates to the ERS at 6 percent (6%) of payroll. The member contribution rate to the ERS is also 6 percent (6%).

The State Legislature is prohibited by statute from implementing changes in the ERS that would cause the period required to amortize the unfunded actuarial liability of the plans to exceed 31 years.

THE SYSTEM AND THE 2002 PROJECT

Description of the System and the 2002 Project

The System initially will consist of the 2002 Project, which will be financed in part with a portion of the proceeds of the Series 2002 Obligations. Additional sources of funding for the 2002 Project will be provided through State, local, federal and private sources, and from investment earnings on amounts deposited in the Construction Fund. See "PLAN OF FINANCE." The 2002 Project includes three distinct elements: State Highway 130, State Highway 45 North and Loop 1. A map of the 2002 Project, together with certain future connector facilities, is included on page ii hereof. The System will also include any future Project to expand, enlarge or extend the System, any future Project pooled with the System pursuant to the Turnpike Act, and any other roads, bridges, tunnels or other toll facilities for which the Commission has operational responsibility and is collecting Tolls, unless the Commission declares in writing, delivered to the Trustee, that such roads, bridges, tunnels or other toll facilities are not part of the System for the purposes of the Indenture.

The three distinct elements of the 2002 Project are summarized as follows:

State Highway 130: An approximately 49-mile element extending from Interstate Highway 35 near State Highway 195, north of Georgetown, Texas southward to United States Highway 183 southeast of Austin. State Highway 130 will be an eastern bypass for the City of Austin, Texas, located generally parallel to and east of Interstate Highway 35 and through the Texas counties of Travis and Williamson. State Highway 130 will be a four-lane limited-access roadway with toll facilities, overpasses, underpasses, discontinuous frontage roads and direct-connectors at interchanges where warranted, including the interchanges with Interstate Highway 35 and with State Highway 45 North.

State Highway 45 North: An approximately 13-mile element located in the Texas counties of Travis and Williamson. The State Highway 45 North element will extend from United States Highway 183 on the west and to State Highway 130 on the east and is the east-west route of the 2002 Project. The State Highway 45 North element of the 2002 Project will serve as a connector between the cities of Austin, Round Rock and Pflugerville, Texas, and will consist of six-lane divided limited-access roadways except for one section, which will be a four-lane divided limited-access roadway.

Loop 1: An approximately 5-mile element located in the Texas counties of Travis and Williamson. The Loop 1 element will extend northward from the existing Loop 1 at Parmer Lane to State Highway 45 North and is a major north-south route of the 2002 Project. State Highway 45 North and Loop 1 will include discontinuous frontage roads, toll facilities, overpasses, underpasses and direct-connectors at the interchange with State Highway 45 North.

A detailed description of each element of the 2002 Project, including the design status and standards for such elements, is presented in "APPENDIX E – GEC'S SYSTEM REPORT."

Construction of 2002 Project

Loop 1 and State Highway 45 North. The State Highway 45 North and Loop 1 elements will be constructed using a traditional design-bid-build process. Under the design-bid-build process, the Department is responsible for preparation of plans and specifications with respect to each project and for paying the costs of obtaining all environmental permits related thereto. The Department generally prepares plans and specifications either through use of in-house personnel or by contracting with private engineering firms. Upon completion of plans and specifications, contracts are let for competitive bidding and awarded to the lowest responsible bidder in accordance with Department bidding procedures and State competitive bidding laws. After a contract is executed, change orders are generally permitted to accommodate deviations from the original plans and specifications as deemed necessary by the

Department to complete the project. Under the design-bid-build process, a performance and payment bond in an amount equal to 100% of the contract price is required from every contractor. The contractor constructs the project in accordance with the plans and specifications under the inspection of the Department and within the time limit provided in the contract. The Department ensures timely completion by charging liquidated damages for work performed after contract time limits are exceeded. The amount of liquidated damages included in contracts in connection with a traditional design-bid-build process, such as that being utilized for the Loop 1 and State Highway 45 North elements, varies for each contract and is generally calculated based upon the size of the contract and other specific project conditions. Additionally, the contractor must provide workers' compensation and liability insurance in amounts satisfactory to the Department. The contractors are also required to provide limited amounts of insurance coverage during construction including workers compensation insurance in the amount required by law and comprehensive general liability insurance property damage coverage of at least $100,000 per occurrence ($100,000 in the aggregate with personal injury coverage) or commercial general liability insurance property damage coverage of at least $600,000 combined single limit (including personal injury coverage.) The minimum general property damage insurance requirement increases to $2,000,000 per occurrence in the event the contract involves railroad right-of-way.

Design plans for the State Highway 45 North and Loop 1 elements of the 2002 Project are in various stages of completion, and right-of-way acquisition is in progress. For a summary of the progress of design plans and right-of-way acquisition, see "APPENDIX E – GEC'S SYSTEM REPORT."

State Highway 130. State Highway 130 will be constructed utilizing an Exclusive Development Agreement, which is a guaranteed lump-sum, guaranteed completion-date contract obligating the Developer to perform all work necessary to complete the Development Work (as defined in "APPENDIX H – SUMMARY OF CERTAIN PROVISIONS OF THE EXCLUSIVE DEVELOPMENT AGREEMENT AND THE CAPITAL MAINTENANCE AGREEMENT"). The Commission solicited proposals and received three proposals, one of which was within five percent of the cost proposal of the Developer. The Commission executed the Exclusive Development Agreement on June 19, 2002 and issued Notice to Proceed 1 on July 9, 2002. Pursuant to the Exclusive Development Agreement, the Commission will pay to the Developer a fixed price of $952,644,000 (the "*Development Price*") as total compensation for all Development work, including the development, design and construction of State Highway 130 (segments 1 through 4). The Development Price will be paid in monthly progress payments, with certain lump-sum mobilization payments due upon the occurrence of certain events. In order to reduce the risk of cost overruns, the Exclusive Development Agreement includes restrictions affecting the Developer's ability to make claims for an increase to the Development Price or an extension of the deadlines for completion of the Development Work. At the election of the Commission, Lone Star Infrastructure, LLC (the "*Maintenance Contractor*") is also obligated to provide the Commission with certain capital maintenance, repair, upkeep and renovation services for State Highway 130 pursuant to a Capital Maintenance Agreement between a limited liability company formed by the equity members of the Maintenance Contractor and the Commission. The members of the Maintenance Contractor are the same entities that are the partners of the Developer. See "THE DEVELOPER." Within 270 days after final acceptance of the first segment of State Highway 130, the Commission has the option either to terminate the Capital Maintenance Agreement or to direct the Maintenance Contractor to proceed to provide maintenance services thereunder. The maximum term of the Capital Maintenance Agreement, including all extensions thereof, is 15 years. The Maintenance Contractor does not have the right to unilaterally terminate the Capital Maintenance Agreement except in the event of nonpayment. The Maintenance Contractor's compensation for its maintenance services will generally be based upon specific fixed amounts for each year of the maintenance term. For a more detailed description of the Exclusive Development Agreement and the Capital Maintenance Agreement, see "APPENDIX H – SUMMARY OF CERTAIN PROVISIONS OF THE EXCLUSIVE DEVELOPMENT AGREEMENT AND THE CAPITAL MAINTENANCE AGREEMENT."

Estimated Construction Costs of the 2002 Project

The Costs of the 2002 Project are estimated to be approximately $2,942,000,000 (see "PLAN OF FINANCE" and "APPENDIX E – GEC'S SYSTEM REPORT"). This amount includes inflation factors and contingencies for construction change orders; however, unforeseeable escalation of prices or wages, shortages of labor or materials and changes in economic conditions are factors that affect construction costs and could escalate or reduce the Costs of the 2002 Project. See "RISK FACTORS – Costs of 2002 Project" and "APPENDIX E – GEC'S SYSTEM REPORT."

Cost estimates for the State Highway 45 North and Loop 1 elements (aggregating $1,432,379,000) were based on the latest Department unit prices for the Austin Area. As set forth in the GEC's System Report, the General Engineering Consultant is of the opinion that the estimated Costs and construction schedule for these two elements of the 2002 Project are reasonable. See "APPENDIX E – GEC'S SYSTEM REPORT."

The Exclusive Development Agreement for the State Highway 130 element has a guaranteed construction schedule and guaranteed Development Price. Cost estimates for the State Highway 130 element (aggregating $1,509,664,000 for segments 1 through 4, the segments included in the 2002 Project) were based upon the guaranteed Development Price and the estimated Costs of other items of work for State Highway 130, such as construction oversight and management, toll systems and ROW Costs. As set forth in the GEC's System Report, the General Engineering Consultant is of the opinion that the estimated Costs and construction schedule of the State Highway 130 element of the 2002 Project are reasonable. See "APPENDIX E – GEC'S SYSTEM REPORT."

Estimated Opening Date of the 2002 Project

As described in the GEC's System Report, the 2002 Project is expected to open in phases. State Highway 130 from Interstate Highway 35 southward to State Highway 71 is expected to open in September 2007. State Highway 130 from State Highway 71 southward to United States Highway 183 is expected to open in December 2007. Loop 1 and the portion of State Highway 45 North east of Loop 1 are expected to open in September 2007. The western portion of State Highway 45 North is expected to open in December 2007. See "RISK FACTORS – Costs of 2002 Project" and "APPENDIX E – GEC'S SYSTEM REPORT – Table 9."

Toll Collection Facilities and Technology

The Commission has selected United Toll Systems, a privately owned limited liability company registered in Alabama, to serve as the toll systems integrator for the 2002 Project. The Commission is in the process of negotiating a contract with United Toll Systems. The toll collection and enforcement system will not be finalized at the time of delivery of the Series 2002 Obligations. Between delivery of the Series 2002 Obligations and opening of the 2002 Project, the Commission and the toll systems integrator will continue to develop and review the toll collection and enforcement system for the 2002 Project, including toll rate structure and staffing levels, in order to optimize the Tolls of the 2002 Project.

Toll collection systems on the 2002 Project are planned to include a high level of automation for operational efficiencies and driver convenience. Mainlane plazas will consist of express electronic toll collection ("*ETC*") lanes and a cash plaza. Express ETC lanes will allow toll collection from equipped vehicles without slowing from normal highway speeds. The express lanes will not have toll islands or other physical barriers normally present in a toll plaza. Toll collection equipment will be mounted in the pavement, outside the shoulder area or overhead. Physically separated from the express ETC lanes will be a cash plaza with traditional toll islands. A mixture of manual collection and automatic coin machines will be used in the cash plazas to accommodate vehicles that are not registered or equipped with ETC. Ramp plazas will be equipped similarly to the mainlane plazas except that express ETC lanes are replaced

by an ETC only ramp lane which is physically adjacent to the cash lanes. The number of lanes at ramp plazas will vary according to traffic requirements. Most ramps will be constructed with one ETC only lane plus one or two cash lanes which may be equipped for manual, automatic coin machine or both. The Commission plans to equip all manual and automatic coin machines lanes with ETC equipment to encourage ETC as the preferred method of toll payment. In order to minimize toll evasion, the Commission plans to equip all lanes in the 2002 Project with an automated violation enforcement system. Such system will record electronic images of violating vehicles license plates for prosecution under state statutes for non-payment of tolls. The toll collection and enforcement systems are being procured under one contract to help ensure their seamless operation and accuracy. See "APPENDIX E – GEC'S SYSTEM REPORT – Toll Collection."

THE DEVELOPER

As described above, the State Highway 130 element of the 2002 Project will be constructed utilizing an Exclusive Development Agreement with Lone Star Infrastructure, the Developer. The Developer is a Texas joint venture comprised of the following partners (with the ownership percentage of each set forth in parenthesis following its name): Fluor Daniel, a division of Fluor Enterprises, Inc. (45%); Balfour Beatty Construction, Inc. (35%); and T. J. Lambrecht Construction, Inc. (20%). Management of the Developer is by a committee of the partners, with each partner having voting rights according to its ownership percentage, and any action by the partners committee requiring a majority vote by ownership percentage. Pursuant to the terms of the Joint Venture Agreement and the Exclusive Development Agreement, each partner is jointly and severally liable to the Commission for all actions required of the Developer. In addition, concurrently with the execution of the Exclusive Development Agreement, the Developer provided to the Commission a guarantee of the Developer's performance under the Exclusive Development Agreement from Fluor Corporation ("*Fluor Corporation*"), the parent of Fluor Enterprises, Inc. See "THE SYSTEM AND THE 2002 PROJECT – State Highway 130" and "THE EXCLUSIVE DEVELOPMENT AGREEMENT."

Fluor Corporation files annual, quarterly and special reports, information statements and other information with the SEC under File No. 001-16129. Copies of the SEC filings (including (1) Fluor Corporation's Annual Report on Form 10-K for the year ended December 31, 2001, (2) Fluor Corporation's Quarterly Report on Form 10-Q for the quarter ended March 31, 2002, and (3) the report on Form 8-K filed by Fluor Corporation on September 25, 2001) are available (i) over the Internet at the SEC's web site at http://www.sec.gov; (ii) at the SEC's public reference room in Washington D.C.; (iii) over the Internet at Fluor Corporation's web site at http://investor.fluor.com; and (iv) at no cost, upon request to Fluor Corporation - Investor Relations, One Enterprise Drive, Aliso Viejo, CA 92656; Phone: (949) 349-3909.

The following documents filed by Fluor Corporation with the SEC are incorporated herein by reference:

1. Fluor Corporation's Annual Report on Form 10-K for the year ended December 31, 2001 and filed on March 21, 2002.

2. Fluor Corporation's Quarterly Report on Form 10-Q for the quarter ended March 31, 2002 and filed on May 15, 2002.

3. The report on Form 8-K filed by Fluor Corporation dated September 24, 2001 and filed on September 25, 2001.

Any documents filed by Fluor Corporation pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934 after the date of this Official Statement and prior to the termination of

the offering of the Series 2002 Obligations shall be deemed to be incorporated by reference in this Official Statement and to be a part hereof. Any statement contained in a document incorporated or deemed to be modified or superseded for purposes of this Official Statement to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Official Statement.

TIFIA FUNDING

Pursuant to the provisions of TIFIA, the USDOT has agreed to lend the Commission up to $916,760,000 to pay or reimburse a portion of the Costs of the 2002 Project under the Secured Loan Agreement between the Commission and the USDOT. To evidence the Commission's obligations under the Secured Loan Agreement, the Commission has issued the 2002 TIFIA Bond as a Subordinate Lien Obligation. Upon the occurrence of a Bankruptcy-Related Event under the Secured Loan Agreement and the Indenture while the USDOT owns the 2002 TIFIA Bond, the 2002 TIFIA Bond will become a First Tier Obligation on a parity with the other First Tier Obligations, except that it will not be entitled to be paid from amounts on deposit in the First Tier Debt Service Reserve Fund.

Interest is payable on the 2002 TIFIA Bond on each August 15 and February 15 of each year, commencing February 15, 2010 (or, under certain circumstances, at the option of the Commission, on February 15, 2012), at the rate of 5.51% per annum. Outstanding principal under the 2002 TIFIA Bond is paid August 15 of each year, commencing August 15, 2025, and on the maturity date. The final maturity date of the 2002 TIFIA Bond is July 15, 2042. Initially, the Commission expects to borrow approximately $16,760,000 under the Secured Loan Agreement to pay Costs of the 2002 Project. The balance of the 2002 TIFIA Bond is available, as needed as reimbursements of eligible project costs, to finance or refinance Costs of the 2002 Project. See "APPENDIX G - SUMMARY OF CERTAIN PROVISIONS OF THE SECURED LOAN AGREEMENT" regarding additional terms and provisions of the Secured Loan Agreement.

The USDOT uses a two-step documentation process to commit and provide TIFIA assistance. First, a term sheet setting forth the basic terms and conditions of TIFIA assistance is negotiated and executed. The execution of the term sheet triggers USDOT's obligation of contract authority and the USDOT is obligated to make a disbursement of funds at a later date, up to the authorized loan amount set forth in the term sheet. Second, a loan agreement, such as the Secured Loan Agreement, is executed that contains the final terms and conditions under which the USDOT will make funds available and authorizes the submission of requests for disbursement of funds. A term sheet was executed by the USDOT on August 16, 2001, and was amended and restated on July 22, 2002. The Secured Loan Agreement became effective July 25, 2002. Upon initial execution, the USDOT obligated $800,000,000 of funds for the Secured Loan Agreement, and an additional $116,760,000 was obligated upon execution of the amended and restated term sheet. The USDOT has obligated a total of $916,760,000 for the Secured Loan Agreement. Funds under the Secured Loan Agreement are transferred from the United States Department of the Treasury upon presentation by the Commission of a request for disbursement in accordance with the provisions of the Secured Loan Agreement.

SYSTEM-RELATED FUNDING OBLIGATIONS OF COMMISSION

Commission Funding Obligations

Pursuant to the Funding Minute Order, the Commission has undertaken to provide $700,000,000, from lawfully-available funds, toward payment of construction costs of the 2002 Project and approximately $24,560,000 toward the cost of right-of-way for the Loop 1 element, and to make available other funds necessary to complete the 2002 Project, acquire all necessary right-of-way and ensure the

timely construction and opening of certain major connectors and feeders to the 2002 Project. The Commission will make the $700,000,000 contribution in installments in each of the Fiscal Years 2004 through 2008 (which period commences September 1, 2003). Subject to funds being appropriated to the Commission in a manner that would allow their use to pay the Costs of the 2002 Project as set forth in the Funding Minute Order, the Commission covenants in the Indenture (i) to carry out its undertakings set forth in the Funding Minute Order and to make funds available to the Trustee, to the extent set forth in the Funding Minute Order, in a manner and within the time necessary to allow the Trustee to pay the Costs of the 2002 Project, (ii) to make lawfully available funds available in amounts sufficient to complete the construction of the 2002 Project, including paying the Cost of necessary right-of-way, if the proceeds of the Series 2002 Obligations and the other funds made available pursuant to the Funding Minute Order are insufficient for such purpose, and (iii) to use its best efforts to issue, sell and deliver additional Obligations, if necessary, to provide lawfully available funds to refund the Series 2002 Second Tier BANS or to complete construction of the 2002 Project. See "PLAN OF FINANCE – Funding Obligations of the Commission," "APPENDIX B – SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Particular Covenants" and "APPENDIX C – MINUTE ORDERS OF THE COMMISSION."

Major Connector Facilities and Feeders to the 2002 Project

The Traffic and Revenue Report assumes the construction and opening of certain major connector facilities and feeder roads to the 2002 Project within certain time periods. A map of such major connector facilities and feeder roads is included on page (ii) hereof. Pursuant to the Funding Minute Order, the Commission has committed to ensure the construction of United States Highway 183A, the United States Highway 183A Interchange at State Highway 45 North and the State Highway 45 South limited-access highway. See "PLAN OF FINANCE – Funding Obligations of the Commission," "APPENDIX B – SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Particular Covenants" and "APPENDIX C – MINUTE ORDERS OF THE COMMISSION" and "RISK FACTORS – Major Connector Facilities and Feeders to the 2002 Project" Set forth below is a general description of each of such major connector facilities and feeder roads.

Construction of United States Highway 183A. The Commission has committed to ensure construction of the $281,000,000 (estimated) United States Highway 183A by the end of 2011. Project funding is anticipated to come from both state and federal sources. The project may be pursued as a turnpike project. The Federal Highway Administration issued a Record of Decision for this project on May 10, 2001, thereby establishing the route and environmentally clearing the project. The Commission is progressing with the design of the project. The project is included in the CAMPO 2025 Transportation Plan and included in the State's federally approved State Transportation Improvement Plan ("*STIP*").

Construction of United States Highway 183A Interchange at State Highway 45 North. The Commission has officially funded and committed to ensure construction of the $70,000,000 (estimated) interchange between United States Highway 183A and State Highway 45 North by the end of 2007. Project funding is anticipated to be provided from both state and federal sources. The Federal Highway Administration issued a Record of Decision for this project on May 10, 2001, thereby establishing the route and environmentally clearing the project. The final design is complete for this project. The project is included in the CAMPO 2025 Transportation Plan and included in the State's federally approved STIP.

Construction of State Highway 45 South Limited-Access Highway. The Commission has committed to ensure construction of the $167,000,000 (estimated) limited-access highway between United States Highway 183 South and Interstate Highway 35 by December 2010. Project funding is anticipated to be provided from both state and federal sources. The project may be pursued as a turnpike project. The Commission is progressing with the design and is pursuing the required permits for this project; provided, however, that no applications for environmental permits have been submitted. The

project is included in the CAMPO 2025 Transportation Plan and included in the State's federally approved STIP.

Covenant to Cover Shortfalls in Operating Account

The Commission covenants in the Indenture, subject to appropriation of funds by the State Legislature, to make monthly deposits to the Operating Account in amounts sufficient to keep a balance in the Operating Account equal to the Operating Account Requirement, to the extent that Revenues are insufficient to make the required deposits into the Operating Account in any month. Further, the Commission covenants to include in its annual budget 110% of the amount, if any, by which Revenues are projected to be insufficient to pay Operating Expenses for the upcoming year. See "SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2002 OBLIGATIONS – Funds and Accounts – Operating Account" and "SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2002 OBLIGATIONS – Flow of Funds."

Covenant to Fund Maintenance Account

The Commission covenants in the Indenture, subject to appropriation of funds by the State Legislature, to (1) budget for and make monthly deposits to the Maintenance Account sufficient to keep a balance in the Maintenance Account sufficient to pay the following two months of upcoming Maintenance Expenses and (2) pay all Maintenance Expenses when due if the balance in the Maintenance Account is insufficient to do so. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2002 OBLIGATIONS – Funds and Accounts – Maintenance Account."

Covenant to Fund and Cover Shortfalls in Reserve Maintenance Account

The Commission covenants in the Indenture, subject to appropriation of funds by the State Legislature, to (1) budget for and make monthly deposits to the Reserve Maintenance Account sufficient to keep a balance in the Reserve Maintenance Account equal to the capital expenses projected in the Annual Capital Budget for the ensuing two months and (2) pay all capital expenses when due if the balance in the Reserve Maintenance Account is insufficient to do so. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2002 OBLIGATIONS – Funds and Accounts – Reserve Maintenance Account."

FUNDING OF COMMISSION OBLIGATIONS

The System-related funding obligations described above are multi-year obligations of the Commission that are to be paid from lawfully available funds of the Commission rather than from the proceeds of Series 2002 Obligations. Generally, all money available to the Commission, including the money necessary to pay such System-related funding obligations, is subject to appropriation by the State Legislature before it can be drawn out of the State Treasury. The State Legislature meets biennially in each odd numbered year for such purpose, but can appropriate in special session if called by the Governor for such purpose. Legislative appropriations are limited to a period of two years. Generally, appropriations are made by the State Legislature separately for each Fiscal Year of the State's biennium, but an appropriation can be made for a full biennium or for a part of the biennium other than a Fiscal Year. Legislative appropriations of funds from the State Highway Fund (also known as "*Fund 0006*") are the primary source of funding for the construction, maintenance and operation of the State Highway System, including the System, and are expected to be the primary source of funds for payment of such System-related funding obligations. Set out below are general descriptions of State highway funding and the Commission's budget process.

State Highway Funding

The State Highway Fund (Fund 0006) is the primary source of funding for the construction, maintenance, operation and policing of the State Highway System, and the administration of State laws relating to traffic and safety on public roads. The State Highway Fund receives funds from a variety of sources, including, without limitation, federal transportation programs funds received from the USDOT, state motor fuels tax funds, state motor vehicle registration funds and state motor lubricants tax funds (*see* "State Highway Fund – Sources of Funds," below).

Pursuant to Article VIII, Section 7-a of the State Constitution, (i) 75% of the net revenues generated from the state motor fuels tax and (ii) the net revenues generated from the state motor vehicle registration fees (except for a portion that is reserved for the county governments) are dedicated for acquiring right-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 State Constitution, certain revenues received from the federal government as reimbursement for state expenditures of funds that are themselves dedicated pursuant to Section 7-a as described above are also constitutionally dedicated and shall be used only for those purposes.

Funds that are required to be used for public roadways by State or federal law and are deposited to the credit of the State Highway Fund, including federal funds deposited to the credit of the State Highway Fund pursuant to the Transportation Equity Act for the 21st Century ("*TEA-21*"), may be used only (a) to improve the State Highway System, (b) to mitigate adverse environmental effects that result directly from construction or maintenance of a State Highway by the Department or (c) by the Texas Department of Public Safety ("*TDPS*"), to police the State Highway System and to administer State laws relating to traffic safety. Funds in the State Highway Fund that are not so restricted may be used for any functions performed by the Department. To accomplish these purposes, funds in the State Highway Fund are appropriated by the State Legislature to the Department, TDPS and certain other agencies of the State (*see* "State Highway Fund – Uses of Funds" below).

State Highway Fund – Sources of Funds

The following table sets out the amounts of total State Highway Fund receipts derived from each of the following sources for the years 1997-2001: the State motor fuels tax, State motor vehicle registration fees, other State revenue sources, and reimbursements of federal funds.

TABLE 1
State Highway Fund Receipts
by Source
(In Millions)

Year	State Motor Fuels Tax	State Motor Vehicle Registration Fees	Other State Revenue Sources	Reimbursements from Federal Funds	TOTAL
1997	$1,737.0	$637.7	$222.6	$1,107.5	$3,704.8
1998	1,837.4	675.7	243.2	$1,071.1	$3,827.4
1999	1,556.1	705.1	274.0	$1,474.7	$4,009.9
2000	2,299.9	744.6	314.6	$1,849.0	$5,208.1
2001	2,021.8	752.0	348.1	$1,805.3	$4,927.2

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 on liquefied natural gas. Pursuant to Article VIII, Section 7-a of the Texas Constitution, 75% of the net revenues generated from the State motor fuels tax are dedicated for

acquiring right-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. State motor fuels taxes that are dedicated to such purposes are deposited to the credit of the State Highway Fund and their use is restricted to such purposes. The following table sets out the amount of the State motor fuels tax deposited into the State Highway Fund for the years 1997-2001 and the approximate percentage of total State Highway Fund receipts for such years that constituted State motor fuels taxes.

TABLE 2
State Motor Fuels Tax Revenues
Deposited to the State Highway Fund
(In Millions)

Year	Amount of Motor Fuels Tax Revenues Deposited	Percentage of Total State Highway Fund Receipts
1997	$1,737.0	47%
1998	1,837.4	48%
1999	1,556.1[(1)]	39%
2000	2,299.9[(1)]	44%
2001	2,021.8	41%

(1) Motor fuels tax revenues in the amount of $336.8 million that normally would have been deposited and recorded in Fiscal Year 1999 were delayed and deposited in Fiscal Year 2000.

State Motor Vehicle Registration Fees. The State currently charges motor vehicle registration fees under a number of statutory provisions. The Department shares motor vehicle registration responsibilities and revenues with county governments that assist the Department. Pursuant to Article VIII, Section 7-a, of the Texas Constitution, a portion of the net revenues generated from State motor vehicle registration fees is reserved for the county governments and the balance is dedicated to acquiring right-of-way, construction, maintaining and policing public roadways, and for the administration of laws pertaining to the supervision of traffic and safety on such roads. State motor vehicle registration fees that are dedicated for public roadway purposes are deposited to the credit of the State Highway Fund and their use is restricted to such purposes. The following table sets out the amount of such revenues deposited to the State Highway Fund for the years 1997-2001, the approximate percentage of total motor vehicle registration fee revenues represented by such amount, and the approximate percentage of total State Highway Fund receipts for such years that constituted motor vehicle registration fees.

TABLE 3
State Motor Vehicle Registration Fees
Deposited to the State Highway Fund
(In Millions)

Year	Amount of Motor Vehicle Registration Fees Deposited	Percentage of Total Motor Vehicle Registration Fees	Percentage of Total State Highway Fund Receipts
1997	$637.7	67%	17%
1998	675.7	65%	18%
1999	705.1	65%	17%
2000	744.6	65%	14%
2001	752.0	65%	15%

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 the Department. The following table sets out the aggregate amount of funds generated from these sources and deposited to the State Highway Fund for the years 1997-2001 and the approximate percentage of the total State Highway Fund receipts for such years generated from such sources.

TABLE 4
Other State Revenues Deposited to The State Highway Fund
(In Millions)

Year	Amount Deposited	Percentage of Total State Highway Fund Receipts
1997	$222.6	6%
1998	243.2	6%
1999	274.0	7%
2000	314.6	6%
2001	348.1	7%

Federal Funds. Federal transportation funds are currently made available to the State by the USDOT pursuant to TEA-21. For details on the federal aid highway program, see "APPENDIX I – THE FEDERAL-AID HIGHWAY PROGRAM." 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 the Department. Such funds are deposited to the credit of the State Highway Fund. Federal transportation funds received and deposited to the State Highway Fund over the past five Fiscal Years, and the portion of total State Highway Funds represented by receipts of federal funds, are shown in the following table.

TABLE 5
Reimbursements from Federal Funds
(In Millions)

Year	Amount Deposited	Percentage of Total State Highway Fund Receipts
1997	$1,107.5	30%
1998	1,071.1	28%
1999	1,474.7	37%
2000	1,849.0	36%
2001	1,805.3	37%

Federal transportation funds generally consist of federal excise taxes levied on gasoline, diesel, gasohol, special fuels, tires, truck and trailer sales and heavy vehicle use (based on weight) that are deposited in the Federal Highway Trust Fund (the "*HTF*"). The HTF was created as a user-supported fund intended to finance highways with taxes paid by users of highways. Federal excise tax revenues are distributed to two accounts within the HTF, the Highway Account and the Mass Transit Account. TEA-21 generally guarantees that no state's share of apportioned federal highway program funds may be less than 90.5% of its attributed share of highway user tax revenue contributed to the Highway Account of the HTF (*see* "Federal Funds – Guaranteed Highway Programs" and "– Limitations on Federal Funding" below). TEA-21 does not, however, guarantee the states any specific return on revenues contributed to the Mass Transit Account of the HTF. 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 following table provides a history of the apportionments and allocations, as applicable, to the State for these programs in the State since the enactment of TEA-21.

TABLE 6
Federal Transportation Funds for Texas[(1) (2)]
(In Millions)

Program	1998	1999	2000	2001
Guaranteed Highway Programs	$1,623.5	$1,983.5	$2,163.2	$2,260.2
Discretionary Highway Programs	0.0[(3)]	27.8[(3)]	20.1	814.3[(4)]
Highway Safety Programs	11.8	27.0	29.4	29.0
Transit Programs	17.5	24.1	25.0	26.2
TOTAL	$1,652.8	$2,062.4	$2,247.7	$3,129.7

(1) Source: Texas Legislative Budget Board based upon data from the USDOT. Federal transportation funds received directly by local governments are not included.
(2) Years shown are federal fiscal years.
(3) The FHWA allocated most discretionary programs for fiscal years 1998 and 1999 together in fiscal year 1999.
(4) Includes the 2002 TIFIA Loan, initially approved in the amount of $800,000,000 and increased in the 2002 Fiscal Year to $916,760,000.

Guaranteed Highway Programs. Guaranteed Highway Programs funds represent the highway construction and planning funds that provide the 90.5% guaranteed return to the states that is assured in TEA-21 and are the most significant source of federal transportation funding received by the states. On average, 91% of the federal transportation funds received by the State since 1998 have been Guaranteed Highway Programs funds. With the exception of High Priority Projects and Minimum Guarantee, which are apportioned on a non-formula basis specified in law, Guaranteed Highway Programs funds are apportioned based upon specific statutory formulas (*see* "Limitations on Federal Funding" below).

The following federal transportation programs comprise the Guaranteed Highway Programs: Interstate Maintenance; National Highway System; Surface Transportation Program; Highway Bridge Rehabilitation and Replacement; Congestion Mitigation and Air Quality Improvement; Recreational Trails; Metropolitan Planning; High Priority Projects; Minimum Guarantee; and State Planning and Research.

Discretionary Highway Programs. Discretionary Highway Programs funds are generally awarded or allocated to states on a competitive basis. However, in recent years the United States Congress has earmarked most discretionary funds in annual appropriations bills for specific projects. Discretionary Highway Programs funds include various federal transportation programs including, among others, the following categories: Corridor Planning and Development and Border Infrastructure, Ferry Boats, Innovative Bridge Research and Construction, Intelligent Transportation Systems, Discretionary Interstate Maintenance, and TIFIA programs.

Highway Safety Programs. Highway Safety Programs funds are made available to states by a variety of methods, including apportionment and allocation based on competitive selection or satisfaction of performance based criteria for incentive grants. The various programs that comprise the Highway Safety Programs include, among others, State and Community Highway Safety Grants, Seat Belt Incentive Grants, and Safety Incentives to Prevent Operation of Motor Vehicles by Intoxicated Persons.

Transit Programs. The Federal Transit Administration provides financial assistance to develop new transit systems and improve, maintain and operate existing systems. The bulk of available federal transit funds is received directly by urban areas rather than by the states. For federal fiscal year 2001, urban areas in the State received approximately $241 million in federal transit funds. Federal Transit Program funds are additional federal transit funds that are made available to the states by both apportionment through statutory formulas and allocation on a discretionary basis. The various programs that comprise the Transit Programs include, among others, Nonurbanized Area Formula Grants, Capital Investment Program, Formula Grants for Special Needs of Elderly and Persons with Disabilities, Metropolitan Planning and State Planning and Research.

Limitations on Federal Funding. – The amounts shown in Table 6 above represent federal funds that have been "apportioned" or "allocated" to the State pursuant to TEA-21, 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 1997 through 2001, see Table 5, above. For a description of the federal funding process, including apportionment, obligation authority and contract authority, see "APPENDIX I – THE FEDERAL-AID HIGHWAY PROGRAM."

State Highway Fund – Uses of Funds

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, including federal funds deposited to the credit of the State Highway Fund pursuant to TEA-21, may be used only (a) to improve the State Highway System, (b) to mitigate environmental effects that result directly from construction or maintenance of a State Highway by the Department or (c) by TDPS to police the State Highway System and administer state laws relating to traffic safety. Funds in the State Highway Fund that are not so restricted may be used for any functions performed by the Department. To accomplish these purposes, funds in the State Highway Fund are appropriated by the State Legislature to the Department, TDPS and certain other State agencies. The following table sets out the appropriation of funds by the State Legislature to the Department for the three most recent State biennia and the approximate percentage of total appropriations from the State Highway Fund represented by such appropriations.

TABLE 7
Appropriations to the Department from the
State Highway Fund
(In Millions)

State Biennium	Amount Appropriated	Percentage of SHF Appropriations
1998-1999	$ 7,226.3	92.05%
2000-2001	8,849.3	93.14%
2002-2003	10,579.7	93.88%

During the current State biennium, the State Legislature has made appropriations from the State Highway Fund to the Department for the purposes of right-of-way acquisition; highway construction; and contracted maintenance (each, a "*Protected Appropriation Purpose*") as well as other purposes, which include the following: plan, design and manage highway projects; routine maintenance; aviation services; public transportation; support for the Gulf Intercoastal Waterway; ferry system; motor vehicle registration and titling; vehicle dealer regulation; transportation research and development programs; traffic safety; travel information; central administration; information resources; other support services; and regional administration (each, a "*Non-Protected Appropriation Purpose*").

The State appropriations legislation has typically allowed for the transfer by the Department of appropriations from any Non-Protected Appropriation Purpose to any Protected Appropriation Purpose or among Non-Protected Appropriation Purposes. However, appropriations may not currently be transferred from a Protected Appropriation Purpose to a Non-Protected Appropriation Purpose.

Project Planning and Funding Priorities

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 Texas 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 ten years. Such UTP contains Priority 1 transportation projects to be constructed over the next four years and for which funding is firm and Priority 2 transportation projects to be constructed 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 ("*TIP*"). The TIP's approved by such local planning organizations are used to comprise the STIP for projects to be constructed by the Commission over the next three year period as part of the Priority 1 UTP projects. All projects funded by the Department and reimbursed by the Federal Highway Administration must be included in the STIP.

The Commission Budget Process

The Department operates under a two-year budget cycle. In preparing its Legislative Appropriations Request ("*LAR*"), the Department relies upon its cash flow forecast for the State Highway Fund, which delineates current and future obligations of the Department while forecasting the monthly revenue, expenditure, lowest daily balance and ending balance for the 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 Department offices.

Once these funding priorities have been determined the data is entered into the Department's LAR and submitted to the State Legislature for consideration in enacting the State appropriations bill.

Once the appropriations bill takes effect, it will be implemented as the State budget for the next two-year biennium, taking effect on the next September 1. The budget is law, though it does not 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 with the State budget.

RIGHT-OF-WAY FUNDING

General

Pursuant to the Funding Minute Order and the Indenture, the Commission covenants to use lawfully available funds to acquire all necessary right-of-way for the 2002 Project that is not acquired or paid for by other entities. See "SYSTEM-RELATED FUNDING OBLIGATIONS OF COMMISSION – Commission Funding Obligations." The 2002 Project will be a part of the State Highway System and all right-of-way is being acquired in, or ultimately will be held in, the name of the State. As with many State Highway System projects, the Commission expects political subdivisions benefiting from highway improvements to pay for all or a portion of the right-of-way and utility relocation costs. To the

knowledge of the Commission, no cities or counties have ever defaulted under such a funding agreement with the Commission.

The Commission has executed separate Contribution Agreements with the Contributing Subdivisions identified below, pursuant to which the Contributing Subdivisions contribute to the ROW Costs of portions of the 2002 Project located within their respective boundaries. "ROW Costs" is defined under the Contribution Agreements to include the cost of right-of-way acquisition, title insurance fees, relocation assistance, clearance of improvements and utility adjustments for the elements of the 2002 Project within the respective boundaries of the Contributing Subdivisions. Specifically, the Commission has entered into separate Contribution Agreements with (i) the City of Austin covering Loop 1, (ii) the City of Austin covering State Highway 45 North, (iii) the City of Austin covering State Highway 130, (iv) Williamson County covering Loop 1 and State Highway 45 North, (v) Williamson County covering State Highway 130, (vi) Travis County covering Loop 1, (vii) Travis County covering State Highway 130, and (viii) Travis County covering State Highway 45 North.

The following description of the Contribution Agreements is intended only to serve as a summary thereof and is qualified in all respects by reference to the actual Contribution Agreements. Copies of the Contribution Agreements are available for examination at the offices of the Commission.

Funding Responsibility and Increased Costs

Following are descriptions of specific provisions of each Contributing Subdivision's respective Contribution Agreement relating to responsibility for funding of established ROW Costs and for increases in ROW Costs:

Loop 1

The City of Austin, Williamson County and Travis County have agreed pursuant to separate Contribution Agreements to pay fifty percent of the ROW Costs for that portion of the Loop 1 element within their respective boundaries. The total ROW Costs for the Loop 1 element are currently estimated at $77,100,000. The local commitment for the Loop 1 ROW Costs is approximately $38,550,000. $13,990,000 of the ROW costs will be funded with the proceeds of the Series 2002 Obligations. The Commission will pay the remainder. The City of Austin, Williamson County and Travis County have transferred approximately $26,625,223 to the Commission for such ROW Costs. To the extent the actual ROW Costs on Loop 1 exceed estimates, the City of Austin, Williamson County and Travis County have agreed to provide additional funding to the Commission within certain time periods which range from 60 days to 2 years to pay their respective shares of fifty-percent of such increase.

State Highway 45 North

The City of Austin, the City of Round Rock, Williamson County and Travis County have agreed pursuant to separate Contribution Agreements to pay one hundred percent of the ROW Costs for that portion of the State Highway 45 North element within their respective boundaries. The ROW Costs for the State Highway 45 North element are currently estimated at $314,100,000. The City of Round Rock, Williamson County and Travis County have acquired right-of-way or transferred funds totaling approximately $32,904,858 in value to the Commission for such ROW Costs for this element. $15,500,000 of the ROW costs will be funded with the proceeds of the Series 2002 Obligations. To the extent the actual ROW Costs on State Highway 45 North exceed estimates, the City of Austin, Williamson County and Travis County have agreed to provide additional funding to the Commission within certain time periods that range from 60 days to 2 years. If shortfalls occur in time or amount with respect to the Contribution Agreements, the Commission has committed to cover the shortfall and ensure timely right-of-way acquisition pursuant to the Funding Minute Order.

State Highway 130

The City of Austin, Williamson County and Travis County have collectively transferred $150,000,000 to the Commission as their contribution of ROW Costs on the State Highway 130 element within their respective boundaries. The ROW Costs for the State Highway 130 element are currently estimated at $303,800,000. The remaining ROW Costs for the State Highway 130 element are being funded from proceeds of the Series 2002 Obligations.

Right-of-Way Acquisition and Related Procedures

The Contribution Agreements set forth certain procedural requirements relating to acquisition of right-of-way for the 2002 Project, including mapping, title and appraisal issues. In addition, the Contribution Agreements outline procedures governing negotiations with affected landowners, and in the event that negotiations fail, procedures for administrative settlement short of actual condemnation. In the event that affected property must be condemned, the Contribution Agreements outline the respective responsibilities of the Commission and the Contributing Subdivisions in the event that the condemnation must be tried before a court, or if the ultimate verdict is appealed. The Contribution Agreements acknowledge the necessity of procedural flexibility in the right-of-way acquisition process and accordingly provide that the procedural provisions of the Contribution Agreements may be modified or amended by letter agreement, without the need for formal approval by the governing body of either the Commission or of the Contributing Subdivisions. This informal amendment process applies only to the procedural terms and provisions of the Contribution Agreements that are described in this paragraph. Many of the Commission's responsibilities with respect to the acquisition of right-of-way and utility relocations for State Highway 130 have been assumed by the Developer. See "THE DEVELOPER" and "APPENDIX H – SUMMARY OF CERTAIN PROVISIONS OF THE EXCLUSIVE DEVELOPMENT AGREEMENT AND THE CAPITAL MAINTENANCE AGREEMENT."

Utility Adjustments/Relocations

Construction of the 2002 Project will require the adjustment, removal or relocation of utility facilities. Under the Contribution Agreements, the Commission is responsible for identifying the necessary utility work and coordinating with affected utility companies to design and schedule such work. The Commission or the appropriate utility companies will be responsible for all of the work associated with the removal or relocation of such utility facilities.

Right-of-Way Acquisition and Relocation Assistance

The Contribution Agreements provide that the Commission will prepare maps, property descriptions and other data necessary for the acquisition of applicable right-of-way, and that the Commission, in cooperation with the Texas Attorney General's Office, will be responsible for providing the services necessary to acquire such property, either through negotiated purchase or through condemnation. In addition, the Commission will be responsible for administering relocation assistance to displaced property owners and for the clearance and disposition of improvements from the right-of-way.

GEC'S SYSTEM REPORT

The General Engineering Consultant, PBS&J, has provided a "Central Texas Turnpike System 2002 Project Engineering Report" (the "*GEC's System Report*") that documents and describes the location, preliminary engineering design features, construction cost estimates, operation and maintenance expense estimates, and construction schedule for the 2002 Project. A copy of the report is attached to this Official Statement as "APPENDIX E – GEC'S SYSTEM REPORT."

PBS&J is an employee-owned corporation formed and operating under the laws of the State of Florida. It is a full-service civil engineering firm founded in 1960 with headquarters in Miami, Florida. PBS&J has more than 2,800 employees in over 60 offices throughout the United States. The ***Engineering News Record*** has most recently ranked PBS&J as the 29th largest engineering firm in the United States and the 11th in transportation. PBS&J has served as the general engineering consultant for a number of toll agencies, including the Orlando-Orange County Expressway Authority for over twenty years and for Florida's turnpike since 1988. PBS&J has provided support services in connection with toll revenue bond issues since 1968.

THE TRAFFIC AND REVENUE REPORT

The Traffic Consultants have prepared the Traffic and Revenue Report, which is attached hereto as "APPENDIX E – TRAFFIC AND REVENUE REPORT." Following is a description of each of the Traffic Consultants.

Vollmer Associates LLP ("*Vollmer*") is a multidisciplinary firm known in the toll facility industry for its traffic and revenue consulting services. Since the 1970's, Vollmer has prepared more than 50 traffic and revenue reports in connection with the financing of some $11 billion worth of revenue bonds. These studies have allowed a wide range of public and private clients to construct, expand or rebuild toll facility infrastructure. A partial list of ongoing clients includes the New York State Thruway Authority, the New Jersey Highway Authority, the Delaware River and Bay Authority, the Maryland Transportation Authority, the Buffalo and Fort Erie Public Bridge Authority, the Kansas Turnpike Authority, the Orlando-Orange County Expressway Authority, and the E-470 Public Highway Authority.

URS Corporation is publicly owned and listed on the New York Stock Exchange. URS is one of the largest transportation planning/design firms in the United States with a professional staff of over 16,000 located in 300 offices throughout the world. Reports of URS have been the basis for $30 billion worth of transportation bonds/debt financing. A partial list of ongoing clients includes the Triborough Bridge and Tunnel Authority (MTA Bridges and Tunnels), Massachusetts Turnpike Authority, Ohio Turnpike Commission, Delaware Transportation Authority (Delaware Department of Transportation), Florida's Turnpike (Florida Department of Transportation), Greater New Orleans Expressway Commission, Tampa-Hillsborough County Expressway Authority, and Mid-Bay Bridge Authority (Florida).

The basic assumptions for the Traffic Consultants' revenue estimates and revenue forecasts in the Traffic and Revenue Report are as follows:

1. The 2002 Project will be open to traffic at the times set out in the Traffic and Revenue Report.

2. Interchange direct ramps between the 2002 Project components will be open to traffic at the time set out in the Traffic and Revenue Report. During the latter period, such ramps will replace some indirect connections provided initially via the elements' frontage roads.

3. United States Highway 183A will be financed and constructed as a toll facility or freeway and will be open to traffic in September, 2011.

4. State Highway 45 South from State Highway 130 to Interstate Highway 35 will be financed and constructed as a toll facility or a freeway and will be open to traffic in September 2010 and Interstate Highway 35 to Loop 1 in September 2025.

5. The toll collection plans and rates for the 2002 Project described in the Traffic and Revenue Report will be implemented as proposed, including a toll discount of ten percent (10%) for transponder users (electronic toll collection), the N minus 1 toll structure for multi-axle vehicles (a rate

structure for which a multi-axle vehicle pays a multiple of the two-axle-vehicle toll rate equal to the number of axles on the multi-axle vehicle minus one), and periodic toll increases through 2035.

6. Transponder market shares for the 2002 Project will occur as forecast in the Traffic and Revenue Report.

7. The traffic mix for trucks will vary for the 2002 Project, such that the toll multiplier (for revenue-estimation purposes) for trucks of 3+ axles will remain steady at 3.1 for the State Highway 130 element and at 2.5 for the Northwest Austin Area elements.

8. The socioeconomic growth discussed in the Traffic and Revenue Report will occur as forecast.

9. The highway network improvements discussed in the Traffic and Revenue Report will be constructed as planned.

10. Inflation will continue at 3.0 percent annually (compounded) during the forecast period through 2042.

11. 2002 Project traffic during the early years of operation will ramp up as formulated in the Traffic and Revenue Report.

12. The 2002 Project will be efficiently maintained and operated, but even under the most efficient operation, there will be some toll evasion and revenue "leakage" that have been deducted from the model-produced traffic and revenue forecasts (after ramp-up) discussed in the Traffic and Revenue Report.

13. Motor fuel will remain in adequate supply during the forecast period, and motor fuel prices (i.e., the average price for regular gasoline) in the foreseeable future will not increase above the 1980 peak, which, if adjusted for inflation, in current dollars would not be more than $2.50 per gallon.

14. Federal and State fuel tax increases will not increase to the extent that, together with fuel price increases, pump prices exceed $2.50 per gallon.

15. No radical change in travel modes, which would drastically curtail motor vehicle use, is expected during the forecast period.

16. In the long term, generally normal economic conditions will prevail in the State and the United States, and there will not occur a major depression, national emergency or prolonged fuel shortage.

As for the projections themselves, while they are stated year-by-year, they are intended to show the trends that may reasonably be anticipated on the basis of the above assumptions. For a discussion of certain factors that may impact the realization of the assumptions described above, see "RISK FACTORS" herein.

THE PEER REVIEW REPORT

In connection with the financing of the 2002 Project, the Commission, with FHWA approval, engaged Wilbur Smith Associates ("*WSA*") to conduct a peer review in an attempt to provide a final, independent assessment of the work conducted on the 2002 Project by the Traffic Consultants. WSA specifically was charged with providing a review of the information developed, an assessment of the reasonableness of the methodology utilized and the results obtained. Based upon its review, WSA expressed the following conclusions to the Commission:

The Traffic Consultants have provided the Commission with an investment grade traffic and toll revenue study that is consistent with the practices, methodology and analysis levels that are, and should be expected for, a project of this importance.

The degree to which the Traffic Consultants provided a comprehensive database of socioeconomic activity information, highway network inputs, origin/destination and stated preference survey implementation, model validation and calibration and other information was certainly at a level that was considered appropriate for a study at this level. The results therefore of the traffic diversion distribution process for the elements of the 2002 Project appear reasonable based on a comparison with traffic distribution for the model validation year.

The very important and significant issue of the current level and longevity of the slowdown in employment rates in the Austin Area generated by the reduction in the telecom and computer economic sections was appropriately addressed by the development of sensitivity tests of various socioeconomic scenarios for the Austin region and each of the specific project corridors. The results provide ranges of anticipated toll revenues that can be used to evaluate the various financial alternatives if the extreme economic conditions do, in fact, occur in the Austin Area.

Finally, WSA recognizes that the results obtained and conclusions reached in its peer review relied entirely on the information provided by the Traffic Consultants and the Commission during the course of the review. No attempt was made to verify the specific results of the information, only that it was gathered in a typically acceptable manner and used in an acceptable manner to produce the findings provided to WSA. Therefore, to the extent that the information can be relied on as true and accurate, is the same level to which veracity can be placed on its review. No independent development of traffic and toll revenues estimates were anticipated or provided during the peer review process.

RISK FACTORS

The Series 2002 Obligations are special and limited obligations of the Commission, payable solely from and secured exclusively by the Trust Estate. The following is a discussion of certain risk factors that should be considered in evaluating an investment in the Series 2002 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 may well be other risks associated with an investment in the Series 2002 Obligations in addition to those set forth herein.

General

The financial forecasts in this Official Statement are based generally upon certain assumptions relating to the timing and Costs of the 2002 Project and upon projections as to estimated Revenues, Operating Expenses and Maintenance Expenses. See "APPENDIX E – GEC'S SYSTEM REPORT" and "APPENDIX F – TRAFFIC AND REVENUE REPORT." 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 Commission, that are not purely historical, are forward-looking statements, including statements

regarding the Commission's expectations, hopes, intentions or strategies regarding the future and the projections in the GEC's System Report and the Traffic and Revenue Report. All forward-looking statements included in this Official Statement are based on information available to the Commission on the date hereof, and the Commission 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.

Costs of 2002 Project

As described in "THE SYSTEM AND THE 2002 PROJECT" herein, the 2002 Project consists of the design, engineering and construction of Segments 1 through 4 of State Highway 130, State Highway 45 North and Loop 1. In connection with State Highway 130, the Commission has entered into an Exclusive Development Agreement with the Developer. The Exclusive Development Agreement, as amended, is a guaranteed lump sum, guaranteed completion date contract for the design, right-of-way acquisition services, utility relocation, construction, construction engineering and inspection of the State Highway 130 element of the 2002 Project.

Generally, in development projects of this magnitude, 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 right-of-way, (iv) archeological, historic and unidentified subsurface conditions, (v) utility relocation problems, (vi) hazardous materials, or (vii) force majeure events. As a result, there can be no assurance that the Costs of the 2002 Project will not exceed current estimates, or that the completion of the 2002 Project will not be delayed beyond the estimated completion dates. The GEC's System Report finds that the estimated Costs of the 2002 Project are reasonable and, with the exception of unforeseen economic conditions, that State Highway 45 North, Loop 1 and State Highway 130 elements of the 2002 Project can be constructed within the limits of the estimated Costs. The GEC's System Report cautions, however, that "[u]nforeseeable escalation of prices or wages, shortages of labor or materials, and changes in economic conditions are factors that affect construction costs and could escalate or reduce the total project costs." See "APPENDIX E – GEC'S SYSTEM REPORT."

Specifically, in connection with the State Highway 130 element, while the Exclusive Development Agreement shifts to the Developer a significant amount of the risk and responsibility for time delays and cost increases associated with design, engineering, right-of-way acquisition, utility relocation and construction, the Exclusive Development Agreement ultimately allows for increases in price and extensions of time for performance in certain cases involving hazardous materials, new utilities installed after the Proposal Date (as defined in the Exclusive Development Agreement) and force majeure events. The Exclusive Development Agreement allows for a price increase without any extension of time for differing site conditions and previously identified utilities that exceed threshold amounts. Moreover, there are currently no final plans and specifications for the construction of State Highway 130 and the Commission is relying on the Developer to design, engineer, manage and construct the highway in accordance with standards, specifications and an agreed-upon scope of work. While individual members

of the Developer have separately, but not as a joint venture, completed other large construction projects, including highways, neither the Developer nor the individual members of the Developer have been responsible for completing a project of the size and complexity of the State Highway 130 element of the 2002 Project. There is no assurance that the Developer can design and engineer State Highway 130 in a manner such that it reasonably can be constructed for the guaranteed price and by the guaranteed completion date set forth in the Exclusive Development Agreement. Further, the responsibility of the Developer for all phases of design and engineering under the Exclusive Development Agreement may increase the impact that any financial instability, insolvency or bankruptcy of the Developer, or any entity guaranteeing the obligations of the Developer, could have on the Cost of, or completion date for, the State Highway 130 element of the 2002 Project.

In connection with the State Highway 45 North and Loop 1 elements, the Commission has entered into construction contracts for only approximately 2% of the State Highway 45 North element. The Commission has entered into design and engineering contracts for all of both elements, but the design and engineering work are not complete. Therefore, there is no assurance that the Cost of, or completion dates for, these elements of the 2002 Project will not exceed current estimates. It is expected that the Commission will award numerous contracts for these elements of the 2002 Project. Such contracts will be subject to change orders relating to price and time for completion in certain circumstances where the work or project conditions differ from those set forth in the bid specifications. There is also the possibility that the bankruptcy or insolvency of one or more of the contractors during construction could affect the timing or Cost of constructing these elements of the 2002 Project.

Funding of Commission Obligations. In connection with the 2002 Project, the Commission has (i) committed to make a contribution of $700,000,000 to pay a portion of the construction costs of the 2002 Project and $24,560,000 to pay a portion of the ROW costs, (ii) covenanted to make lawfully available funds available to the Trustee in amounts sufficient to complete construction of the 2002 Project, including paying the cost of necessary right-of-way, if the proceeds of the Series 2002 Obligations and the other funds made available pursuant to the Funding Minute Order are insufficient for such purpose, (iii) committed to ensure construction of additional highway facilities with an aggregate estimated cost of approximately $518,000,000 that, while not part of the 2002 Project, are included in the assumptions contained in the Traffic and Revenue Report, (iv) covenanted to pay all Maintenance Expenses when due and (v) covenanted to pay Operating Expenses to the extent of any deficiency in the Operating Account. See "SYSTEM-RELATED FUNDING OBLIGATIONS OF COMMISSION." These commitments and covenants of the Commission are multi-year funding obligations that are payable from lawfully available funds of the Commission. See "FUNDING OF COMMISSION OBLIGATIONS." The ability of the Commission to satisfy such commitments and covenants is dependent upon the availability to the Commission of adequate funds for such purposes.

As described in "FUNDING OF COMMISSION OBLIGATIONS" herein, the Commission'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 HTF (funded through federal excise taxes), state motor fuels 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 the Commission, 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 or federal law or regulation.

Further, though constitutionally dedicated to the construction, maintenance and operation of the State Highway System, all money available to the Commission to satisfy the commitments and covenants described above remains subject to appropriation and could be appropriated by the State Legislature in a

manner that would make them unavailable for support of the System. Any failure of the State Legislature to timely appropriate sufficient funds for such purposes, or the imposition by the State Legislature of any significant restrictions on the Department's ability to transfer other Department appropriations to such purposes, could result in insufficient funds being available to the Commission for it to satisfy such commitments and covenants; however the State Legislature has limited ability to redirect the constitutionally mandated funds in the State Highway Fund (Fund 0006).

Additionally, funds expected to be available to the Commission for such purposes that represent federal funds are subject to appropriation by the United States Congress and, to the extent such funds are expected to be available beyond 2003, to federal legislation being enacted authorizing funding under TEA-21 (or other federal law) beyond 2003. See "FUNDING OF COMMISSION OBLIGATIONS – State Highway Funds – Sources of Funds – Federal Funds – Limitations on Federal Funding." It is the position of the office of the United States Sectary of Transportation that the TIFIA Loan advances are not subject to appropriation since the Secured Loan Agreement has been executed.

Local Funding Risks of Right-of-Way Cost. As described under "RIGHT-OF-WAY FUNDING – Funding Responsibility and Increased Costs," the Contributing Subdivisions have agreed to pay a portion of ROW Costs related to the 2002 Project, which portion is currently estimated by the Commission to be approximately $487,150,000. Of this amount, $234,317,091 in cash or real property has been either deposited in dedicated trust accounts, transferred to the Commission for payment of ROW Costs, or used to purchase right-of-way that has been transferred to the Department. There is no assurance that the Contributing Subdivisions will have funds available to pay the balance of their commitments. While the Commission has covenanted to fund any shortfalls in right-of-way funding, any delay in the availability of funds necessary to acquire right-of-way related to the 2002 Project may cause delays in construction and completion of the 2002 Project.

Payment and Performance Bonds

A potential purchaser of the Series 2002 Obligations can have no assurance that any contractor or subcontractor, guarantor, surety or property insurer will be willing or capable of meeting its responsibilities in connection with the 2002 Project or that the issuer of any performance or payment bond, any guarantee or any property insurance policy will honor or will be able to honor a claim in a timely manner.

In connection with public works contracts, current Texas law generally requires a governmental entity to obtain payment and performance bonds from the contractor in the amount of the contract. Notwithstanding the foregoing, the Commission determined that payment and performance bonds in the amount of the fixed price ($952,644,000) under the Exclusive Development Agreement were not commercially available. As a result, the Commission agreed in the Exclusive Development Agreement to accept payment and performance bonds each in the amount of $250,000,000. The Commission does not expect its payment obligations outstanding at any one time under the Exclusive Development Agreement to exceed the amount of the payment bond provided by the Developer. At the time of issuance and delivery of the Series 2002 Obligations, General Counsel to the Commission will render an opinion to the effect that the legality of the Exclusive Development Agreement is not affected by the inclusion of provisions requiring payment and performance bonds in an amount less than the amount of the contract or the failure of the Commission to obtain payment and performance bonds in the amount of the contract. Texas law, however, further provides that if a governmental entity fails to obtain a payment bond in the amount of the contract, the governmental entity is subject to the same liability that a surety would have if the surety had issued a payment and performance bond to the governmental entity.

Upon acceptance of each segment of State Highway 130 such bonds may be replaced with a $65,327,746 warranty bond relating to such segment. In addition, Fluor Corporation has provided a

parent guarantee that guarantees all of the Developer's obligations under the Exclusive Development Agreement. Not all events are covered under such bonds, policies and guarantee. The issuer of the Developer's Payment and Performance Bonds is not guaranteeing payment or performance under all circumstances, and the issuer of such bonds may assert any defenses it claims or has as a defense for payment or performance. Moreover, in the event that a default occurs under the Exclusive Development Agreement, there is a possibility of litigation between the Commission and the Developer, the parent guarantors and the providers of the performance bonds and payment bonds, which could further delay construction and the opening of the State Highway 130 element.

While each contractor related to the State Highway 45 North and Loop 1 elements of the 2002 Project will be required to provide performance bonds and payment bonds in an amount equal to their respective contract prices, there can be no assurance that the Commission could recover any amounts under the performance bonds and payment bonds.

Liquidated Damages

The amount of liquidated damages a contractor could be required to pay in connection with the 2002 Project may be limited by contract and may not be sufficient to cover all of the Commission's losses in the event of a delay or a failure to complete the required work in accordance with the plans and specifications, Department standards and other requirements of the contract documents. Liquidated damages, if paid, may not be sufficient to enable the Commission to pay the principal and interest on the Series 2002 Obligations and the other amounts required to be paid under the Indenture. There are numerous events that could cause an extension of the schedule and that could result in increased costs for the 2002 Project.

The amount of liquidated damages included in the Exclusive Development Agreement for delay is generally calculated to cover estimated debt service, up to a total limit of 365 days per segment of State Highway 130, with a daily limit of $50,000 for segment 1 and $35,000 for segments 2 through 4. Liquidated damages, however, are payable by the Developer only under certain circumstances and even if paid, may not be sufficient to cover debt service payments on the Series 2002 Obligations. Similarly, delayed opening insurance is provided only for covered casualty events and includes a forty-five day waiting period. In addition, collection of liquidated damage amounts may require extensive litigation and no assurance can be provided that such amounts will in fact be collected. In addition, the Developer has not waived its rights to contest a demand for payment of liquidated damages.

The amount of liquidated damages included in contracts in connection with a traditional design-bid-build process, such as that being utilized for the Loop 1 and State Highway 45 North elements, varies for each contract and is generally calculated based upon the size of the contract and other specific project conditions. See "THE SYSTEM AND THE 2002 PROJECT – Construction of 2002 Project – Loop 1 and State Highway 45 North."

Events of Force Majeure

Construction and operation of the 2002 Project are at risk from events of force majeure, such as earthquakes, tornados, hurricanes or other natural disasters, epidemics, blockades, rebellions, war, riots, acts of sabotage, terrorism or civil commotion, and spills of hazardous materials, among other events. Construction or operations may also be stopped or delayed from non-casualty events such as discovery of additional archaeological artifacts, changes in law, delays in obtaining or renewing Commission-provided permits, revocation of such permits and approvals and litigation, among other things.

Limited Insurance Coverage

Although the Developer is required to provide insurance during construction of the State Highway 130 element and the Maintenance Contractor will provide insurance after construction, such required insurance policies do not cover damage and delay from all events that could interrupt construction or operation of State Highway 130. Risks that may not be insurable/insured include the following risks that may delay the project without causing property damage: epidemics, blockades, strikes and riots. Other risks that may not be insured/insurable include war, nuclear events, criminal or intentional acts of the insured, pollution, unforeseeable environmental or geological conditions, discovery of archaeological artifacts, changes in law, bankruptcy and acts of terrorism. Insurance policies may not be maintained or obtainable in amounts that would be sufficient or be paid in sufficient time in all events to pay all of the Commission's expenses under the Indenture and the supplements thereto (as defined in APPENDIX H hereto), including debt service on the Series 2002 Obligations. Due to post-September-11 uncertainty in the insurance markets, the Exclusive Development Agreement provides that the Commission will work with the Developer to find acceptable alternatives in the event any of the required coverages become unavailable.

The contractors for the State Highway 45 and Loop 1 elements will be required to provide limited amounts of insurance coverage during construction including workers compensation insurance in the amount required by law and comprehensive general liability insurance property damage coverage of at least $100,000 per occurrence ($100,000 in the aggregate with personal injury coverage) or commercial general liability insurance property damage coverage of at least $600,000 combined single limit (including personal injury coverage). The minimum general property damage insurance requirement increases to $2,000,000 per occurrence in the event the contract involves railroad right-of-way. See "THE SYSTEM AND THE 2002 PROJECT – Construction of 2002 Project – Loop 1 and State Highway 45 North."

Operating Risks

When completed, the 2002 Project will be a new toll facility having no independent operating history. Accordingly, the operations of the 2002 Project to generate Revenues in amounts sufficient to pay debt service on the Series 2002 Obligations when due will be subject to the risks inherent in the establishment of any new toll facilities. The ability to repay the Series 2002 Obligations will be dependent on the volume of traffic that utilizes the System and the ability of the Commission and its vendor's computer systems to accurately process data. Revenues to be generated through such use will be influenced by numerous factors, including, among others, 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 utilizing the System; the toll rates; the availability and price of fuel; and the construction of new or improved competitive roadways or other transit facilities.

The Commission is ultimately responsible for paying the costs of operating and maintaining the System. The Operating Expenses are payable from Revenues and to the extent Revenues are not available to pay the costs of operating and maintaining the 2002 Project, the Commission has pledged to use its available funds to operate and maintain the 2002 Project. The Commission does not anticipate that Revenues will be available to operate and maintain the 2002 Project for the foreseeable future. Bondholders should, accordingly, not expect the 2002 Project to be self-supporting during the life of the Series 2002 Obligations. As stated under "RISK FACTORS – Costs of 2002 Project – Funding of Commission Obligations," operation and maintenance of the 2002 Project by the Commission will be subject to the risk of non-appropriation.

Although interest on certain of the Series 2002 Obligations and certain other expenses are being capitalized in an amount that assumes that tolling commencement could be delayed for 11 months after the scheduled tolling commencement date, no assurances can be given that the amount of capitalized interest will be sufficient if tolling commencement is significantly delayed or if the Costs of completing the 2002 Project increase substantially and additional debt must be issued to fund such increase.

Traffic and Revenue Report Assumptions

The revenue forecasts in the Traffic and Revenue Report are based upon certain assumptions set forth therein. See "THE TRAFFIC AND REVENUE REPORT" and "APPENDIX F – TRAFFIC AND REVENUE REPORT." Based upon such assumptions, the Traffic Consultants have expressed their opinion that such Revenue forecasts are reasonable and have been prepared in accordance with accepted practice for such studies. As provided in the Traffic and Revenue Report, however, such report 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, any of the estimates and assumptions in the Traffic and Revenue Report are inherently subject to significant economic and competitive uncertainties and contingencies, many of which are beyond the control of the Commission. Failure to achieve or realize any of the assumptions listed in the Traffic and Revenue Report may have a materially adverse effect upon the Revenues actually realized.

Technology Risks

The successful operation of the toll facilities will depend in part upon the successful testing and operation of the electronic toll collection software and equipment and traffic management software and equipment. Neither the Developer nor any contractor of the State Highway 45 North and Loop 1 elements is responsible for supplying or installing the toll collection equipment. Although the General Engineering Consultant has concluded that the proposed toll system is based upon generally proven software, hardware and field equipment, the Commission is in the process of negotiating a contract with United Toll Systems, a toll integrator, but no assurance can be made that any contract will contain liquidated damages provisions or that any such liquidated damages would be sufficient to compensate for the resulting loss of Tolls or for the higher operating costs should the performance guarantees in such contract not be met on an ongoing basis or at all.

Maintenance Costs

Successful operation of the 2002 Project will require timely and complete maintenance and replacement of components of the 2002 Project. Although in connection with the State Highway 130 element, the Commission and Maintenance Contractor have entered into a fixed price Capital Maintenance Agreement for up to 15 years at the Commission's option, and although the Indenture requires the deposit of budgeted amounts to the Reserve Maintenance Fund, no assurance can be given that sufficient funds will be available to maintain the 2002 Project adequately over the long term. See "SYSTEM-RELATED FUNDING OBLIGATIONS OF THE COMMISSION – Covenant To Cover Shortfalls In The Reserve Maintenance Fund" and "APPENDIX H – SUMMARY OF CERTAIN PROVISIONS OF THE EXCLUSIVE DEVELOPMENT AGREEMENT AND THE CAPITAL MAINTENANCE AGREEMENT." Any significant deterioration in the 2002 Project may result in increased operating costs and in reduced usage (or even in temporary lane closures) and may adversely affect the amount of funds available to pay debt service on the Series 2002 Obligations.

Possibility of Tolls on Complementary Facilities

The revenue forecasts (the "*Revenue Forecasts*") set forth in the Traffic and Revenue Report are based on a number of assumptions, including an assumption that certain future highway network improvements identified in the Traffic and Revenue Report will be constructed as currently planned. See

"APPENDIX F – TRAFFIC AND REVENUE REPORT – Chapter 5" and "– Chapter 8." The Traffic and Revenue Report anticipates that certain of these network improvements will compete with the 2002 Project for traffic and that other network improvements (the "*Complementary Improvements*") will feed traffic to the 2002 Project. The Revenue Forecasts are based on an assumption that, with the exception of improvements to United States Highway 183A and the portion of State Highway 45 South east of Interstate Highway 35, the Complementary Improvements will be constructed and maintained as non-tolled facilities. To the extent that any such Complementary Improvements are constructed or later reconfigured as tolled facilities, however, traffic volumes on such facilities may be reduced, and therefore such facilities would feed less traffic to the 2002 Project. Such a reduction in traffic volumes could have a negative impact on Revenues generated by the 2002 Project, and in such event actual Revenues could be less than those set forth in the Revenue Forecasts.

Motor Fuel Prices and Taxes

Among other assumptions, the Revenue Forecasts in the Traffic and Revenue Report are based on (i) the assumption that motor fuel will remain in adequate supply and motor fuel prices (in current dollars) will not exceed $2.50 per gallon and (ii) the assumption that federal and State motor fuel taxes will not increase to the extent that, together with price increases, motor fuel pump prices exceed $2.50 per gallon. 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 to the extent that motor fuel pump prices exceed $2.50 per gallon during the forecast period covered by the Traffic and Revenue Report. Motor fuel pump prices in excess of $2.50 per gallon could negatively impact the Revenue Forecasts contained in the Traffic and Revenue Report. See "APPENDIX F – TRAFFIC AND REVENUE REPORT."

Refunding of Series 2002 Second Tier BANS

As described under "PLAN OF FINANCE – Proceeds of the Series 2002 Obligations," the Series 2002 Second Tier BANS are intended to provide interim financing for the 2002 Project and are expected to be refinanced from proceeds of Additional First Tier Obligations, Additional Second Tier Obligations or Additional Subordinate Lien Obligations, the proceeds of the 2002 TIFIA Bond or other lawfully available sources. The ability of the Commission to issue Obligations to refinance the Series 2002 Second Tier BANS will be dependent on a number of factors, including (i) the economic and market conditions at the time of the proposed refinancing, (ii) the existence of any legal prohibitions against, or any pending litigation seeking to enjoin or restrain the issuance of Obligations for such purposes, (iii) adverse changes in any of the assumptions or projections otherwise described in this Official Statement and (iv) satisfaction of the tests in the Indenture for the issuance of Obligations for such purpose. Accordingly, there is no assurance that Projected Revenues will be sufficient to enable the Commission to refinance all or a portion of the Second Tier BANS with the proceeds of Obligations at any particular time.

Dilution of First-Tier Security Upon Bankruptcy-Related Event

As detailed under "SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2002 OBLIGATIONS – Default and Remedies – 2002 TIFIA Bond Default Remedy," upon the occurrence of a Bankruptcy-Related Event under the Secured Loan Agreement and the Indenture while TIFIA owns the 2002 TIFIA Bond, the 2002 TIFIA Bond will be deemed to be a First Tier Obligation, and the USDOT will deemed to be the Secured Owner of such First Tier Obligation. In such event, the 2002 TIFIA Bond would be secured by and payable from the Trust Estate (except for the First Tier Debt Service Reserve Fund) on a basis equal to that of other Outstanding First Tier Obligations.

Unpredictability of Investment Earnings

As described in "PLAN OF FINANCE – Interest Earnings," the Commission expects to fund a portion of the Costs of the 2002 Project from investment earnings on amounts in the Construction Fund, and will enter into certain investment agreements to provide a fixed rate of return on such amounts. No assurance can be given that any such investments will produce a yield equal to that assumed in the Traffic and Revenue Report and in "ESTIMATED INITIAL SOURCES AND USES OF FUNDS FOR 2002 PROJECT," herein. A reduction in investment yield could negatively impact the aggregate investment earnings realized during the construction period for the 2002 Project. In addition, the expenditure of amounts in the Construction Fund at a more rapid rate than is currently anticipated in the GEC's System Report could reduce both the amount of invested funds available for investment during the construction period for the 2002 Project and the length of time that such invested funds could be invested. Any such reduction in amounts available for investment could negatively impact the aggregate investment earnings realized during the construction period for the 2002 Project. See "APPENDIX E – GEC'S SYSTEM REPORT."

Limitation and Enforceability of Remedies

Limitation of Remedies Under the Indenture. The remedies available to Owners of the Series 2002 Obligations upon an Event of Default under the Indenture are limited to the seeking of specific performance or a writ of mandamus or other suit, action or proceeding compelling and requiring the Commission and its officers to observe and perform any covenant, condition or obligation prescribed in the Indenture. ***NO ACCELERATION REMEDY IS AVAILABLE TO OWNERS OF THE SERIES 2002 OBLIGATIONS***. See "SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2002 OBLIGATIONS – Default and Remedies."

Enforceability of Remedies. The remedies available under the Indenture 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 Series 2002 Obligations will be qualified to the extent that the enforceability of certain legal rights related to the Series 2002 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.

Major Connector Facilities and Feeders to the 2002 Project

As described in "SYSTEM-RELATED FUNDING OBLIGATIONS OF THE COMMISSION," the Commission has covenanted to ensure construction of United States Highway 183A, the interchange between United States Highway 183A and State Highway 45 North and the State Highway 45 South limited-access highway from Interstate Highway 35 to United States Highway 183 South by certain dates described therein. While the Commission is proceeding with the design of such facilities, such design is complete only with respect to the interchange between United States Highway 183A and State Highway 45 North. In addition, the Commission has not applied for or received the necessary federal and environmental permits and approvals for the State Highway 45 South limited-access highway. No assurances can be given that the Commission will obtain the necessary environmental permits and approvals for the State Highway 45 South limited-access highway. Further, no assurances can be given

that any of such facilities will be constructed by the dates contemplated in the GEC's System Report and the Traffic and Revenue Report. Failure to timely construct any of such facilities may negatively affect the Projected Revenues in the Traffic and Revenue Report.

Exceptions to Non-Compete Covenant in the Indenture

In the Indenture, the Commission agrees not to construct, operate, assist, provide funding for or support, and to use all its discretionary authority available to it under applicable law to dissuade other public and private entities from, constructing, permitting, assisting or supporting, certain highway projects that would have the purpose or reasonably foreseeable effect of materially adversely affecting the ability of the Commission to comply with its covenants in the Indenture. See "SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2002 OBLIGATIONS – Additional Covenants of the Commission – Covenant Not to Build Competing System." However, the Indenture excepts the following types of projects and facilities from this covenant: (i) any State highway improvements necessary for improved safety, maintenance or operational purposes; (ii) any intercity, intracity, commuter, urban, high speed rail projects or any combination of the foregoing supported by the State and/or others; (iii) any High-Occupancy-Vehicle-exclusive lanes operationally required by environmental regulatory agencies, (iv) any projects included in the CAMPO Transportation Plan to the Year 2025 (which includes proposed light rail and commuter rail facilities) and (v) any project undertaken to increase traffic capacity by modifying already-constituted facilities through the installation of traffic sensors, metering devices, intersection grade separations, and Intelligent Vehicle Highway System equipment or work involving the restriping of traffic lanes, medians and shoulders. The Traffic and Revenue Report assumes that all improvements included in the CAMPO Plan will be built. The excepted projects may compete, either directly or indirectly, with the 2002 Project. No assurances can be given that such competing projects will not adversely affect traffic volumes, and therefore Revenues, generated by the 2002 Project.

Clean Air Act Nonattainment Risk

The Federal Clean Air Act ("*FCAA*") requires the United States Environmental Protection Agency ("*EPA*") to adopt and periodically revise national ambient air quality standards ("*NAAQS*") for each air pollutant that may reasonably be anticipated to endanger public health or welfare. Areas that experience exceedences of the NAAQS for a given pollutant are designated as "nonattainment areas."

The Travis, Williamson, Bastrop, Hays, and Caldwell Counties area (referred to herein as the "Austin Area") currently is not designated nonattainment for any NAAQS; however, the Austin Area is near nonattainment with respect to the NAAQS for ozone. There are currently two primary ozone NAAQS, the 1-hour standard and the newer 8-hour standard adopted by EPA in 1997. It is EPA's intention that the 8-hour standard will eventually replace the 1-hour standard; however, due to delays caused by litigation over EPA's adoption and enforcement of the 8-hour standard, EPA has yet to designate areas as nonattainment with respect to this standard and has, therefore, not repealed the 1-hour standard. Currently, EPA intends to make nonattainment designations under the 8-hour ozone standard in 2004. Although the Austin Area has been in compliance with the 1-hour ozone standard since 1985, it has monitored exceedences of the 8-hour standard in recent years and, as a result, faces the possibility of being designated nonattainment under the 8-hour standard in 2004.

Because the Austin Area is currently considered near nonattainment for ozone, the pollution reduction efforts being addressed in the area are voluntary at this time. Among other programs, the Texas Natural Resource Conservation Commission ("*TNRCC*") has encouraged, among other programs, a reduction in the number of vehicles on Austin Area roads, improvements in vehicle emissions, and car-pooling. Certain major employers in the Austin Area have agreed to develop and implement transportation demand management measures, such as car-pooling, in response to TNRCC recommendations. The major political subdivisions and industries in the Austin Metropolitan Area have

entered into a voluntary agreement to reduce air emissions in an effort to maintain compliance with the Clean Air Act.

Should the Austin Area continue to experience exceedences of the 8-hour ozone standard, it could be designated nonattainment by EPA as early as 2004. TNRCC would then be required to submit a state implementation plan ("*SIP*") for the Austin Area to EPA by 2007. Due to the litigation surrounding its adoption and enforcement of the 8-hour standard, which only recently concluded, EPA is currently working out the details of nonattainment area classifications, attainment dates, and SIP requirements for areas designated nonattainment under the 8-hour standard. As a result, the exact contents of a potential future SIP for the Austin Area are unknown. Nevertheless, it is possible that the SIP could require that the Austin Area implement transportation control measures. Such measures could include the following:

- Programs to improve public transit;
- Restriction of certain roads or lanes to, or construction of such roads or lanes for use by, passenger buses or high occupancy vehicles;
- Employer-based transportation management plans, including incentives;
- Trip-reduction ordinances;
- Fringe and transportation corridor parking facilities serving multiple occupancy vehicle programs or transit service;
- Programs to limit or restrict vehicle use in downtown or other areas of emission concentration particularly during period of peak use;
- Programs for the provision of all forms of high-occupancy, shared-ride services;
- Programs to limit portions of road surfaces or certain sections of the Austin Area to the use of non-motorized vehicles or pedestrian use;
- Programs for the convenience and protection of bicyclists;
- Employer sponsored flexible work schedule programs;
- Programs to facilitate non-automobile travel, utilization of mass transit, and to generally reduce the need for single-occupant vehicle travel as part of transportation planning and development efforts; and
- Programs for new construction and reconstruction of paths or areas solely for use by pedestrian or other non-motorized means of transportation.

In addition to the above transportation control measures, employers of 100 or more persons could be required to increase average passenger occupancy per vehicle in commuting trips between home and the workplace during peak travel periods by at least twenty-five percent (25%).

Finally, the FCAA also provides for mandatory sanctions, including the cutoff of highway funding, where any of the following occurs:

- EPA finds that the State failed to submit a required SIP or SIP revision, one or more required elements of a SIP or SIP revision, or materials that satisfy the completeness criteria for SIP submission;
- EPA disapproves a SIP submission based on the submission's failure to meet one or more required elements;

- EPA determines that the State has failed to make a submission required by the FCAA (other than a submission referenced above) or has failed to satisfy the completeness criteria for such submission or the EPA disapproves in whole or in part such other submission; or
- EPA finds that any requirement of an approved SIP is not being implemented.

If the mandatory highway funding cutoff sanction is implemented, the Secretary of Transportation is prohibited from approving or awarding transportation projects or grants within the nonattainment area, subject to certain exceptions.

FHWA has advised the Commission that it does not expect EPA to make a nonattainment designation for the Austin Area until 2004. If EPA designates the Austin Area as nonattainment, construction of the 2002 Project could be delayed until EPA approves a Clean Air Act implementation plan for the Austin Area and FHWA determines that the regional transportation plan and transportation program conform to the SIP. FHWA has advised the Commission that projects in new nonattainment areas will not be impacted for one year after the nonattainment designation. After this one-year grace period, FHWA has indicated that projects that received a Federal Project Authorization Agreement prior to the end of the one-year grace period will be allowed to proceed. FHWA has also advised the Commission that projects that receive federal authorization (e.g., a project authorization agreement or approval under FHWA's advance construction program) prior to a transportation conformity lapse can proceed during a conformity lapse. On July 15, 2002, FHWA advised the Commission that the 2002 Project and the United States Highway 183A Interchange at State Highway 45 North were approved under the FHWA's advance construction program. The Commission has not received federal authorization for United States Highway 183A or any part of State Highway 45 South. FHWA's interpretation that projects receiving federal approval prior to a conformity lapse may proceed notwithstanding a nonconformity lapse could be nevertheless subject to challenge on the grounds that it conflicts with court decisions that have invalidated Clean Air Act conformation regulations that established similar "grandfather" protections for ongoing projects.

INVESTMENT AUTHORITY AND INVESTMENT PRACTICES OF THE COMMISSION

The Commission invests its investable funds in investments authorized by Texas law in accordance with investment policies approved by the Commission. Both state law and the Commission's investment policies are subject to change.

Under State law and in accordance with its investment policy, the Commission is authorized to invest funds held by the Trustee in (1) obligations of the United States or its agencies and instrumentalities, including letters of credit; (2) direct obligations of the State or its agencies and instrumentalities rated as to investment quality by a nationally-recognized investment firm of not less than "A"; (3) 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; (4) other obligations, the principal and interest of which is guaranteed or insured by or backed by the full faith and credit of, the State or the United States or their respective agencies and instrumentalities; (5) 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 AA or its equivalent; (6) bonds issued, assumed or guaranteed by the State of Israel; (7) certificates of deposit that are issued by a state or national bank domiciled in the State, a savings bank domiciled in the State, or a state or federal credit union domiciled in the State and are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund, or are secured as to principal by obligations described in clauses (1) through (6) or in any other manner and amount provided by law for Commission deposits, (8) fully collateralized repurchase agreements that have a defined termination date, are fully secured by obligations described in clause (1), and are placed through a

primary government securities dealer or a financial institution doing business in the State, (9) certain bankers' acceptances with the remaining term of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated at least A-1 or P-1 or the equivalent by at least one nationally-recognized credit rating agency, (10) commercial paper with a stated maturity of 270 days or less that is rated at least A-1 or P-1 or the equivalent by either (a) two nationally-recognized credit rating agencies or (b) one nationally-recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a United States or state bank, (11) no-load money market mutual funds registered with and regulated by the SEC that have a dollar weighted average stated maturity of 90 days or less and include in their investment objectives the maintenance of a stable net asset value of $1 for each share, and (12) no-load mutual funds registered with the SEC that have an average weighted maturity of less than two years, invest exclusively in obligations described in the this paragraph, and are continuously rated as to investment quality by at least one nationally-recognized investment rating firm of not less than AAA or its equivalent. In addition, bond proceeds may be invested in guaranteed investment contracts that have a defined termination date and are secured by obligations, including letters of credit, of the United States or its agencies and instrumentalities in an amount at least equal to the amount of bond proceeds invested under such contract, other than the prohibited obligations described in the next succeeding paragraph. Additionally, the Commission may invest in forward purchase agreements that provide the purchase of short-term securities at specified intervals at a predetermined price on a delivery versus payment basis.

The Commission may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the pools are rated no lower than AAA or AAAm or an equivalent by at least one nationally-recognized rating service. The Commission may also contract with an investment management firm registered under the Investment Advisers Act of 1940 (15 U.S.C. Sections 80b-1 et seq.) or with the State Securities Board to provide for the investment and management of its public funds or other funds under its control for a term up to two years, but the Commission retains ultimate responsibility as fiduciary of its assets. In order to renew or extend such a contract, the Commission must do so by order, ordinance, or resolution. The Commission is specifically prohibited from investing in: (1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal; (2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security and bears no interest; (3) collateralized mortgage obligations that have a stated final maturity of greater than 10 years; and (4) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

Under State law, the Commission is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity; that address investment diversification, yield, maturity, and the quality and capability of investment management; and that include a list of authorized investments for Commission funds, the maximum allowable stated maturity of any individual investment and the maximum average dollar-weighted maturity allowed for pooled fund groups. All Commission funds must be invested consistent with a formally adopted "Investment Strategy Statement" that specifically addresses each fund's investment. Each Investment Strategy Statement will describe its objectives concerning: (1) suitability of investment type, (2) preservation and safety of principal, (3) liquidity, (4) marketability of each investment, (5) diversification of the portfolio, and (6) yield.

Under State law, the Commission's investments must be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment considering the probable safety of capital and the probable income to be derived." At least quarterly the Commission's investment officers must submit an investment report to the Commission detailing: (1) the investment position of the Commission, (2) that all investment officers jointly prepared and signed the report, (3) the beginning market value, and any additions and changes to market value and the ending value of each pooled fund

group, (4) the book value and market value of each separately listed asset at the beginning and end of the reporting period, (5) the maturity date of each separately invested asset, (6) the account or fund or pooled fund group for which each individual investment was acquired, and (7) the compliance of the investment portfolio as it relates to: (a) adopted investment strategies and (b) State law. No person may invest Commission funds without express written authority from the Commission.

Under State law, the Commission is additionally required to: (1) annually review its adopted policies and strategies; (2) require any investment officers with personal business relationships or family relationships with firms seeking to sell securities to the Commission to disclose the relationship and file a statement with the Texas Ethics Commission and the Commission; (3) require the registered principal of firms seeking to sell securities to the Commission to: (a) receive and review the Commission's investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude imprudent investment activities, and (c) deliver a written statement attesting to these requirements; (4) in conjunction with its annual financial audit, perform a compliance audit of the management controls on investments and adherence to the Commission's investment policy; (5) restrict reverse repurchase agreements to not more than 90 days and restrict the investment of reverse repurchase agreement funds to no greater than the term of the reverse repurchase agreement; (6) restrict the investment in non-money market mutual funds in the aggregate to no more than 15% of the Commission's monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service; (7) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements; and (8) provide specific investment training for the investment officer.

The Commission has accepted bids for the investment of the proceeds of the Series 2002 Obligations to establish fixed rates of return for the proceeds. The Commission anticipates entering into investment agreements in accordance with those winning bids prior to the date of delivery of the Series 2002 Obligations. See "PLAN OF FINANCE - Interest Earnings" for more information.

LITIGATION

On the date of delivery of the Series 2002 Obligations to the Underwriters, the Commission will execute and deliver to the Underwriters a certificate to the effect that no litigation of any nature has been filed, is pending or, to its knowledge, threatened as of such date seeking to restrain or enjoin the issuance or delivery of the Series 2002 Obligations or that would affect the provisions made for their payment or security, or in any manner questions the validity of the Series 2002 Obligations.

As of the date of this Official Statement, the Commission 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 Commission, could have a material adverse effect on the financial condition of the System.

LEGAL MATTERS

Legal matters incident to the authorization, issuance and sale of the Series 2002 Obligations are subject to approval of legality by the Attorney General of the State and of certain legal matters by McCall, Parkhurst & Horton L.L.P., Austin and Dallas, Texas ("*Bond Counsel*"), whose opinion will be printed on the Series 2002 Obligations. Attached hereto as "APPENDIX K – FORMS OF BOND COUNSEL OPINIONS" are the respective forms of opinion that Bond Counsel will render in connection with the issuance of each series of Series 2002 Obligations. In its capacity as Bond Counsel, such firm has reviewed the information relating to the Series 2002 Obligations under the captions "INTRODUCTION," "PLAN OF FINANCE," "THE SERIES 2002 OBLIGATIONS" (except for information under the subheading "Book-Entry-Only System"), "SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2002 OBLIGATIONS," "LEGAL MATTERS," "TAX MATTERS," "CONTINUING DISCLOSURE OF INFORMATION" (except for information under the subheading

"Compliance with Prior Undertakings"), "LEGAL INVESTMENTS IN TEXAS," "APPENDIX B – SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE," "APPENDIX D – SUMMARY OF CERTAIN PROVISIONS RELATED TO SERIES 2002-B BONDS AND SUMMARY OF CERTAIN PROVISIONS OF INITIAL LIQUIDITY AGREEMENT" (except for information under the subheading "THE INITIAL LIQUIDITY AGREEMENT"), "APPENDIX G – SUMMARY OF CERTAIN PROVISIONS OF THE SECURED LOAN AGREEMENT" and "APPENDIX K – FORMS OF BOND COUNSEL OPINIONS" and such firm is of the opinion that the information contained under such captions and in such appendices is a fair and accurate summary of the information purported to be shown therein and is correct as to matters of law. The payment of legal fees to Bond Counsel in connection with the issuance of the Series 2002 Obligations is contingent on the sale and delivery of the Series 2002 Obligations.

The various legal opinions to be delivered concurrently with the delivery of the Series 2002 Obligations express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. In rendering a legal opinion, the attorney does not become an insurer or guarantor of the expression of professional judgment, of the transaction opined upon, or of the future performance of the parties to the transaction, nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

TAX MATTERS

Opinion

On the date of initial delivery of the Series 2002 Obligations Bond Counsel will render its opinion with respect to each series of Series 2002 Obligations that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof ("*Existing Law*"), (1) interest on the Series 2002 Obligations for federal income tax purposes will be excludable from the "gross income" of the holders thereof and (2) the Series 2002 Obligations 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 Internal Revenue Code of 1986 (the "*Code*"). Except as stated above, Bond Counsel will express no opinion as to any other federal, state or local tax consequences of the purchase, ownership or disposition of the Series 2002 Obligations. See "APPENDIX K – FORMS OF BOND COUNSEL OPINIONS."

In rendering its opinion, Bond Counsel will rely upon (a) certain information and representations of the Commission, including information and representations contained in the Commission's federal tax certificate, and (b) covenants of the Commission contained in the Indenture relating to certain matters, including arbitrage and the use of the proceeds of the Series 2002 Obligations and the property financed or refinanced therewith. Although it is expected that the Series 2002 Obligations will qualify as tax-exempt the status of the Series 2002 Obligations could be affected by future events. However, future events beyond the control of the Commission, as well as the failure to observe the aforementioned representations or covenants, could cause the interest on the Series 2002 Obligations to become taxable retroactively to the date of issuance.

Bond Counsel's opinion is not a guarantee of a result. The 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 such 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 Series 2002 Obligations.

A ruling was not sought from the Internal Revenue Service by the Commission with respect to the Series 2002 Obligations or property financed with the proceeds of the Series 2002 Obligations. No

assurances can be given as to whether or not the Internal Revenue Service will commence an audit of the Series 2002 Obligations, or as to whether the Internal Revenue Service would agree with the opinion of Bond Counsel. If an audit is commenced, under current procedures the Internal Revenue Service is likely to treat the Commission 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 Bonds

The initial public offering price to be paid for one or more maturities of the Series 2002 Obligations (the "*Original Issue Discount Bonds*") is less than the principal amount thereof or one or more periods for the payment of interest on the Series 2002 Obligations may not be equal to the accrual period or be in excess of one year. 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 that 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) <u>less</u> (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 Series 2002 Obligations. This discussion is based on existing statutes, regulations, published rulings and court decisions, all of which are 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, owners of interests in a FASIT, individual recipients of Social Security or Railroad Retirement benefits, individuals allowed an earned income credit, certain S corporations with Subchapter C earnings and profits 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 BONDS BEFORE DETERMINING WHETHER TO PURCHASE THE SERIES 2002 OBLIGATIONS.

Interest on the Series 2002 Obligations will be includable as an adjustment for "adjusted current earnings" to calculate the alternative minimum tax imposed on corporations by section 55 of the Code. Section 55 of the Code imposes a tax equal to twenty percent (20%) for corporations, or twenty-six percent (26%) for non-corporate taxpayers (twenty-eight percent (28%) for taxable excess exceeding $175,000), of the taxpayer's regular income tax for the taxable year.

Interest on the Series 2002 Obligations may be subject to the "branch profits tax" imposed by section 884 of the Code on the effectively connected earnings and profits of a foreign corporation doing business in the United States

Under section 6012 of the Code, holders of tax-exempt obligations, such as the Series 2002 Obligations, 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 Series 2002 Obligations, 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. A "market discount bond" is one which is acquired by the holder at a purchase price which is less than the stated redemption price or, in the case of a obligation issued at an original issue discount, the "revised issue price" (i.e., a market 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 obligation bears to the number of days between the acquisition date and the final maturity date.

State, Local, and Foreign Taxes

Investors should consult their own tax advisors concerning the tax implications of the purchase, ownership, or disposition of the Series 2002 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.

CONTINUING DISCLOSURE OF INFORMATION

In the Indenture the Commission has made the following agreement for the benefit of the holders and beneficial owners of the Series 2002 Obligations. The Commission is required to observe the agreement for so long as it remains obligated to advance funds to pay the Series 2002 Obligations. Under the Agreement, the Commission will be obligated to provide certain updated financial information and operating data to certain information vendors annually, and timely notice of specified material events, to certain information vendors. This information will be available to securities brokers and others who subscribe to receive the information from the vendors.

Annual Reports

The Commission will provide certain updated financial information and operating data to certain information vendors annually. The information to be updated includes all quantitative financial information and operating data with respect to the Commission and the System of the general type included in this Official Statement, under the headings "THE SYSTEM AND THE 2002 PROJECT," "SYSTEM-RELATED FUNDING OBLIGATIONS OF THE COMMISSION" and "FUNDING OF COMMISSION OBLIGATIONS," and in "SCHEDULE I – DEBT SERVICE REQUIREMENTS" and "APPENDIX A – EXCERPTS OF ANNUAL FINANCIAL REPORT OF THE DEPARTMENT (UNAUDITED)" and will include the audited annual financial statements of the System. Included in the annual filing for each Fiscal Year through the completion of the 2002 Project, the Commission will furnish a copy of the General Engineering Consultant's construction progress report for the last quarter of the Fiscal Year, investment earnings on funds in the Construction Fund for such Fiscal Year and an update of the information in the Final Official Statement under the caption "RIGHT-OF-WAY FUNDING." In addition, included in the annual filing relating to the first full Fiscal Year of operation of the 2002 Project and for each Fiscal Year thereafter, the Commission will furnish (i) a table, based on the actual results for such Fiscal Year, setting forth for such Fiscal Year, but not including any projection for any future period, the information shown in the table titled "Series 2002 Project Estimated Cash Flow and Debt Service Coverage Table" herein, (ii) a copy of the General Engineering Consultant's annual report relating to its inspection of the System and (iii) a copy of the Toll rate schedule then in effect.

The Commission will update and provide this information within six months after the end of each Fiscal Year. The Commission will provide in the updated information to each nationally-recognized municipal securities information repository ("*NRMSIR*") and to any state information depository ("*SID*") that is designated by the State and approved by the staff of the SEC).

The Commission may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by SEC Rule 15c2-12 (the "*Rule*"). The updated information will include audited financial statements, if the Commission commissions an audit and it is complete by the required time. If audited financial statements are not available by the required time, the Commission 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 Commission may be required to employ from time to time pursuant to state law or regulation.

The Commission's current Fiscal Year end is August 31. Accordingly, it must provide updated information by February 28 in each year, unless the Commission changes its Fiscal Year. If the Commission changes its Fiscal Year, it will notify each NRMSIR and any SID of the change.

Material Event Notices

The Commission will also provide timely notices of certain events to each NRMSIR, or the Municipal Securities Rulemaking Board ("*MSRB*"), and the SID. The Commission will provide notice of

any of the following events with respect to the Series 2002 Obligations: (1) principal and interest payment delinquencies; (2) non-payment related defaults; (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 events affecting the tax-exempt status of the Series 2002 Obligations; (7) modifications to rights of holders of the Series 2002 Obligations; (8) bond calls; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Series 2002 Obligations; and (11) ratings changes. In addition, the Commission will provide timely notice of any failure by the Commission to provide information, data, or financial statements in accordance with its agreement described above under "Annual Reports." The Commission will provide each notice described in this paragraph to any SID and to either each NRMSIR or the MSRB.

Availability of Information from NRMSIRs and SID

The Commission has agreed to provide the foregoing information only to NRMSIRs and any SID. The information will be available to Owners only if the Owners comply with the procedures and pay the charges established by such information vendors or obtain the information through securities brokers who do so.

The Municipal Advisory Council of Texas has been designated by the State as a SID and the SEC has issued a no action letter with respect thereto. The address of the Municipal Advisory Council is 600 West 8th Street, P.O. Box 2177, Austin, Texas 78768-2177, and its telephone number is 512/476-6947.

Limitations and Amendments

The Commission has agreed to update information and to provide notices of material events only as described above. The Commission 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 Commission makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell the Series 2002 Obligations at any future date. The Commission 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 Series 2002 Obligations may seek a writ of mandamus to compel the Commission to comply with its agreement.

The Commission may amend, supplement, or repeal its continuing disclosure agreement 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 Commission, but only if (i) the agreement, as amended, would have permitted an underwriter to purchase or sell Series 2002 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 Series 2002 Obligations consent to the agreement or (b) any person unaffiliated with the Commission (such as nationally-recognized bond counsel) determines that the amendment will not materially impair the interest of the holders and beneficial owners of the Series 2002 Obligations. The Commission may also amend or repeal its continuing disclosure agreement 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 Series 2002 Obligations in the primary offering of the Series 2002 Obligations.

Compliance with Prior Undertakings

The Commission has not previously entered into a continuing disclosure agreement in accordance with the Rule.

LEGAL INVESTMENTS IN TEXAS

Section 1201.041 of the Public Security Procedures Act (Chapter 1201, Texas Government Code) provides that the Series 2002 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 Series 2002 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 Series 2002 Obligations be assigned a rating of "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 Series 2002 Obligations are legal investments for state banks, savings banks, trust companies with at capital of $1,000,000 or more, and savings and loan associations. The Series 2002 Obligations are eligible to secure deposits of any public funds of the State, its agencies, and its political subdivisions, and are legal security for those deposits to the extent of their market value. No review by the Commission has been made of the laws in other states to determine whether the Series 2002 Obligations are legal investments for various institutions in those states.

The Commission makes no representation that the Series 2002 Obligations will be acceptable to banks, savings and loan associations or public entities for investment purposes or to secure deposits of public funds. The Commission has made no investigation of other laws, regulations or investment criteria that might apply to or otherwise limit the availability of the Series 2002 Obligations for investment or collateral purposes. Prospective purchasers are urged to carefully evaluate the investment quality of the Series 2002 Obligations and as to the acceptability of the Series 2002 Obligations for investment or collateral purposes.

RATINGS

The Series 2002-A Bonds have received underlying ratings of "BBB+" from Standard & Poor's Credit Market Services ("*S&P*"), "Baa1" from Moody's Investors Service, Inc. ("*Moody's*"), and "BBB+" from Fitch, Inc. ("*Fitch*"). Additionally, the Series 2002-A Bonds have received ratings of "AAA", "Aaa" and "AAA" from S&P, Moody's and Fitch, respectively, with the understanding that upon delivery of the Series 2002-A Bonds, a policy insuring the payment when due of the principal of and interest on the Series 2002-A Bonds will be issued by Ambac Assurance.

The Series 2002-B Bonds have received underlying ratings of "BBB+" from S&P and "BBB+" from Fitch. Additionally, the Series 2002-B Bonds have received ratings of "AAA/A1" and "AAA/F1+" from S&P and Fitch, respectively, with the understanding that upon delivery of the Series 2002-B Bonds, a policy insuring the payment when due of the principal of and interest on the Series 2002-B Bonds will be issued by Ambac Assurance and that the Standby Bond Purchase Agreement relating to the Series 2002-B Bonds will be delivered.

The Series 2002 Second Tier BANS have received ratings of "AA" from S&P, "Aa3" from Moody's, and "AA" from Fitch. An explanation of the significance of each such rating may be obtained from the company furnishing the rating. The ratings reflect only the views of such companies at the time such ratings are given, and the Commission 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 such companies, if in the judgment of such companies

circumstances so warrant. Any such downward revision or withdrawal of any rating may have an adverse effect on the market price of the Series 2002 Obligations.

See "BOND INSURANCE" and 'THE INITIAL LIQUIDITY PROVIDER FOR THE SERIES 2002-B BONDS," respectively, for information about the bond insurance policy and the Standby Bond Purchase Agreement described above.

FINANCIAL ADVISOR

RBC Dain Rauscher Inc. is employed as Financial Advisor to the Commission. RBC Dain Rauscher Inc., in its capacity as Financial Advisor, has relied on the opinion of Bond Counsel and has not verified and does 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 Series 2002 Obligations, or the possible impact of any present, pending, or future actions taken by any legislative or judicial bodies.

UNDERWRITING

The Underwriters of the Series 2002-A Bonds have agreed, subject to certain customary conditions to delivery, to purchase the Series 2002-A Bonds from the Commission at an underwriting discount of $8,624,953.36 from the initial public offering prices therefor set forth on page iv of this Official Statement. The Commission expects to enter into a purchase contract with the Underwriter of the Series 2002-B Bonds, subject to certain customary conditions to delivery, to sell the Series 2002-B Bonds to the Underwriter of the Series 2002-B Bonds at an underwriting discount of $676,500.00 from the initial public offering price therefor set forth on page v of this Official Statement. The Underwriters of the Series 2002 Second Tier BANS have agreed, subject to certain customary conditions to delivery, to purchase the Series 2002 Second Tier BANS from the Commission at an underwriting discount of $4,059,000.00 from the initial public offering prices therefor set forth on page viii of this Official Statement. The Underwriters of each respective series of the Series 2002 Obligations will be obligated to purchase all of the obligations of such series if any obligations of such series are purchased. The Series 2002 Obligations may be offered and sold to certain dealers and others at prices lower than such public offering prices, and such public offering prices may be changed, from time to time, by the Underwriters.

OTHER MATTERS

The financial data and other information contained herein have been obtained from the Commission'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 Commission.

TEXAS TRANSPORTATION COMMISSION

By: John W. Johnson
Commissioner

SCHEDULE I
DEBT SERVICE REQUIREMENTS

Fiscal Year	First Tier: Series 2002 A CIBs	First Tier: Series 2002 A CABs	First Tier: Series 2002 A Total	First Tier: Series 2002B	First Tier: 2002 Note	Total First Tier	Second Tier: 2002 BANs	Total First & Second Tier
2003	$ 37,162	-	$ 37,162	$ 7,208	-	$ 44,370	$ 35,201	$ 79,571
2004	37,162	-	37,162	7,500	-	44,662	44,309	88,971
2005	37,162	-	37,162	7,500	-	44,662	44,309	88,971
2006	37,162	-	37,162	7,500	-	44,662	44,309	88,971
2007	37,162	-	37,162	7,500	-	44,662	169,239	213,901
2008	37,162	-	37,162	7,500	-	44,662	813,469	858,131
2009	37,162	-	37,162	7,500	$ 650	45,312	-	45,312
2010	37,162	-	37,162	7,500	650	45,312	-	45,312
2011	37,162	-	37,162	7,500	650	45,312	-	45,312
2012	37,162	$ 4,505	41,667	7,500	650	49,817	-	49,817
2013	37,162	7,710	44,872	7,500	650	53,022	-	53,022
2014	37,162	10,155	47,317	7,500	650	55,467	-	55,467
2015	37,162	12,605	49,767	7,500	650	57,917	-	57,917
2016	37,162	25,805	62,967	7,500	650	71,117	-	71,117
2017	37,162	29,655	66,817	7,500	650	74,967	-	74,967
2018	37,162	33,500	70,662	7,500	650	78,812	-	78,812
2019	37,162	37,350	74,512	7,500	650	82,662	-	82,662
2020	37,162	41,200	78,362	7,500	650	86,512	-	86,512
2021	37,162	47,265	84,427	7,500	650	92,577	-	92,577
2022	37,162	53,050	90,212	7,500	650	98,362	-	98,362
2023	37,162	58,840	96,002	7,500	650	104,152	-	104,152
2024	37,162	64,625	101,787	7,500	650	109,937	-	109,937
2025	37,162	70,410	107,572	7,500	650	115,722	-	115,722
2026	37,162	91,710	128,872	7,500	650	137,022	-	137,022
2027	37,162	96,860	134,022	7,500	650	142,172	-	142,172
2028	37,162	101,975	139,137	7,500	650	147,287	-	147,287
2029	37,162	107,040	144,202	7,500	650	152,352	-	152,352
2030	37,162	112,025	149,187	7,500	650	157,337	-	157,337
2031	37,162	116,925	154,087	7,500	650	162,237	-	162,237
2032	37,162	121,705	158,867	7,500	650	167,017	-	167,017
2033	37,162	126,350	163,512	7,500	650	171,662	-	171,662
2034	37,162	130,835	167,997	7,500	650	176,147	-	176,147
2035	37,162	135,345	172,507	7,500	650	180,657	-	180,657
2036	37,162	146,740	183,902	7,500	10,650	202,052	-	202,052
2037	37,162	161,655	198,817	7,500	-	206,317	-	206,317
2038	171,762	31,250	203,012	7,500	-	210,512	-	210,512
2039	175,947	-	175,947	7,500	-	183,447	-	183,447
2040	180,118	-	180,118	7,500	-	187,618	-	187,618
2041	184,276	-	184,276	7,500	-	191,776	-	191,776
2042	102,028	-	102,028	157,500	-	259,528	-	259,528
	$2,114,796	**$1,977,090**	**$4,091,886**	**$449,708**	**$28,200**	**$4,569,794**	**$1,150,836**	**$5,720,631**

SCHEDULE II
ACCRETED VALUE TABLE
NON-CALLABLE CABs

Delivery Date: August 29, 2002

	Non-Callable CABs 08/15/2012 4.47%	Non-Callable CABs 08/15/2013 4.59%	Non-Callable CABs 08/15/2014 4.71%	Non-Callable CABs 08/15/2015 4.86%	Non-Callable CABs 08/15/2016 4.96%	Non-Callable CABs 08/15/2017 5.05%	Non-Callable CABs 08/15/2018 5.16%	Non-Callable CABs 08/15/2019 5.26%	Non-Callable CABs 08/15/2020 5.36%
8/29/2002	3,219.00	3,040.45	2,865.05	2,683.30	2,522.90	2,370.90	2,217.25	2,072.60	1,933.60
2/15/2003	3,285.30	3,104.75	2,927.25	2,743.40	2,580.55	2,426.05	2,270.00	2,122.80	1,981.35
8/15/2003	3,358.70	3,176.00	2,996.15	2,810.05	2,644.55	2,487.30	2,328.55	2,178.65	2,034.45
2/15/2004	3,433.80	3,248.85	3,066.75	2,878.35	2,710.10	2,550.15	2,388.60	2,235.95	2,088.95
8/15/2004	3,510.55	3,323.45	3,138.95	2,948.30	2,777.35	2,614.50	2,450.25	2,294.75	2,144.95
2/15/2005	3,589.00	3,399.70	3,212.90	3,019.90	2,846.20	2,680.55	2,513.45	2,355.10	2,202.45
8/15/2005	3,669.20	3,477.75	3,288.55	3,093.30	2,916.80	2,748.20	2,578.30	2,417.05	2,261.45
2/15/2006	3,751.20	3,557.55	3,366.00	3,168.50	2,989.15	2,817.60	2,644.85	2,480.60	2,322.05
8/15/2006	3,835.05	3,639.20	3,445.25	3,245.45	3,063.25	2,888.75	2,713.05	2,545.85	2,384.30
2/15/2007	3,920.75	3,722.70	3,526.40	3,324.35	3,139.25	2,961.70	2,783.05	2,612.80	2,448.20
8/15/2007	4,008.40	3,808.15	3,609.45	3,405.10	3,217.10	3,036.50	2,854.85	2,681.55	2,513.80
2/15/2008	4,098.00	3,895.55	3,694.45	3,487.85	3,296.85	3,113.15	2,928.55	2,752.05	2,581.20
8/15/2008	4,189.60	3,984.95	3,781.45	3,572.60	3,378.65	3,191.75	3,004.10	2,824.45	2,650.35
2/15/2009	4,283.20	4,076.40	3,870.50	3,659.45	3,462.40	3,272.35	3,081.60	2,898.70	2,721.40
8/15/2009	4,378.95	4,169.95	3,961.65	3,748.35	3,548.30	3,355.00	3,161.10	2,974.95	2,794.35
2/15/2010	4,476.80	4,265.65	4,054.95	3,839.45	3,636.30	3,439.70	3,242.65	3,053.20	2,869.20
8/15/2010	4,576.90	4,363.55	4,150.45	3,932.75	3,726.45	3,526.55	3,326.30	3,133.50	2,946.10
2/15/2011	4,679.15	4,463.70	4,248.20	4,028.30	3,818.90	3,615.60	3,412.15	3,215.90	3,025.05
8/15/2011	4,783.75	4,566.15	4,348.25	4,126.20	3,913.60	3,706.90	3,500.15	3,300.50	3,106.15
2/15/2012	4,890.65	4,670.95	4,450.65	4,226.45	4,010.65	3,800.50	3,590.50	3,387.30	3,189.40
8/15/2012	5,000.00	4,778.15	4,555.45	4,329.15	4,110.10	3,896.45	3,683.10	3,476.35	3,274.85
2/15/2013	0.00	4,887.80	4,662.75	4,434.35	4,212.05	3,994.85	3,778.15	3,567.80	3,362.65
8/15/2013	0.00	5,000.00	4,772.55	4,542.10	4,316.50	4,095.70	3,875.60	3,661.65	3,452.75
2/15/2014	0.00	0.00	4,884.95	4,652.50	4,423.55	4,199.15	3,975.60	3,757.95	3,545.30
8/15/2014	0.00	0.00	5,000.00	4,765.55	4,533.25	4,305.15	4,078.15	3,856.75	3,640.30
2/15/2015	0.00	0.00	0.00	4,881.35	4,645.70	4,413.85	4,183.40	3,958.20	3,737.85
8/15/2015	0.00	0.00	0.00	5,000.00	4,760.90	4,525.30	4,291.30	4,062.30	3,838.05
2/15/2016	0.00	0.00	0.00	0.00	4,879.00	4,639.60	4,402.05	4,169.15	3,940.90
8/15/2016	0.00	0.00	0.00	0.00	5,000.00	4,756.75	4,515.60	4,278.80	4,046.50
2/15/2017	0.00	0.00	0.00	0.00	0.00	4,876.85	4,632.10	4,391.35	4,154.95
8/15/2017	0.00	0.00	0.00	0.00	0.00	5,000.00	4,751.65	4,506.80	4,266.30
2/15/2018	0.00	0.00	0.00	0.00	0.00	0.00	4,874.20	4,625.35	4,380.65
8/15/2018	0.00	0.00	0.00	0.00	0.00	0.00	5,000.00	4,747.00	4,498.05
2/15/2019	0.00	0.00	0.00	0.00	0.00	0.00	0.00	4,871.85	4,618.60
8/15/2019	0.00	0.00	0.00	0.00	0.00	0.00	0.00	5,000.00	4,742.40
2/15/2020	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	4,869.45
8/15/2020	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	5,000.00

	Non-Callable CABs 08/15/2021 5.49%	Non-Callable CABs 08/15/2022 5.58%	Non-Callable CABs 08/15/2023 5.65%	Non-Callable CABs 08/15/2024 5.67%	Non-Callable CABs 08/15/2025 5.7%	Non-Callable CABs 08/15/2026 5.72%	Non-Callable CABs 08/15/2027 5.73%	Non-Callable CABs 08/15/2028 5.74%	Non-Callable CABs 08/15/2029 5.75%	Non-Callable CABs 08/15/2030 5.75%
8/29/2002	1,790.50	1,666.70	1,555.10	1,464.55	1,375.65	1,294.45	1,220.50	1,150.55	1,084.40	1,024.65
2/15/2003	1,835.75	1,709.55	1,595.55	1,502.80	1,411.80	1,328.55	1,252.70	1,180.95	1,113.10	1,051.75
8/15/2003	1,886.15	1,757.25	1,640.65	1,545.40	1,452.00	1,366.55	1,288.60	1,214.85	1,145.10	1,082.00
2/15/2004	1,937.95	1,806.25	1,687.00	1,589.20	1,493.40	1,405.60	1,325.50	1,249.70	1,178.05	1,113.10
8/15/2004	1,991.15	1,856.65	1,734.65	1,634.30	1,535.95	1,445.80	1,363.50	1,285.60	1,211.90	1,145.10
2/15/2005	2,045.80	1,908.45	1,783.65	1,680.60	1,579.75	1,487.20	1,402.55	1,322.50	1,246.75	1,178.05
8/15/2005	2,101.95	1,961.70	1,834.05	1,728.25	1,624.75	1,529.70	1,442.75	1,360.45	1,282.60	1,211.90
2/15/2006	2,159.65	2,016.45	1,885.85	1,777.25	1,671.10	1,573.45	1,484.05	1,399.50	1,319.45	1,246.75
8/15/2006	2,218.95	2,072.70	1,939.15	1,827.65	1,718.70	1,618.45	1,526.60	1,439.65	1,357.40	1,282.60
2/15/2007	2,279.85	2,130.55	1,993.90	1,879.45	1,767.70	1,664.75	1,570.35	1,480.95	1,396.45	1,319.45
8/15/2007	2,342.45	2,189.95	2,050.25	1,932.75	1,818.05	1,712.35	1,615.30	1,523.50	1,436.60	1,357.40
2/15/2008	2,406.75	2,251.10	2,108.15	1,987.55	1,869.90	1,761.35	1,661.60	1,567.20	1,477.90	1,396.45
8/15/2008	2,472.80	2,313.90	2,167.70	2,043.85	1,923.15	1,811.70	1,709.20	1,612.20	1,520.35	1,436.60
2/15/2009	2,540.65	2,378.45	2,228.95	2,101.80	1,978.00	1,863.55	1,758.15	1,658.45	1,564.10	1,477.90
8/15/2009	2,610.40	2,444.80	2,291.95	2,161.40	2,034.35	1,916.85	1,808.55	1,706.05	1,609.05	1,520.35
2/15/2010	2,682.05	2,513.00	2,356.70	2,222.70	2,092.35	1,971.65	1,860.35	1,755.00	1,655.30	1,564.10
8/15/2010	2,755.70	2,583.10	2,423.25	2,285.70	2,151.95	2,028.05	1,913.65	1,805.40	1,702.90	1,609.05
2/15/2011	2,831.35	2,655.20	2,491.70	2,350.50	2,213.30	2,086.05	1,968.50	1,857.20	1,751.85	1,655.30
8/15/2011	2,909.05	2,729.25	2,562.10	2,417.15	2,276.40	2,145.70	2,024.90	1,910.50	1,802.25	1,702.90
2/15/2012	2,988.90	2,805.40	2,634.50	2,485.65	2,341.25	2,207.05	2,082.90	1,965.35	1,854.05	1,751.85
8/15/2012	3,070.95	2,883.70	2,708.90	2,556.15	2,408.00	2,270.20	2,142.55	2,021.75	1,907.35	1,802.25
2/15/2013	3,155.25	2,964.15	2,785.45	2,628.60	2,476.60	2,335.10	2,203.95	2,079.75	1,962.20	1,854.05
8/15/2013	3,241.85	3,046.85	2,864.10	2,703.10	2,547.20	2,401.90	2,267.10	2,139.45	2,018.60	1,907.35
2/15/2014	3,330.85	3,131.85	2,945.05	2,779.75	2,619.80	2,470.60	2,332.05	2,200.85	2,076.65	1,962.20
8/15/2014	3,422.30	3,219.25	3,028.25	2,858.55	2,694.45	2,541.25	2,398.85	2,264.00	2,136.35	2,018.60
2/15/2015	3,516.25	3,309.05	3,113.80	2,939.60	2,771.25	2,613.95	2,467.60	2,329.00	2,197.75	2,076.65
8/15/2015	3,612.75	3,401.40	3,201.75	3,022.95	2,850.25	2,688.70	2,538.30	2,395.85	2,260.95	2,136.35
2/15/2016	3,711.95	3,496.30	3,292.20	3,108.65	2,931.45	2,765.60	2,611.00	2,464.60	2,325.95	2,197.75
8/15/2016	3,813.80	3,593.80	3,385.20	3,196.75	3,015.00	2,844.70	2,685.85	2,535.35	2,392.80	2,260.95
2/15/2017	3,918.50	3,694.10	3,480.85	3,287.40	3,100.95	2,926.05	2,762.80	2,608.10	2,461.60	2,325.95
8/15/2017	4,026.05	3,797.15	3,579.15	3,380.60	3,189.30	3,009.75	2,841.95	2,682.95	2,532.40	2,392.80
2/15/2018	4,136.60	3,903.10	3,680.30	3,476.45	3,280.20	3,095.80	2,923.35	2,759.95	2,605.20	2,461.60
8/15/2018	4,250.15	4,012.00	3,784.25	3,575.00	3,373.70	3,184.35	3,007.10	2,839.15	2,680.10	2,532.40
2/15/2019	4,366.80	4,123.95	3,891.15	3,676.35	3,469.85	3,275.45	3,093.25	2,920.65	2,757.15	2,605.20
8/15/2019	4,486.70	4,239.00	4,001.10	3,780.55	3,568.75	3,369.10	3,181.90	3,004.50	2,836.40	2,680.10
2/15/2020	4,609.85	4,357.25	4,114.10	3,887.75	3,670.45	3,465.45	3,273.05	3,090.70	2,917.95	2,757.15
8/15/2020	4,736.40	4,478.85	4,230.35	3,997.95	3,775.05	3,564.60	3,366.80	3,179.40	3,001.85	2,836.40
2/15/2021	4,866.40	4,603.80	4,349.85	4,111.30	3,882.65	3,666.55	3,463.30	3,270.65	3,088.15	2,917.95
8/15/2021	5,000.00	4,732.25	4,472.75	4,227.85	3,993.30	3,771.40	3,562.50	3,364.55	3,176.95	3,001.85
2/15/2022	0.00	4,864.25	4,599.10	4,347.75	4,107.10	3,879.25	3,664.55	3,461.10	3,268.30	3,088.15
8/15/2022	0.00	5,000.00	4,729.00	4,471.00	4,224.15	3,990.20	3,769.55	3,560.45	3,362.25	3,176.95
2/15/2023	0.00	0.00	4,862.60	4,597.75	4,344.55	4,104.30	3,877.55	3,662.60	3,458.90	3,268.30
8/15/2023	0.00	0.00	5,000.00	4,728.10	4,468.40	4,221.70	3,988.65	3,767.75	3,558.35	3,362.25
2/15/2024	0.00	0.00	0.00	4,862.15	4,595.75	4,342.45	4,102.95	3,875.85	3,660.65	3,458.90
8/15/2024	0.00	0.00	0.00	5,000.00	4,726.70	4,466.65	4,220.50	3,987.10	3,765.90	3,558.35
2/15/2025	0.00	0.00	0.00	0.00	4,861.40	4,594.40	4,341.40	4,101.55	3,874.15	3,660.65
8/15/2025	0.00	0.00	0.00	0.00	5,000.00	4,725.80	4,465.80	4,219.25	3,985.55	3,765.90
2/15/2026	0.00	0.00	0.00	0.00	0.00	4,860.95	4,593.70	4,340.35	4,100.15	3,874.15
8/15/2026	0.00	0.00	0.00	0.00	0.00	5,000.00	4,725.35	4,464.90	4,218.00	3,985.55
2/15/2027	0.00	0.00	0.00	0.00	0.00	0.00	4,860.70	4,593.05	4,339.30	4,100.15
8/15/2027	0.00	0.00	0.00	0.00	0.00	0.00	5,000.00	4,724.85	4,464.05	4,218.00
2/15/2028	0.00	0.00	0.00	0.00	0.00	0.00	0.00	4,860.50	4,592.40	4,339.30
8/15/2028	0.00	0.00	0.00	0.00	0.00	0.00	0.00	5,000.00	4,724.40	4,464.05
2/15/2029	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	4,860.25	4,592.40

	Non-Callable CABs 08/15/2021 5.49%	Non-Callable CABs 08/15/2022 5.58%	Non-Callable CABs 08/15/2023 5.65%	Non-Callable CABs 08/15/2024 5.67%	Non-Callable CABs 08/15/2025 5.7%	Non-Callable CABs 08/15/2026 5.72%	Non-Callable CABs 08/15/2027 5.73%	Non-Callable CABs 08/15/2028 5.74%	Non-Callable CABs 08/15/2029 5.75%	Non-Callable CABs 08/15/2030 5.75%
8/15/2029	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	5,000.00	4,724.40
2/15/2030	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	4,860.25
8/15/2030	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	5,000.00

SCHEDULE III
ACCRETED VALUE TABLE
CALLABLE CABs

Delivery Date: August 29, 2002

	Callable CABs 08/15/2025 6%	Callable CABs 08/15/2026 6.01%	Callable CABs 08/15/2027 6.02%	Callable CABs 08/15/2028 6.03%	Callable CABs 08/15/2029 6.04%	Callable CABs 08/15/2030 6.05%	Callable CABs 08/15/2031 6.06%	Callable CABs 08/15/2032 6.07%	Callable CABs 08/15/2033 6.08%
8/29/2002	1,286.60	1,209.95	1,137.60	1,069.40	1,005.10	944.45	887.30	833.45	782.70
2/15/2003	1,322.15	1,243.45	1,169.15	1,099.10	1,033.05	970.75	912.05	856.75	804.65
8/15/2003	1,361.85	1,280.80	1,204.35	1,132.25	1,064.25	1,000.15	939.70	882.75	829.10
2/15/2004	1,402.70	1,319.30	1,240.60	1,166.35	1,096.40	1,030.40	968.20	909.55	854.30
8/15/2004	1,444.75	1,358.95	1,277.95	1,201.55	1,129.50	1,061.55	997.50	937.15	880.30
2/15/2005	1,488.10	1,399.75	1,316.40	1,237.75	1,163.60	1,093.65	1,027.75	965.60	907.05
8/15/2005	1,532.75	1,441.85	1,356.05	1,275.10	1,198.75	1,126.75	1,058.90	994.90	934.60
2/15/2006	1,578.75	1,485.15	1,396.85	1,313.55	1,234.95	1,160.85	1,090.95	1,025.10	963.00
8/15/2006	1,626.10	1,529.80	1,438.90	1,353.15	1,272.25	1,195.95	1,124.00	1,056.20	992.30
2/15/2007	1,674.90	1,575.75	1,482.20	1,393.95	1,310.65	1,232.15	1,158.10	1,088.25	1,022.45
8/15/2007	1,725.15	1,623.10	1,526.80	1,435.95	1,350.25	1,269.40	1,193.15	1,121.30	1,053.55
2/15/2008	1,776.90	1,671.90	1,572.80	1,479.25	1,391.05	1,307.80	1,229.35	1,155.35	1,085.60
8/15/2008	1,830.20	1,722.10	1,620.10	1,523.85	1,433.05	1,347.35	1,266.60	1,190.40	1,118.60
2/15/2009	1,885.10	1,773.90	1,668.90	1,569.80	1,476.30	1,388.15	1,304.95	1,226.55	1,152.60
8/15/2009	1,941.65	1,827.20	1,719.10	1,617.15	1,520.90	1,430.10	1,344.50	1,263.75	1,187.65
2/15/2010	1,999.90	1,882.10	1,770.85	1,665.90	1,566.85	1,473.40	1,385.25	1,302.10	1,223.75
8/15/2010	2,059.90	1,938.65	1,824.15	1,716.10	1,614.15	1,517.95	1,427.20	1,341.65	1,260.95
2/15/2011	2,121.70	1,996.90	1,879.10	1,767.85	1,662.90	1,563.85	1,470.45	1,382.35	1,299.25
8/15/2011	2,185.35	2,056.90	1,935.65	1,821.15	1,713.10	1,611.20	1,515.00	1,424.30	1,338.75
2/15/2012	2,250.90	2,118.70	1,993.90	1,876.05	1,764.85	1,659.90	1,560.90	1,467.55	1,379.45
8/15/2012	2,318.45	2,182.40	2,053.90	1,932.65	1,818.15	1,710.15	1,608.20	1,512.05	1,421.40
2/15/2013	2,388.00	2,247.95	2,115.75	1,990.90	1,873.05	1,761.85	1,656.95	1,557.95	1,464.60
8/15/2013	2,459.65	2,315.50	2,179.45	2,050.95	1,929.65	1,815.15	1,707.15	1,605.25	1,509.15
2/15/2014	2,533.45	2,385.10	2,245.05	2,112.75	1,987.90	1,870.05	1,758.85	1,653.95	1,555.00
8/15/2014	2,609.45	2,456.80	2,312.60	2,176.45	2,047.95	1,926.65	1,812.15	1,704.15	1,602.30
2/15/2015	2,687.70	2,530.60	2,382.20	2,242.10	2,109.80	1,984.90	1,867.10	1,755.90	1,651.00
8/15/2015	2,768.35	2,606.65	2,453.90	2,309.70	2,173.50	2,044.95	1,923.65	1,809.20	1,701.20
2/15/2016	2,851.40	2,685.00	2,527.80	2,379.35	2,239.15	2,106.85	1,981.95	1,864.10	1,752.90
8/15/2016	2,936.95	2,765.65	2,603.85	2,451.05	2,306.75	2,170.55	2,042.00	1,920.65	1,806.20
2/15/2017	3,025.05	2,848.80	2,682.25	2,524.95	2,376.45	2,236.20	2,103.85	1,978.95	1,861.10
8/15/2017	3,115.80	2,934.40	2,763.00	2,601.10	2,448.20	2,303.85	2,167.60	2,039.00	1,917.70
2/15/2018	3,209.30	3,022.55	2,846.15	2,679.50	2,522.15	2,373.55	2,233.30	2,100.90	1,976.00
8/15/2018	3,305.55	3,113.40	2,931.80	2,760.30	2,598.30	2,445.35	2,300.95	2,164.65	2,036.05
2/15/2019	3,404.75	3,206.95	3,020.05	2,843.55	2,676.80	2,519.35	2,370.70	2,230.35	2,097.95
8/15/2019	3,506.85	3,303.30	3,110.95	2,929.25	2,757.60	2,595.55	2,442.50	2,298.05	2,161.75
2/15/2020	3,612.10	3,402.60	3,204.60	3,017.60	2,840.90	2,674.05	2,516.50	2,367.80	2,227.45
8/15/2020	3,720.45	3,504.85	3,301.05	3,108.55	2,926.70	2,754.95	2,592.75	2,439.65	2,295.15
2/15/2021	3,832.05	3,610.15	3,400.45	3,202.30	3,015.10	2,838.30	2,671.35	2,513.70	2,364.95
8/15/2021	3,947.00	3,718.65	3,502.80	3,298.85	3,106.15	2,924.15	2,752.30	2,590.00	2,436.85
2/15/2022	4,065.45	3,830.40	3,608.25	3,398.30	3,199.95	3,012.60	2,835.65	2,668.60	2,510.90
8/15/2022	4,187.40	3,945.50	3,716.85	3,500.75	3,296.60	3,103.75	2,921.60	2,749.60	2,587.25
2/15/2023	4,313.00	4,064.05	3,828.70	3,606.30	3,396.15	3,197.60	3,010.10	2,833.05	2,665.90
8/15/2023	4,442.40	4,186.20	3,943.95	3,715.05	3,498.70	3,294.35	3,101.35	2,919.05	2,746.95
2/15/2024	4,575.70	4,311.95	4,062.65	3,827.05	3,604.40	3,394.00	3,195.30	3,007.65	2,830.45
8/15/2024	4,712.95	4,441.55	4,184.95	3,942.45	3,713.25	3,496.70	3,292.10	3,098.90	2,916.50
2/15/2025	4,854.35	4,575.00	4,310.95	4,061.30	3,825.35	3,602.45	3,391.85	3,192.95	3,005.15
8/15/2025	5,000.00	4,712.50	4,440.70	4,183.75	3,940.90	3,711.45	3,494.65	3,289.90	3,096.50
2/15/2026	0.00	4,854.10	4,574.35	4,309.90	4,059.90	3,823.70	3,600.55	3,389.75	3,190.65
8/15/2026	0.00	5,000.00	4,712.05	4,439.80	4,182.50	3,939.35	3,709.65	3,492.60	3,287.65
2/15/2027	0.00	0.00	4,853.85	4,573.70	4,308.85	4,058.55	3,822.05	3,598.60	3,387.60
8/15/2027	0.00	0.00	5,000.00	4,711.60	4,438.95	4,181.30	3,937.85	3,707.85	3,490.55
2/15/2028	0.00	0.00	0.00	4,853.65	4,573.00	4,307.80	4,057.15	3,820.35	3,596.70
8/15/2028	0.00	0.00	0.00	5,000.00	4,711.10	4,438.10	4,180.10	3,936.30	3,706.05
2/15/2029	0.00	0.00	0.00	0.00	4,853.40	4,572.35	4,306.75	4,055.80	3,818.70
8/15/2029	0.00	0.00	0.00	0.00	5,000.00	4,710.65	4,437.25	4,178.85	3,934.80
2/15/2030	0.00	0.00	0.00	0.00	0.00	4,853.15	4,571.70	4,305.70	4,054.40
8/15/2030	0.00	0.00	0.00	0.00	0.00	5,000.00	4,710.20	4,436.40	4,177.65
2/15/2031	0.00	0.00	0.00	0.00	0.00	0.00	4,852.95	4,571.00	4,304.65
8/15/2031	0.00	0.00	0.00	0.00	0.00	0.00	5,000.00	4,709.75	4,435.50

	Callable CABs 08/15/2025 6%	Callable CABs 08/15/2026 6.01%	Callable CABs 08/15/2027 6.02%	Callable CABs 08/15/2028 6.03%	Callable CABs 08/15/2029 6.04%	Callable CABs 08/15/2030 6.05%	Callable CABs 08/15/2031 6.06%	Callable CABs 08/15/2032 6.07%	Callable CABs 08/15/2033 6.08%
2/15/2032	0.00	0.00	0.00	0.00	0.00	0.00	0.00	4,852.70	4,570.35
8/15/2032	0.00	0.00	0.00	0.00	0.00	0.00	0.00	5,000.00	4,709.30
2/15/2033	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	4,852.45
8/15/2033	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	5,000.00

	Callable CABs 08/15/2025 6%	Callable CABs 08/15/2026 6.01%	Callable CABs 08/15/2027 6.02%	Callable CABs 08/15/2028 6.03%	Callable CABs 08/15/2029 6.04%	Callable CABs 08/15/2030 6.05%	Callable CABs 08/15/2031 6.06%	Callable CABs 08/15/2032 6.07%	Callable CABs 08/15/2033 6.08%
8/29/2002	1,286.60	1,209.95	1,137.60	1,069.40	1,005.10	944.45	887.30	833.45	782.70
2/15/2003	1,322.15	1,243.45	1,169.15	1,099.10	1,033.05	970.75	912.05	856.75	804.65
8/15/2003	1,361.85	1,280.80	1,204.35	1,132.25	1,064.25	1,000.15	939.70	882.75	829.10
2/15/2004	1,402.70	1,319.30	1,240.60	1,166.35	1,096.40	1,030.40	968.20	909.55	854.30
8/15/2004	1,444.75	1,358.95	1,277.95	1,201.55	1,129.50	1,061.55	997.50	937.15	880.30
2/15/2005	1,488.10	1,399.75	1,316.40	1,237.75	1,163.60	1,093.65	1,027.75	965.60	907.05
8/15/2005	1,532.75	1,441.85	1,356.05	1,275.10	1,198.75	1,126.75	1,058.90	994.90	934.60
2/15/2006	1,578.75	1,485.15	1,396.85	1,313.55	1,234.95	1,160.85	1,090.95	1,025.10	963.00
8/15/2006	1,626.10	1,529.80	1,438.90	1,353.15	1,272.25	1,195.95	1,124.00	1,056.20	992.30
2/15/2007	1,674.90	1,575.75	1,482.20	1,393.95	1,310.65	1,232.15	1,158.10	1,088.25	1,022.45
8/15/2007	1,725.15	1,623.10	1,526.80	1,435.95	1,350.25	1,269.40	1,193.15	1,121.30	1,053.55
2/15/2008	1,776.90	1,671.90	1,572.80	1,479.25	1,391.05	1,307.80	1,229.35	1,155.35	1,085.60
8/15/2008	1,830.20	1,722.10	1,620.10	1,523.85	1,433.05	1,347.35	1,266.60	1,190.40	1,118.60
2/15/2009	1,885.10	1,773.90	1,668.90	1,569.80	1,476.30	1,388.15	1,304.95	1,226.55	1,152.60
8/15/2009	1,941.65	1,827.20	1,719.10	1,617.15	1,520.90	1,430.10	1,344.50	1,263.75	1,187.65
2/15/2010	1,999.90	1,882.10	1,770.85	1,665.90	1,566.85	1,473.40	1,385.25	1,302.10	1,223.75
8/15/2010	2,059.90	1,938.65	1,824.15	1,716.10	1,614.15	1,517.95	1,427.20	1,341.65	1,260.95
2/15/2011	2,121.70	1,996.90	1,879.10	1,767.85	1,662.90	1,563.85	1,470.45	1,382.35	1,299.25
8/15/2011	2,185.35	2,056.90	1,935.65	1,821.15	1,713.10	1,611.20	1,515.00	1,424.30	1,338.75
2/15/2012	2,250.90	2,118.70	1,993.90	1,876.05	1,764.85	1,659.90	1,560.90	1,467.55	1,379.45
8/15/2012	2,318.45	2,182.40	2,053.90	1,932.65	1,818.15	1,710.15	1,608.20	1,512.05	1,421.40
2/15/2013	2,388.00	2,247.95	2,115.75	1,990.90	1,873.05	1,761.85	1,656.95	1,557.95	1,464.60
8/15/2013	2,459.65	2,315.50	2,179.45	2,050.95	1,929.65	1,815.15	1,707.15	1,605.25	1,509.15
2/15/2014	2,533.45	2,385.10	2,245.05	2,112.75	1,987.90	1,870.05	1,758.85	1,653.95	1,555.00
8/15/2014	2,609.45	2,456.80	2,312.60	2,176.45	2,047.95	1,926.65	1,812.15	1,704.15	1,602.30
2/15/2015	2,687.70	2,530.60	2,382.20	2,242.10	2,109.80	1,984.90	1,867.10	1,755.90	1,651.00
8/15/2015	2,768.35	2,606.65	2,453.90	2,309.70	2,173.50	2,044.95	1,923.65	1,809.20	1,701.20
2/15/2016	2,851.40	2,685.00	2,527.80	2,379.35	2,239.15	2,106.85	1,981.95	1,864.10	1,752.90
8/15/2016	2,936.95	2,765.65	2,603.85	2,451.05	2,306.75	2,170.55	2,042.00	1,920.65	1,806.20
2/15/2017	3,025.05	2,848.80	2,682.25	2,524.95	2,376.45	2,236.20	2,103.85	1,978.95	1,861.10
8/15/2017	3,115.80	2,934.40	2,763.00	2,601.10	2,448.20	2,303.85	2,167.60	2,039.00	1,917.70
2/15/2018	3,209.30	3,022.55	2,846.15	2,679.50	2,522.15	2,373.55	2,233.30	2,100.90	1,976.00
8/15/2018	3,305.55	3,113.40	2,931.80	2,760.30	2,598.30	2,445.35	2,300.95	2,164.65	2,036.05
2/15/2019	3,404.75	3,206.95	3,020.05	2,843.55	2,676.80	2,519.35	2,370.70	2,230.35	2,097.95
8/15/2019	3,506.85	3,303.30	3,110.95	2,929.25	2,757.60	2,595.55	2,442.50	2,298.05	2,161.75
2/15/2020	3,612.10	3,402.60	3,204.60	3,017.60	2,840.90	2,674.05	2,516.50	2,367.80	2,227.45
8/15/2020	3,720.45	3,504.85	3,301.05	3,108.55	2,926.70	2,754.95	2,592.75	2,439.65	2,295.15
2/15/2021	3,832.05	3,610.15	3,400.45	3,202.30	3,015.10	2,838.30	2,671.35	2,513.70	2,364.95
8/15/2021	3,947.00	3,718.65	3,502.80	3,298.85	3,106.15	2,924.15	2,752.30	2,590.00	2,436.85
2/15/2022	4,065.45	3,830.40	3,608.25	3,398.30	3,199.95	3,012.60	2,835.65	2,668.60	2,510.90
8/15/2022	4,187.40	3,945.50	3,716.85	3,500.75	3,296.60	3,103.75	2,921.60	2,749.60	2,587.25
2/15/2023	4,313.00	4,064.05	3,828.70	3,606.30	3,396.15	3,197.60	3,010.10	2,833.05	2,665.90
8/15/2023	4,442.40	4,186.20	3,943.95	3,715.05	3,498.70	3,294.35	3,101.35	2,919.05	2,746.95
2/15/2024	4,575.70	4,311.95	4,062.65	3,827.05	3,604.40	3,394.00	3,195.30	3,007.65	2,830.45
8/15/2024	4,712.95	4,441.55	4,184.95	3,942.45	3,713.25	3,496.70	3,292.10	3,098.90	2,916.50
2/15/2025	4,854.35	4,575.00	4,310.95	4,061.30	3,825.35	3,602.45	3,391.85	3,192.95	3,005.15
8/15/2025	5,000.00	4,712.50	4,440.70	4,183.75	3,940.90	3,711.45	3,494.65	3,289.90	3,096.50
2/15/2026	0.00	4,854.10	4,574.35	4,309.90	4,059.90	3,823.70	3,600.55	3,389.75	3,190.65
8/15/2026	0.00	5,000.00	4,712.05	4,439.80	4,182.50	3,939.35	3,709.65	3,492.60	3,287.65
2/15/2027	0.00	0.00	4,853.85	4,573.70	4,308.85	4,058.55	3,822.05	3,598.60	3,387.60
8/15/2027	0.00	0.00	5,000.00	4,711.60	4,438.95	4,181.30	3,937.85	3,707.85	3,490.55
2/15/2028	0.00	0.00	0.00	4,853.65	4,573.00	4,307.80	4,057.15	3,820.35	3,596.70
8/15/2028	0.00	0.00	0.00	5,000.00	4,711.10	4,438.10	4,180.10	3,936.30	3,706.05
2/15/2029	0.00	0.00	0.00	0.00	4,853.40	4,572.35	4,306.75	4,055.80	3,818.70

	Callable CABs 08/15/2025 6%	Callable CABs 08/15/2026 6.01%	Callable CABs 08/15/2027 6.02%	Callable CABs 08/15/2028 6.03%	Callable CABs 08/15/2029 6.04%	Callable CABs 08/15/2030 6.05%	Callable CABs 08/15/2031 6.06%	Callable CABs 08/15/2032 6.07%	Callable CABs 08/15/2033 6.08%
8/15/2029	0.00	0.00	0.00	0.00	5,000.00	4,710.65	4,437.25	4,178.85	3,934.80
2/15/2030	0.00	0.00	0.00	0.00	0.00	4,853.15	4,571.70	4,305.70	4,054.40
8/15/2030	0.00	0.00	0.00	0.00	0.00	5,000.00	4,710.20	4,436.40	4,177.65
2/15/2031	0.00	0.00	0.00	0.00	0.00	0.00	4,852.95	4,571.00	4,304.65
8/15/2031	0.00	0.00	0.00	0.00	0.00	0.00	5,000.00	4,709.75	4,435.50
2/15/2032	0.00	0.00	0.00	0.00	0.00	0.00	0.00	4,852.70	4,570.35
8/15/2032	0.00	0.00	0.00	0.00	0.00	0.00	0.00	5,000.00	4,709.30
2/15/2033	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	4,852.45
8/15/2033	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	5,000.00

	Callable CABs 08/15/2034 6.08%	Callable CABs 08/15/2035 6.09%	Callable CABs 08/15/2036 6.09%	Callable CABs 08/15/2037 6.1%	Callable CABs 08/15/2038 6.1%
8/29/2002	737.20	692.15	651.85	611.80	576.10
2/15/2003	757.85	711.55	670.10	629.00	592.30
8/15/2003	780.90	733.20	690.50	648.15	610.35
2/15/2004	804.65	755.55	711.55	667.95	629.00
8/15/2004	829.10	778.55	733.20	688.30	648.15
2/15/2005	854.30	802.25	755.55	709.30	667.95
8/15/2005	880.30	826.70	778.55	730.95	688.30
2/15/2006	907.05	851.85	802.25	753.25	709.30
8/15/2006	934.60	877.80	826.70	776.20	730.95
2/15/2007	963.00	904.55	851.85	799.90	753.25
8/15/2007	992.30	932.05	877.80	824.30	776.20
2/15/2008	1,022.45	960.45	904.55	849.45	799.90
8/15/2008	1,053.55	989.70	932.05	875.35	824.30
2/15/2009	1,085.60	1,019.85	960.45	902.05	849.45
8/15/2009	1,118.60	1,050.90	989.70	929.55	875.35
2/15/2010	1,152.60	1,082.90	1,019.85	957.90	902.05
8/15/2010	1,187.65	1,115.85	1,050.90	987.10	929.55
2/15/2011	1,223.75	1,149.85	1,082.90	1,017.20	957.90
8/15/2011	1,260.95	1,184.85	1,115.85	1,048.25	987.10
2/15/2012	1,299.25	1,220.95	1,149.85	1,080.20	1,017.20
8/15/2012	1,338.75	1,258.10	1,184.85	1,113.15	1,048.25
2/15/2013	1,379.45	1,296.45	1,220.95	1,147.10	1,080.20
8/15/2013	1,421.40	1,335.90	1,258.10	1,182.10	1,113.15
2/15/2014	1,464.60	1,376.60	1,296.45	1,218.15	1,147.10
8/15/2014	1,509.15	1,418.50	1,335.90	1,255.30	1,182.10
2/15/2015	1,555.00	1,461.70	1,376.60	1,293.60	1,218.15
8/15/2015	1,602.30	1,506.20	1,418.50	1,333.05	1,255.30
2/15/2016	1,651.00	1,552.10	1,461.70	1,373.70	1,293.60
8/15/2016	1,701.20	1,599.35	1,506.20	1,415.60	1,333.05
2/15/2017	1,752.90	1,648.05	1,552.10	1,458.80	1,373.70
8/15/2017	1,806.20	1,698.20	1,599.35	1,503.30	1,415.60
2/15/2018	1,861.10	1,749.95	1,648.05	1,549.15	1,458.80
8/15/2018	1,917.70	1,803.20	1,698.20	1,596.40	1,503.30
2/15/2019	1,976.00	1,858.15	1,749.95	1,645.10	1,549.15
8/15/2019	2,036.05	1,914.70	1,803.20	1,695.25	1,596.40
2/15/2020	2,097.95	1,973.00	1,858.15	1,746.95	1,645.10
8/15/2020	2,161.75	2,033.10	1,914.70	1,800.25	1,695.25
2/15/2021	2,227.45	2,095.00	1,973.00	1,855.15	1,746.95
8/15/2021	2,295.15	2,158.80	2,033.10	1,911.75	1,800.25
2/15/2022	2,364.95	2,224.55	2,095.00	1,970.05	1,855.15
8/15/2022	2,436.85	2,292.25	2,158.80	2,030.15	1,911.75
2/15/2023	2,510.90	2,362.05	2,224.55	2,092.05	1,970.05
8/15/2023	2,587.25	2,434.00	2,292.25	2,155.85	2,030.15
2/15/2024	2,665.90	2,508.10	2,362.05	2,221.60	2,092.05
8/15/2024	2,746.95	2,584.50	2,434.00	2,289.40	2,155.85
2/15/2025	2,830.45	2,663.20	2,508.10	2,359.20	2,221.60
8/15/2025	2,916.50	2,744.25	2,584.50	2,431.15	2,289.40
2/15/2026	3,005.15	2,827.85	2,663.20	2,505.30	2,359.20
8/15/2026	3,096.50	2,913.95	2,744.25	2,581.70	2,431.15
2/15/2027	3,190.65	3,002.70	2,827.85	2,660.45	2,505.30
8/15/2027	3,287.65	3,094.10	2,913.95	2,741.60	2,581.70
2/15/2028	3,387.60	3,188.35	3,002.70	2,825.25	2,660.45
8/15/2028	3,490.55	3,285.40	3,094.10	2,911.40	2,741.60
2/15/2029	3,596.70	3,385.45	3,188.35	3,000.20	2,825.25
8/15/2029	3,706.05	3,488.55	3,285.40	3,091.70	2,911.40
2/15/2030	3,818.70	3,594.75	3,385.45	3,186.00	3,000.20
8/15/2030	3,934.80	3,704.25	3,488.55	3,283.20	3,091.70
2/15/2031	4,054.40	3,817.00	3,594.75	3,383.30	3,186.00
8/15/2031	4,177.65	3,933.25	3,704.25	3,486.50	3,283.20
2/15/2032	4,304.65	4,053.00	3,817.00	3,592.85	3,383.30
8/15/2032	4,435.50	4,176.45	3,933.25	3,702.45	3,486.50
2/15/2033	4,570.35	4,303.60	4,053.00	3,815.35	3,592.85
8/15/2033	4,709.30	4,434.65	4,176.45	3,931.75	3,702.45
2/15/2034	4,852.45	4,569.70	4,303.60	4,051.65	3,815.35
8/15/2034	5,000.00	4,708.85	4,434.65	4,175.20	3,931.75

	Callable CABs 08/15/2034 6.08%	Callable CABs 08/15/2035 6.09%	Callable CABs 08/15/2036 6.09%	Callable CABs 08/15/2037 6.1%	Callable CABs 08/15/2038 6.1%
2/15/2035	0.00	4,852.20	4,569.70	4,302.55	4,051.65
8/15/2035	0.00	5,000.00	4,708.85	4,433.80	4,175.20
2/15/2036	0.00	0.00	4,852.20	4,569.05	4,302.55
8/15/2036	0.00	0.00	5,000.00	4,708.40	4,433.80
2/15/2037	0.00	0.00	0.00	4,852.00	4,569.05
8/15/2037	0.00	0.00	0.00	5,000.00	4,708.40
2/15/2038	0.00	0.00	0.00	0.00	4,852.00
8/15/2038	0.00	0.00	0.00	0.00	5,000.00

APPENDIX A

EXCERPTS OF ANNUAL FINANCIAL REPORT OF THE DEPARTMENT

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80 DAY REPORT

(Unaudited)

For the Fiscal Year ended
August 31, 2001

Texas
Department
of Transportation

Texas Department of Transportation

DEWITT C. GREER STATE HIGHWAY BLDG. • 125 E. 11TH STREET • AUSTIN, TEXAS 78701-2483 • (512) 463-8585

November 20, 2001

TO: Honorable Rick Perry, Governor
Honorable Carole Keeton Rylander, Comptroller of Public Accounts
Mr. John Keel, Director, Legislative Budget Board
Mr. Lawrence F. Alwin, CPA, State Auditor

We are pleased to submit the Annual Financial Report of the Texas Department of Transportation for the year ended August 31, 2001, in compliance with the TEX. GOV'T CODE ANN §2101.011 and in accordance with the requirements established by the Comptroller of Public Accounts.

The accompanying annual 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 at 374-5461.

Sincerely,

M. W. Behrens

Michael W. Behrens, P.E.
Executive Director

Enclosure

80 - DAY REPORT

for the Fiscal Year ended August 31, 2001

GENERAL PURPOSE FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

COMBINING FINANCIAL STATEMENTS

ADDENDUM

SCHEDULES

***** UNAUDITED *****

Prepared by

FINANCE DIVISION

TEXAS DEPARTMENT OF TRANSPORTATION (601)

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General Purpose Financial Statements

*** UNAUDITED ***

EXHIBIT I

COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS
August 31, 2001 (With comparative totals for August 31, 2000)

	GOVERNMENTAL FUND TYPES	
	GENERAL (EXH C-1)	SPECIAL REVENUE (EXH A-1)
	$	$
ASSETS		
Cash and Temporary Investments:		
Cash on Hand	4,059	7,325,884
Cash in Bank		150,158,931
Cash in State Treasury (Note A)	557,446	287,045,394
Legislative Appropriations	7,838,472	
Receivables:		
Federal Receivables		304,365,003
Other Intergovernmental Receivables		129,335,999
Interest Receivable	13,329	9,252,161
Accounts Receivable		15,892,603
Other Receivables	241,673	
Due from Other Funds (Note 7)	24,350	567,442
Consumable Inventories		74,948,140
Notes/Loans Receivable [Note 1 G (2)]		206,297,448
Fixed Assets:		
Land		
Buildings		
Furniture and Equipment		
Vehicles, Boats and Aircraft		
Amounts to be Provided in Future Years For:		
Other Obligations		
TOTAL ASSETS	**8,679,329**	**1,185,189,005**

FIDUCIARY FUND TYPES AGENCY (EXH B)	ACCOUNT GROUPS GENERAL FIXED ASSETS	ACCOUNT GROUPS GENERAL LONG-TERM DEBT	TOTALS (Memorandum Only) 2001	TOTALS (Memorandum Only) 2000
$	$	$	$	$
1,062,618			8,392,561	11,611,344
			150,158,931	143,080,409
185,225,621			472,828,461	724,377,070
			7,838,472	14,195,975
			304,365,003	238,469,059
			129,335,999	102,951,917
			9,265,490	2,474,290
			15,892,603	14,877,051
			241,673	276,607
2,246,408			2,838,200	3,165,890
			74,948,140	85,300,437
			206,297,448	189,394,133
	67,695,900		67,695,900	59,615,234
	276,034,276		276,034,276	275,321,253
	448,334,227		448,334,227	434,362,906
	327,994,677		327,994,677	316,120,440
		53,742,136	53,742,136	51,011,896
188,534,647	1,120,059,080	53,742,136	2,556,204,197	2,666,605,911

- Continued on Next Page

EXHIBIT I

COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS (Continued)

	GOVERNMENTAL FUND TYPES	
	GENERAL (EXH C-1)	SPECIAL REVENUE (EXH A-1)
LIABILITIES	$	$
Payables:		
Other Intergovernmental Payables		
Accounts Payable	1,411,333	508,599,198
Contracts Payable		177,876,588
Deferred Revenues	280	31,103,006
Due to Other Funds (Note 7)	75,741	33,049,990
Employees Compensable Leave		
Capital Lease Obligations		
Funds Held for Others		
TOTAL LIABILITIES	1,487,354	750,628,782
FUND EQUITY		
Investment in General Fixed Assets		
FUND BALANCES (DEFICITS):		
Reserved For:		
Encumbrances	6,761,622	93,802,968
Imprest Accounts		215,450
Inventories		74,948,140
Unreserved:		
Designated For Other:		
Highway Construction and Maintenance		11,926,038
State Infrastructure Bank		252,910,230
Undesignated:		
Unencumbered Legislative Appropriations:		
Future Operations	39,524	
Consolidated Funds	390,829	
Texas Transportation Corporations		757,397
TOTAL FUND EQUITY	7,191,975	434,560,223
TOTAL LIABILITIES AND FUND EQUITY	$ 8,679,329	$ 1,185,189,005

The accompanying notes to the financial statements are an integral part of this financial statement.

Note (A): Cash in State Treasury

Consolidated Fund 071	443,898
Consolidated Fund 5038	113,548
TOTAL	557,446

FIDUCIARY FUND TYPES AGENCY (EXH B)	ACCOUNT GROUPS GENERAL FIXED ASSETS	ACCOUNT GROUPS GENERAL LONG-TERM DEBT	TOTALS (Memorandum Only) 2001	TOTALS (Memorandum Only) 2000
$	$	$	$	$
2,660,747			2,660,747	3,909,803
			510,010,531	493,277,989
			177,876,588	162,462,929
			31,103,286	31,879,049
1,244,284			34,370,015	32,996,802
		53,742,136	53,742,136	50,975,173
			0	36,723
184,629,616			184,629,616	236,970,485
188,534,647	0	53,742,136	994,392,919	1,012,508,953
	1,120,059,080		1,120,059,080	1,085,419,833
			100,564,590	226,678,369
			215,450	216,075
			74,948,140	85,300,437
			11,926,038	5,196,802
			252,910,230	239,373,050
			39,524	8,383,208
			390,829	2,806,533
			757,397	722,651
0	1,120,059,080	0	1,561,811,278	1,654,096,958
$ 188,534,647	$ 1,120,059,080	$ 53,742,136	$ 2,556,204,197	$ 2,666,605,911

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UNAUDITED

EXHIBIT II

COMBINED STATEMENT OF REVENUES, EXPENDITURES, & CHANGES IN FUND BALANCES -ALL GOVERNMENTAL FUND TYPES

For the fiscal year ended August 31, 2001 (With comparative totals for August 31, 2000)

	GOVERNMENTAL FUND TYPES		TOTALS (Memorandum Only)	
	GENERAL (EXH C-2)	SPECIAL REVENUE (EXH A-2)	2001	2000
REVENUES:	$	$	$	$
Legislative Appropriations:				
Original Appropriations Revenue	13,206,583		13,206,583	31,030,879
Add'l Appropriations Revenue	1,023,815		1,023,815	677,570
Taxes		28,841,000	28,841,000	27,573,000
Federal Revenues		1,875,252,222	1,875,252,222	1,849,084,339
Federal Pass Through Revenues		829,886	829,886	2,418,225
State Pass Through Revenues	5,317,073	8,197,901	13,514,974	0
Licenses, Fees and Permits	936,167	797,552,190	798,488,357	811,400,115
Interest & Investment Income	2,125	30,082,900	30,085,025	34,644,823
Land Income		5,215,367	5,215,367	1,874,207
Settlement of Claims		8,022,219	8,022,219	6,645,647
Sales of Goods and Services		231,279,941	231,279,941	133,402,746
Other Revenues	100	4,427,201	4,427,301	5,092,992
TOTAL REVENUES:	20,485,863	2,989,700,827	3,010,186,690	2,903,844,543
EXPENDITURES:				
Salaries and Wages	3,245,647	526,026,552	529,272,199	511,526,806
Payroll Related Costs	1,279,381	150,218,139	151,497,520	146,021,606
Professional Fees and Services	1,001,670	275,276,258	276,277,928	204,265,927
Travel	81,391	6,300,637	6,382,028	6,049,683
Materials and Supplies	12,610	165,410,334	165,422,944	185,226,597
Communications and Utilities	6,761	38,863,665	38,870,426	30,642,625
Repairs and Maintenance	319	256,247,379	256,247,698	30,561,661
Rentals and Leases	19,213	14,160,083	14,179,296	15,930,957
Printing and Reproduction	729	8,005,851	8,006,580	8,377,313
Claims and Judgements		8,030,015	8,030,015	7,750,319
Highway Construction and Maintenance [Note 1 H (6)]		0	0	3,231,722,147
Federal Pass Through Expenditures		7,838,257	7,838,257	5,948,893
State Grant Pass Through Expenditures	681,942	34,750	716,692	1,032,497
Intergovernmental Payments	20,083,626	68,697,993	88,781,619	94,683,348
Public Assistance Payments	2,344,188	32,333,016	34,677,204	40,235,221
Other Expenditures	571,807	104,159,547	104,731,354	101,575,465
Capital Outlay	6,454	3,120,467,600	3,120,474,054	129,533,719
TOTAL EXPENDITURES:	29,335,738	4,782,070,076	4,811,405,814	4,749,084,784
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES:	(8,849,875)	(1,792,369,249)	(1,801,219,124)	(1,845,240,241)
OTHER FINANCING SOURCES (USES):				
Operating Transfers In [Note 1 H (8)]		2,021,917,183	2,021,917,183	1,974,470,874
Operating Transfers Out [Note 1 H (8)]		(344,487,974)	(344,487,974)	(328,595,292)
Net Change in Consumable Inventories		(10,352,297)	(10,352,297)	2,363,781
Increase in Obligation - Capital Leases			0	27,504
Sale of General Fixed Assets		7,391,510	7,391,510	7,017,835
TOTAL OTHER FINANCING SOURCES (USES):	0	1,674,468,422	1,674,468,422	1,555,284,702
EXCESS (DEFICIT) OF REVENUES & OTHER FINANCING SOURCES OVER EXPENDITURES & OTHER FINANCING USES:	(8,849,875)	(117,900,827)	(126,750,702)	(189,955,539)
FUND BALANCES, Sept. 1, 2000	16,216,075	552,461,050	568,677,125	759,012,333
Lapsed Appropriations	(174,225)		(174,225)	(379,669)
FUND BALANCES, Aug. 31, 2001 (Exh. I)	$ 7,191,975	$ 434,560,223	$ 441,752,198	$ 568,677,125

The accompanying notes to the financial statements are an integral part of this financial statement.

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Notes to the Financial Statements

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NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Scope of Entity

The department is an agency of the State of Texas and consists of a central office with twenty functional divisions, eight offices, and twenty-five geographic districts. Further details are provided in the addendum.

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).

H.B. 2845, signed June 1995, established the seven member Texas Automobile Theft Prevention Authority in the Texas Department of Transportation. The Authority is not an advisory body to TxDOT. TxDOT provides the Authority with staffing assistance and related administration services to implement Authority decisions.

S.B. 370, signed June 1997, abolished the Texas Turnpike Authority and created the Texas Turnpike Authority Division within the Texas Department of Transportation, along with the creation of regional tollway authorities. This bill also established the State Infrastructure Bank.

Blended Component Units

The Texas Transportation Corporations, created pursuant to H.B. 1986 - Article 15281 to perform many functions normally undertaken by the department, have been included in the reporting entity because it is the professional judgment of management that the department exercises sufficient authority over assets, operations, and management to warrant their inclusion. As a result, the Texas Transportation Corporations are shown as a special revenue fund, Fund 999 [See Note 1C-(4)]. Even though the Texas Transportation Corporations are a part of the Texas Department of Transportation accounting entity, inclusion of these corporations should not be taken as an admission for legal proceedings that the state is liable for debts of these corporations, nor is 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. These data are combined by the comptroller's office with similar data from the other state agencies and activities in order to prepare a Consolidated Annual Financial Report for the state. That report is prepared in accordance with generally accepted accounting principles, as established by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA).

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. These funds are reported separately within the department.

The department's funds fall under three categories. The first category, Governmental Fund Type, includes General and Special Revenue Funds. The second category, Fiduciary Fund Type, includes Agency Funds. The third category, Account Groups, are self-balancing sets of accounts which do not involve the measurement of results of operations.

(1) Governmental Fund Type - 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.

(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. This fund and the Texas Turnpike Authority Fund are now presented as individual accounts within 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 fees.

2.) Texas Turnpike Authority Account (5038) - This account is to be used for the study, design, construction, operation, expansion, enlargement or extension of turnpike projects as part of the state highway system. All receipts to this account thus far have been from the North Texas Tollway Authority in accordance with statutory requirements.

(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 receives federal along with state matching funds. This account also receives loan principal and interest repayments. These receipts are used for loans to public and private entities to encourage the development of transportation project and facilities. As these loans are repaid, these repayments are deposited into a separate program cost account in the State Infrastructure Bank account.

(d) Local Fund (999) - This fund presents the combined activities of the one transportation corporation [See Note 1C-(4)].

(2) 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 certificate of title fees, oversize/overweight permit receipts, tolerance permit receipts, sales tax receipts and other collections of monies that are used to fund other state entities.

1.) Texas Collegiate License Plate Account (5015) - This fund is used to receive and account for fees charged for special collegiate license plates in addition to motor vehicle registration fees.

(b) Proportional Registration Distributive Fund (021) - This fund is used primarily to collect and distribute license fees from trucking companies that operate in more than one state. These fees are distributed to the individual states based on mileage driven.

(c) Suspense Fund (900) - This fund is used to temporarily hold and account for receipts, until the correct disposition of the items is determined.

(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 in the State Highway Fund (006).

(f) Direct Deposit Correction Account (980) - This fund is used to temporarily hold and account for direct deposits that were unable to be processed, until the correct disposition of the items is determined.

(3) Account Groups

(a) General Fixed Assets

GASB Statement 1 requires fixed assets used in Governmental Fund Type operations to be accounted for in a General Fixed Assets Account Group separate from the operating funds. Purchases of fixed assets are required to be reported in the operating fund in the period they are acquired, rather than capitalized when acquired and

then depreciated in the periods used. Departmental policy requires items to be added to the Fixed Asset Account Group if they cost more than $ 1,000 each, and are expected to last for more than one year. All fixed assets except those regarded as public domain, or "infrastructure", are reported in the General Fixed Assets Account Group at cost, if purchased, or estimated market value, if donated.

(b) General Long-Term Debt

Long-term liabilities expected to be financed from governmental funds are accounted for in the General Long-Term Debt Account Group, rather than in the governmental funds. The composition of this account group is discussed in Notes 4 and 5.

(4) Component Units - The implementation of GASB #14 requires government entities to describe any component units of the primary government, as well as the method used to report their activities. The one Texas Transportation Corporation would be considered component unit, per GASB #14. It is presented in the financial statements of the department as a special revenue fund, Fund 999.

This transportation corporation is a nonprofit organization which may (1) contract with the department to construct and/or improve projects designated by the department, (2) sell the projects to the department in accordance with the terms of the contract, and (3) 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, and as such, the department will assume responsibility for their maintenance.

This corporation may issue bonds and notes to finance the cost of its 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. As of August 31, 2001, this corporation had no bond issues outstanding. The department's commission approves the creation of the corporation, 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. Memorandum Totals

The total columns on Exhibits I and II are captioned "Memorandum Only" to indicate that they are presented to facilitate easier financial analysis by the reader. Data in these columns do not present financial position in conformity with generally accepted accounting principles.

E. Basis for Accounting

The basis of accounting determines when revenues and expenditures are recognized in the accounts reported in the financial statements. 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. An exception is unpaid employee compensable leave, which is not

recognized until actual payment is made. These long-term liabilities are reported in the General Long-Term Debt Account Group, except for accumulated sick leave. Sick leave liability is discussed in more detail in Note 10-D.

F. Budgets and Budgetary Accounting

(1) General Budget Policies

The Texas Department of Transportation's budget is prepared on the performance-base 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. 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.

G. Assets, Liabilities and Fund Equity

(1) 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 the expenditure to be recognized at the time of acquisition. 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 $ 380,485 at August 31, 2001.

(2) Notes/Loans Receivable

This account represents loans of 139.6 million dollars to the North Texas Tollway Authority; 29,306,859 to the City of Laredo; 15,235,919 to the City of Round Rock; 10,000,000 to Denton County; 3,634,000 to the City of El Paso; 3,180,000 to the City of Bellaire; 950,059 to the City of Rockdale; 934,016 to the City of Sugarland; 633,447 to the City of Belton; 600,000 to the City of W.Columbia; 360,000 to the City of Pinehurst; 302,372 to the City of Henderson; 300,000 to the City of Stamford; 267,578 to the City of Jacksonville; 210,870 to Memorial Hill Utility District; 210,126 to the City of Linden; 208,000 to Lavaca County; 130,000 to the City of Robinson; 82,300 to the City of Dawson; 47,735 to the City of Anthony; 34,896 to the City of Groverton; 31,877 to Hall County; 27,394 to Motley County and 10,000 to the City of Horizon City.

(3) Fixed Assets

Fixed assets are reported by governmental funds as expenditures when received. They are capitalized at cost, or, if not purchased, at estimated value on date of acquisition. There is no provision for depreciation of these fixed assets, since replacements are financed from current resources.

(4) 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.

(5) Contracts Payable

Contracts Payable represents the amount of contract retainage held in the State Highway Fund, or in a contractor's local bank. 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.

(6) Capital Lease Obligations - This represents the liability for future lease payments under capital lease contracts.

(7) Reservations of Fund Equity

(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 at August 31, 2001.

(c) Reserved for Inventories- This represents the amount of inventories held to be used in future periods.

(d) Unreserved - This amount represents the unexpended balance at year end which is available for use in subsequent years.

H. Revenues, Expenditures, Transfers, and Restatements

(1) Taxes

This represents state sales tax from the sale of lubricants (6.25%), as estimated by the 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 construction, right-of-way acquisition, and research. 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 75 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. See the table below for the apportionments allocated to Texas for 2001, and the four preceding years.

Year	Apportionments
2001	2,359,838,139
2000	2,071,137,346
1999	1,962,600,000
1998	1,576,310,724
1997	1,433,278,267

The department also 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.

Additionally, 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.

Finally, the department receives federal funds from the Federal Aviation Administration for the airport improvement program and receives some federal funds directly from the Department of Transportation for the state and community highway safety program.

(3) Federal Pass Through Revenues

Federal pass through revenues represent amounts passed through to the department from the Texas Department of Public Safety for federal emergency grants. See Schedule 1A. State pass-through revenue is detailed on Schedule 1B.

(4) Licenses, Fees, and Permits

This account includes certificate of title fees, motor vehicle license fees, and outdoor advertising license fees. The Certificate of Title Act is administered by the department, with the various counties of the state acting as its agent. Thirteen dollars is charged for the issuance or reissuance of a Certificate of Title. The county retains $5.00 and remits the remaining $8.00: Three dollars ($3) to the State Highway Fund, and five dollars ($5) to the General Revenue Fund.

Motor vehicle license fees are collected by the county tax 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, are 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); 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 5% of the preceding year's motor vehicle sales tax collections. The remainder of the fees are remitted by the counties to the department for deposit in the State Highway Fund.

Most revenues in the Texas Highway Beautification fund account in the General Revenue Fund are obtained from outdoor advertising license 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.

Article 6666j1. Revenue Enhancement [72nd Legislature, Chapter 551] 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.

(6) Highway Construction and Maintenance

For fiscal year 2001, the Comptroller's office deleted the highway construction and maintenance expenditure account. Highway construction expenditure was moved to the capital outlay expenditure account and highway maintenance was moved to the repairs and maintenance expenditure account.

The expenditures reflected in Exhibit II include payments made to approved trust accounts on behalf of contractors, or retained in the treasury for construction retainage withheld by the department, per provisions of S.B.440, 64TH Leg., Reg.Sess, (1975). [See Note 1 G (5).)]

(7) Pass-Through Expenditures

During fiscal year 2001, the department made numerous GASB 24 Federal and State Pass-Through payments to different agencies. See Schedule 1A and Schedule 1B.

(8) Operating Transfers In/Out

During fiscal year 2001, the department had numerous transfers between funds and agencies. Individual interfund and intrafund transfers at August 31, 2001, were as follows:

	TRANSFERS IN	TRANSFERS OUT	REFERENCE
	$	$	
Fund 006:			
(Agency 241, Fund 006)		770,166	(a)
(Agency 302, Fund 006)		5,446,136	(b)
(Agency 405, Fund 006)		337,637,425	(c)
(Agency 601, Fund 099)		90,000	(d)
(Agency 696, Fund 006)		544,247	(e)
(Agency 902, Fund 001)	2,021,827,183		(f)
	2,021,827,183	344,487,974	
Fund 099:			
(Agency 601, Fund 006)	90,000		(d)
Total (Exhibit II)	$ 2,021,917,183	$ 344,487,974	

(a) This reflects amounts provided from the State Highway Fund to the Judiciary Section of the Comptroller's Office, in accordance with statutory requirements.

(b) This reflects amounts provided from the State Highway Fund to the Attorney General's Office, in accordance with statutory requirements.

(c) This reflects amounts provided from the State Highway Fund to the Department of Public Safety, in accordance with statutory requirements.

(d) This reflects state matching funds provided from the State Highway Fund to the State Infrastructure Bank. This transfer is not shown in the Uniform Statewide Accounting System, since this transfer does not cross GAAP or appropriated funds.

(e) This reflects amounts provided from the State Highway Fund to the Department of Criminal Justice, in accordance with statutory requirements.

(f) This primarily represents the transfer of gallonage taxes on motor fuels sold in Texas, collected by the state comptroller 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 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. Certain transit companies pay nineteen cents per gallon.

The state comptroller 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 generally; however, certain transit companies pay only nineteen and one-half cents per gallon. Federal government and Texas public school sales are exempt.

The state comptroller 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 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 state comptroller 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%

NOTE 2 -FIXED ASSETS

Changes in General Fixed Assets for the year ended August 31, 2001 were as follows:

	Land	Buildings	Equipment	Vehicles, Boats, and Aircraft	Totals
Balances - 09/01/00	$59,615,234	$275,321,253	$434,362,906	$316,120,440	$1,085,419,833
Additions:					
Purchases	13,222,524	60,640,985	41,142,983	22,920,157	137,926,649
Increase(Decrease) in Construction In Progress	(5,081,239)	(54,425,945)			(59,507,184)
Total Additions	*8,141,285*	*6,215,040*	*41,142,983*	*22,920,157*	*78,419,465*
Deductions:					
Retirements	(60,619)	(5,502,017)	(27,171,662)	(11,045,920)	(43,780,218)
Total Deductions	*(60,619)*	*(5,502,017)*	*(27,171,662)*	*(11,045,920)*	*(43,780,218)*
Net Change:	8,080,666	713,023	13,971,321	11,874,237	34,639,247
Balances - 08/31/01	*$67,695,900*	*$276,034,276*	*$448,334,227*	*$327,994,677*	*$1,120,059,080*

NOTE 3 - DEPOSITS, INVESTMENTS, AND REPURCHASE AGREEMENTS

At August 31, 2001, the department's total of "Cash in Banks", as reported on Exhibit I, consisted of the following:

		Category I	Total
Petty Cash	$	66,450	66,450
Travel Advance		149,000	149,000
Retainage Deposits [See Note 1 G (5)]		149,119,141	149,119,141
Cash in Banks of Texas Transportation Co.		824,340	824,340
Total Cash in Banks:	$	150,158,931	150,158,931

Deposits of the State of Texas are normally managed by the Treasury Department and are protected by $100,000 of insurance by the Federal Deposit Insurance Corporation (FDIC). Although the contractor retainage deposits are held in separate accounts that are managed by the Texas Department of Transportation and the contractors, the FDIC will combine such accounts with those managed by the Treasury Department and allow a single $100,000 of insurance on the total.

An April 1988 policy agreement with the State Treasury provides for department warrants for retainage to be invested in time deposits (savings accounts or certificates of deposits) of the bank, and requires the principal to be fully collateralized, since state law requires that state funds be fully collateralized to the extent that they exceed the $100,000 of FDIC coverage.

Collateral pledged must be equal to at least 105% of the principal amount deposited by the department.

Beginning in April 1988, the state treasurer assumed full responsibility for insuring adequate collateralization of all state deposits, including those held in local banks. On August 31, 2001, the above retainage deposits, petty cash, and travel advance were Category I, which are deposits fully collateralized with securities held by an agent of the State Treasury, in the department's name, in accordance with the state treasurer requirements.

Deposits of the Texas Transportation Corporations are protected by $100,000 of insurance by the FDIC. The State Treasury does not collateralize the deposits of the transportation corporations. The only transportation corporation which has cash and cash equivalents in excess of $100,000 is Grand Parkway Association, which has a total of $824,340 of cash and cash equivalents as of August 31, 2001. All investments of cash of the Grand Parkway Association are covered by federal depository insurance and are classified in Category I of GASB 3, per the audited financial statements of Grand Parkway Association.

The department held no investments or repurchase agreements during fiscal year 2001.

NOTE 4 - GENERAL LONG-TERM DEBT

Following is a summary of changes in general long-term debt for the department for the fiscal year ended August 31, 2001:

	Employees' Compensable Leave	Capital Lease Obligations	Totals
Beginning Balance, September 1, 2000	$50,975,173	$36,723	$51,011,896
Additions	70,422,200	0	70,422,200
Deletions	(67,655,237)	(36,723)	(67,691,960)
Ending Balance, August 31, 2001	$53,742,136	$0	$53,742,136

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. The Department's policy is to recognize the cost of leave as an expenditure when paid. Full-time state employees earn annual leave from 7 to 20 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

2000 fiscal year to the next was up to 520 for those with 35 or more years of state employment. The liability for unpaid benefits is recorded in the General Long-Term Debt Account Group with a corresponding account designated "Amounts to Be Provided in Future Years." No liability is recorded for non-vesting accumulating rights to receive sick pay benefits.

Claims & Judgments - The department's involvement in claims and judgments is discussed in detail in Note 10-A and 10-B. 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.

NOTE 5 - CAPITAL LEASES

The department does not currently have any capital leases to report.

NOTE 6 - OPERATING LEASE OBLIGATIONS

To minimize long-term costs, and to ensure future availability of essential services and equipment, the department, in routine transactions, enters into leases which extend beyond the end of the fiscal year. The portion of these obligations extending 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 next six fiscal years:

FISCAL YEARS	EQUIPMENT OPERATING LEASES	FACILITY OPERATING LEASES
FISCAL YEAR 2002	$5,336,570	$4,971,081
FISCAL YEAR 2003	3,701,706	3,927,970
FISCAL YEAR 2004	323,360	3,471,952
FISCAL YEAR 2005	195,099	3,384,594
FISCAL YEAR 2006	193,673	2,734,229
FY 2007 & BEYOND	122,000	3,781,017
TOTALS:	$9,872,408	$22,270,843

The facility operating lease figures listed above through June 30, 2007 include a yearly lease of $1,463,874 which is considered an operating lease to the department. However, this lease is considered a capital lease to the General Services Commission.

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	$9,908,629

NOTE 7 - INTERFUND BALANCES / ACTIVITIES

The department has numerous transactions between funds and agencies. Individual interfund balances at August 31, 2001 were as follows:

Due From/To Other Funds:

	DUE FROM OTHER FUNDS	DUE TO OTHER FUNDS
GENERAL REVENUE	$	$
Fund 001:		
State Pass-Throughs		
(Agency 302, Fund 006)		13,921
(Agency 405, Fund 006)		6,752
(Agency 696, Fund 006)	24,350	55,068
	24,350	75,741
SPECIAL REVENUE		
Fund 006:		
(Agency 241, Fund 006)		369,882
(Agency 302, Fund 006)		433,551
(Agency 405, Fund 006)		29,899,508
(Agency 601, Fund 927)	567,442	
(Agency 696, Fund 006)		479,211
Federal Pass-Throughs		
(Agency 405, Fund 006)		641,618
(Agency 555, Fund 999)		187,424
(Agency 716, Fund 999)		1,029,415
State Pass-Throughs		
(Agency 732, Fund 999)		9,381
	567,442	33,049,990

	DUE FROM OTHER FUNDS	DUE TO OTHER FUNDS
	$	$
AGENCY FUNDS		
Fund 001:		
(Agency 902, Fund 001)	2,246,408	
Fund 927:		
(Agency 601, Fund 006)		567,442
Fund 5015:		
(Agency 711, Fund 5015)		220,409
(Agency 713, Fund 5015)		750
(Agency 714, Fund 5015)		3,600
(Agency 715, Fund 5015)		21,415
(Agency 717, Fund 5015)		16,423
(Agency 721, Fund 5015)		112,796
(Agency 724, Fund 5015)		2,238
(Agency 730, Fund 5015)		6,476
(Agency 732, Fund 5015)		6,300
(Agency 733, Fund 5015)		126,996
(Agency 734, Fund 5015)		1,900
(Agency 735, Fund 5015)		1,075
(Agency 743, Fund 5015)		1,675
(Agency 751, Fund 5015)		1,400
(Agency 752, Fund 5015)		2,800
(Agency 753, Fund 5015)		5,700
(Agency 754, Fund 5015)		15,425
(Agency 755, Fund 5015)		3,125
(Agency 757, Fund 5015)		2,800
(Agency 759, Fund 5015)		5,556
(Agency 760, Fund 5015)		2,350
(Agency 765, Fund 5015)		358
(Agency 781, Fund 5015)		110,275
(Agency 783, Fund 5015)		5,000
	2,246,408	676,842
Total (Exhibit I)	$ 2,838,200	$ 34,370,015

Operating Transfers In/Out (*) :

	TRANSFERS IN	TRANSFERS OUT
	$	$
Fund 006:		
(Agency 241, Fund 006)		770,166
(Agency 302, Fund 006)		5,446,136
(Agency 405, Fund 006)		337,637,425
(Agency 601, Fund 099)		90,000
(Agency 696, Fund 006)		544,247
(Agency 902, Fund 001)	2,021,827,183	
	2,021,827,183	344,487,974
Fund 099:		
(Agency 601, Fund 006)	90,000	
Total Operating Transfers (Exh II)	$ 2,021,917,183	$ 344,487,974

* See Note 1 H (8) for detailed information on Transfers In/Out.

NOTE 8 - 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 9 - 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.

NOTE 10 - CONTINGENT LIABILITIES

A. Litigation

Type of Suit	Number of Suits	Amount in Controversy
Contract	11	Amounts claimed range from $9,166 to $3,775,545. Total claims with amounts indicated came to approximately $4,972,700. Two of the 11 indicated only an approximate amount of the claim, or no monetary amount at all.
Inverse Condemnation	36	Amounts claimed range from $100,000 to 300,000,000. Total claims with amounts indicated came to approximately $301,818,000. Thirty-one of the thirty-six indicated an approximate amount of the claim or did not specify the amount.
EEOC and Discrimination	29	Although monetary amounts have not been specified in the majority of these cases, liability against the department is open-ended and could reach $7,000,000.
Tort Claims	166	Amounts claimed range from $272 to 1,250,000. Statutory limits of liability on these cases are $250,000 per person or $500,000 per accident. Total claims with amounts indicated came to approximately $55,312,161.
Worker's Comp	1	Amount of claim was not specified.
Miscellaneous	4	Amounts of claims were not specified.

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 originally sought.

Settlements are paid by the comptroller from the Claims and Refunds Appropriation. Attorney general records indicate that the lawsuits listed above were pending as of August 31, 2001. 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, 2001, the contingent liability as a result of claims by contractors was $ 9,463,247.

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.

NOTE 11 - 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, 2009, unless continued in existence by the 81st Legislature as provided by the Act. If abolished, the department may continue until September 1, 2010 to close out its operations.

NOTE 12 - RISK FINANCING & RELATED INSURANCE

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 45].

NOTE 13 - SEGMENT INFORMATION

The department does not currently conduct any individual enterprise fund activities.

NOTE 14 - BONDED INDEBTEDNESS

The department does not have any bond issues outstanding.

NOTE 15 - SUBSEQUENT EVENTS

The Department is not aware of any material subsequent events that would require disclosure.

NOTE 16 - RELATED PARTIES

Legislation has provided for the creation of a legal entity with whom the department has related party transactions. The nature of the department's relationship with this entity is being disclosed in accordance with Financial Accounting Standards Board Statement #57.

Road Utility Districts, which were created pursuant to Article 6674-2, construct, acquire, and improve facilities to meet requirements of plans approved by the department's commission.

These districts may enter into contracts with transportation corporations created by the department for purposes of jointly paying the costs of projects designated by the commission. The payments required to be made under such a contract may be made out of bond proceeds, and the districts may issue bonds for the purpose of paying all, or any part, of the costs of a particular project.

Upon completion of the work, and after commission approval, the facilities are conveyed to the department. Once the facility is conveyed, the district is no longer responsible for the facility, or its maintenance or upkeep, and the department retains sole control. However, the district still has the responsibility to pay the full principal and interest on any outstanding bonds, or other indebtedness, of the district.

Currently, there are three road utility districts which have been approved by the commission.

The department did not have any transactions with these districts during the fiscal year and did not have any amounts due from or due to these districts as of the end of the fiscal year.

NOTE 17 - STEWARDSHIP, COMPLIANCE, & ACCOUNTABILITY

The department is not aware of any material violations of finance-related legal or contractual provisions.

NOTE 18 - THE FINANCIAL REPORTING ENTITY

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, the one transportation corporation is shown as a component unit of the department because of the significance of its financial relationship with the department. Although the corporation is a separate legal entity, the department exercises sufficient authority over its assets, management and operations, to require its inclusion in the accompanying financial statements. The financial activities of the corporation is shown as local fund 999 and presented in a blended format on the department's financial statements [See Note 1-C(4)]. Complete financial information 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 comptroller. 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.

NOTE 19 - RESTATEMENT OF FUND BALANCES / RETAINED EARNINGS

The department did not restate any Uniform Statewide Accounting System beginning fund balances.

Combining Financial Statements

UNAUDITED

EXHIBIT A-1

COMBINING BALANCE SHEET -ALL SPECIAL REVENUE FUNDS
August 31, 2001 (With comparative totals for August 31, 2000)

	STATE HIGHWAY FUND (0006) * U/F (0006)	STATE INFRA-STRUCTURE BANK (0006) U/F (0099)	TEXAS TRANSPORTATION CORPORATIONS (9999) U/F (0999)	TOTALS Exh I 2001	TOTALS 2000
	$	$	$	$	$
ASSETS:					
Cash and Temporary Investments:					
Cash on Hand	7,325,884			7,325,884	11,083,465
Cash in Bank	149,334,591		824,340	150,158,931	143,080,409
Cash in State Treasury	104,841,773	182,203,621		287,045,394	479,760,147
Receivables:					
Federal Receivables	304,365,003			304,365,003	238,469,059
Other Intergovernmental Receivables	129,335,999			129,335,999	102,951,917
Interest Receivable	5,243,000	4,009,161		9,252,161	2,459,773
Accounts Receivable	15,510,751		381,852	15,892,603	14,877,051
Due from Other Funds (Note 7)	567,442			567,442	1,299,657
Consumable Inventories	74,948,140			74,948,140	85,300,437
Notes/Loans Receivable [Note 1 G (2)]	139,600,000	66,697,448		206,297,448	189,394,133
TOTAL ASSETS:	931,072,583	252,910,230	1,206,192	1,185,189,005	1,268,676,048
LIABILITIES:					
Payables:					
Accounts Payable	508,150,403		448,795	508,599,198	490,961,009
Contracts Payable	177,876,588			177,876,588	162,462,929
Deferred Revenues	31,103,006			31,103,006	31,878,914
Due to Other Funds (Note 7)	33,049,990			33,049,990	30,912,146
TOTAL LIABILITIES:	750,179,987	0	448,795	750,628,782	716,214,998
FUND EQUITY:					
FUND BALANCES (DEFICITS):					
Reserved For:					
Encumbrances	93,802,968			93,802,968	221,652,035
Imprest Account	215,450			215,450	216,075
Inventories	74,948,140			74,948,140	85,300,437
Unreserved:					
Designated for Other:					
Highway Construction and Maintenance	11,926,038			11,926,038	5,196,802
State Infrastructure Bank		252,910,230		252,910,230	239,373,050
Undesignated:					
Texas Transportation Corporations			757,397	757,397	722,651
TOTAL FUND EQUITY:	180,892,596	252,910,230	757,397	434,560,223	552,461,050
TOTAL LIABILITIES & FUND EQUITY:	931,072,583	252,910,230	1,206,192	1,185,189,005	1,268,676,048

* 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 A-2

COMBINING STATEMENT OF REVENUES, EXPENDITURES, & CHANGES IN FUND BALANCES -ALL SPECIAL REVENUE FUNDS

For the fiscal year ended August 31, 2001 (With comparative totals for August 31, 2000)

	STATE HIGHWAY FUND (0006) U/F (0006)	STATE INFRA-STRUCTURE BANK (0006) U/F (0099)	TEXAS TRANS-PORTATION CORPORATIONS (9999) U/F (0999)	TOTALS Exh II 2001	TOTALS 2000
REVENUES:					
Taxes	28,841,000			28,841,000	27,573,000
Federal Revenues	1,874,892,222	360,000		1,875,252,222	1,849,084,339
Federal Pass Through Revenues	829,886			829,886	2,418,225
State Pass Through Revenues	8,197,901			8,197,901	0
Licenses, Fees and Permits (Note 1 H(4))	797,552,190			797,552,190	810,427,162
Interest & Investment Income	16,965,450	13,087,180	30,270	30,082,900	34,609,858
Land Income	5,215,367			5,215,367	1,874,207
Settlement of Claims	8,022,219			8,022,219	6,643,647
Sales of Goods and Services	231,279,941			231,279,941	133,402,746
Other Revenues	1,172,430		3,254,771	4,427,201	5,092,822
TOTAL REVENUES	2,972,963,606	13,447,180	3,285,041	2,989,700,827	2,871,128,006
EXPENDITURES:					
Salaries and Wages	526,026,552			526,026,552	508,753,022
Payroll Related Costs	150,218,139			150,218,139	145,178,622
Professional Fees and Services	272,372,288		2,902,970	275,276,258	195,367,362
Travel	6,300,627			6,300,627	5,959,090
Materials and Supplies	165,410,334			165,410,334	185,196,325
Communications and Utilities	38,863,665			38,863,665	30,632,772
Repairs and Maintenance	256,247,379			256,247,379	30,558,887
Rentals and Leases	14,160,083			14,160,083	13,906,507
Printing and Reproduction	8,005,851			8,005,851	8,376,541
Claims and Judgements	8,030,015			8,030,015	7,750,319
Highway Construction and Maintenance (Note 1 H (6))	0			0	3,231,722,147
Federal Pass Through Expenditures	7,838,257			7,838,257	5,948,893
State Grant Pass Through Expenditures	34,750			34,750	392,005
Intergovernmental Payments	68,697,993			68,697,993	77,036,024
Public Assistance Payments	32,333,016			32,333,016	38,773,400
Other Expenditures	103,813,222		346,325	104,159,547	101,054,967
Capital Outlay	3,120,467,600			3,120,467,600	129,488,253
TOTAL EXPENDITURES	4,778,819,781	0	3,250,295	4,782,070,076	4,716,095,146
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	(1,805,851,175)	13,447,180	34,746	(1,792,369,249)	(1,844,967,140)
OTHER FINANCING SOURCES (USES):					
Operating Transfers In (Note 1 H (8))	2,021,827,183	90,000		2,021,917,183	1,974,470,874
Operating Transfers Out (Note 1 H (8))	(344,487,974)			(344,487,974)	(321,558,258)
Net Change in Consumable Inventories	(10,352,297)			(10,352,297)	2,363,781
Increase in Obligation - Capital Leases	0			0	27,504
Sale of General Fixed Assets	7,391,510			7,391,510	7,017,855
TOTAL OTHER FINANCING SOURCES (USES)	1,674,378,422	90,000	0	1,674,468,422	1,662,321,756
EXCESS (DEFICIT) OF REVENUES & OTHER FINANCING SOURCES OVER EXPENDITURES & OTHER FINANCING USES	(131,472,753)	13,537,180	34,746	(117,900,827)	(182,645,384)
FUND BALANCES, Sept. 1, 2000	312,365,349	239,373,050	722,651	552,461,050	735,106,434
FUND BALANCES, Aug. 31, 2001 (Exh. A-1)	180,892,596	252,910,230	757,397	434,560,223	552,461,050

* Appropriated Fund is noted as (XXXX), USAS D22 Fund is noted as U/F (XXXX)

The accompanying notes to the financial statements are an integral part of this financial statement.

EXHIBIT B

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES - ALL AGENCY FUNDS
For the fiscal year ended August 31, 2001

	Balances September 1, 2000	Additions	Deductions	Balances August 31, 2001
	$	$	$	$
UNAPPROPRIATED RECEIPTS				
General Revenue Fund (0001), U/F (1001) *				
Assets:				
Cash on Hand	400,236	68,110,397	68,387,701	122,932
Due From Other Funds (Agency 902, Fund 0001)	1,866,233	68,387,701	68,007,526	2,246,408
Total Assets	2,266,469	136,498,098	136,395,227	2,369,340
Liabilities:				
Funds Held for Others	2,266,469	68,110,397	68,007,526	2,369,340
OTHER AGENCY FUNDS				
Proportional Registration Distributive Fund (0021), U/F (0021)				
Assets:				
Cash on Hand	124,055	37,395,412	37,389,191	130,276
Cash in State Treasury	3,785,748	37,389,191	38,644,468	2,530,471
Total Assets	3,909,803	74,784,603	76,033,659	2,660,747
Liabilities:				
Other Intergovernmental Payables	3,909,803	37,395,412	38,644,468	2,660,747
Suspense Funds (0900), U/F (0900 and 9015)				
Assets:				
Cash in State Treasury	2,576,500	166,697,925	167,124,555	2,149,870
Liabilities:				
Funds Held for Others	2,576,500	166,697,925	167,124,555	2,149,870

* Appropriated Fund is noted as (XXXX), USAS D23 Fund is noted as U/F (XXXX)

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES - ALL AGENCY FUNDS (Continued)

	Balances September 1, 2000	Additions	Deductions	Balances August 31, 2001
	$	$	$	$
OTHER AGENCY FUNDS				
Employees' Savings Bond Account (0901), U/F (0901)				
Assets:				
Cash in State Treasury	58,890	607,109	610,450	55,549
Liabilities:				
Funds Held for Others	58,890	607,109	610,450	55,549
County/Political Subdivision, Local Government Road/Airport Trust Account (0927), U/F (0927)				
Assets:				
Cash on Hand	0	148,408,344	147,598,934	809,410
Cash in State Treasury	233,368,173	147,598,934	201,154,456	179,812,651
Total Assets	233,368,173	296,007,278	348,753,390	180,622,061
Liabilities:				
Due to Other Funds (Agency 601, Fund 0006)	1,299,657	196,229,417	196,961,632	567,442
Funds Held For Others	232,068,516	149,708,001	201,721,898	180,054,619
Total Liabilities	233,368,173	345,937,418	398,683,530	180,622,061
Direct Deposit Correction Account (0980), U/F (0980 and 9014)				
Assets:				
Cash in State Treasury	110	3,376,273	3,376,145	238
Liabilities:				
Funds Held for Others	110	3,376,273	3,376,145	238

- Continued on Next Page

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES - ALL AGENCY FUNDS (Continued)

	Balances September 1, 2000	Additions	Deductions	Balances August 31, 2001
	$	$	$	$
OTHER AGENCY FUNDS				
Texas Collegiate License Plate Program Account (5015), U/F (5015)				
Assets:				
Cash in State Treasury	721,500	389,965	434,623	676,842
Liabilities:				
Due to Other Funds:				
(Agency 711, Fund 5015)	184,220	169,450	133,261	220,409
(Agency 713, Fund 5015)	725	1,125	1,100	750
(Agency 714, Fund 5015)	2,100	1,500	0	3,600
(Agency 715, Fund 5015)	20,534	4,700	3,819	21,415
(Agency 717, Fund 5015)	18,652	2,600	4,829	16,423
(Agency 721, Fund 5015)	240,530	63,400	191,134	112,796
(Agency 724, Fund 5015)	2,250	1,325	1,337	2,238
(Agency 730, Fund 5015)	28,009	10,558	32,091	6,476
(Agency 732, Fund 5015)	2,225	4,075	0	6,300
(Agency 733, Fund 5015)	86,596	63,675	23,275	126,996
(Agency 734, Fund 5015)	1,400	1,000	500	1,900
(Agency 735, Fund 5015)	800	1,025	750	1,075
(Agency 743, Fund 5015)	950	725	0	1,675
(Agency 751, Fund 5015)	700	700	0	1,400
(Agency 752, Fund 5015)	2,525	6,150	5,875	2,800
(Agency 753, Fund 5015)	3,175	2,525	0	5,700
(Agency 754, Fund 5015)	14,400	5,775	4,750	15,425
(Agency 755, Fund 5015)	3,691	2,900	3,466	3,125
(Agency 757, Fund 5015)	1,525	1,275	0	2,800
(Agency 759, Fund 5015)	3,473	2,458	375	5,556
(Agency 760, Fund 5015)	1,900	450	0	2,350
(Agency 765, Fund 5015)	290	554	486	358
(Agency 781, Fund 5015)	93,385	40,015	23,125	110,275
(Agency 783, Fund 5015)	5,900	(900)	0	5,000
(Agency 784, Fund 5015)	1,545	2,905	4,450	0
Total Liabilities	721,500	389,965	434,623	676,842

- Continued on Next Page

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES - ALL AGENCY FUNDS (Concluded)

	Balances September 1, 2000	Additions	Deductions	Balances August 31, 2001
	$	$	$	$
TOTALS - ALL AGENCY FUNDS				
Assets:				
Cash on Hand	524,291	253,914,153	253,375,826	1,062,618
Cash in State Treasury	240,510,921	356,059,397	411,344,697	185,225,621
Due From Other Funds (Agency 902, Fund 0001)	1,866,233	68,387,701	68,007,526	2,246,408
Total Assets:	242,901,445	678,361,251	732,728,049	188,534,647
Liabilities:				
Funds Held for Others	236,970,485	388,499,705	440,840,574	184,629,616
Other Intergovernmental Payables	3,909,803	37,395,412	38,644,468	2,660,747
Due to Other Funds:				
(Agency 601, Fund 0006)	1,299,657	196,229,417	196,961,632	567,442
(Agency 711, Fund 5015)	184,220	169,450	133,261	220,409
(Agency 713, Fund 5015)	725	1,125	1,100	750
(Agency 714, Fund 5015)	2,100	1,500	0	3,600
(Agency 715, Fund 5015)	20,534	4,700	3,819	21,415
(Agency 717, Fund 5015)	18,652	2,600	4,829	16,423
(Agency 721, Fund 5015)	240,530	63,400	191,134	112,796
(Agency 724, Fund 5015)	2,250	1,325	1,337	2,238
(Agency 730, Fund 5015)	28,009	10,558	32,091	6,476
(Agency 732, Fund 5015)	2,225	4,075	0	6,300
(Agency 733, Fund 5015)	86,596	63,675	23,275	126,996
(Agency 734, Fund 5015)	1,400	1,000	500	1,900
(Agency 735, Fund 5015)	800	1,025	750	1,075
(Agency 743, Fund 5015)	950	725	0	1,675
(Agency 751, Fund 5015)	700	700	0	1,400
(Agency 752, Fund 5015)	2,525	6,150	5,875	2,800
(Agency 753, Fund 5015)	3,175	2,525	0	5,700
(Agency 754, Fund 5015)	14,400	5,775	4,750	15,425
(Agency 755, Fund 5015)	3,691	2,900	3,466	3,125
(Agency 757, Fund 5015)	1,525	1,275	0	2,800
(Agency 759, Fund 5015)	3,473	2,458	375	5,556
(Agency 760, Fund 5015)	1,900	450	0	2,350
(Agency 765, Fund 5015)	290	554	486	358
(Agency 781, Fund 5015)	93,385	40,015	23,125	110,275
(Agency 783, Fund 5015)	5,900	(900)	0	5,000
(Agency 784, Fund 5015)	1,545	2,905	4,450	0
Total Liabilities	242,901,445	622,514,499	676,881,297	188,534,647

UNAUDITED

Exhibit C-1

COMBINING BALANCE SHEET -ALL ACCOUNTS IN THE GENERAL FUND
August 31, 2001 (With comparative totals for August 31, 2000)

	*	GENERAL FUND ACCOUNT (0001) U/F (0001)		TEXAS HIGHWAY BEAUTIFICATION ACCOUNT (0071) U/F (0071)
	$		$	$
ASSETS:				
Cash and Temporary Investments:				
Cash on Hand				4,059
Cash in State Treasury				443,898
Legislative Appropriations		7,838,472		
Receivables:				
Interest Receivable		13,329		
Accounts Receivable				
Other Receivables		241,673		
Due from Other Funds (Note 7)		24,350		
TOTAL ASSETS:		8,117,824		447,957
LIABILITIES:				
Payables:				
Accounts Payable		1,240,937		56,848
Deferred Revenues				280
Due to Other Funds (Note 7)		75,741		
TOTAL LIABILITIES:		1,316,678		57,128
FUND EQUITY:				
FUND BALANCES (DEFICITS):				
Reserved For:				
Encumbrances		6,761,622		
Unreserved:				
Undesignated:				
Unencumbered Legislative Appropriations				
Future Operations		39,524		
Consolidated Funds				390,829
TOTAL FUND EQUITY:		6,801,146		390,829
TOTAL LIABILITIES & FUND EQUITY:	$	8,117,824	$	$ 447,957

* 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.

TXDOT TURNPIKE AUTHORITY ACCOUNT (5038) U/F (5038)	TOTALS (MEMORANDUM ONLY) Exh I 2001	2000
$	$	
	4,059	3,588
113,548	557,446	4,106,002
	7,838,472	14,195,975
	13,329	14,517
	0	0
	241,673	276,607
	24,350	0
113,548	**8,679,329**	**18,596,689**
113,548	1,411,333	2,316,980
	280	135
	75,741	63,499
113,548	1,487,354	2,380,614
	6,761,622	5,026,334
	39,524	8,383,208
	390,829	2,806,533
0	7,191,975	16,216,075
$ **113,548**	$ **8,679,329**	**18,596,689**

UNAUDITED

Exhibit C-2

COMBINING STATEMENT OF REVENUES, EXPENDITURES, & CHANGES IN FUND BALANCES -ALL ACCOUNTS IN THE GENERAL FUND

For the fiscal year ended August 31, 2001 (With comparative totals for August 31, 2000)

	*	GENERAL FUND ACCOUNT (0001) U/F (0001)		TEXAS HIGHWAY BEAUTIFICATION ACCOUNT (0071) U/F (0071)
REVENUES:	$		$	
Legislative Appropriations:				
Original Appropriations Revenue		13,206,583		
Add'l Appropriations Revenue		1,023,815		
State Pass Through Revenues		5,317,073		
Licenses, Fees and Permits [Note 1 H(4)]		310,000		626,167
Interest & Investment Income		2,125		
Other Revenues				100
TOTAL REVENUES		19,859,596		626,267
EXPENDITURES:				
Salaries and Wages		1,662,941		555,028
Payroll Related Costs		934,491		148,630
Professional Fees and Services		565		
Travel		47,983		6,958
Materials and Supplies		7,223		450
Communications and Utilities		2,521		3,200
Repairs and Maintenance		319		
Rentals and Leases		14,704		
Printing and Reproduction		410		5
Intergovernmental Payments		20,083,626		
Public Assistance Payments		2,344,188		
Other Expenditures		512,484		5,207
Capital Outlay		370		
State Pass Through Expenditures		681,942		
TOTAL EXPENDITURES		26,293,767		719,478
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES		(6,434,171)		(93,211)
OTHER FINANCING SOURCES (USES):				
Operating Transfers Out				
TOTAL OTHER FINANCING SOURCES (USES)		0		0
EXCESS (DEFICIT) OF REVENUES & OTHER FINANCING SOURCES OVER EXPENDITURES & OTHER FINANCING USES		(6,434,171)		(93,211)
FUND BALANCES, Sept. 1, 2000		13,409,542		484,040
Lapsed Appropriations		(174,225)		
FUND BALANCES, Aug. 31, 2001 (Exhibit C-1)	$	6,801,146	$	390,829

* 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.

TXDOT TURNPIKE AUTHORITY ACCOUNT (5038) U/F (5038)	TOTALS (MEMORANDUM ONLY) Exh II 2001	2000
$	$	$
	13,206,583	31,030,879
	1,023,815	677,570
	5,317,073	0
	936,167	972,953
	2,125	34,965
	100	170
0	20,485,863	32,716,537
1,027,678	3,245,647	2,773,774
196,260	1,279,381	842,984
1,001,105	1,001,670	8,898,565
26,450	81,391	90,593
4,937	12,610	30,272
1,040	6,761	9,853
	319	2,774
4,509	19,213	24,450
314	729	772
	20,083,626	17,647,324
	2,344,188	1,461,821
54,116	571,807	520,498
6,084	6,454	45,466
	681,942	640,492
2,322,493	29,335,738	32,989,638
(2,322,493)	(8,849,875)	(273,101)
	0	(7,037,054)
0	0	(7,037,054)
(2,322,493)	(8,849,875)	(7,310,155)
2,322,493	16,216,075	23,905,899
	(174,225)	(379,669)
$ 0	$ 7,191,973	$ 16,216,075

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APPENDIX B

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

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APPENDIX B

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

The following statements summarize certain provisions of the Indenture. These statements do not purport to be comprehensive or definitive and are qualified in their entirety by reference to the Indenture. Copies of the Indenture are available for examination at the offices of the Commission.

Definitions

"*Accountant*" or "*Certified Public Accountant*" – a certified public accountant or firm or corporation of certified public accountants, selected by the Commission, which in the case of an individual is not a member of the Commission or a director, officer, or employee of the Department, and in the case of a firm or corporation does not have a partner, director, officer, or employee who is a member of the Commission or a director, officer, or employee of the Department.

"*Accounting Principles*" – "Generally Accepted Accounting Principles" for governmental entities in the United States, which are promulgated by the Governmental Accounting Standards Board ("*GASB*"), the Financial Accounting Standards Board ("*FASB*") and, when applicable, such other accounting principles as the Commission or the State, as applicable, may be required to employ from time to time, in order to comply with the terms of the Indenture, or pursuant to State law or regulation or as the Commission or the State, as applicable, may otherwise elect, provided such election does not cause a violation of the Rule.

"*Additional First Tier Obligations*" – First Tier Obligations, in addition to the Series 2002 First Tier Obligations, authorized to be issued or incurred under the Indenture and secured by a first lien on, pledge of and security interest in the Trust Estate.

"*Additional Obligation Security*" – any credit enhancement for specified Obligations and any funds received or obligations payable to the Commission, other than Revenues, which the Commission chooses to include as security for specified First Tier Obligations, Second Tier Obligations and/or Subordinate Lien Obligations pursuant to a Supplemental Indenture.

"*Additional Second Tier Obligations*" – Second Tier Obligations, in addition to the Series 2002 Second Tier BANS, authorized to be issued or incurred under the Indenture and secured by a lien on, pledge of and security interest in the Trust Estate, subject to the lien on, pledge of and security interest in the Trust Estate established for the benefit and security of the First Tier Obligations.

"*Additional Subordinate Lien Obligations*" – Subordinate Lien Obligations, in addition to the 2002 TIFIA Bond, authorized to be issued or incurred under the Indenture and secured by a lien on, pledge of and security interest in the Trust Estate, subject and subordinate to the lien on, pledge of and security interest in the Trust Estate established for the benefit and security of the First Tier Obligations and the Second Tier Obligations, respectively.

"*Annual Capital Budget*" – the capital budget adopted by the Commission for the System as described under the caption "APPENDIX B – SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Particular Covenants – Annual Operating Budget; Annual Maintenance Budget; Annual Capital Budget."

"*Annual Debt Service*" – for any annual period with respect to all Outstanding Obligations or to all First Tier Obligations, Second Tier Obligations or Subordinate Lien Obligations, (a) the amount of principal and interest paid or payable with respect to such Obligations in the annual period, plus (b) Reimbursement Obligations paid or payable by the Commission in such annual period (but only to the extent not duplicative of such principal and interest), plus (c) the amounts, if any, paid or payable by the Commission in such annual period with respect to Approved Swap Agreements, minus (d) the amounts, if any, paid or payable to the Commission in such annual period with respect to Approved Swap Agreements, provided that the difference between the amounts described in clauses (c) and (d) shall be included only to the extent that such difference would not be recognized as a result of the application of the assumptions set forth in clauses (1) through (5) below, and minus (e) all amounts that are deposited to the credit of a debt service fund or the Construction Fund for the payment of interest on First Tier

Obligations, Second Tier Obligations or Subordinate Lien Obligations, as the case may be, from original proceeds from the sale of such Obligations or from any other lawfully available source (other than the Revenue Fund or any moneys that would constitute Revenues in the subject annual period), and that are used or scheduled to be used to pay interest on such Obligations during any annual period. The following assumptions shall be used to determine the Annual Debt Service becoming due in any annual period:

(1) in determining the principal amount paid or payable with respect to Obligations or Reimbursement Obligations in each annual period, payment shall be assumed to be made in accordance with any amortization schedule established for such Indebtedness, including amounts paid or payable pursuant to any mandatory redemption schedule for such Indebtedness;

(2) if any of the Indebtedness or proposed Indebtedness constitutes Balloon Indebtedness or Short Term Indebtedness, then such amounts thereof as constitute Balloon Indebtedness or Short Term Indebtedness shall be treated as if such Indebtedness is 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 as calculated by, and set forth in a certificate of TTA Representative. Anything to the contrary in the Indenture notwithstanding, during the annual period preceding the final maturity date of such Balloon Indebtedness and, in the case of Short Term Indebtedness in each annual period, all of the principal thereof shall be considered to be due on Maturity or due date of such Balloon Indebtedness or Short Term Indebtedness unless the Commission provides to the Trustee, prior to the beginning of such annual period, a certificate of a Financial Consultant certifying that, in its judgment, the Commission will be able to refund such Balloon Indebtedness or Short Term Indebtedness through the issuance of Long Term Indebtedness, in which event the Balloon Indebtedness or Short Term Indebtedness shall be amortized over the term of such proposed refunding Indebtedness and shall be deemed to bear the interest rate specified in the certificate of the Financial Consultant;

(3) as to any annual period prior to the date of any calculation, such requirements shall be calculated solely on the basis of Obligations which were Outstanding as of the first day of such period; and as to any future annual period such requirements shall be calculated solely on the basis of Obligations Outstanding as of the date of calculation plus any Obligations then proposed to be issued;

(4) if any of the Indebtedness or proposed Indebtedness constitutes Variable Rate Indebtedness, then, subject to the following proviso, interest in future periods shall be based on the Assumed Variable Rate; provided, however, if the Commission has entered into an Approved Swap Agreement with respect to a Series of Obligations constituting Variable Rate Indebtedness, the fixed interest rate payable by the Commission under the Approved Swap Agreement shall be assumed to be the interest rate on such Obligations if (i) the notional amount under the Approved Swap Agreement is equal to or greater than the Outstanding principal amount of the Obligations and reduces in the amounts and on the dates that the Obligations mature and (ii) the variable interest rate payable by the Commission on the Obligations is determined by the same formula or reference to the same index and computed on the same date as the interest rate payable to the Commission under the Approved Swap Agreement, such that the Commission assumes no basis risk under the swap transaction; and

(5) termination or similar payments under an Approved Swap Agreement shall not be taken into account in any calculation of Annual Debt Service.

"*Annual Maintenance Budget*" – the budget of maintenance expenditures adopted by the Commission for the System set forth in "APPENDIX B – SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Particular Covenants – Annual Operating Budget; Annual Maintenance Budget; Annual Capital Budget."

"*Annual Operating Budget*" – the operating budget adopted by the Commission for the System set forth in "APPENDIX B – SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Particular Covenants – Annual Operating Budget; Annual Maintenance Budget; Annual Capital Budget."

"*annual period*" – the Fiscal Year or any consecutive twelve-month period.

"*Approved Swap Agreement*" – shall have the meaning set forth in "APPENDIX B – SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Other Indebtedness."

"*Assumed Variable Rate*" – in the case of:

(a) Outstanding Obligations in the form of Variable Rate Indebtedness, the greater of (1) the average interest rate on such Indebtedness for the most recently completed sixty (60) month period or the period such Variable Rate Indebtedness has been Outstanding if it is less than sixty (60) months, or (2) the rate to be determined pursuant to clause (b) below assuming the Outstanding Variable Rate Indebtedness were being issued on the date of calculation; and

(b) proposed Obligations in the form of Variable Rate Indebtedness either

(1) to be issued on the basis that, in the opinion of Bond Counsel to be delivered at the time of the issuance thereof, interest on such Variable Rate Indebtedness would be excluded from gross income for federal income tax purposes, the greater of the (i) the average of the Bond Market Association Swap Index ("BMA Index") for the twelve (12) month period ending seven (7) days preceding the date of calculation plus 100 basis points, or (ii) the average of the Bond Market Association Swap Index ("BMA Index") for the sixty (60) month period ending seven (7) days preceding the date of calculation plus 100 basis points, or

(2) to be issued as Variable Rate Indebtedness not described in clause (1), the greater of the (i) average of the London Interbank Offered Rate ("LIBOR") for the time period most closely resembling the reset period for the Variable Rate Indebtedness for the twelve (12) month period ending seven (7) days preceding the date of calculation plus 100 basis points, or (ii) average of LIBOR for the time period most closely resembling the reset period for the Variable Rate Indebtedness for the sixty (60) month period ending seven (7) days preceding the date of calculation plus 100 basis points; and provided that if the BMA Index or LIBOR shall cease to be published, the index to be used in its place shall be that index which the Commission in consultation with the Financial Consultant determines most closely replicates such index, as set forth in a certificate of a TTA Representative filed with the Trustee. Notwithstanding the foregoing, in no event shall the Assumed Variable Rate be in excess of the maximum interest rate allowed by law on obligations of the Commission.

"*Authenticating Agent*" – that Person designated and authorized to authenticate any series of Obligations or such Person designated by the Authenticating Agent to serve such function, and initially, the Trustee.

"*Authority*" – shall have the meaning assigned in the Preamble hereto.

"*Authorized Denominations*" – with respect to any Obligations, those denominations specified in the Indenture or a Supplemental Indenture.

"*Authorizing Minute Order*" – the official action taken by the Commission authorizing the execution and delivery of the Indenture and the 2002 Obligations.

"*Average Annual Debt Service*" – with respect to First Tier Obligations, Second Tier Obligations, Subordinate Lien Obligations or all Obligations, at any point in time the average amount of Annual Debt Service paid or payable in each annual period to the Stated Maturity of the respective Outstanding Obligations.

"*Award Certificate*" – the certificate executed by the TTA Representative in connection with (i) the Series 2002-A Bonds and the Series 2002-B Bonds that establishes the terms of the Series 2002-A Bonds and the Series 2002-B Bonds pursuant to the Indenture and the Second Supplemental Indenture and the terms of the First Tier DSRF Security, if any, to be acquired in connection with the issuance of the Series 2002-A Bonds and the Series 2002-B Bonds, or (ii) the Series 2002 Second Tier BANS, that establishes the terms of the Series 2002 Second Tier BANS pursuant to the Indenture and the Fourth Supplemental Indenture or (iii) any Series of Obligations hereafter authorized by the Commission in a manner that delegates the establishment of the terms of such Obligations and the acquisition of a DSRF Security in connection with the issuance of such Obligations to a TTA Representative.

"*Balloon Indebtedness*" – Long-Term Indebtedness of a particular issue or Series of Obligations of which 25% or more of the principal matures in the same annual period and is not required by the documents pursuant to which such Indebtedness was issued to be amortized by payment or redemption prior to that annual period, provided that such Indebtedness 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 a TTA Representative certifying that such Indebtedness is not to be treated as Balloon Indebtedness.

"*Bank*" – as to any particular Series of Obligations, each Person (other than a Bond Insurer) providing a Credit Facility as designated in the Supplemental Indenture providing for the issuance of such Obligations.

"*Bank Fee*" – any commission, fee or expense payable to a Bank pursuant to a Reimbursement Agreement (but not amounts payable as reimbursement for amounts drawn under a Credit Facility or interest on such amounts).

"*Bankruptcy Law*" – Title 9 of the United States Code, as amended from time to time, and any successor to or replacement of such Title and any other applicable federal or state bankruptcy, insolvency or similar law.

"*Bankruptcy-Related Event*" – the occurrence of any of the following: (a) the application by or consent of the Commission to the appointment of a receiver, trustee, liquidator or custodian or the like is appointed for the Commission; or (b) the Commission becomes unable to pay its debts generally as they become due; or (c) the Commission is adjudicated a bankrupt or insolvent; or (d) the Commission commences a voluntary proceeding under the Bankruptcy Law, or files a voluntary petition or answer seeking reorganization, an arrangement with creditors or an order for relief or seeking to take advantage of any insolvency law or admits the material allegations of a petition filed against the Commission in any state or federal bankruptcy, reorganization or insolvency proceeding or takes corporate action for the purpose of effecting any of the foregoing.

"*Beneficial Owner*" – the beneficial owner of any Bond that is held by a nominee.

"*Bond Buyer Index*" –the Bond Buyer Revenue Bond Index as published weekly in "The Bond Buyer." If such Index shall cease to be published, the Financial Consultant shall select another index that shall be reflective of the Commission's fixed borrowing cost.

"*Bond Counsel*" – any attorney or firm of attorneys engaged by the Department whose experience in matters relating to the issuance of obligations by states and their political subdivisions is nationally-recognized.

"*Bond Insurer*" – Ambac Assurance with respect to the Series 2002 Bonds and, with respect to other Obligations, as to any particular maturity or any particular Series of Obligations, the Person undertaking to insure such Obligations as designated in an Award Certificate, the Authorizing Minute Order or in a Supplemental Indenture providing for the issuance of such Obligations.

"*Bond Purchase Fund*" – a fund established with the Trustee pursuant to the provisions of a Supplemental Indenture to be used in connection with the tender and purchase of Tender Indebtedness.

"*Bond Register*" – the register maintained pursuant to the Indenture and maintained by the Bond Registrar.

"*Bond Registrar*" – with respect to any Series of Obligations, that Person which maintains the Bond Register or such other entity designated by the Bond Registrar to serve such function and, initially, the Trustee.

"*Book-Entry Obligations*" or "*Book-Entry [First Tier] [Second Tier] or [Subordinate Lien] Obligations*" – all of the Obligations or those Obligations of a particular lien subject to the Book-Entry-Only System.

"*Book-Entry-Only System*" – a system similar to the system described in the Indenture pursuant to which Obligations are registered in book-entry form.

"*Business Day*" – any day other than a Saturday, a Sunday or a day on which banking institutions are required or authorized by law or executive order to remain closed in the State or the City of New York or in the city in which the designated office of the Trustee or the Securities Depository is located; provided, however, such term may have a different meaning for purposes of a Credit Facility.

"*Capital Appreciation Bonds*" – the Obligations of an issue or Series of Obligations on which interest accretes from the Issuance Date to the Stated Maturity but is not payable prior to the Stated Maturity, maturing variously in each of the years and in the Maturity Amount set forth in an Award Certificate or Supplemental Indenture relating to such Obligations.

"*Capital Payment*" – payments under Approved Swap Agreements and Reimbursement Obligations other than Operating Expenses.

"*Central Texas Turnpike System*" – see definition of System.

"*Code*" – the Internal Revenue Code of 1986, as amended, and the regulations proposed or adopted from time to time with respect thereto.

"*Commission*" – the Texas Transportation Commission and its successors and assigns.

"*Commission Official*" – any member of the Commission or any director, officer or employee of the Department authorized to perform specific acts or duties by minute order duly adopted by the Commission.

"*Compounded Amount*" – with respect to a Capital Appreciation Bond or a Convertible Bond, as of any particular date of calculation, the original principal amount thereof, plus all interest accreted and compounded to the particular date of calculation, as determined in accordance with the Indenture and the Compounded Amount Table relating to such Capital Appreciation Bond or Convertible Bond, as the case may be.

"*Compounded Amount Table*" – with respect to a Capital Appreciation Bond or Convertible Bond, the table attached as an exhibit to the Award Certificate or Supplemental Indenture relating to the Obligations issued as Capital Appreciation Bonds or Convertible Bonds that shows the Compounded Amounts per $5,000 Maturity Amount on the Compounding Dates for each maturity to its Stated Maturity or Conversion Date, as the case may be.

"*Compounding Dates*" – means the semi-annual dates set forth in the Award Certificate relating to the issuance of Capital Appreciation Bonds.

"*Conditional Redemption*" – has the meaning set forth in "THE OBLIGATIONS – Redemption – Notice of Redemption."

"*Construction and Ramp-Up Period*" – the period commencing with the delivery of Obligations to finance the Costs of the 2002 Project or the costs of expanding, enlarging or extending the System and ending forty-eight (48) months after Substantial Completion of (i) the 2002 Project or (ii) the improvements financed with the proceeds of other Obligations in the case of Obligations issued subsequent to the issuance of the 2002 Obligations; provided, however, when such term is used in determining (A) anticipated Revenues for purposes of applying the Rate Covenant to the requirements relating to the 2002 TIFIA Bond or (B) Projected Revenues for purposes of determining the Projected Debt Service Coverage Ratio for the 2002 TIFIA Bond, the end of the period shall be forty-eight (48) months after the commencement of the amortization of the 2002 TIFIA Bond.

"*Construction Fund*" – the Construction Fund established pursuant to the Indenture and described in "SOURCES OF PAYMENT AND SECURITY FOR THE OBLIGATIONS – Funds and Accounts" and "– Flow of Funds – Construction Fund."

"*Consultant*" – a Person who shall be independent, employed by the Department as needed, being qualified and having a nationwide and favorable reputation for skill and experience in such work for which the Consultant was appointed. In those situations in which a Consultant is appointed to survey risks and to recommend insurance coverage, such Consultant may be a broker or agent with whom the Department transacts business.

"*Conversion Date*" with respect to Convertible Bonds, the date at which the original principal amount of an Obligation plus all interest accreted and compounded equals the Maturity Amount.

"*Convertible Bonds*" or "Convertible Capital Appreciation Bonds" – the Obligations of an issue or Series of Obligations on which interest accretes from the Issuance Date to the Conversion Date but is not payable until maturity or prior redemption in the same manner as Capital Appreciation Bonds and on

which interest on the Maturity Amount accrues and is payable on a periodic basis from the Conversion Date to Maturity, all as set forth in an Award Certificate or Supplemental Indenture relating to such Obligations.

"*Cost*" – with respect to the System, all or any part of:

(a) the cost of study, design, construction, expansion, enlargement, extension, reconstruction, restoration, repair and rehabilitation of the System or portion thereof (including, but not limited to, indemnity and surety bonds, permits, taxes, licenses, insurance premiums, or other municipal or governmental charges lawfully levied or assessed during construction);

(b) the cost of acquisition of all real or personal property, rights, right-of-way, franchises, easements and interests acquired or used for the System or portion thereof;

(c) the cost of demolishing or removing any structures on land so acquired, including the cost of acquiring any land to which the structures may be removed;

(d) any cost of borings and other preliminary investigations necessary or incident to determining the feasibility or practicability of constructing the System or portion thereof and any cost necessary or desirable to satisfy conditions associated with the issuance of any permit for the construction thereof (including the costs of environmental related mitigation required in connection therewith);

(e) the cost of all machinery and equipment, vehicles, materials and rolling stock;

(f) Issuance Costs;

(g) provisions for working capital and interest on Obligations and on any Reimbursement Obligation for the period prior to, during and for a period of up to one year after acquisition or completion of construction as determined by the Commission, and reserves for principal and interest for extensions, enlargements, additions, replacements, renovations and improvements to the System;

(h) the cost of architectural, engineering, environmental feasibility, traffic and revenue, economic and demographic, appraisal, financial, and legal services;

(i) planning, investigations, studies, evaluations, plans, specifications, estimates, and administrative and other expenses that are necessary or incidental to the determination of the feasibility of constructing the System or portion thereof or incidental to the obtaining of construction contracts or to the construction (including construction administration and inspection), acquisition or financing thereof and that constitute capital costs;

(j) Operating Expenses and Maintenance Expenses occurring during and for a period of up to one year after acquisition or completion of construction, as determined by the Commission, provided that, if applicable, the Trustee has received an opinion of Bond Counsel (which opinion may address either specific Operating Expenses or Maintenance Expenses or categories of Operating Expenses or Maintenance Expenses) to the effect that the treatment of such Operating Expenses or Maintenance Expenses as a Cost will not adversely affect the exclusion of interest on any Obligations from gross income for federal income tax purposes;

(k) the repayment or reimbursement of any Obligation, loan or advance for any of the foregoing; and

(l) with respect to the use of proceeds of Obligations, such other costs and expenses as are permitted by the Enabling Acts at the time such Obligations are issued.

"*Counsel*" – an attorney or law firm (who may be counsel to the Commission) satisfactory to the Trustee.

"*Credit Facility*" – any letter of credit, line of credit, standby letter of credit, indemnity or surety insurance policy or agreement to purchase a debt obligation or any similar extension of credit, credit enhancement or liquidity support obtained by the Commission from a responsible financial or insurance institution, to provide for or to secure payment of principal and purchase price of, and/or interest on Obligations pursuant to the provisions of a Supplemental Indenture under which such Obligations are issued. The use of such definition is not intended to preclude the Commission from providing the credit

or liquidity support with respect to one or more Series of Obligations directly rather than through a financial or insurance institution.

"*Current Interest Bonds*" – Obligations paying current interest and maturing in each of the years and in the aggregate principal amounts set forth in the Award Certificate or the Supplemental Indenture relating to such Obligations.

"*Defeasance Securities*" – (a) Government Obligations, (b) noncallable obligations of an agency or instrumentality of the United States, 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 (c) 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 the Commission adopts or approves the proceedings authorizing the financial arrangements, are rated as to investment quality by a nationally-recognized investment rating firm not less than AAA or its equivalent.

"*Defeased Obligation*" – Obligations deemed to be paid, retired and no longer Outstanding pursuant to the provisions of the Indenture.

"*Department*" or "*TxDOT*" – the Texas Department of Transportation or its successors.

"*Depositary*" – a bank or trust company designated as such by the Commission to receive moneys under the provisions of the Indenture and approved by the Trustee, and shall include the Trustee.

"*Depository Participant*" – any Person for which the Securities Depository holds Obligations as securities depository.

"*DSRF Security*"– a First Tier DSRF Security or a Second Tier DSRF Security.

"*DTC*" – The Depository Trust Company and it successors and assigns.

"*Enabling Acts*" – Chapter 361, Texas Transportation Code, as amended, and Chapter 1371, Texas Government Code, as amended.

"*Event of Default*" – those events specified in "APPENDIX B – SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Events of Default and Remedies – Events of Default," and such other events specified in any Supplemental Indentures.

"*Financial Consultant*" – any financial advisor or firm of financial advisors of favorable national reputation for skill and experience in performing the duties for which a Financial Consultant is required to be employed pursuant to the provisions of the Indenture and who is retained by the Department as a Financial Consultant for the purposes of the Indenture.

"*Financial Guaranty Insurance Policy*" – the bond insurance policy issued by Ambac Assurance with respect to the Series 2002 Bonds.

"*First Supplemental Indenture*" – the Supplemental Indenture authorizing the Secured Loan Agreement and the 2002 TIFIA Loan.

"*First Tier Approved Swap Agreement*" – an Approved Swap Agreement entered into as a First Tier Obligation.

"First Tier Debt Service Fund" – the fund created by the Indenture to secure payment of First Tier Obligations and set forth in "SOURCES OF PAYMENT AND SECURITY FOR THE OBLIGATIONS – Funds."

"*First Tier Debt Service Reserve Fund*" – the fund created by the Indenture and set forth in "SOURCES OF PAYMENT AND SECURITY FOR THE OBLIGATIONS – Funds and Accounts."

"*First Tier Debt Service Reserve Requirement*" – the lesser of (i) the maximum Annual Debt Service of all the First Tier Obligations, (ii) 1.25 times the Average Annual Debt Service of all First Tier Obligations or (iii) ten percent (10%) of the aggregate principal amount of the Outstanding First Tier Obligations, as determined on the date each Series of First Tier Obligations is issued and delivered.

Under no circumstances shall the 2002 TIFIA Loan be taken into account in computing the First Tier Debt Service Reserve Requirement.

"*First Tier DSRF Security*" –a surety bond, an insurance policy, a letter of credit or similar financial instrument satisfactory to the Rating Agency (as evidenced by a letter from the Rating Agency confirming that the First Tier DSRF Security will not result in the rating on any outstanding First Tier Obligations being downgraded).

"*First Tier Interest Account*" – the account of that name created pursuant to the Indenture and set forth in "SOURCES OF PAYMENT AND SECURITY FOR THE OBLIGATIONS – Flow of Funds – First Tier Debt Service Fund."

"*First Tier Obligations*" – the Series 2002 First Tier Obligations, and all Indebtedness of any kind or class, including bonds, notes, bond anticipation notes, commercial paper and other obligations, issued or incurred as Additional First Tier Obligations under the Indenture and includes all obligations of the Commission owed to Secured Owners of (i) First Tier Obligations, (ii) Reimbursement Obligations secured by the Trust Estate on a parity with First Tier Obligations and (iii) obligations of the Commission under First Tier Approved Swap Agreements.

"*First Tier Principal Account*" – the account of that name created pursuant to the Indenture and set forth in "SOURCES OF PAYMENT AND SECURITY FOR THE OBLIGATIONS – Flow of Funds – First Tier Debt Service Fund."

"*First Tier Swap Agreement Counterparty*" – the counterparty to a First Tier Approved Swap Agreement with the Commission or with the Trustee.

"Fiscal Year" – the fiscal year of the Department, currently the period commencing on the first day of September and ending on the last day of August of the following year.

"*Fitch*" – Fitch Ratings, Inc., its successors and assigns, and, if such corporation shall for any reason no longer perform the functions of a securities rating agency, "Fitch" shall be deemed to refer to any other nationally-recognized rating agency designated by the Commission.

"*Fourth Supplemental Indenture*" — the Supplemental Indenture authorizing the Series 2002 Second Tier BANS.

"*GEC's 2002 Project Report*" – the report of Post, Buckley, Schuh & Jernigan, Inc. ("*PBS&J*"), the initial General Engineering Consultant, dated July 22, 2002, relating to the System.

"*General Engineering Consultant*" or "*GEC*" – an engineer or firm of engineers of favorable reputation for skill and experience in performing the duties for which a General Engineering Consultant is required to be employed pursuant to the provisions of the Indenture and who is retained by the Department as the General Engineering Consultant for purposes of the Indenture.

"*General Reserve Fund*" – the fund of such name created by the Indenture and set forth in "SOURCES OF PAYMENT AND SECURITY FOR THE OBLIGATIONS – Funds and Accounts."

"*Government Obligations*" – direct obligations of, or obligations the principal or interest on which are unconditionally guaranteed by, the United States (including interest strips of the Resolution Funding Corporation).

"*IH 35*" – Interstate Highway 35.

"*Immediate Notice*" – notice transmitted by electronic means, in writing, by telecopier or other electronic means or by telephone (promptly confirmed in writing) and received by the Person to whom it was addressed.

"*Indebtedness*" – all indebtedness of the Commission payable from Revenues incurred or assumed by the Commission for borrowed money (including indebtedness arising under Credit Facilities) and all other financing obligations of the Commission related to the System that, in accordance with Accounting Principles, are included as a liability on a balance sheet for the System books and records, but excluding noncash accounting adjustments. For the purpose of determining the "Indebtedness" payable from the Revenues, any Defeased Obligation shall be excluded.

"*Indenture*" – the Indenture of Trust, dated July 15, 2002 by and between the Commission and the Trustee, as supplemented and amended from time to time.

"*Interest Payment Date*" – with respect to each Series of Obligations, the dates that are defined as such in the Indenture or in a Supplemental Indenture under which First Tier Obligations, Second Tier Obligations or Subordinate Lien Obligations are issued or in Award Certificate relating to any such Obligations. However, in each case, if the date specified above is not a Business Day then the Interest Payment Date shall be the Business Day next succeeding the date specified above.

"*Issuance Cost*" – costs incurred by or on behalf of the Commission in connection with the issuance of Obligations including, without limitation, the following: payment of financial, rating agency, legal, accounting and appraisal fees and expenses; the Commission's fees and expenses attributable to the issuance of the Obligations; the cost of printing, engraving and reproduction services; fees and expenses incurred in connection with any Credit Facility and any Approved Swap Agreement; legal fees and expenses of Bond Counsel, Commission's counsel, Trustee's counsel and Underwriter's counsel relating to the issuance of the Obligations; the initial or acceptance fee of the Trustee; and all other fees, charges and expenses incurred in connection with the issuance of the Obligations and the preparation of the Indenture and any Supplemental Indentures entered into in connection with the issuance of Obligations.

"*Issuance Date*" – with respect to any Obligations, the date of delivery of such Obligations to the initial purchaser or purchasers thereof against payment therefor.

"*Investment Policy*" – the investment policy of the Commission relating to the funds of the System adopted pursuant to the Public Funds Investment Act, Chapter 2256, Texas Government Code, as amended.

"*Legislature*" — the Legislature of the State.

"*Letter of Representations*" – the letter of representations or similar document executed by the Commission and delivered to the Securities Depository (and any amendments thereto or successor agreements) for one or more Series of Book-Entry Obligations.

"*Long-Term Indebtedness*" – all Indebtedness that is not Short-Term Indebtedness.

"*Loop 1*" – an approximately 5-mile highway extending northward from the existing Loop 1 as of the date of the Indenture, from FM 734 to State Highway 45 North in Williamson and Travis Counties, Texas. The northern 3-mile east-west segment of Loop 1 shares a dual designation with State Highway 45 North.

"*Maintenance Account*" – the Central Texas Turnpike System Maintenance Account created under the Indenture and set forth in "SOURCES OF PAYMENT AND SECURITY FOR THE OBLIGATIONS – Flow of Funds – Maintenance Account."

"*Maintenance Expenses*" – the Commission's reasonable and necessary expenses of repair and maintenance of the System, 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 repair and maintenance of the System and any other expenses required to be paid by the Commission as shown in the Annual Maintenance Budget for the System.

"*Maturity*" – the date on which the principal of an Obligation becomes due and payable as therein and herein provided, whether at Stated Maturity, by redemption, or otherwise.

"*Maturity Amount*" – the Compounded Amount of a Capital Appreciation Bond or a Convertible Bond due on its Stated Maturity.

"*Moody's*" – Moody's Investors Service, its successors and their assigns, and, if such corporation shall for any reason no longer perform the functions of a securities rating agency, "Moody's" shall be deemed to refer to any other nationally-recognized rating agency designated by the Commission.

"*MSRB*" – the Municipal Securities Rulemaking Board.

"*NRMSIR*" – each Person whom the SEC or its staff has determined to be a nationally-recognized municipal securities information repository within the meaning of the Rule from time to time.

"*Obligations*" – Indebtedness issued or incurred as First Tier Obligations, Second Tier Obligations or Subordinate Lien Obligations.

"*Operating Account*" – the Central Texas Turnpike System Operating Account created under the Indenture and set forth in "SOURCES OF PAYMENT AND SECURITY FOR THE OBLIGATIONS – Flow of Funds – Operating Account."

"*Operating Account Requirement*" – an amount sufficient to bring the balance in the Operating Account to the amount contemplated by the Annual Operating Budget and a certificate of a Commission Official, dated no later than five days prior to the last Business Day of the month, to be necessary to pay Operating Expenses for the ensuing two months.

"*Operating Expenses*" – the Commission's reasonable and necessary expenses of operation of the System, including, without limiting the generality of the foregoing, expenses for toll collection, all premiums for insurance and payments into any self-insurance reserve fund, all administrative and engineering expenses relating to operation of the System, fees and expenses of the Traffic Consultants, the General Engineering Consultants, the Trustee and of the Paying Agents, Policy Costs, legal expenses, expenses for Public Safety Officers and any other expenses required to be paid by the Commission as shown in the Annual Operating Budget for the System.

"*Outstanding*" or "*outstanding*" in connection with Obligations – all Obligations that have been authenticated and delivered under the Indenture, except:

(a) Obligations theretofore canceled or delivered to the Trustee for cancellation under the Indenture;

(b) Obligations that are deemed to be no longer Outstanding in accordance with the Indenture; and

(c) Obligations in substitution for which other Obligations have been authenticated and delivered pursuant to the Indenture.

In determining whether the Secured Owners of a requisite aggregate principal amount of Obligations Outstanding have concurred in any request, demand, authorization, direction, notice, consent or waiver under the provisions of the Indenture, Obligations that are held by or on behalf of the Commission (unless all of the Outstanding Obligations are then owned by the Commission) shall be disregarded for the purpose of any such determination.

"*Paying Agent*" – with respect to any Series of Obligations, that Person appointed pursuant to the Indenture to make payments to Registered Owners of interest and/or principal pursuant to the terms of the Indenture or any Supplemental Indenture, which initially shall be the Trustee.

"*Permitted Investments*" – any security or obligation or combination thereof permitted under the Public Funds Investments Act, Chapter 2256, Texas Government Code, as amended, and the Commission's duly approved Investment Policy, including forward purchase agreements and guaranteed investment contracts to the extent permitted by the Investment Policy; provided, however, while the 2002 TIFIA Bond is Outstanding such term will have the meaning set forth in the Secured Loan Agreement when it is used in connection with the investment of amounts on deposit in the Subordinate Lien Debt Service Fund.

"*Person*" – an individual, public body, corporation, partnership, association, joint stock company, trust and any unincorporated organization.

"*Policy Costs*" – a periodic fee or charge required to be paid to maintain a DSRF Security.

"*Project*" – the Series 2002 Project and any improvements to the System to be financed or refinanced with the proceeds of Obligations, including refundings authorized by law.

"*Projected Annual Debt Service*" – when applied to First Tier Obligations, Second Tier Obligations, Subordinate Lien Obligations or all Obligations, for each annual period, shall equal the sum

of (a) the amount of Annual Debt Service on all such First Tier Obligations, Second Tier Obligations, Subordinate Lien Obligations or all Obligations, as the case may be, then Outstanding, plus (b) the Annual Debt Service on any Obligations of such character then proposed to be issued.

"*Projected Debt Service Coverage Ratio*" – when applied to First Tier Obligations, Second Tier Obligations, Subordinate Lien Obligations or a combination of the foregoing, for each of the Fiscal Years commencing with the Fiscal Year following the end of any period during which interest was fully capitalized on the Obligations proposed to be issued and ending with the latest Fiscal Year in which any Obligation is scheduled to mature or for any other annual period, the ratio determined by dividing Projected Revenues for such annual period by the Projected Annual Debt Service for each such annual period.

"*Projected Operating Expenses*" – the Operating Expenses for each monthly period or the entire Fiscal Year as shown in the Annual Operating Budget to be adopted each Fiscal Year by the Commission pursuant to the Indenture.

"*Projected Operating Expenses Capacity*" – for any Fiscal Year, the portion of Operating Expenses estimated to be paid with Revenues, as reflected in the Annual Operating Budget.

"*Projected Revenues*" – Revenues projected by the Traffic Consultant to be received in the annual period in question, taking into account (i) any revisions of the Tolls that have been approved by the Commission and that will be effective during such annual period, (ii) any additional Tolls that the Traffic Consultant estimates will be received by the Commission following the completion of any Project then being constructed or proposed to be constructed, (iii) any revisions of the Tolls expected to be implemented by the Commission, as evidenced by a certificate of a TTA Representative delivered to the Trustee, and included as assumptions in a traffic and revenue report of the Traffic Consultants and (iv) for each Fiscal Year in any Construction and Ramp-Up Period, the amounts projected by a TTA Representative or the Traffic Consultants to be on deposit in the Rate Stabilization Fund and the General Reserve Fund.

"*Public Safety Officers*" – licensed public safety officers in the employment of or under contract to the Department for the purpose of performing public safety duties in connection with the System.

"*Purchase Price*" – the purchase price payment described in paragraph (a) of the definition of Tender Indebtedness.

"*Rate Covenant*" – means the rate covenants of the Commission set for in the first paragraph under "SOURCES OF PAYMENT AND SECURITY FOR THE OBLIGATIONS – Rate Covenant."

"*Rate Stabilization Fund*" – the fund of that name created under the Indenture and set forth in "SOURCES OF PAYMENT AND SECURITY FOR THE OBLIGATIONS – Funds and Accounts."

"*Rate Stabilization Fund Requirement*" – "Rate Stabilization Fund Requirement" – (i) an amount equal to the greater of (A) all Revenues received, less the required deposits, if any, into the First Tier Debt Service Fund and the First Tier Debt Service Reserve Fund, through August 31, 2008, or (B) $10,000,000, or (ii) such other amount as set forth in a Supplemental Indenture, which amount may be less than the amount established in (i) above if the 2002 Obligations are no longer Outstanding. Provided, however, to the extent that amounts on deposit in the Rate Stabilization Fund are transferred to the First Tier Debt Service Fund, the Second Tier Debt Service Fund or the Subordinate Lien Debt Service Fund to cure a deficiency, the Rate Stabilization Fund Requirement shall be reduced to the greater of (i) the resulting balance in the Rate Stabilization Fund after such transfer or (ii) $10,000,000.

"*Rating Agency*" – Fitch, Moody's or S&P or such other nationally-recognized securities rating agency as may be so designated in writing to the Trustee by a TTA Representative.

"*Rating Category*" – each major rating classification established by the Rating Agency, determined without regard to gradations such as "1," "2" and "3" or "plus" (+) and "minus" (-).

"*Rebate Fund*" – the fund of that name created under the Indenture and set forth in "SOURCES OF PAYMENT AND SECURITY – Funds."

"*Record Date*" – unless otherwise provided with respect to any Series of Obligations in a Supplemental Indenture: (a) for Obligations on which interest is payable on the first day of a month, the fifteenth day of the immediately preceding month; or (b) for Obligations on which interest is payable on the fifteenth day of a month, the last day of the immediately preceding month. However, in each case, if the date specified above is not a Business Day, then the Record Date shall be the Business Day next preceding the date specified above.

"*Regional Mobility Authority*" – a regional mobility authority as defined in Chapter 361, Texas Transportation Code.

"*Regional Tollway Authority*" – a regional tollway authority as defined in Chapter 366, Texas Transportation Code.

"*Registered Owner*" or "*Owner*" (or the lower case version of the same) – the Person in whose name any Obligations are registered on the Bond Register maintained by the Bond Registrar.

"*Reimbursement Agreement*" – an agreement between the Commission and one or more Banks pursuant to which, among other things, such Bank or Banks issue a Credit Facility with respect to Obligations of one or more Series and the Commission agrees to reimburse such Bank or Banks for any drawings made thereunder.

"*Reimbursement Obligation*" – the obligation of the Commission pursuant to a Reimbursement Agreement to repay any amounts drawn under a Credit Facility and to pay interest on such drawn amounts pursuant to such Reimbursement Agreement, which Reimbursement Obligation is secured by the Trust Estate on a parity with the First Tier Obligations, the Second Tier Obligations or Subordinate Lien Obligations, as appropriate.

"*Reserve Maintenance Account*" – the fund of that name created under the Indenture and set forth in "SOURCES OF PAYMENT AND SECURITY FOR THE OBLIGATIONS – Funds and Accounts."

"*Responsible Officer*" – when used with respect to the Trustee, any officer in the corporate trust department (or any successor thereto) of the Trustee, or any other officer or representative of the Trustee customarily performing functions similar to those performed by any of such officers and also means, with respect to a particular corporate trust matter, any other officer of the Trustee to whom such matter is referred because of that officer's knowledge of and familiarity with the particular subject.

"*Revenue Fund*" – the fund of that name created under the Indenture and set forth in "SOURCES OF PAYMENT AND SECURITY FOR THE OBLIGATIONS – Funds and Accounts."

"*Revenues*" – all income and revenues derived from the operation of the System, including (a) all Tolls received by or on behalf of the Commission, (b) any other sources of revenues or funds of the Commission derived from or attributable to the System or from the ownership or the holding of certain properties constituting a part of the System, (c) the proceeds of any insurance covering business interruption loss relating to the System, (d) any other sources of revenues or funds of the Commission that the Commission chooses to designate as "Revenues" pursuant to a Supplemental Indenture, (e) the interest and income earned on any fund or account where said interest or income is required to be credited to the Revenue Fund pursuant to the Indenture and (f) transfers of excess funds from the Rate Stabilization Fund to the Revenue Fund pursuant to the Indenture. As more fully set forth in "SOURCES OF PAYMENT AND SECURITY FOR THE OBLIGATIONS – Flow of Funds – Agreements With Other Turnpikes," in the event the Commission receives advances or prepayments or otherwise operates or participates in a system in which funds are collected prior to the actual usage of the System, such funds shall not be deemed to be Revenues until the usage occurs or the funds are earned pursuant to the agreement under which the Commission receives such funds. Revenues does not include Additional Obligation Security.

"*Rule*" – Rule 15c2-12 of the SEC under the Securities Exchange Act of 1934, as amended from time to time.

"*SEC*" – the United States Securities and Exchange Commission or its successors.

"*Second Supplemental Indenture*" – the Supplemental Indenture authorizing the Series 2002-B Bonds.

"*Second Tier Approved Swap Agreement*" – an Approved Swap Agreement entered into as a Second Tier Obligation.

"*Second Tier Debt Service Fund*" – the fund of that name created under the Indenture and set forth in "SOURCES OF PAYMENT AND SECURITY FOR THE OBLIGATIONS – Funds and Accounts."

"*Second Tier Debt Service Reserve Fund*" – the fund created by the Indenture to secure the payment of Additional Second Tier Obligations and set forth in "SOURCES OF PAYMENT AND SECURITY FOR THE OBLIGATIONS – Funds and Accounts."

"*Second Tier Debt Service Reserve Fund Obligations*" – the Second Tier Obligations specified by the Commission in this or any Supplemental Indenture that are secured by the Second Tier Debt Service Reserve Fund as described in the Indenture.

"*Second Tier Debt Service Reserve Requirement*" – the amount set forth in the Supplemental Indentures authorizing the Additional Second Tier Obligations.

"*Second Tier DSRF Security*" –a surety bond, an insurance policy, a letter of credit or similar financial instrument satisfactory to the Rating Agency (as evidenced by a letter from the Rating Agency confirming that the Second Tier DSRF Security will not result in the rating on any outstanding Second Tier Obligations being downgraded) payable to the Trustee for the benefit of the Secured Owners in an amount equal to the difference between the Second Tier Debt Service Reserve Requirement and the amounts then on deposit in the Second Tier Debt Service Reserve Fund.

"*Second Tier Interest Account*" – the account of that name created under the Indenture and set forth in "SOURCES OF PAYMENT AND SECURITY FOR THE OBLIGATIONS – Flow of Funds – Second Tier Debt Service Fund."

"*Second Tier Obligations*" – the Series 2002 Second Tier BANS and all Indebtedness of any kind or class, including bonds, notes, bond anticipation notes, commercial paper and other obligations issued or incurred as Additional Second Tier Obligations and includes all obligations of the Commission owed to Secured Owners of Second Tier Obligations, Reimbursement Obligations secured by the Trust Estate on a parity with Second Tier Obligations and obligations of the Commission under Second Tier Swap Agreements.

"*Second Tier Principal Account*" – the account of that name created under the Indenture and set forth in "SOURCES OF PAYMENT AND SECURITY – Flow of Funds – Second Tier Debt Service Fund."

"*Second Tier Swap Agreement Counterparty*" – the counterparty to a Second Tier Approved Swap Agreement with the Commission or with the Trustee

"*Secured Loan Agreement*" – the Master Secured Loan Agreement dated as of July 15, 2002, as supplemented and amended, between the Commission and the USDOT, acting by and through the Federal Highway Administrator, relating to the 2002 TIFIA Loan.

"*Secured Owner*" – (a) with respect to First Tier Obligations, each Person who is a Registered Owner of any First Tier Obligations, each First Tier Swap Agreement Counterparty providing a First Tier Swap Agreement, each Bank providing a Credit Facility secured on a parity with the First Tier Obligations and each Bond Insurer providing a bond insurance policy with respect to a First Tier Obligation (b) with respect to Second Tier Obligations, each Person who is a Registered Owner of any Second Tier Obligations, each Second Tier Swap Agreement Counterparty providing a Second Tier Swap Agreement, each Bank providing a Credit Facility secured on a parity with the Second Tier Obligations and each Bond Insurer providing a bond insurance policy with respect to a Second Tier Obligation and (c) with respect to Subordinate Lien Obligations, each Person who is a Registered Owner of any Subordinate Lien Obligations, each Second Tier Swap Agreement Counterparty providing a Second Tier Swap Agreement, each Bank providing a Credit Facility secured on a parity with the Subordinate Lien

Obligations and each Bond Insurer providing a bond insurance policy with respect to a Subordinate Lien Obligation.

"*Securities Depository*" – a Person that is registered as a clearing agency under Section 17A of the Securities Exchange Act of 1934 or whose business is confined to the performance of the functions of a clearing agency with respect to exempted securities, as defined in Section 3(a)(12) of such Act for the purposes of Section 17A thereof.

"*Series*" – one or more Obligations issued at the same time, or sharing some other common term or characteristic, and designated as a separate Series of Obligations.

"*Series 2002 Bonds*" – collectively, the Series 2002-A Bonds and the Series 2002-B Bonds.

"*Series 2002 First Tier Note*" – the Texas Turnpike Authority Central Texas Turnpike System First Tier Revenue Note issued pursuant to the Third Supplemental Indenture.

"*Series 2002 First Tier Obligations*" – collectively, the Series 2002 Bonds and the Series 2002 First Tier Note.

"*Series 2002 Second Tier BANS*" – the Texas Turnpike Authority Central Texas Turnpike System Bond Anticipation Notes, Series 2002 issued pursuant to the Second Supplemental Indenture.

"*Series 2002-A Bonds*" – the Texas Turnpike Authority Central Texas Turnpike System First Tier Revenue Bonds, Series 2002-A authorized by the Indenture.

"*Series 2002-A Bonds Award Certificate*" – the Award Certificate relating to the Series 2002-A Bonds.

"*Series 2002-B Bonds*" – the Texas Turnpike Authority Central Texas Turnpike System First Tier Revenue Bonds, Series 2002-B (Weekly Rate Demand Bonds) authorized by the Second Supplemental Indenture. Following the conversion of the Series 2002-B Bonds to a Fixed Rate, as provided in the Second Supplemental Indenture, the parenthetical phrase shall be deleted from the title of the Series 2002-B Bonds.

"*Series 2002-B Bonds Award Certificate*" – the Award Certificate relating to the Series 2002-B Bonds.

"*Short-Term Indebtedness*" – all Indebtedness that mature in less than 365 days and are issued as Short-Term Indebtedness pursuant to the Indenture. In the event a Bank has extended a line of credit or the Commission has undertaken a commercial paper or similar program, only amounts actually borrowed under such line of credit or program and repayable in less than 365 days shall be considered Short-Term Indebtedness and the full amount of such commitment or program shall not be treated as Short-Term Indebtedness to the extent that such facility remains available but undrawn.

"*SID*" – any person designated by the State or an authorized department, officer, or agency thereof as, and determined by the SEC or its staff to be, a state information depository within the meaning of the Rule from time to time.

"*Special Record Date*" – (i) with respect to the Series 2002 First Tier Obligations, the new record date established by the Trustee for an interest payment in the event of a non-payment of interest on a scheduled payment date, and for 30 days thereafter, when funds for the payment of such interest have been received from the Commission or (ii) with respect to Additional First Tier Obligations or Second Tier Obligations the date or dates specified in a Supplemental Indenture with respect to the Obligations issued under such Supplemental Indenture. Notice of the Special Record Date and of the scheduled payment date of the past due interest (which shall be 15 days after the Special Record Date) shall be sent at least five business days prior to the Special Record Date by United States mail, first-class postage prepaid, to the address of each Secured Owner of an Obligation appearing on the Bond Register at the close of business on the last business day next preceding the date of mailing of such notice.

"*Standard & Poor's*" or "*S&P*" – Standard & Poor's Credit Market Services, a Division of McGraw-Hill, Inc., its successors and their assigns, and, if such corporation shall for any reason no longer perform the functions of a securities rating agency, "S&P" shall be deemed to refer to any other nationally-recognized securities rating agency designated by the Commission.

"*State*" – the State of Texas.

"*State Highway 45 North*" — an approximately 13-mile highway located in Travis and Williamson Counties, Texas. The State Highway 45 element will extend westward from FM 685 and State Highway 130 to IH 35 at existing FM 1325, and then continue westward to and over United States Highway 183 to a western terminus at Ridgeline Boulevard.

"*State Highway 45/United States Highway 183A Connector*" — the project of the Department's Austin District that will connect United States Highway 183 and the western segment of State Highway 45 to United States Highway 183A.

"*State Highway 45 South Connector*" — the portion of State Highway 45 South that will connect IH 35 to State Highway 130. The State Highway 45 South Connector will commence at IH 35 at the State Highway 35 interchange with FM 1327 and will continue eastward on new location to directly connect to State Highway 130 with a common interchange among State Highway 130, the State Highway 45 South turnpike, and United States Highway 183.

"*State Highway Fund*" – the fund established by the laws of the State known as State Highway Fund (006) held in the State Treasury by the Texas Comptroller of Public Accounts.

"*State Highway 130*" — an approximately 49-mile highway extending from State Highway 130 at State Highway 195, north of Georgetown, Texas to an interim southern terminus with United States Highway 183 at the location where the proposed State Highway 45 South turnpike ("State Highway 45 South Turnpike") will connect to United States Highway 183. State Highway 130 will be located generally parallel to, and east of IH 35 and through the Counties of Williamson and Travis, Texas.

"*State Highway System*" – the system of highways referred to in the Texas Transportation Code as the State Highway System.

"*Stated Maturity*" – when used with respect to any Obligations, the scheduled maturity or mandatory sinking fund redemption of such Obligations.

"*Subordinate Lien Approved Swap Agreements*" – an Approved Swap Agreement entered into as a Subordinate Lien Obligation.

"*Subordinate Lien Debt Service Fund*" — the fund created under the Indenture to secure payment of the Subordinate Lien Obligations.

"*Subordinate Lien Obligations*" – the 2002 TIFIA Loan and all Indebtedness of any kind or class, including bonds, notes, bond anticipation notes, commercial paper and other obligations issued or incurred as Additional Subordinate Lien Obligations under the Indenture and includes all obligations of the Commission owed to Secured Owners of Subordinate Lien Obligations, Reimbursement Obligations secured by the Trust Estate on a parity with Subordinate Lien Obligations and obligations of the Commission under Subordinate Lien Approved Swap Agreements.

"*Subordinate Lien Swap Agreement Counterparty*" – a counterparty to a Subordinate Lien Approved Swap Agreement.

"*Substantial Completion*" – as evidenced by the certificate of a TTA Representative pursuant to the Indenture, the point in time when the 2002 Project or any additional Project has been partially opened to traffic to the extent that the portions of such Project open to traffic were projected to produce 80% of the Revenues of such Project in the Traffic and Revenue Report issued at the time of the issuance of Obligations to finance the cost of such Project.

"*Supplemental Indenture*" or "*Supplement*" – any supplemental indenture to the Indenture, now or hereafter duly authorized and entered into in accordance with the provisions of the Indenture.

"*Swap Agreement*" – a contract having an interest rate, currency, cash-flow, or other basis desired by the Commission.

"*System*" – the Central Texas Turnpike System, initially the 2002 Project, and any Project to expand, enlarge or extend the Central Texas Turnpike System, any Project pooled with the Central Texas Turnpike System pursuant to the Turnpike Act and any other roads, bridges, tunnels or other toll facilities

for which the Commission has operational responsibility and is collecting Tolls, unless the Commission identifies, in writing delivered to the Trustee, such roads, bridges, tunnels or other toll facilities as not being part of the System for the purposes of the Indenture.

"*Tender Indebtedness*" – any Obligations:

(a) the terms of which include (i) an option or an obligation on the part of the Secured Owner to tender all or a portion of such Obligation to the Commission, the Trustee, the Paying Agent or another fiduciary or agent for payment or purchase and (ii) a requirement on the part of the Commission to purchase or cause to be purchased such Obligation or portion thereof if properly presented; and

(b) that are rated in either (i) one of the two highest long-term Rating Categories by a Rating Agency or (ii) the highest short-term, note or commercial paper Rating Category by a Rating Agency.

"*Third Supplemental Indenture*" — the Supplemental Indenture authorizing the Series 2002 First Tier Note.

"*Tier*" – the designation of the lien status of the Obligations, and includes First Tier Obligations, Second Tier Obligations and Subordinate Lien Obligations.

"*Tolls*" – all rates, rents, fees, charges, fines or other income derived by the Commission from vehicular usage of the System, and all rights of the Commission to receive the same.

"*Traffic and Revenue Report*" – a report of the Traffic Consultants setting forth the estimated traffic and revenue for the System or a Project.

"*Traffic Consultants*" – any traffic and revenue consultant or firm or firms of traffic and revenue consultants of favorable national reputation for skill and experience in performing the duties for which Traffic Consultants are required to be employed pursuant to the provisions of the Indenture and who are retained by the Department as Traffic Consultants for the purposes of the Indenture.

"*Trust Estate*" – shall have the meaning set forth in "SOURCES OF PAYMENT AND SECURITY FOR THE OBLIGATIONS – Sources of Payment – Limited Obligations."

"*Trustee*" – Bank One, National Association.

"*TTA Representative* " – the Executive Director, each Deputy Executive Director and each Assistant Executive Director of the Department or such other individuals so designated by the Commission to perform the duties of TTA Representative under the Indenture.

"*Turnpike Act*" – Chapter 361 of the Transportation Code, as amended.

"*2002 Obligations*" – the Series 2002 First Tier Obligations, the Series 2002 Second Tier BANS and the 2002 TIFIA Bond.

"*2002 Project*" – the initial project to be financed with the proceeds of the Obligations, designated as the Central Texas Turnpike Project, a turnpike project composed of three elements, Loop 1, State Highway 45 North and State Highway 130, as further described in the GEC's System Report.

"*2002 TIFIA Loan*" – the loan from the USDOT to the Commission made pursuant to the Secured Loan Agreement and evidenced by the 2002 TIFIA Bond, to finance a portion of the Costs of the 2002 Project and authorized by the First Supplement.

"*2002 TIFIA Bond*" – the promissory note entitled "Texas Turnpike Authority, a division of the Texas Department of Transportation, TIFIA – No. 2001-001, Central Texas Turnpike Authority Subordinate Lien Bond, Series 2002" issued as a Subordinate Lien Obligation to evidence the 2002 TIFIA Loan.

"*U.S.*" – United States of America.

"*US Highway 183A*" – an approximately 11-mile highway intersecting US Highway 183 between Lakeline Boulevard and Lakeline Mall Drive and extending north, parallel and east of existing US Highway 183. The US Highway 183A element reconnects with US Highway 183 north of the City of Leander, Texas at the South Fork of the San Gabriel River.

"*USDOT*" – United States Department of Transportation.

"*Variable Rate Indebtedness*" – any Obligation the interest rate on which fluctuates from time to time subsequent to the time of incurrence. Variable Rate Indebtedness may include, without limitation, (a) "auction rate" Obligations (i) the interest rate applicable to which (after an initial period following the issuance thereof or the conversion thereof to such an interest rate mode) is reset from time to time through an auction or bidding system and (ii) which the Commission has no obligation to repurchase in connection with the resetting of the interest rate applicable thereto except to the extent proceeds are available for such purpose either from the remarketing of such Obligations or from such other sources as identified in the Supplemental Indenture pursuant to which such Obligations were issued; (b) Tender Indebtedness; (c) commercial paper Obligations which are intended to be reissued and refinanced periodically; or (d) other forms of Obligations on which the interest fluctuates or is subject to being set or reset from time to time, not more frequently than annually.

Limitations on Other Indebtedness

Limitations on Issuance of Additional First Tier Obligations and Execution of Approved First Tier Swaps.

(a) Short-Term Indebtedness. The Commission agrees that it will not issue any Additional First Tier Obligations constituting Short-Term Indebtedness unless (i) immediately after the incurrence of such Short-Term Indebtedness, the outstanding principal amount of all Obligations Outstanding in the form of Short-Term Indebtedness plus all Obligations Outstanding in the form of Variable Rate Indebtedness that does not constitute Short-Term Indebtedness, will not exceed twenty percent (20%) of the aggregate principal amount of all Outstanding Obligations. Short-Term Indebtedness issued pursuant to this subsection will be on a parity with other First Tier Obligations.

(b) Long-Term Indebtedness. The Commission agrees that it will not issue any Additional First Tier Obligations constituting Long-Term Indebtedness unless prior to or contemporaneously with the incurrence thereof, the provisions regarding authorization, execution, authentication, registration and delivery are met and the following items are delivered to the Trustee:

(i) a letter from each Rating Agency then maintaining a rating on the Outstanding First Tier Obligations to the effect that the Additional First Tier Obligations have received an investment grade rating from the Rating Agency; and either

(ii) a report of the Traffic Consultant to the effect that (A) the Revenues during the preceding annual period ending not more than ninety (90) days prior to the date of delivery of the proposed Additional First Tier Obligations were sufficient to satisfy the requirements of the Rate Covenant (which report may assume that a revision of the Tolls that was approved and implemented by the Commission subsequent to the beginning of such annual period had been in effect for the entire annual period), and (B) the Projected Revenues for each Fiscal Year over the term of the proposed Additional First Tier Obligations is expected to produce a Projected Debt Service Coverage Ratio of at least (1) 1.50 with respect to First Tier Obligations, (2) 1.20 with respect to First Tier Obligations and Second Tier Obligations and (3) 1.10 with respect to all Obligations; or:

(iii) if the Long-Term Indebtedness is being incurred solely for the purposes of refunding, repurchasing or refinancing (whether in advance or otherwise) any Outstanding Long-Term Indebtedness, a certificate of a TTA Representative certifying the Average Annual Debt Service on all Obligations prior to the issuance of the proposed Long-Term Indebtedness is greater than the Average Annual Debt Service on all Obligations after the issuance of such proposed Long-Term Indebtedness.

(c) Completion Obligations. To finance the costs of completion of (i) the 2002 Project or (ii) any improvements, extensions or enlargements to the Central Texas Turnpike System financed with the proceeds of Additional First Tier Obligations, the Commission may, without complying with any other provisions of paragraph (b) above, issue Additional First Tier Obligations in a principal amount not in excess of 10% of the principal amount of the original First Tier Obligations issued to finance such facilities, if prior to the issuance thereof there is delivered to the Trustee a certificate of a TTA Representative stating: (i) that at the time the original First Tier Obligations for the facilities to be

completed were issued, the Commission had reason to believe that the proceeds of such First Tier Obligations together with other moneys then expected to be available would provide sufficient moneys for the completion of such facilities; (ii) the amount estimated to be needed to so complete the facilities; and (iii) that the proceeds of such First Tier Obligations to be applied to the completion of the facilities, together with a reasonable estimate of investment income to be earned on such proceeds and available to pay such Costs, the amount of moneys, if any, committed to such completion from available cash or marketable securities and reasonably estimated earnings thereon, enumerated bank loans (including letters or lines of credit), and any other moneys reasonably expected to be available, will be in an amount not less than the estimated amount needed to complete the facilities set forth in such certificate of a TTA Representative. The principal amount of the completion Obligations to be used in assessing whether the test set forth in this paragraph has been met shall include the amount required to (i) provide completed and equipped facilities of substantially the same type and scope contemplated at the time such prior First Tier Obligations were originally issued, (ii) provide for capitalized interest during the period of construction, (iii) provide the required deposit, if any, to cause the balance in the First Tier Debt Service Reserve Fund to equal the First Tier Debt Service Reserve Requirement, and (iv) pay the costs and expenses of issuing such First Tier Obligations.

(d) Refunding of Series 2002 Second Tier BANS. The Commission may, notwithstanding the provisions of paragraphs (b)(ii) and (b)(iii) above, issue Additional First Tier Obligations for the purpose of refunding the Series 2002 Second Tier BANS on or before their respective maturity dates if the provisions regarding authorization, execution, authentication, registration and delivery are met and there is delivered to the Trustee:

(i) a report of the Traffic Consultants to the effect that (A) the Revenues during the preceding annual period ending not more than ninety (90) days prior to the date of delivery of the proposed Additional First Tier Obligations were sufficient to satisfy the requirements of the Rate Covenant (which report may assume that a revision of the Tolls that was approved and implemented by the Commission subsequent to the beginning of such annual period had been in effect for the entire annual period), and (B) the Projected Debt Service Coverage Ratio for each Fiscal Year over the term of Obligations being issued is at least equal to 1.50 for First Tier Obligations; or

(ii) if the Long-Term Indebtedness is being incurred solely for the purposes of refunding, repurchasing or refinancing (whether in advance or otherwise) any Outstanding Long-Term Indebtedness, a certificate of a TTA Representative certifying the Average Annual Debt Service on all Obligations prior to the issuance of the proposed Long-Term Indebtedness is greater than the Average Annual Debt Service on all Obligations after the issuance of such proposed Long-Term Indebtedness.

(e) First Tier Approved Swap Agreements. The Commission agrees that it will not enter into any First Tier Approved Swap Agreement as a First Tier Obligation unless prior to or contemporaneously with the incurrence thereof, the following provisions are met and there are delivered to the Trustee the certificates or reports required in paragraph (b)(iii) above, which certificates or reports take into account, in calculating Annual Debt Service, the expected payments to be made by and to the Commission pursuant to such First Tier Approved Swap Agreement:

(i) A copy certified by a Commission Official of the minute order or minute orders of the Commission authorizing the execution and delivery of the Swap Agreement (no Supplemental Indenture being required unless the Commission determines it to be necessary) and specifying therein that payments owed by the Commission shall be secured by a pledge of and lien on the Trust Estate on a parity with other First Tier Obligations;

(ii) An original executed counterpart of the Swap Agreement;

(iii) An opinion of Bond Counsel addressed to the Commission and to the Trustee, to the effect that execution of the Swap Agreement is permitted under the laws of the State and will not adversely affect the exclusion from gross income of interest on any Outstanding First Tier

Obligations for federal income tax purposes, including any Additional First Tier Obligations issued simultaneously with the delivery of the Swap Agreement;

(iii) A certificate of the Commission, signed by a TTA Representative, that the Commission is not under default under the Indenture;

(iv) Evidence that the execution of the Swap Agreement will not result in a reduction or withdrawal of the rating then assigned to any First Tier Obligations by the Rating Agency;

(v) Evidence that the provisions of this section entitled "First Tier Approved Swap Agreements" have been met; and

(vi) Such further documents as are required by the Swap Agreement or Bond Counsel, including evidence that all required legal approvals have been obtained.

In the event the Commission wishes to enter into an Approved Swap Agreement and to have its obligations thereunder be on parity with the First Tier Obligations, it shall file with the Trustee the items set forth above, together with, if deemed necessary by the Commission, a Supplemental Indenture granting such parity position (in which event, such Swap Agreement shall constitute a "First Tier Swap Agreement"). Upon entering into a First Tier Swap Agreement, unless otherwise provided in the Supplemental Indenture, the Commission shall pay to the Trustee for deposit into the First Tier Interest Account the net amount payable, if any, to the First Tier Swap Agreement Counterparty as if such amounts were additional amounts of interest due; and the Trustee shall pay on behalf of the Commission to the First Tier Swap Agreement Counterparty, to the extent required under the First Tier Swap Agreement, the amounts deposited in the First Tier Interest Account. Net amounts received by the Commission or the Trustee from the counterparty pursuant to a First Tier Swap Agreement shall be deposited to the credit of the First Tier Interest Account or to such other account as designated by a TTA Representative.

Limitations on Issuance of Additional Second Tier Obligations and Execution of Approved Second Tier Swap Agreements.

(a) Short-Term Indebtedness. The Commission agrees that it will not issue any Additional Second Tier Obligations constituting Short-Term Indebtedness unless (i) immediately after the incurrence of such Short-Term Indebtedness, the outstanding principal amount of all Obligations Outstanding in the form of Short-Term Indebtedness plus all Obligations Outstanding in the form of Variable Rate Indebtedness that does not constitute Short-Term Indebtedness, will not exceed twenty percent (20%) of the aggregate principal amount of all Outstanding Obligations and (ii) and the Commission delivers to the Trustee a letter from each Rating Agency then maintaining a rating on the Outstanding First Tier Obligations or Second Tier Obligations to the effect that the Additional Second Tier Obligations being issued as Short-Term Indebtedness are rated no lower than the lowest short-term investment grade rating of such Rating Agency. Short-Term Indebtedness issued pursuant to this subsection will be on a parity with other Second Tier Obligations.

(b) Long-Term Indebtedness. The Commission agrees that it will not issue any Additional Second Tier Obligations constituting Long-Term Indebtedness unless prior to or contemporaneously with the incurrence thereof, the provisions regarding authorization, execution, authentication, registration and delivery are met and there is delivered to the Trustee:

(i) a letter from each Rating Agency then maintaining a rating on the Outstanding First Tier Obligations or Second Tier Obligations to the effect that the Additional Second Tier Obligations have received an investment grade rating from such Rating Agency; and either

(ii) a report of the Traffic Consultant to the effect that (A) the Revenues during the preceding annual period ending not more than ninety (90) days prior to the date of delivery of the proposed Additional Second Tier Obligations were sufficient to satisfy the requirements of the Rate Covenant (which report may assume that a revision of the Tolls that was approved and implemented by the Commission subsequent to the beginning of such annual period had been in effect for the entire annual period), and (B) the Projected Revenues for each Fiscal Year over the term of the proposed Additional Second Tier Obligations is expected to produce a Projected Debt

Service Coverage Ratio of at least (1) 1.20 with respect to First Tier Obligations and Second Tier Obligations and (3) 1.10 with respect to all Obligations; or

(iii) if the Long-Term Indebtedness is being incurred solely for the purposes of refunding, repurchasing or refinancing (whether in advance or otherwise) any outstanding Long-Term Indebtedness, a certificate of a TTA Representative certifying the Average Annual Debt Service on all Obligations prior to the issuance of the proposed Long-Term Indebtedness is greater than the Average Annual Debt Service on all Obligations after the issuance of such proposed Long-Term Indebtedness.

(c) Second Tier Approved Swap Agreements. The Commission agrees that it will not enter into any Second Tier Approved Swap Agreement as a Second Tier Obligation unless prior to or contemporaneously with the incurrence thereof, the provisions described above under "Limitations on Other Indebtedness – Limitations on Issuance of Additional First Tier Obligations and Execution of Approved First Tier Swaps" are met (with the exception that wherever the term "First Tier" appears it shall be read as "Second Tier") and there are delivered to the Trustee the certificates or reports required in paragraph (b)(ii) above, which certificates or reports take into account, in calculating Annual Debt Service, the expected payments to be made by and to the Commission pursuant to such Second Tier Approved Swap Agreement.

(d) Refunding of Series 2002 Second Tier BANS. The Commission may, without complying with the provisions of paragraphs (b)(ii) and (b)(iii) above, issue Additional Second Tier Obligations for the purpose of refunding the Series 2002 Second Tier BANS on or before their respective maturity dates if the net effective interest rate on the Additional Second Tier Obligations, after taking into account any discount or premium, is less than the interest rate on the 2002 TIFIA Loan.

Limitations on Issuance of Additional Subordinate Lien Obligations and Execution of Approved Subordinate Lien Swaps.

(a) Short-Term Indebtedness. The Commission agrees that it will not issue any Additional Subordinate Lien Obligations constituting Short-Term Indebtedness unless (i) immediately after the incurrence of such Short-Term Indebtedness, the outstanding principal amount of all Obligations Outstanding in the form of Short-Term Indebtedness plus all Obligations Outstanding in the form of Variable Rate Indebtedness that does not constitute Short-Term Indebtedness, will not exceed twenty percent (20%) of the aggregate principal amount of all Outstanding Obligations and (ii) the Commission delivers to the Trustee a letter from each Rating Agency then maintaining a rating on any Outstanding Obligations to the effect that the Additional Subordinate Lien Obligations being issued as Short-Term Indebtedness are rated no lower than the lowest short-term investment grade rating of such Rating Agency. Short-Term Indebtedness issued pursuant to this subsection will be on a parity with other Subordinate Lien Obligations.

(b) Long-Term Indebtedness. The Commission agrees that it will not issue any Additional Subordinate Lien Obligations constituting Long-Term Indebtedness unless prior to or contemporaneously with the incurrence thereof, the provisions regarding authorization, execution, authentication, registration and delivery are met and there is delivered to the Trustee:

(i) a report of the Traffic Consultants to the effect that (A) the Revenues during the preceding annual period ending not more than ninety (90) days prior to the date of delivery of the proposed Additional Subordinate Lien Obligations were sufficient to satisfy the requirements of the Rate Covenant (which report may assume that a revision of the Tolls that was approved and implemented by the Commission subsequent to the beginning of such annual period had been in effect for the entire annual period), and (B) the Projected Revenues for each Fiscal Year over the term of the proposed Additional Subordinate Lien Obligations is expected to produce a Projected Debt Service Coverage Ratio of at least 1.10 with respect to all Obligations or

(ii) if the Long-Term Indebtedness is being incurred solely for the purposes of refunding, repurchasing or refinancing (whether in advance or otherwise) any outstanding Long-Term Indebtedness, a certificate of a TTA Representative certifying the Average Annual Debt Service on all Obligations prior to the issuance of the proposed Long-Term Indebtedness is

greater than the Average Annual Debt Service on all Obligations after the issuance of such proposed Long-Term Indebtedness.

(c) Subordinate Lien Approved Swap Agreements. The Commission agrees that it will not enter into any Approved Swap Agreement as a Subordinate Lien Obligation unless prior to or contemporaneously with the incurrence thereof, the provisions described above under "Limitations on Other Indebtedness – Limitations on Issuance of Additional First Tier Obligations and Execution of Approved First Tier Swaps" are met (with the exception that wherever the term "First Tier" appears it shall be read as "Subordinate Lien") and there are delivered to the Trustee the certificates or reports required in paragraph (b)(ii) above, which certificates or reports take into account, in calculating Annual Debt Service, the expected payments to be made by and to the Commission pursuant to such Subordinate Lien Approved Swap Agreement.

(d) Refunding of Series 2002 Second Tier BANS. The Commission may, without complying with the provisions of paragraphs (b)(ii) and (b)(iii) above, issue Additional Subordinate Lien Obligations for the purpose of refunding the Series 2002 Second Tier BANS on or before their respective maturity dates if the net effective interest rate on the Additional Subordinate Lien Obligations, after taking into account any discount or premium, is less than the interest rate on the 2002 TIFIA Loan.

Particular Covenants

Annual Operating Budget; Annual Maintenance Budget; Annual Capital Budget.

(a) Annual Operating Budget. The Commission covenants that on or before the 31st day of August (or such other date as is consistent with the Commission's policies then in effect) in each Fiscal Year it will adopt an Annual Operating Budget for the System for the ensuing Fiscal Year.

If for any reason the Commission shall not have adopted the Annual Operating Budget before the first day of any Fiscal Year, the budget for the preceding Fiscal Year shall, until the adoption of the new Annual Operating Budget, be deemed to be in force and shall be treated as the Annual Operating Budget.

Subject to the review and comment of the General Engineering Consultants, the Commission may adopt an amended or supplemental Annual Operating Budget at any time for the remainder of the then current Fiscal Year.

If the estimate of Revenues to be received in the Fiscal Year, as reflected in the Annual Operating Budget, shows that Revenues are expected to be insufficient to allow the Commission to comply with the Rate Covenant, the Commission shall take the actions provided under "SOURCES OF PAYMENT AND SECURITY FOR THE OBLIGATIONS – Rate Covenant" as though the projected shortfall in Revenues has been experienced; provided, however, and in recognition that Revenues are not expected to be sufficient to pay all Operating Expenses for a number of years and that the Commission has covenanted to pay the Operating Expenses to the extent Revenues are not sufficient, but solely from lawfully available funds, if the estimate demonstrates that the requirements of clauses (A) through (D) of the Rate Covenant set forth in "SOURCES OF PAYMENT AND SECURITY FOR THE OBLIGATIONS – Rate Covenant" are expected to be satisfied, the Commission will not be required to follow the procedures set forth in "SOURCES OF PAYMENT AND SECURITY FOR THE OBLIGATIONS – Rate Covenant" if the Commission includes in its general budget for such Fiscal Year an amount sufficient to pay the Operating Expenses to the extent that Revenues are not expected to be sufficient for such purpose.

(b) Annual Maintenance Budget. The Commission covenants that on or before the 31st day of August (or such other date as is consistent with the Commission's policies then in effect) in each Fiscal Year it will adopt an Annual Maintenance Budget for the System for the ensuing Fiscal Year. Prior to adopting the Maintenance Budget, the Commission shall provide a draft of such budget to the General Engineering Consultant sufficiently in advance of the adoption of such Annual Maintenance Budget in order for the General Engineering Consultant to provide comments before such adoption. The Commission further covenants that it will prepare each such Annual Maintenance Budget on the basis of monthly requirements, so that it will be possible to determine the estimated Maintenance Expenses for each month during the Fiscal Year.

If for any reason the Commission shall not have adopted the Annual Maintenance Budget before the first day of any Fiscal Year, the budget for the preceding Fiscal Year, shall, until the adoption of the new Annual Maintenance Budget, be deemed to be in force and shall be treated as the Annual Maintenance Budget.

Subject to the review and comment of the General Engineering Consultants, the Commission may adopt an amended or supplemental Annual Maintenance Budget at any time for the remainder of the then current Fiscal Year.

If the estimate of Commission payments for Maintenance Expenses in the Fiscal Year, as reflected in the Annual Maintenance Budget, shows that Commission's payments for Maintenance Expenses are expected to be insufficient to pay all Maintenance Expenses, the Commission shall take the actions set forth under "SOURCES OF PAYMENT AND SECURITY FOR THE OBLIGATIONS – Rate Covenant" as though a projected shortfall in Revenues has been experienced. The Commission will not be required to follow the procedures set forth under "SOURCES OF PAYMENT AND SECURITY FOR THE OBLIGATIONS – Rate Covenant" if the Commission includes in an amended general budget for the Commission for such Fiscal Year an amount sufficient to pay the Maintenance Expenses.

(c) Capital Budget. The Commission further covenants that it will adopt an Annual Capital Budget for the System on or before August 31 of each Fiscal Year. The Annual Capital Budget will detail the Commission's planned capital expenditures over a period of at least five (5) years and the portion of capital expenditures expected to be funded from the Reserve Maintenance Fund. The Annual Capital Budget for each Fiscal Year shall include the expected beginning balance in the Reserve Maintenance Fund, the amounts to be transferred by the Trustee to the Reserve Maintenance Fund from the General Reserve Fund, the amount of proceeds of Indebtedness expected to become available during the Fiscal Year, the amounts expected to be transferred monthly by the Commission to the Reserve Maintenance Fund, and the desired year-end balance in the Reserve Maintenance Fund. Prior to adopting the Annual Capital Budget, the Commission shall provide a draft of the capital budget to the General Engineering Consultant sufficiently in advance of the Commission's adoption of the Annual Capital Budget in order for the General Engineering Consultant to provide comments before the date of such adoption. The Commission may adopt amendments or supplements to the Annual Capital Budget at any time.

Use and Operation of System. The Commission covenants that

(a) it will maintain and operate the System in an efficient and economical manner,

(b) it will maintain the System in good repair and will make all necessary repairs, renewals and replacements, to the extent funds are available therefor; and

(c) it will comply with laws and all rules, regulations, orders and directions of any legislative, executive, administrative or judicial body applicable to such System, subject to the right of the Commission to contest the same in good faith and by appropriate legal proceedings.

Inspection of the System. The Commission shall cause the General Engineering Consultant to make an inspection of the System at least once in the Fiscal Year following the Substantial Completion of the 2002 Project and in each Fiscal Year thereafter; provided, however, with the advice and consent of the Commission the obligations of the GEC required by this section may be modified or lessened to the extent that the obligations of the GEC have been performed by other parties otherwise retained by the Commission to carry out inspections in accordance with the National Bridge Inspection Program. Following each inspection and on or before the 90th day prior to the end of each Fiscal Year, the General Engineering Consultant shall submit to the Commission a report setting forth (a) their findings as to whether the System 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 System during the ensuing Fiscal Year and (c) 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 in the Annual Operating Budget, the Annual Maintenance Budget and Annual Capital Budget for the next ensuing Fiscal Year. Copies of such reports shall be provided to the Trustee, and to USDOT so long as the 2002 TIFIA Loan is Outstanding, except, with the advice and consent of the Commission, the obligations of the GEC, as defined in this paragraph, may be modified and lessened by the performance of

the National Bridge Inspection Program (NBI), in accordance with applicable Federal law, by parties otherwise retained by the Commission to perform NBIs in the geographic region of the 2002 Project.

Construction of Projects. The Commission covenants that:

(a) it will proceed with diligence to construct any Projects in conformity with law; all requirements of all governmental authorities having jurisdiction; and the policies, rules and regulations of the Commission.

(b) the Commission shall involve the General Engineering Consultant or another Consultant to assist in quality assurance matters in connection with design, construction or both of any Project or portion thereof to the extent the Commission determines necessary or appropriate.

Employment of General Engineering Consultants and Traffic Consultants. The Commission covenants to employ an independent engineer or engineering firm or corporation having a national reputation for skill and experience in such work to perform any functions of the General Engineering Consultant and the Traffic Consultants under the Indenture. The General Engineering Consultant and the Traffic Consultants shall be independent of one another.

Insurance. The Commission covenants that it will keep the System and its use and operation thereof insured (including through self-insurance) at all times in such amounts, subject to such exceptions and deductibles and against such risks, as are customary for similar organizations, including business interruption insurance. All insurance policies shall be carried with a responsible insurance company or companies authorized to do business in the State or shall be provided under a self-insurance program; any self-insurance program shall be actuarially sound in the written opinion of an accredited actuary, which opinion shall be filed with the Trustee at least annually. At any time and from time to time, the Commission may elect to terminate self-insurance of a given type. Upon making such election, the Commission shall, to the extent then deemed necessary by a Consultant, obtain and maintain comparable commercial insurance.

On the July 1 following the Substantial Completion of the 2002 Project and every three years thereafter (except with respect to self-insurance, which shall be annually), the Commission shall cause the Consultant referred to in the preceding paragraph to certify to the Trustee that (a) it has reviewed the adequacy of the Commission's insurance, listing the types and amounts of insurance, and (b) it finds such coverage to be reasonable and customary for similar organizations. If the Consultant concludes that coverage other than that currently carried by the Commission should be carried, the Commission shall obtain such insurance coverage unless it determines in good faith that it is unreasonable or uneconomical to obtain such coverage and TTA Representative certifies the same in writing to the Trustee.

The Commission covenants that it will take actions as it deems necessary to demand, collect and sue for any proceeds that may become due and payable to it under any policy.

Damage or Destruction. Immediately after any damage to or destruction of any part of the System that materially adversely affects the Revenues, the Commission will promptly take action to repair, reconstruct or replace the damaged or destroyed property or to otherwise ameliorate the adverse impact on Revenues.

Encumbrance of Revenues; Sale, Lease or Other Disposition of Property. The Commission covenants that so long as any Obligations are Outstanding under the Indenture,

(a) (1) it will not create or suffer to be created any lien or charge upon any Revenues, except the lien and charge of the First Tier Obligations, the Second Tier Obligations and the Subordinate Lien Obligations secured hereby; and (2) from such Revenues or other funds available under the Indenture, it will pay or cause to be discharged, or will make adequate provision to pay or discharge, within ninety (90) days after the same shall accrue, all lawful claims and demands for labor, materials or supplies that, if unpaid, might by law become a lien upon any Revenues; provided, however, that the Commission shall not be required to pay or discharge, or make provision for such payment or discharge of, any such lien or charge so long as the validity thereof shall be contested in good faith and by appropriate legal proceedings; provided further, that in recognition that amounts on deposit in the General Reserve Fund may be used for any lawful purpose, the Commission retains the right to issue bonds or notes or otherwise

incur debt secured by and payable from amounts to be deposited in the General Reserve Fund. Any encumbrance of amounts on deposit in the General Reserve Fund in addition to that created by the other provisions of the Indenture, shall be subject and subordinate to the security interest in, pledge of and lien on the Trust Estate established for the benefit of the Obligations and to the other provisions of the Indenture relating to the use of Revenues and the amounts on deposit in the General Reserve Fund.

(b) subject to the provisions of the Indenture described under "TAX MATTERS" and "SOURCES OF PAYMENT AND SECURITY FOR THE OBLIGATIONS – Reservation of Right to Transfer System" herein, it will not sell or otherwise dispose of any real estate or personal property comprising a portion of the System unless TTA Representative determines in the case of property with a value of $1 million or less or the Commission determines in the case of property with a value in excess of $1 million that

(1) such property (i) has become obsolete or worn out or is reasonably expected to become so within one year after the date of such disposition, (ii) is no longer used or useful in the operation of the System or in the generation of Revenues or (iii) is to be or has been replaced by other property; or

(2) by minute order that such action will not materially adversely affect the Projected Revenues.

The Commission shall have the discretion to deposit the proceeds of such sale or disposition in a fund or account held under the Indenture or a Commission account held outside the Indenture, as it deems appropriate. In the event the Commission did not meet the Rate Covenant during the preceding Fiscal Year, however, then the Commission shall notify the Trustee of the sale or disposition of any property that generated Revenues in excess of one percent of the Commission's Revenues during the prior Fiscal Year, and all proceeds from such sale or disposition shall be deposited in the Revenue Fund.

(c) subject to the provisions of the Indenture described under "TAX MATTERS" and "SOURCES OF PAYMENT AND SECURITY FOR THE OBLIGATIONS – Reservation of Right to Transfer System" herein, it will not lease any real estate or personal property comprising a portion of the System unless the Commission determines by minute order that such action will not materially adversely affect the Revenues.

Without intending to limit the foregoing, the Commission also may enter into contracts or other forms of agreement for the use of any real estate comprising a portion of the System including, but not limited to, rights of way for telephone, telegraph, optic fiber and other forms of communication, electric, gas transmission and other lines, towers, or facilities for utilities, and other uses that do not materially adversely affect the operation of the System and the payments received in connection with the same shall, to the extent permitted by law, constitute Revenues. The Commission also covenants to ensure that all necessary real property filings are made in connection with any such lease or other agreement relating to the use of real estate comprising a portion of the System to protect the interest of the Commission in such property.

Reservation of Right to Transfer System

Under the Indenture, the Commission reserves the right to transfer all or any part of the System to a Regional Mobility Authority established under Chapter 361 of the Texas Transportation Code, a Regional Tollway Authority established under Chapter 366 of the Texas Transportation Code or another governmental entity authorized by law to own and operate toll facilities, but only upon satisfaction of the following conditions:

(a) the General Engineering Consultant issues a report in which it estimates the Operating Expenses and Maintenance Expenses for the System following such transfer for each Fiscal Year that any Obligations are scheduled to be Outstanding;

(b) the Traffic Consultants issue a traffic and revenue projection showing the Projected Revenues for the System following such transfer for each Fiscal Year that any Obligations are scheduled to be Outstanding;

(c) a TTA Representative delivers a certificate, based upon the reports of the General Engineering Consultant and the Traffic Consultants required by (a) and (b), to the effect that (i) the Projected Debt Service Coverage Ratio would be sufficient on that day to allow each of the then-Outstanding Obligations to be issued in compliance with the terms of the Indenture if such Obligations were being issued on the date of such certificate and (ii) the Commission is not in default under any of the provisions of the Indenture;

(d) each Rating Agency then maintaining a rating on the Outstanding Obligations issues a letter to the Commission to the effect that such transfer would not have the effect of causing the Rating Agency to lower the existing rating;

(e) if the 2002 TIFIA Loan is still outstanding, the USDOT consents in writing to such transfer and the additional requirements in the Secured Loan Agreement relating to such transfer are satisfied or waived by the USDOT;

(f) any moneys paid by the Department from the State Highway Fund for the design, construction, operation and maintenance of the transferred property is repaid to the State Highway Fund;

(g) the Commission delivers an opinion of Counsel to the Trustee to the effect that the transfer is authorized by law; and

(h) the Commission delivers an Opinion of Bond Counsel to the Trustee to the effect that the transfer will not adversely affect the treatment for federal income tax purposes of interest on any Outstanding Obligations.

Events of Default and Remedies

Events of Default. The occurrence and continuation of the following events shall constitute an Event of Default under the Indenture:

(a) failure by the Commission to pay the principal of and premium, if any, or interest on any of the Obligations or to pay Capital Payments when the same shall become due and payable, either at Stated Maturity, by proceedings for redemption or pursuant to the terms of the Obligation or any failure of the Commission to purchase or cause to be purchased any Tender Indebtedness, including any applicable Variable Rate Indebtedness, upon any optional or mandatory tender to the Commission or a tender agent of the Commission; or

(b) the occurrence and continuance of an event of default under a Credit Facility, First Tier DSRF Security, Second Tier DSRF Security, Approved Swap Agreement or Reimbursement Agreement; or

(c) unreasonable delay or failure of the Commission to carry on with reasonable dispatch or discontinues the construction of any portion of the System for which Obligations have been issued and are then outstanding; or

(d) destruction or damage of substantially all or any major portion of the System to the extent of impairing its efficient operation and materially adversely affecting the Revenues that shall not be promptly repaired, replaced or reconstructed (whether such failure promptly to repair, replace or reconstruct the same be due to the impracticability of such repair, replacement or reconstruction or to lack of funds therefor or for any other reason); or

(e) judgment for the payment of money rendered against the Commission if such judgment is under any circumstances payable from Revenues and is in an amount that its payment would, in the opinion of the Trustee, have a materially adverse effect upon the financial condition of the System and any such judgment shall not be discharged within ninety (90) days from the entry thereof or an appeal shall not be taken therefrom or from the order, decree or process upon which or pursuant to which such judgment shall have been granted or entered, in such manner as to set aside or stay the execution of or levy under such judgment, decree or process or the enforcement thereof, or

(f) the occurrence of a Bankruptcy-Related Event that shall not have been cured, vacated, discharged or stayed within sixty (60) days after the occurrence thereof; or

(g) failure of the Commission to duly and punctually perform any other of the covenants, conditions, agreements and provisions contained in any Obligations or in the Indenture on the part of the Commission to be performed, and (with the exception of covenants, conditions, agreements and provisions set forth under "SOURCES OF PAYMENT AND SECURITY FOR THE OBLIGATIONS – Additional Indebtedness," "APPENDIX B – SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Limitations on Other Indebtedness," "APPENDIX B – SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Particular Covenants – Encumbrance of Revenues, Sale, Lease, or Other Disposition of Property," "SOURCES OF PAYMENT AND SECURITY FOR THE OBLIGATIONS – Additional Covenants of the Commission – Covenant Not to Build Competing System," and Commission's covenants regarding tax exemption, a failure to perform with respect to which is not stayed) the continuation of such failure for sixty (60) days after written notice specifying such failure and requiring same to be remedied shall have been given to the Commission by the Trustee, which may give such notice in its discretion and shall give such notice at the written request of the Secured Owners of not less than ten per centum (10%) in principal amount of the Obligations then Outstanding; and the Trustee shall investigate and consider any allegation of such default or Event of Default of which any Bond Insurer of record notifies the Trustee in writing.

Remedies Applicable. The Secured Owners shall be entitled to the remedies set forth under "APPENDIX B – SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Events of Default and Remedies." To the extent that a Series of Obligations is secured by a Credit Facility, a First Tier DSRF Security or a Second Tier DSRF Security, the Bank or the Bond Insurer shall be considered the Secured Owner of such Obligation for all purposes of exercising any remedy or giving any directions to the Trustee.

Enforcement of Remedies. Upon the occurrence of any Event of Default set forth under "APPENDIX B – SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Event of Default and Remedies – Events of Default," then and in every such case the Trustee may proceed, and upon the written request of the Secured Owners of not less than twenty percent (20%) in principal amount of the Obligations then Outstanding shall proceed, subject to certain provisions of the Indenture, to protect and enforce its rights and the rights of the Secured Owners under the Enabling Acts and under the Indenture 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 Indenture or in aid or execution of any power in the Indenture 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.

In the enforcement of any remedy under the Indenture, the Trustee shall be entitled to sue for, enforce payment of and receive any and all amounts then or during any Event of Default becoming, and at any time remaining, due from the Commission for principal, interest or otherwise under any of the provisions of the Indenture or of the Outstanding Obligations and unpaid, with interest on overdue payments, to the extent permitted by law, 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 Indenture and under such Obligations, without prejudice, to any other right or remedy of the Trustee or of the Secured Owners, and to recover and enforce judgment or decree against the Commission, but solely as provided in the Indenture and in such Obligations, for any portion of such amounts remaining unpaid, with interest, costs and expenses, and to collect (but solely from Revenues) in any manner provided by law, the moneys adjudged or decreed to be payable.

Pro Rata Application of Funds. If at any time the moneys in the First Tier Debt Service Fund, the Second Tier Debt Service Fund or the Subordinate Lien Debt Service Fund, and the respective reserve funds and other funds established by the Indenture shall not be sufficient to pay the principal of or the interest on any Obligations as the same become due and payable, such moneys, together with any moneys then available or thereafter becoming available for such purpose, whether through the exercise of the remedies provided by the Indenture or otherwise, shall be applied (subject to the provisions of the Indenture

relating to the payment of fees and expenses of the Trustee on other costs of the Trustee) as set forth in (a) through (f) below; 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 the Subordinate Lien Obligations or (ii) constituting Additional Obligation Security for the benefit of one or more specific Series of Obligations shall not be applied as provided in (a) through (f) below but shall be used only for the purpose for which such deposits were made:

(a) Unless the principal of all the First Tier Obligations shall then be due and payable, all such moneys shall be applied first: to the payment to the persons entitled thereto of all installments of interest then due on the First Tier Obligations, in the order of the Maturity of the installments of such interest, and, if the amount available shall not be 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 shall not be sufficient to pay all of such matured First Tier Obligations, then to the payment thereof ratably, according to the amount due: or if no First Tier Obligations have matured, to the retirement of First Tier Obligations.

(b) If the principal of all the First Tier Obligations shall then be due and payable, all such moneys shall 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 Obligations over any other First Tier Obligations, 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 shall then be due and payable, all such moneys shall 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 shall not be 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 shall not be sufficient to pay all of such matured Second Tier Obligations, then to the payment thereof ratably, according to the amount due: or if no Second Tier Obligations have matured, to the retirement of Second Tier Obligations.

(d) If there is no Event of 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 shall then be due and payable, all such moneys shall 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 Obligations over any other Second Tier Obligations, 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 Event of Default existing in the payment of the principal of, premium, if any, or interest on the First Tier Obligations or the Second Tier Obligations but the principal of, premium, if any, or interest on Subordinate Lien Obligations has not been paid when due, unless the principal of all the Subordinate Lien Obligations shall then be due and payable, all such moneys shall be applied first: to the payment to the persons entitled thereto of all installments of interest then due on the Subordinate Lien Obligations, in the order of the Maturity of the installments of such interest, and, if the amount available shall not be 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 Subordinate Lien Obligations; and second: to the payment of the principal of any Subordinate Lien Obligations that have matured, and, if the amount available shall not be sufficient to pay all of such matured Subordinate Lien Obligations, then to the payment thereof ratably, according to the amount due: or if no Subordinate Lien Obligations have matured, to the retirement of Subordinate Lien Obligations.

(f) If there is no Event of Default existing in the payment of the principal of, premium, if any, or interest on the First Tier Obligations or Second Tier Obligations but the principal of all the Subordinate Lien Obligations shall then be due and payable, all such moneys shall be applied to the payment of the principal and interest then due and unpaid upon the Subordinate Lien 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 Subordinate Lien Obligations over any other Subordinate Lien Obligations, 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 Subordinate Lien Obligations.

Whenever moneys are to be applied by the Trustee as described under "APPENDIX B – SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Events of Default and Remedies – Pro Rata Application of Funds" such moneys shall be applied by the Trustee at such times, and from time to time, as the Trustee in its sole discretion shall determine, having due regard to the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future; the deposit of such moneys with the Trustee, or otherwise setting aside such moneys, in trust for the proper purpose shall constitute proper application by the Trustee; and the Trustee shall incur no liability whatsoever to the Commission, to any Secured Owner or to any other person for any delay in applying any such moneys, 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 Indenture as may be applicable at the time of application by the Trustee. Whenever the Trustee shall exercise such discretion in applying such moneys, it shall fix the date (which shall be an Interest Payment Date unless the Trustee shall deem 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 to such date shall cease to accrue. The Trustee shall give such notice as it may deem appropriate of the fixing of any such date, and shall not be required to make payment to the Secured Owner of any unpaid Obligation or the interest thereon unless such Obligation shall be 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 Event of Default shall have been discontinued or abandoned for any reason, then and in every such case the Commission, the Trustee, any Bond Insurer of record, and the Secured Owners shall be restored to their former respective positions and rights under the Indenture, and all rights, remedies, powers and duties of the Trustee shall continue as though no such action had been taken.

Majority of Secured Owners May Control Proceedings. Anything in the Indenture to the contrary notwithstanding, the Secured Owners of not less than a majority in principal amount of the First Tier Obligations then Outstanding (or, if no First Tier Obligations are then Outstanding, then the Secured Owners of not less than a majority in principal amount of the Second Tier Obligations and Subordinate Lien Obligations then Outstanding) shall have the right, subject to certain rights of the Trustee and the Bond Insurer set forth in the Indenture, 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 Indenture, provided that such direction shall not be otherwise than in accordance with law or the provisions of the Indenture, and that the Trustee shall have the right to decline to follow any such direction that in the opinion of the Trustee would be unjustly prejudicial to Secured Owners not parties to such direction.

Restrictions Upon Action by Individual Secured Owner. No Secured Owners of any of the Outstanding Obligations shall 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 Indenture or the protection or enforcement of any right under

the Indenture or any resolution or minute order of the Commission authorizing the issuance of Obligations, or any right under the Enabling Acts or other laws of the State, excepting only an action for the recovery of overdue and unpaid principal, interest or redemption premium, unless such Secured Owner previously shall have given to the Trustee written notice of the Event of Default or breach of trust or duty on account of which such suit or action is to be taken, and unless the Secured Owners of not less than twenty percent (20%) in principal amount of the Obligations then Outstanding shall have made written request of the Trustee after the right to exercise such powers or right of action, as the case may be, shall have accrued, and shall have afforded the Trustee a reasonable opportunity either to proceed to exercise the powers in the Indenture granted or granted by the Enabling Acts or by the other laws of the State, or to institute such action, suit or proceeding in its or their name, and unless, also, there shall have 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 the Trustee shall have refused or neglected to comply with such request within a reasonable time; and such notification, request and offer of indemnity are hereby declared in every such case, at the option of the Trustee, to be conditions precedent to the execution of the powers and trusts of the Indenture or for any other remedy under the Indenture or under the Enabling Acts or by the other laws of the State. It is understood and intended that no one or more Secured Owners shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of the Indenture, or to enforce any right under the Indenture or under the Enabling Acts or by the other laws of the State with respect to the Obligations or the Indenture, except in the manner provided in the Indenture, and that all proceedings at law or in equity shall be instituted, had and maintained in the manner in the Indenture provided and for the benefit of all Secured Owners of the Outstanding Obligations, except as otherwise permitted in the Indenture with reference to over-due and unpaid principal, interest or redemption premium.

Actions by Trustee. All rights of action under the Indenture 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 shall be brought in its name for the benefit of all the holders of such Obligations, subject to the provisions of the Indenture.

No Remedy Exclusive. No remedy conferred upon or reserved to the Trustee, any Bond Insurer, or to the Secured Owners of the Obligations is intended to be exclusive of any other remedy or remedies, and each and every such remedy shall be cumulative and shall be in addition to every other remedy given under the Indenture or now or hereafter existing at law or in equity or by statute.

No Delay or Omission Construed to be a Waiver; Repeated Exercise of Powers and Remedies; Waiver of Default. No delay or omission of the Trustee or of any Secured Owner of the Obligations to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver of any such default or any acquiescence therein; and every power and remedy given by the Indenture to the Trustee and the Secured Owners of the Obligations may be exercised from time to time and as often as may be deemed expedient.

The Trustee may, and upon written request of the Secured Owners of not less than a majority in principal amount of the Outstanding Obligations shall waive any default which in its opinion shall have been remedied before the completion of the enforcement of any remedy under the Indenture, but no such waiver shall 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 shall mail to each Bond Insurer, and each Secured Owner written notice of the occurrence of any Event of Default, within thirty (30) days after the Trustee has knowledge of any such Event of Default. If in any Fiscal Year the total amount of deposits to a debt service fund shall be less than the amounts required so to be deposited under the provisions of the Indenture, the Trustee, on or before the first day of the second month of the next succeeding Fiscal Year, shall mail to each Bond Insurer and all Secured Owners written notice of the failure to make such deposits.

2002 TIFIA Loan Default Remedy. Upon the occurrence of both (i) an Event of Default described in (a) or (f)of "APPENDIX B – SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Events of Default and Remedies – Events of Default," and (ii) a default under the 2002 TIFIA Loan in accordance

with its terms, the 2002 TIFIA Loan will be deemed to be and will automatically become, as of the date of the Event of Default described in (a) or (f) of "APPENDIX B – SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Events of Default and Remedies – Events of Default," a First Tier Obligation for all purposes of the Indenture, including particularly the provisions of set forth in this paragraph, and the USDOT, acting through the Federal Highway Administration will be deemed the Secured Owner of such First Tier Obligation. In the event that the Event of Default described in (a) of "APPENDIX B – SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Events of Default and Remedies – Events of Default," and any then existing defaults under the 2002 TIFIA Loan are cured, on the date that the Events of Default or the default under the 2002 TIFIA Loan are deemed to be cured the status of the 2002 TIFIA Loan as a First Tier Obligation will cease and the 2002 TIFIA Loan will revert to the status of a Subordinate Lien Obligation and will no longer be entitled to any rights as a First Tier Obligation. Notwithstanding the other provisions set forth in this paragraph, if on the date that the events described in both (i) and (ii) of this paragraph occur any amounts are on deposit in the First Tier Debt Service Fund or the First Tier Debt Service Reserve Fund, such amounts shall be used to pay amounts due or to become due on the First Tier Obligations Outstanding immediately prior to the occurrence of such Event of Default.

Bond Insurer's Rights. Notwithstanding any other provisions set forth under described in "APPENDIX B – SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Events of Default and Remedies – Events of Default," if there has been filed with the Trustee a bond insurance policy, or a certified copy thereof, with respect to any Obligation, all enforcement remedies and rights to waive defaults with respect to such Obligation may be exercised by the Secured Owners only with the written consent of such Bond Insurer, and, in the alternative, at the option of the Bond Insurer, such Bond Insurer may enforce any such remedies or waive any default with respect to such Obligation without the consent of the Secured Owners, and in such event such Bond Insurer shall be deemed to be the Secured Owner for such purpose. Any Bond Insurer under a bond insurance policy, or certified copy thereof, that has been filed with the Trustee shall, for all purposes of the Indenture, constitute and may be called a Bond Insurer.

Discharge and Defeasance

Discharge. If:

(a) the principal of any Obligations and the interest due or to become due thereon, together with any redemption premium required by redemption of any such Obligations prior to Maturity, shall be paid, or is caused to be paid, or is provided for under "APPENDIX B – SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Discharge and Defeasance – Defeasance," at the times and in the manner to which reference is made in the Obligations, as the case may be, according to the true intent and meaning thereof, or the outstanding Obligations shall have been paid and discharged in accordance with the Indenture, and

(b) all of the covenants, agreements, obligations, terms and conditions of the Commission under the Indenture shall have been kept, performed and observed and there shall have been paid to the Trustee, the Bond Registrar and the Paying Agents all sums of money due or to become due to them in accordance with the terms and provisions of the Indenture, then the right, title and interest of the Trustee in the Trust Estate shall thereupon cease and the Trustee, on request of the Commission and at the expense of the Commission, shall release the Indenture and the Trust Estate and shall execute such documents to evidence such release as may be reasonably required by the Commission and shall turn over to the Commission, or to such other Person as may be entitled to receive the same, all balances remaining in any Funds under the Indenture except for amounts required to pay such Obligations or held pursuant to the Commission's obligation to pay rebate to the United States as prescribed under the Code.

Defeasance

(a) Defeased Obligations. Any Obligations and the interest thereon shall be deemed to be paid, retired and no longer outstanding (each a "Defeased Obligation") within the meaning of the Indenture, except to the extent provided in subsection (c) under this section, when payment of the principal of such Defeased Obligation, plus interest thereon to the due date (whether such due date be by reason of Maturity or otherwise) either (i) shall have been made or caused to be made in accordance with the terms thereof, or (ii) shall have been provided for on or before such due date by irrevocably depositing

with or making available to the Trustee (or other bank or similar institution with trust powers meeting the qualifications of a trustee under the Indenture) as escrow agent (the "Escrow Agent") in accordance with an escrow agreement or other instrument (the "Future Escrow Agreement") for such payment (1) lawful money of the United States sufficient to make such payment or (2) Defeasance Securities that mature as to principal and interest in such amounts and at such times as will insure the availability, without reinvestment, of sufficient money to provide for such payment, and when proper arrangements have been made by the Commission with the Escrow Agent for the payment of its services and those of the Trustee relating to such Defeased Obligations until such Defeased Obligations shall have become due and payable; provided, however, a Credit Facility shall not be deemed to have been paid and no longer Outstanding until all amounts due thereunder have been paid and the Credit Facility has been terminated in accordance with its terms. At such time as an Obligation shall be deemed to be a Defeased Obligation under the Indenture, as aforesaid, such Defeased Obligation and the interest thereon shall no longer be secured by, payable from, or entitled to the benefits of, the Trust Estate pledged as provided in the Indenture, and such principal and interest shall be payable solely from such money or Defeasance Securities. Notwithstanding any other provision of the Indenture to the contrary, it is provided that any determination not to redeem Defeased Obligations that is made in conjunction with the payment arrangements specified in clauses (i) or (ii) immediately above shall not be irrevocable, provided that, in the proceedings providing for such payment arrangements, the Commission (A) expressly reserves the right to call the Defeased Obligations for redemption; (B) gives notice of the reservation of that right to the owners of the Defeased Obligations immediately following the making of the payment arrangements; and (C) directs that notice of the reservation be included in any redemption notices that it authorizes.

(b) Investment in Defeasance Securities. Any moneys so deposited with the Escrow Agent may at the written direction of the Commission be invested in Defeasance Securities, maturing in the amounts and times as set forth, and all income from such Defeasance Securities received by the Escrow Agent that is not required for the payment of the Defeased Obligations and interest thereon, with respect to which such money has been so deposited, shall be turned over to the Commission, or deposited as directed in writing by the Commission. Any Future Escrow Agreement pursuant to which the money, Defeasance Securities or a combination of the foregoing are held for the payment of Defeased Obligations may contain provisions permitting the investment or reinvestment of such moneys in Defeasance Securities or the substitution of other Defeasance Securities upon the satisfaction of the requirements specified in clauses (i) or (ii) of subsection (a) immediately above. All income from such Defeasance Securities received by the Paying Agent/Registrar that is not required for the payment of the Defeased Obligations, with respect to which such money has been so deposited, shall be remitted to the Commission or deposited as directed in writing by the Commission.

(c) Paying Agent/Registrar Services. Until all Defeased Obligations shall have become due and payable, the Paying Agent shall perform the services of Paying Agent for such Defeased Obligations the same as if they had not been defeased, and the Commission shall make proper arrangements to provide and pay for such services as required by the Indenture.

(d) Selection of Obligations for Defeasance. In the event that the Commission elects to defease less than all of the principal amount of a Series of Obligations of a Maturity, the Trustee, or the Securities Depository if such Obligations are in book-entry-only form, shall select, or cause to be selected, such amount of such obligations by such random method as it deems fair and appropriate.

Supplemental Indentures

Supplemental Indentures Without Secured Owners' Consent. The Commission and the Trustee may from time to time and at any time enter into Supplemental Indentures, without the consent of or notice to any Secured Owner, to effect any one or more of the following:

(a) cure any ambiguity, defect or omission or correct or supplement any provision in the Indenture or in any Supplemental Indenture;

(b) grant to or confer upon the Trustee for the benefit of the Secured Owners any additional rights, remedies, powers, authority or security that may lawfully be granted to or conferred upon the Secured Owners or the Trustee which are not contrary to or inconsistent with the Indenture as then in

effect or to subject to the pledge and lien of the Indenture additional revenues, properties or collateral, including Defeasance Securities;

(c) add to the covenants and agreements of the Commission in the Indenture other covenants and agreements thereafter to be observed by the Commission or to surrender any right or power in the Indenture reserved to or conferred upon the Commission which are not contrary to or inconsistent with the Indenture as then in effect;

(d) permit the appointment of a co-trustee under the Indenture;

(e) modify, alter, supplement or amend the Indenture in such manner as shall permit the qualification of the Indenture, if required, under the Trust Indenture Act of 1939, the Securities Act of 1933 or any similar federal statute hereafter in effect;

(f) make any other change in the Indenture that is determined by the Commission not to be materially adverse to the interests of the Secured Owners, including changes or amendments requested by any Rating Agency as a condition to the issuance or maintenance of a rating or requested by the Texas Attorney General's office as a condition to the approval of any Additional First Tier Obligation;

(g) implement the issuance of Additional First Tier Obligations, Additional Second Tier Obligations or Additional Subordinate Lien Obligations permitted under the Indenture; or

(h) if all First Tier Obligations, Second Tier Obligations or Subordinate Lien Obligations in a Series are Book-Entry Obligations, amend, modify, alter or replace any Letter of Representations or other provisions relating to Book-Entry Obligations.

The Trustee shall not be obligated to enter into any such Supplemental Indenture that adversely affects the Trustee's own rights, duties or immunities under the Indenture.

Supplemental Indentures Requiring Secured Owners' Consent. The Commission and the Trustee, at any time and from time to time, may execute and deliver a Supplemental Indenture for the purpose of making any modification or amendment to the Indenture, but only with the written consent, given as provided under "APPENDIX B – SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Supplemental Indentures – Consents of Secured Owners and Opinions," of the Secured Owners of at least a majority in aggregate principal amount of the Obligations Outstanding at the time such consent is given, and in case less than all of the Obligations then Outstanding are affected by the modification or amendment, of the Secured Owners of at least a majority in aggregate principal amount of the Obligations so affected and Outstanding at the time such consent is given; provided, however, that if such modification or amendment will, by its terms, not take effect so long as any Obligations so affected remain Outstanding, the consent of the Secured Owners of such Obligations shall not be required and such Obligations shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Obligations under this paragraph. Notwithstanding the foregoing, no modification or amendment contained in any such Supplemental Indenture shall permit any of the following, without the consent of each Secured Owner whose rights are affected thereby:

(a) a change in the terms of stated Maturity or redemption of any Obligation or of any installment of interest thereon;

(b) a reduction in the principal amount of or redemption premium on any Obligation or in the rate of interest thereon or a change in the coin or currency in which such Obligation is payable;

(c) the creation of a lien on or a pledge of any part of the Trust Estate which has priority over or parity with (to the extent not permitted under the Indenture) the lien or pledge granted to the Secured Owners under the Indenture (but this provision shall not apply to the release of any part of the Trust Estate as opposed to the creation of a prior or parity lien or pledge);

(d) the granting of a preference or priority of any First Tier Obligations, Second Tier Obligations or Subordinate Lien Obligation, as the case may be, over any other First Tier Obligations, Second Tier Obligations or Subordinate Lien Obligations, except to the extent permitted in the Indenture;

(e) a reduction in the aggregate principal amount of Obligations of which the consent of the Secured Owners is required to effect any such modification or amendment; or

(f) a change in the provisions of this paragraph.

Notwithstanding the foregoing, the Secured Owner of any Obligation may extend the time for payment of the principal of or interest on such Obligation; provided, however, that upon the occurrence of an Event of Default, funds available under the Indenture for the payment of the principal of and interest on such Obligations shall not be applied to any payment so extended until all principal and interest payments which have not been extended have first been paid in full. Notice of any Supplemental Indenture executed pursuant to this paragraph shall be given to the Secured Owners promptly following the execution thereof.

Consents of Secured Owners and Opinions. Each Supplemental Indenture executed and delivered pursuant to the provisions of "APPENDIX B – SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Supplemental Indentures – Supplemental Indentures Requiring Secured Owner's Consent" shall take effect only when and as provided in this section. A copy of such Supplemental Indenture (or brief summary thereof or reference thereto in form approved by the Trustee), together with a request to Secured Owners for their consent thereto in form satisfactory to the Trustee, shall be sent by the Trustee to Secured Owners, at the expense of the Commission, by first class mail, postage prepaid, provided that a failure to mail such request shall not affect the validity of the Supplemental Indenture when consented to as provided. Such Supplemental Indenture shall not be effective unless and until there shall have been filed with the Trustee (a) the written consents of Secured Owners of the percentage of Obligations specified under "APPENDIX B – SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Supplemental Indentures – Supplemental Indentures Requiring Secured Owner's Consent" given as provided in the Indenture, and (b) the opinion of Counsel described in "APPENDIX B – SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Supplemental Indentures – Delivery of Counsel's Opinion with Respect to Supplemental Indentures." Any such consent shall be binding upon the Secured Owner giving such consent and upon any subsequent Secured Owner of such Obligations and of any Obligations issued in exchange therefor or in lieu thereof (whether or not such subsequent Secured Owner has notice thereof), unless such consent is revoked in writing by the Secured Owner giving such consent or a subsequent Secured Owner of such Obligations by filing such revocation with the Trustee prior to the date the Trustee receives the material required in subsections (a) and (b) of this section.

Notwithstanding anything else in the Indenture, if a Supplemental Indenture is to become effective under "APPENDIX B – SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Supplemental Indentures – Supplemental Indentures Requiring Secured Owner's Consent" on the same date as the date of issuance of Additional First Tier Obligations, Second Tier Obligations or Subordinate Lien Obligation, the consents of the underwriters or purchasers of such Additional First Tier Obligations, Second Tier Obligations or Subordinate Lien Obligation, as the case may be, shall be counted for purposes of "APPENDIX B – SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Supplemental Indentures – Supplemental Indentures Requiring Secured Owner's Consent" and this section.

Exclusion of Certain Obligations for the Purpose of Consent, etc. Obligations that are to be disregarded under the last sentence of the definition of "Outstanding" shall not be deemed Outstanding for the purpose of consent or other action or any calculation of Outstanding Obligations provided for in "APPENDIX B – SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Supplemental Indentures." At the time of any consent or other action taken under "APPENDIX B – SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Supplemental Indentures" or elsewhere in the Indenture, the Commission shall furnish the Trustee a certificate of a Commission Official, upon which the Trustee may rely, describing all Obligations so to be excluded.

Delivery of Counsel's Opinion with Respect to Supplemental Indentures. Subject to certain rights and obligations of the Trustee set forth in the Indenture, the Trustee in executing a supplemental indenture may rely, and shall be fully protected in relying, on (a) an opinion of Counsel acceptable to it stating that (1) the execution of such Supplemental Indenture is authorized or permitted by the Indenture and (2) all conditions precedent to the execution and delivery of such Supplemental Indenture have been complied with, and (b) an opinion of Bond Counsel that the execution and performance of such Supplemental

Indenture shall not, in and of itself, adversely affect the federal income tax status of any Obligations, the interest on which is not included in gross income for federal income tax purposes.

Effect of Supplemental Indentures. Upon the execution and delivery of any Supplemental Indenture under "APPENDIX B – SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Supplemental Indentures," the Indenture shall be modified in accordance therewith, and such Supplemental Indenture shall form a part of the Indenture for all purposes; and every Secured Owner of any Obligation theretofore or thereafter authenticated and delivered under the Indenture shall be bound thereby.

APPENDIX C

MINUTE ORDER OF THE COMMISSION

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Transportation Code, Chapter 361 and other applicable law, including Government Code, Chapter 1371, authorizes the Texas Transportation Commission (commission) to issue turnpike revenue bonds, bond anticipation notes, and other obligations to finance turnpike projects on the state highway system, and to enter into trust agreements and indentures of trust governing matters relating to the issuance of such obligations.

In TRAVIS and WILLIAMSON COUNTIES, pursuant to Minute Order 108873, dated April 25, 2002, STATE HIGHWAY 130 has been designated as a turnpike project and a controlled access state highway from Interstate Highway 35 at State Highway 195 to a southern terminus at U.S. Highway 183.

In TRAVIS and WILLIAMSON COUNTIES, pursuant to Minute Order 108896, dated May 30, 2002, STATE HIGHWAY 45 has been designated a turnpike project and a controlled access state highway from west of U.S. 183 to SH 130.

In TRAVIS and WILLIAMSON COUNTIES, pursuant to Minute Order 108896, dated May 30, 2002, STATE HIGHWAY LOOP 1 has been designated a turnpike project and a controlled access state highway from the intersection of existing Loop 1 and FM 734 (Parmer Lane) in Austin to the proposed intersection of Loop 1 and SH 45.

The commission has determined it to be in the best interest of the state to issue turnpike revenue bonds and other obligations to finance a portion of the costs of the Central Texas Turnpike System, a turnpike project composed initially of the SH 130, SH 45, and Loop 1 project elements (2002 Project), including reimbursement of 2002 Project costs incurred by the Texas Department of Transportation (department) prior to the issuance of such bonds and obligations, and to enter into an Indenture of Trust and four supplemental indentures to secure revenue bonds and other obligations issued for the 2002 Project.

The United States Department of Transportation has approved a loan to the commission in an aggregate principal amount not to exceed $916,760,000 pursuant to the Transportation Infrastructure Finance and Innovation Act of 1998 (2002 TIFIA Loan) to pay a portion of the eligible project costs of the 2002 Project. The loan is made pursuant to a Master Secured Loan Agreement dated July 15, 2002 (2002 TIFIA Loan Agreement), attached as Exhibit A to this order, and evidenced by a promissory bond in the aggregate principal amount not to exceed $916,760,000.

The Indenture of Trust dated July 15, 2002 (indenture), attached as Exhibit B to this order, prescribes the terms, provisions and covenants related to the issuance of turnpike revenue bonds and obligations to finance a portion of the costs of the 2002 Project, including specifically the terms, provisions and covenants related to the issuance of bonds entitled "Texas Turnpike Authority Central Texas Turnpike System First Tier Revenue Bonds, Series 2002-A" in the aggregate principal amount not to exceed $1,300,000,000 (Series 2002-A Bonds).

The indenture, together with the First Supplemental Indenture of Trust dated July 15, 2002 (first supplemental indenture), attached as Exhibit C to this order, prescribes the terms, provisions, and covenants related to the 2002 TIFIA Loan and the issuance of a promissory bond entitled "Texas Turnpike Authority, a division of the Texas Department of Transportation, TIFIA - No. 2001-001, Central Texas Turnpike System Subordinate Lien Promissory Bond, Series 2002" in the aggregate

principal amount not to exceed $916,760,000 (2002 TIFIA Promissory Bond), which shall be delivered to the U.S. Department of Transportation in connection with the 2002 TIFIA Loan.

The indenture, together with the Second Supplemental Indenture of Trust dated August 1, 2002 (second supplemental indenture), attached as Exhibit D to this order, prescribes the terms, provisions, and covenants related to the issuance of bonds entitled "Texas Turnpike Authority Central Texas Turnpike System First Tier Revenue Bonds, Series 2002-B (Weekly Rate Demand Bonds)" in the aggregate principal amount not to exceed $200,000,000 (Series 2002-B Bonds).

The indenture, together with the Third Supplemental Indenture of Trust dated August 1, 2002 (third supplemental indenture), attached as Exhibit E to this order, prescribes the terms, provisions, and covenants related to the issuance of a note entitled "Texas Turnpike Authority Central Texas Turnpike System First Tier Revenue Note, Series 2002" in the aggregate principal amount not to exceed $10,000,000 (Series 2002 First Tier Note), which shall be delivered to the developer in connection with the Exclusive Development Agreement dated June 19, 2002 for the SH 130 portion of the 2002 Project.

The indenture, together with the Fourth Supplemental Indenture of Trust dated August 1, 2002 (fourth supplemental indenture), attached as Exhibit F to this order, prescribes the terms, provisions, and covenants related to the issuance of notes entitled "Texas Turnpike Authority Central Texas Turnpike System Bond Anticipation Notes, Series 2002" in the aggregate principal amount not to exceed $900,000,000 (Series 2002 Second Tier BANS).

The department has published an invitation for bids from banks and other financial institutions possessing trust powers interested in serving as Trustee under the indenture and supplemental indentures.

The Financial Plan presented to the commission in connection with the consideration of this order, as reflected in the indenture, the supplemental indentures, the respective award certificates relating to the Series 2002-A Bonds, the Series 2002-B Bonds and the Series 2002 Second Tier BANS to be subsequently executed in connection with the sale and pricing of such obligations, and the preliminary official statement, is accepted and approved and its use in connection with the 2002 TIFIA Loan Agreement is approved.

The Series 2002-A Bonds, the Series 2002-B Bonds, the 2002 TIFIA Loan Agreement, the 2002 TIFIA Promissory Bond, the Series 2002 First Tier Note, and the Series 2002 Second Tier BANS do not constitute debts of the state or a pledge of the faith and credit of the state and are special, limited obligations of the commission secured by and payable solely from the trust estate as defined in the indenture and the respective supplemental indentures.

The commission understands that the underwriters intend to distribute a preliminary official statement (preliminary official statement), attached as Exhibit G to this order, and a final official statement (official statement) in substantially the form of the preliminary official statement in connection with the public offering and sale of the Series 2002-A Bonds, the Series 2002-B Bonds, and the Series 2002 Second Tier BANS, which preliminary official statement does, and the official statement will, include copies of the Central Texas Turnpike 2002 Project Engineering Report prepared by PBS&J (general engineering consultant report) and the Traffic and Revenue Report prepared by Vollmer Associates and URS Corporation.

IT IS THEREFORE ORDERED by the commission that the TTA Representative, as defined in the indenture, is authorized to select the Trustee from among the entities submitting responses to the invitation for bids, based upon a determination of which entity best meets the requirements of the specifications of the solicitation, using the evaluation criteria set out in the specifications, and which entity is expected to provide the best value to the department.

IT IS FURTHER ORDERED by the commission that the TTA Representative is authorized and directed to execute and deliver the indenture, the first supplemental indenture, the second supplemental indenture, the third supplemental indenture, and the fourth supplemental indenture, and such documents are approved with such changes as the TTA Representative executing the same may approve, such approval to be conclusively evidenced by execution of the amended document.

IT IS FURTHER ORDERED by the commission that the TTA Representative is designated the authorized borrower representative for purposes of the 2002 TIFIA Loan Agreement and is authorized and directed to execute and deliver the 2002 TIFIA Loan Agreement, and the 2002 TIFIA Loan Agreement is approved with such changes as the authorized borrower representative executing the same may approve, such approval to be conclusively evidenced by execution of the 2002 TIFIA Loan Agreement.

IT IS FURTHER ORDERED by the commission that the preliminary official statement is approved with such changes as the TTA Representative executing the same may approve, such approval to be conclusively evidenced by execution of the preliminary official statement, and the preliminary official statement is deemed final for purposes of Rule 15c2-12 of the Securities and Exchange Commission (rule) with such omissions as permitted by the rule.

IT IS FURTHER ORDERED by the commission that the underwriters are authorized to distribute the preliminary official statement in connection with the public offering and sale of the Series 2002-A Bonds, the Series 2002-B Bonds, and the Series 2002 Second Tier BANS being issued in connection with the 2002 Project as described in the preliminary official statement.

IT IS FURTHER ORDERED by the commission that any necessary ancillary documents in connection with the execution of the 2002 TIFIA Loan Agreement and the issuance of the Series 2002-A Bonds, the Series 2002-B Bonds, the 2002 TIFIA Promissory Bond, the Series 2002 First Tier Note, and the Series 2002 Second Tier BANS are hereby approved, including the form of a Blanket Issuer Letter of Representations with The Depository Trust Company in order to issue bonds and other obligations as book-entry-only obligations, and the TTA Representative is authorized and directed to execute and deliver such documents.

IT IS FURTHER ORDERED by the commission that the TTA Representative is hereby authorized, appointed and designated to act on behalf of the commission in selling and delivering the Series 2002-A Bonds in accordance with the parameters and provisions prescribed in the indenture, as supplemented by the supplemental indentures, including specifically Section 201(b) of the indenture.

IT IS FURTHER ORDERED by the commission that the TTA Representative is hereby authorized, appointed and designated to act on behalf of the commission in selling and delivering the Series 2002-B Bonds in accordance with the parameters and provisions prescribed in the second supplemental indenture, including specifically Section 201(b) of the second supplemental indenture.

IT IS FURTHER ORDERED by the commission that the TTA Representative is hereby authorized, appointed and designated to act on behalf of the commission in taking such action necessary to comply with the terms, provisions, and covenants of the third supplemental indenture.

IT IS FURTHER ORDERED by the commission that the TTA Representative is hereby authorized, appointed and designated to act on behalf of the commission in selling and delivering the Series 2002 Second Tier BANS in accordance with the parameters and provisions prescribed in the fourth supplemental indenture, including specifically Section 201(b) of the fourth supplemental indenture.

IT IS FURTHER ORDERED by the commission that the Commissioner of Transportation, each member of the commission, the executive director of the department, and each TTA Representative is authorized and directed to perform all such acts and execute such documents, including execution of certifications to the underwriters, the Attorney General, and other parties, as may be necessary to carry out the intent of this order and other orders of the commission relating to the financing of the 2002 Project.

Submitted and reviewed by:

Director, Texas Turnpike Authority Division

Recommended by:

Executive Director

108947 JUN 27 02

TEXAS TRANSPORTATION COMMISSION

TRAVIS AND WILLIAMSON County MINUTE ORDER

District AUSTIN

In TRAVIS and WILLIAMSON COUNTIES, pursuant to Minute Order 108873, dated April 25, 2002, STATE HIGHWAY 130 has been designated as a turnpike project and a controlled access state highway from Interstate Highway 35 at State Highway 195 to a southern terminus at U.S. Highway 183.

In TRAVIS and WILLIAMSON COUNTIES, pursuant to Minute Order 108896, dated May 30, 2002, STATE HIGHWAY 45 has been designated a turnpike project and a controlled access state highway from west of U.S. 183 to SH 130.

In TRAVIS and WILLIAMSON COUNTIES, pursuant to Minute Order 108896, dated May 30, 2002, STATE HIGHWAY LOOP 1 has been designated a turnpike project and a controlled access state highway from the intersection of existing Loop 1 and FM 734 (Parmer Lane) in Austin to the proposed intersection of Loop 1 and SH 45.

The Texas Transportation Commission (commission) has determined it to be in the best interest of the state to issue turnpike revenue bonds and other obligations to finance a portion of the costs of the Central Texas Turnpike System, a turnpike project composed initially of the SH 130, SH 45, and Loop 1 project elements (2002 Project), including reimbursement of 2002 Project costs incurred by the Texas Department of Transportation (department) prior to the issuance of such bonds and obligations, and to enter into an Indenture of Trust and four supplemental indentures (indenture) to secure revenue bonds and other obligations issued for the 2002 Project.

The commission has previously engaged Vollmer Associates and URS Corporation to serve as the traffic consultant in accordance with the indenture and to prepare an investment grade traffic and revenue report to use in connection with the marketing of turnpike revenue bonds and other obligations for the 2002 Project, attached as Exhibit A to this order (traffic and revenue report).

The traffic and revenue report also establishes an initial schedule of toll rates, and planned increases to such schedule of toll rates, and a toll collection structure for the 2002 Project.

The commission has previously engaged PBS&J to serve as general engineering consultant in accordance with the indenture and to prepare a general engineering consultant report related to the 2002 Project to use in connection with the marketing of turnpike revenue bonds and other obligations for the 2002 Project, attached as Exhibit B to this order (general engineering consultant report).

IT IS THEREFORE ORDERED by the commission that the traffic and revenue report and general engineering consultant report, including specifically the assumptions set forth in the reports as a basis for the respective projections and estimates, are accepted and approved with such changes as the TTA Representative, as defined in the indenture, approves as necessary to issue and market the turnpike revenue bonds and other obligations for the 2002 Project.

IT IS FURTHER ORDERED by the commission that the underwriters are authorized to use and quote the traffic and revenue report and general engineering consultant report in the official statement to be distributed in connection with the public offering and sale of the turnpike revenue bonds and other obligations for the 2002 Project.

IT IS FURTHER ORDERED by the commission that the initial schedule of toll rates, the planned increases to such schedule of toll rates, and the toll collection structure as set forth in the traffic and revenue report and general engineering consultant report are approved.

Submitted and reviewed by:

Director, Texas Turnpike Authority Division

Recommended by:

M. A. Behrens

Executive Director

108948 JUN 27 02

Minute Number Date Passed

TEXAS TRANSPORTATION COMMISSION

VARIOUS County | **MINUTE ORDER** |

District VARIOUS

In TRAVIS and WILLIAMSON COUNTIES, pursuant to Minute Order 108873, dated April 25, 2002, STATE HIGHWAY 130 has been designated as a turnpike project and a controlled access state highway from Interstate Highway 35 at State Highway 195 to a southern terminus at U.S. Highway 183.

In TRAVIS and WILLIAMSON COUNTIES, pursuant to Minute Order 108896, dated May 30, 2002, STATE HIGHWAY 45 has been designated a turnpike project and a controlled access state highway from west of U.S. 183 to SH 130.

In TRAVIS and WILLIAMSON COUNTIES, pursuant to Minute Order 108896, dated May 30, 2002, STATE HIGHWAY LOOP 1 has been designated a turnpike project and a controlled access state highway from the intersection of existing Loop 1 and FM 734 (Parmer Lane) in Austin to the proposed intersection of Loop 1 and SH 45.

The Texas Transportation Commission (commission) has determined it to be in the best interest of the state to issue turnpike revenue bonds and other obligations to finance a portion of the costs of the Central Texas Turnpike System, a turnpike project composed initially of the SH 130, SH 45, and Loop 1 project elements (2002 Project), including reimbursement of 2002 Project costs incurred by the Texas Department of Transportation (department) prior to the issuance of such bonds and obligations, and to enter into an Indenture of Trust and four supplemental indentures (indenture) to secure revenue bonds and other obligations issued for the 2002 Project.

The commission has engaged Vollmer Associates and URS Corporation to prepare a traffic and revenue report related to the 2002 Project, which report details assumptions regarding changes in the roadway network for 2007-2025 that impact the forecasted revenues for the 2002 Project. The traffic and revenue report assumes certain roadway improvements will be completed and open to traffic within certain timeframes.

In Minute Order 108897, dated May 30, 2002, the commission approved the terms of a draft financial plan and related commitments in connection with the Central Texas Turnpike System and the issuance of revenue bonds and other obligations for the 2002 Project, including:

(1) paying $700 million of 2002 Project costs beginning in FY 2004 and ending in FY 2008,

(2) using lawfully available funds to complete construction of the 2002 Project if the proceeds of turnpike revenue bonds and other obligations issued for the 2002 Project and other funds are insufficient for this purpose;

(3) using lawfully available funds to acquire all necessary right of way for the 2002 Project that is not acquired or paid for by other entities;

(4) paying the 2002 Project operating expenses, maintenance expenses and major or periodic maintenance expenses as provided in the indenture; and

(5) ensuring the timely opening of U.S. Highway 183-A, the US 183-A interchange at SH 45, and the SH 45 South connector from IH 35 to SH 130 at the times assumed in the traffic and revenue report.

IT IS THEREFORE ORDERED by the commission that $700 million in state and federal mobility funds is authorized for the construction of the 2002 Project and may be drawn down as provided in the indenture beginning in September 2003 and ending in August 2008. Minute Order 108897 is superseded to the extent it is inconsistent with the provisions of this paragraph.

IT IS FURTHER ORDERED by the commission that the department shall use lawfully available funds to complete construction of the 2002 Project within the timeframe set forth in the traffic and revenue report to the extent that the proceeds of turnpike revenue bonds and other obligations issued for the 2002 Project and other funds are insufficient for this purpose.

IT IS FURTHER ORDERED by the commission that the department shall use lawfully available funds to acquire all necessary right of way for the 2002 Project that is not acquired or paid for by other entities, and to acquire such right of way by the date necessary to allow the 2002 Project to be constructed within the timeframes set forth in the traffic and revenue report.

IT IS FURTHER ORDERED by the commission that the department shall use lawfully available funds to pay the operating, maintenance, and major or periodic maintenance expenses of the 2002 Project as provided in the indenture.

IT IS FURTHER ORDERED by the commission that the department shall ensure the timely opening of US 183-A, the US 183-A interchange at SH 45, and the SH 45 South connector from IH 35 to SH 130 in accordance with and at the times provided in the traffic and revenue report, and in furtherance of that commitment, the department is authorized and directed to take any action necessary for such projects to be funded, constructed and opened in accordance with the traffic and revenue report.

Submitted and reviewed by:

Director, Texas Turnpike Authority Division

Recommended by:

M. W. Behrens

Executive Director

108949 JUN 27 02

Minute Number — Date Passed

APPENDIX D

SUMMARY OF CERTAIN PROVISIONS RELATED TO SERIES 2002-B BONDS AND SUMMARY OF CERTAIN PROVISIONS OF INITIAL LIQUIDITY AGREEMENT

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APPENDIX D

SUMMARY OF CERTAIN PROVISIONS RELATED TO SERIES 2002-B BONDS AND SUMMARY OF CERTAIN PROVISIONS OF INITIAL LIQUIDITY AGREEMENT

The following statements summarize certain provisions of the Indenture and the Second Supplemental Indenture relating to the Series 2002-B Bonds and the initial Liquidity Agreement related to such bonds. These statements do not purport to be comprehensive or definitive and are qualified in their entirety by reference to the Indenture, the Second Supplemental Indenture and the initial Liquidity Agreement. Copies of the Indenture, the Second Supplemental Indenture and the initial Liquidity Agreement are available for examination at the offices of the Commission.

Definitions

The capitalized terms used in this APPENDIX D that are not otherwise defined herein have the meanings assigned to them in "APPENDIX B – SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Definitions."

"Alternate Liquidity Agreement" – any substitute or replacement liquidity agreement securing the payment of the purchase price of Series 2002-B Bonds tendered for purchase while the Series 2002-B Bonds bear interest at Weekly Rates, delivered in accordance with the provisions of the Second Supplemental Indenture in substitution and replacement for the Liquidity Agreement.

"Business Day" – any day other than a Saturday or a Sunday or a day on which banking institutions are required or authorized by law or executive order to remain closed in the State or the City of New York or in the city in which the designated office of the Trustee or the Securities Depository is located and the payment office of the Liquidity Provider for draws under the Liquidity Agreement or the primary office of the Remarketing Agent are located, are required or authorized by law to remain closed.

"Commission Bonds" – Series 2002-B Bonds purchased with moneys from the Commission and held for the benefit of the Commission pursuant to the Second Supplemental Indenture.

"Conversion Date" – the day on which the Fixed Rate becomes effective for Series 2002-B Bonds and the Series 2002-B Bonds begin to accrue interest at the Fixed Rate pursuant to the Second Supplemental Indenture and which day is immediately preceded by a day on which such Series 2002-B Bonds did not accrue interest at the Fixed Rate.

"Electronic Notice" – notice given by facsimile transmission or by telephone (promptly confirmed in writing).

"Fixed Rate" – the per annum interest rate on the Series 2002-B Bonds during the Fixed Rate Period determined as provided in the Second Supplemental Indenture.

"Fixed Rate Period" – with respect to the Series 2002-B Bonds when converted to the Fixed Rate, the period from the Conversion Date to the final maturity date for the Series 2002-B Bonds of August 15, 2042, unless earlier redeemed.

"Interest Payment Date" –:

(a) with respect to Bonds accruing interest at Weekly Rates, the first (1st) Business Day of each calendar month, beginning October 1, 2002, and any day which is the Conversion Date to the Fixed Rate Period; and

(b) any redemption date and the final maturity date for the Series 2002-B Bonds of August 15, 2042.

"Liquidity Agreement" – the Standby Bond Purchase Agreement, dated as of August 1, 2002, between the Commission, the Trustee and the Liquidity Provider, as originally executed with the original issuance of the Series 2002-B Bonds and any extensions thereof, and as from time to time amended and supplemented, and any similar agreement pursuant to which an Alternate Liquidity Agreement is issued, as originally executed and as such agreement may from time to time be amended and supplemented. The Liquidity Agreement is a Credit Facility and a Reimbursement Agreement under the Indenture.

"Liquidity Provider" – The Bank of Nova Scotia, acting through its New York Agency, in its capacity as issuer of the initial Liquidity Agreement, and its successors and assigns, and if an Alternate Liquidity Agreement is issued, the issuer of such Alternate Liquidity Agreement, and its successors and assigns. The Liquidity Provider is a Bank under the Indenture.

"Liquidity Provider Bonds" – Series 2002-B Bonds purchased with moneys drawn on the Liquidity Agreement and held for the benefit of the Liquidity Provider pursuant to the Second Supplemental Indenture.

"Liquidity Provider Rate" – the rate of interest to be borne by any Series 2002-B Bonds while such bonds are Liquidity Provider Bonds as provided in the Liquidity Agreement, but in no case shall such rate of interest exceed the maximum rate permitted by law, including Chapter 1204, Texas Government Code, as amended.

"Maximum Rate" – the lesser of twelve percent (12%) per annum or the maximum rate permitted by law, including Chapter 1204, Texas Government Code, as amended.

"Record Date" – the close of business, in the case of Series 2002-B Bonds accruing interest at Weekly Rates, the first (1st) Business Day immediately preceding an Interest Payment Date.

"Remarketing Agent" – initially Salomon Smith Barney Inc. and subsequently any Person meeting the qualifications of and designated from time to time to act as successor Remarketing Agent under the Second Supplemental Indenture.

"Series 2002-B Bonds Purchase Fund" – the fund by that name created by the Second Supplemental Indenture, including within such fund the "Remarketing Account," the "Liquidity Provider Purchase Account" and the "Commission Purchase Account." The Series 2002-B Bonds Purchase Fund is a Bond Purchase Fund under the Indenture and does not constitute a part of the Trust Estate.

"Weekly Rate" – the per annum interest rate on the Series 2002-B Bonds during a Weekly Rate Period determined on a weekly basis as provided in the Second Supplemental Indenture.

"Weekly Rate Period" – each period described in the Second Supplemental Indenture during which Series 2002-B Bonds accrue interest at a Weekly Rate.

General

The Series 2002-B Bonds initially will be issued to bear interest at a Weekly Rate. Pursuant to the Indenture, the Commission may elect to cause the Series 2002-B Bonds to bear interest at the Fixed Rate until maturity. In the event the Commission elects to cause the Series 2002-B Bonds to bear interest at a Fixed Rate, they will be subject to mandatory tender for purchase, and it is expected that the Series 2002-B Bonds will be remarketed pursuant to a new offering document which will explain in detail the terms and conditions of the Series 2002-B Bonds following such conversion to the Fixed Rate. Accordingly, provisions of the Indenture, the Second Supplemental Indenture and the Series 2002-B Bonds relating to the terms of the Series 2002-B Bonds following a conversion to the Fixed Rate are not discussed herein.

The Series 2002-B Bonds will be issued in authorized denominations of $100,000 and any integral multiple of $5,000 in excess of $100,000, with respect to any Weekly Rate Period (the "Authorized Denominations").

The Trustee is also the tender agent for the Series 2002-B Bonds. The Trustee, with the written consent of the Commission and the Remarketing Agent, may appoint as its agent an alternate tender agent to act as its agent in performing any of its duties as tender agent. Any alternate tender agent appointed shall meet the same eligibility requirements required of the Trustee under the Indenture

Salomon Smith Barney Inc. has been appointed under the Indenture to serve as Remarketing Agent for the Series 2002-B Bonds. The Remarketing Agent may resign upon 30 days' notice or be removed upon 15 days' notice and a successor Remarketing Agent may be appointed in accordance with the terms of the Indenture and a remarketing agreement by and between the Commission and the Remarketing Agent. The Remarketing Agent may assign or transfer any or all of its rights and obligations to any other entity affiliated with the Remarketing Agent so long as such entity meets the qualifications for a remarketing agent set forth in the Second Supplemental Indenture and is otherwise permitted to perform such obligations under all applicable federal and state banking and securities laws, rules and regulations.

Principal Portion of Liquidity Provider Bonds Not Secured by Reserve Fund

The principal portion of any Liquidity Provider Bonds is not secured by, or entitled to any benefit of, the First Tier Debt Service Reserve Fund. The interest component of any such Liquidity Provider Bonds is secured by the First Tier Debt Service Reserve Fund.

Summary of Certain Provisions of the Series 2002-B Bonds

The following table summarizes, for Series 2002-B Bonds bearing interest at a Weekly Rate, the dates on which such interest rate will be determined ("Interest Rate Determination Dates"); the dates on which Registered Owners may tender their Series 2002-B Bonds for purchase to the Trustee and the notice requirements for such tender ("Optional Tender of Series 2002-B Bonds for Purchase on Demand of Owner; Required Notice"); the dates on which Series 2002-B Bonds are subject to mandatory tender for purchase ("Mandatory Tender of Series 2002-B Bonds for Purchase; Purchase Dates"); the redemption provisions applicable to the Series 2002-B Bonds ("Redemption"); and the notice requirements for redemption and mandatory tender for purchase ("Notices of Mandatory Purchases and Redemption"). Such provisions are discussed in more detail under the captions "Optional Tender of Series 2002-B Bonds in Weekly Rate Period," "Mandatory Tender of Series 2002-B Bonds in Weekly Rate Period," and "Redemption of Series 2002-B Bonds" below. All times stated are New York City time. See "Interest Payments on Series 2002-B Bonds in Weekly Rate Period" below for information with respect to interest periods, Interest Payment Dates and Record Dates for the Series 2002-B Bonds.

Interest Rate Determination Dates	At or before 5:00 p.m. on each Tuesday (or if not a Business Day, on the next following Business Day) for the period beginning on the following Wednesday and ending on the next Tuesday.
Optional Tender of Series 2002-B Bonds for Purchase on Demand of Owner; Required Notice	Any Business Day; by facsimile or telephonic notice, promptly confirmed in writing, to the Trustee not later than 3:00 p.m. on a Business Day at least seven days prior to the purchase date.

Mandatory Tender of Series 2002-B Bonds for Purchase; Purchase Dates	(1) On any Business Day not later than the twentieth (20th) day after which the Trustee has received notice from the Commission of its voluntary termination of the Liquidity Agreement and its intention not to obtain an Alternate Liquidity Agreement in replacement thereof. (2) On the effective date of a conversion of the interest rate on the Series 2002-B Bonds to the Fixed Rate. (3) On the 5th Business Day prior to expiration of the Liquidity Agreement. (4) On a Business Day not later than the fifteenth (15th) day after which the Trustee has received from the Liquidity Provider a "Notice of Termination" (as defined in the Liquidity Agreement) under the Liquidity Agreement. (5) On the date of substitution of the Liquidity Agreement.
Redemption	(1) Optional redemption at par on any Interest Payment Date. (2) Bonds that are Liquidity Provider Bonds are subject to special mandatory redemption as provided in the Liquidity Agreement.
Notices of Mandatory Purchases and Redemption	At least 10 days notice of mandatory purchase; at least 30 days notice of redemption.

Interest Payments on Series 2002-B Bonds in Weekly Rate Period

Interest on the Series 2002-B Bonds will be calculated on the basis of a year of 365 days (or 366 days in leap years, as appropriate), for the actual number of days elapsed.

Interest on the Series 2002-B Bonds in the Weekly Rate Period, interest accrued during the applicable period from the initial date of delivery of the Series 2002-B Bonds through September 30, 2002 or thereafter the 1st Business Day of each calendar month to the day prior to the 1st Business Day of the next succeeding calendar month or any day which is a Conversion Date to the Fixed Rate Period, will be paid on the Interest Payment Date to Registered Owners on the corresponding Record Date.

Determination of Interest Rate on Series 2002-B Bonds

Weekly Rates. The Remarketing Agent will determine the Weekly Rate applicable to the Series 2002-B Bonds pursuant to the terms of the Indenture and the Second Supplemental Indenture, provided that the interest rate may not exceed the lesser of 12% per annum or the Maximum Rate. Subject to this limitation, the rate of interest on each Bond will be determined as the lowest rate of interest which, in the judgment of the Remarketing Agent, would cause the Series 2002-B Bonds to have a market value as of the date of determination equal to the principal amount thereof, plus accrued interest, taking into account prevailing market conditions. The Remarketing Agent will set a Weekly Rate no later than 5:00 p.m., New York City time, on each Tuesday during which interest on the Series 2002-B Bonds is to be payable at a Weekly Rate, or, if any such Tuesday is not a Business Day, on the next following Business Day. The first Weekly Rate will apply to the period beginning on the initial date of delivery of the Series 2002-B Bonds and ending on Tuesday, September 3, 2002. Thereafter, each Weekly Rate will apply to the period beginning on the Wednesday after the Weekly Rate is set and ending on the following Tuesday or, if earlier, ending on the day before the conversion date to the Fixed Rate Period on the Series 2002-B Bonds or the final maturity date for the Series 2002-B Bonds of August 15, 2042.

If the Remarketing Agent fails for any reason to determine the Weekly Rate for any Weekly Rate Period, the Weekly Rate in effect for the Series 2002-B Bonds for such Weekly Rate Period will be the percentage per annum equal to the current The Bond Market Association Municipal Swap Index rate as published in The Bond Buyer (or if The Bond Buyer or such index is no longer published, such other published similar index as is determined by the Remarketing Agent in its sole discretion to be appropriate), plus 5 basis points.

While there exists an Event of Default under the Indenture and this Second Supplemental Indenture, the interest rate on the Series 2002-B Bonds shall be, during the period the Series 2002-B Bonds bear interest at Weekly Rates, the Maximum Rate, unless such bonds are Liquidity Provider Bonds in which case such bonds will bear interest at the Liquidity Provider Rate. See "Initial Liquidity Agreement" below.

While any Series 2002-B Bond is a Liquidity Provider Bond, such Liquidity Provider Bond shall bear interest at the Liquidity Provider Rate until such Liquidity Provider Bond is sold or remarketed, or the Liquidity Provider elects not to sell such Liquidity Provider Bond, as provided in the Liquidity Agreement. See "Initial Liquidity Agreement" below.

Conversion of Interest Rate to the Fixed Rate. The Commission may, with the written consent of the Liquidity Provider, elect to convert all of the Series 2002-B Bonds from the Weekly Rate Period to the Fixed Rate Period. The Commission shall give notice of any proposed conversion and the proposed date such conversion will become effective (the "Conversion Date") to the Trustee not less than 45 days prior to the proposed Conversion Date. Upon receipt of the notice from the Commission, the Trustee shall promptly give written notice of the proposed conversion to the Remarketing Agent and the Liquidity Provider. The Trustee shall give notice to the Registered Owners (which may be combined, where applicable, with any notice of mandatory tender) not less than 30 days before the proposed Conversion Date. This notice shall state: (a) the proposed Conversion Date, the Fixed Rate Period will be effective on such date, all Series 2002-B Bonds will be so converted, the Series 2002-B Bonds will not be subject to tender after such conversion and there will be no Liquidity Agreement after such conversion; (b) that such Series 2002-B Bonds will be subject to mandatory tender for purchase on the Conversion Date; (c) the conditions, if any, to the conversion, and the consequences of such conditions not being fulfilled; (d) if the Series 2002-B Bonds are in certificated form, information with respect to required delivery of bond certificates and payment of the purchase price; and (e) the new Interest Payment Dates and Record Dates.

Conditions to Conversion to the Fixed Rate Period. The conversion of the Series 2002-B Bonds from the Weekly Rate Period to the Fixed Rate Period described above must satisfy the following conditions in order to become effective:

(a) The Commission must deliver to the Trustee with the conversion notice (i) a firm underwriting or purchase contract from a recognized firm of bond underwriters or recognized institutional investors, which may be the Remarketing Agent, to underwrite or purchase all Series 2002-B Bonds that are to be converted to a Fixed Rate at a price of 100% of the principal amount thereof at an agreed upon interest rate for the Series 2002-B Bonds which such underwriter or institutional investor certifies is the lowest rate that will permit the Series 2002-B Bonds to be sold at par on the first day of the Fixed Rate Period; and (ii) an opinion of Bond Counsel (which opinion shall be addressed and delivered to the Trustee and shall be confirmed on the date of the conversion to a Fixed Rate) stating that such conversion is authorized or permitted by the Indenture and the Second Supplemental Indenture, and that the conversion will not adversely affect the exclusion from gross income on any Series 2002-B Bonds for federal income tax purposes; and

(b) If any Series 2002-B Bonds have been called for redemption and the redemption has not yet occurred, the effective date of the change cannot be before such redemption date.

Cancellation of Conversion to the Fixed Rate. If any condition precedent to a conversion to the Fixed Rate set forth above is not met, then no conversion shall occur, but the Series 2002-B Bonds shall continue to be subject to any mandatory tender otherwise required without regard to the failure to fulfill such condition, and thereafter shall accrue interest at Weekly Rates for Weekly Rate Periods determined as provided in the Second Supplemental Indenture.

Optional Tender of Series 2002-B Bonds in Weekly Rate Period

Series 2002-B Bonds accruing interest at Weekly Rates may be tendered for purchase, at the option of the Registered Owners thereof, at a purchase price equal to 100% of the principal amount of such Series 2002-B Bonds (or portions in Authorized Denominations) plus accrued interest, if any (calculated using the applicable Weekly Rates to the relevant interest accrual period), to the purchase date. The Registered Owners of Series 2002-B Bonds (or the Beneficial Owners of Series 2002-B Bonds held in a Book-Entry-Only System) accruing interest at Weekly Rates may elect (directly or through the applicable Depository Participant) to have their Series 2002-B Bonds or beneficial interests (or portions thereof in Authorized Denominations) purchased on any Business Day upon Electronic Notice of tender given to the Trustee not later than 3:00 p.m., New York City time, on a Business Day at least seven days prior to the purchase date.

Each notice of tender must be delivered by the Registered Owner (or if the Series 2002-B Bonds are held under the Book-Entry-Only System, by the Beneficial Owner through its Depository Participant in the Securities Depository) to the Trustee and the Remarketing Agent at their notice addresses and be in form satisfactory to the Trustee. The notice shall state (A) the principal amount of Series 2002-B Bonds or beneficial interest (or portion thereof in Authorized Denominations) to be tendered, (B) that the Registered Owner irrevocably demands purchase of such bond or beneficial interest (or portion thereof in Authorized Denominations) to be tendered (or a specified portion thereof), (C) the date on which such bond or beneficial interest (or portion thereof in Authorized Denominations) to be tendered (or portion thereof) is to be purchased, and (D) the identity of the Depository Participant through which the Beneficial Owner maintains its interest and payment instructions with respect to the purchase price.

The notice shall automatically constitute (A) an irrevocable offer to sell the Series 2002-B Bonds (or portion thereof) to which the notice relates on the purchase date at the purchase price, (B) an irrevocable authorization and instruction to the Trustee to effect transfer of such Series 2002-B Bonds (or portion thereof) upon payment of the purchase price to the Trustee on the purchase date, (C) an agreement of the Registered Owner (or Beneficial Owner through its participation in the Securities Depository) to make arrangements to deliver and transfer the Series 2002-B Bonds or beneficial interest being tendered, with all necessary endorsements for transfer and signature guarantees, to the Trustee at its designated payment office not later than 11:00 a.m., New York City time, on the purchase date, or by causing its Depository Participant to transfer its interest in the Series 2002-B Bonds equal to such Beneficial Owner's interest on the records of the Securities Depository to the participant account of the Trustee or its agent with the Securities Depository, and (D) an acknowledgment that such owner will have no further rights with respect to such Series 2002-B Bonds (or portion thereof) upon payment of the purchase price thereof to the Trustee on the purchase date, except for the right of such owner to receive such purchase price upon delivery of such Series 2002-B Bonds to the Trustee, and that after the purchase date such owner will hold any undelivered bond certificate as agent for the Trustee.

Mandatory Tender of Series 2002-B Bonds in Weekly Rate Period

The Series 2002-B Bonds in the Weekly Rate Period are subject to mandatory tender for purchase at a purchase price equal to 100% of the principal amount of such Series 2002-B Bonds, plus accrued interest, if any (calculated using the applicable Weekly Rates to the relevant interest accrual period), as follows:

Mandatory Tender Upon Voluntary Termination by Commission of Liquidity Agreement. The Series 2002-B Bonds accruing interest at a Weekly Rate are subject to mandatory tender for purchase on any Business Day not later than the twentieth (20th) day after which the Trustee has received notice from the Commission of its voluntary termination of the Liquidity Agreement and its intention not to obtain an Alternate Liquidity Agreement in replacement thereof.

Mandatory Tender Upon Conversion to the Fixed Rate Period. The Series 2002-B Bonds to be converted from the Weekly Rate Period to the Fixed Rate Period are subject to mandatory tender for purchase on the Conversion Date.

Mandatory Tender Upon Expiration of or Default under the Liquidity Agreement. The Series 2002-B Bonds are subject to mandatory tender for purchase (1) on the fifth (5th) Business Day prior to the expiration of the Liquidity Agreement if the Trustee has not received evidence satisfactory to it by the thirtieth (30th) day preceding the scheduled expiration date of either an extension of the then existing Liquidity Agreement or the issuance of an Alternate Liquidity Agreement or (2) on a Business Day not later than the fifteenth (15th) day after which the Trustee has received from the Liquidity Provider a "Notice of Termination" (as defined in the Liquidity Agreement) under the Liquidity Agreement.

Mandatory Tender Upon Substitution of Alternate Liquidity Agreement. The Series 2002-B Bonds are subject to mandatory tender for purchase on the date of substitution of an Alternate Liquidity Agreement for the then existing Liquidity Agreement.

Notice of Mandatory Tender. The Trustee shall give notice to the Registered Owners of Series 2002-B Bonds of a mandatory tender for purchase to the Registered Owners of the Series 2002-B Bonds, the Commission, the Liquidity Provider, the Remarketing Agent, principal bond depositories, information services and each Rating Agency maintaining a rating on the Series 2002-B Bonds not less than ten (10) days before the mandatory tender date. If the Series 2002-B Bonds are in certificated form, the notice shall include information with respect to required delivery of bond certificates and payment of the purchase price. The notice will state (1) the purchase date, (2) the purchase price, (3) if a Book-Entry-Only System is not in effect, that the Series 2002-B Bonds subject to mandatory tender must be surrendered to collect the purchase price, (4) if a Book-Entry-Only System is not in effect, the address at which the Series 2002-B Bonds must be surrendered, and (5) that interest on the Series 2002-B Bonds purchased ceases to accrue on the purchase date. In addition, if a Liquidity Agreement is expiring, the notice will state the expiration date and that the expiration might result in a reduction or withdrawal of any rating of the Series 2002-B Bonds.

Delivery of Tendered Series 2002-B Bonds

When a Book-Entry-Only System is in effect, any requirement for physical delivery of the Series 2002-B Bonds in connection with an optional or mandatory tender will be deemed satisfied by the Trustee when the ownership rights in the Series 2002-B Bonds are transferred by Depository Participants on the records of the Securities Depository. See "THE OBLIGATIONS – Book-Entry-Only System" in the Official Statement.

When a Book-Entry-Only System is not in effect, all tendered Series 2002-B Bonds must be delivered to the Trustee at or prior to 11:00 a.m., New York City time on the purchase date to the designated payment office of the Trustee or its designated agent or drop service in New York City. The Series 2002-B Bonds shall be accompanied by an instrument of transfer satisfactory to the Trustee, executed in blank by the owner, with all signatures guaranteed. The Trustee may refuse to accept delivery of any Series 2002-B Bond for which an instrument of transfer satisfactory to it has not been provided and shall have no obligation to pay the purchase price of such bond until a satisfactory instrument is delivered. If the Registered Owner of any Series 2002-B Bond (or portion thereof) in certificated form that is subject to optional or mandatory purchase fails to deliver such bond to the Trustee for purchase on the purchase date, and if the Trustee is in receipt of the purchase price therefor, such bond (or portion thereof) shall nevertheless be deemed purchased on the purchase date thereof and ownership of such bond (or portion thereof) shall be transferred to the purchaser for which such bond has been remarketed. Any owner who fails to deliver such bond for purchase shall have no further rights thereunder except the right to receive the purchase price thereof upon presentation and surrender of said bond to the Trustee.

Remarketing and Purchase of Tendered Series 2002-B Bonds

Remarketing of Series 2002-B Bonds. Unless otherwise instructed by the Commission, the Remarketing Agent shall offer for sale and use its best efforts to find purchasers for all Series 2002-B Bonds or portions thereof for which notice of tender has been received pursuant to the optional tender provisions, or which are subject to mandatory tender under any of the circumstances as described above.

Purchase of Tendered Series 2002-B Bonds. At or before 3:00 p.m., New York City time, on the purchase date for tendered Series 2002-B Bonds and upon receipt by the Trustee of 100% of the aggregate purchase price of the tendered Series 2002-B Bonds, the Trustee shall pay the purchase price of such Series 2002-B Bonds to the Registered Owners thereof. Such payments shall be made in immediately available funds.

Registration and Delivery of Purchased Series 2002-B Bonds. On the date of purchase, the Trustee shall register and deliver (or hold) all Series 2002-B Bonds purchased on any purchase date as follows: (1) Series 2002-B Bonds purchased or remarketed by the Remarketing Agent shall be registered and made available to the Remarketing Agent by 4:00 p.m., New York City time, in accordance with the instructions of the Remarketing Agent, (2) Series 2002-B Bonds purchased with proceeds made available through the Liquidity Agreement shall be registered in the name of the Liquidity Provider and shall be held by the Trustee as Liquidity Provider Bonds as described in the following paragraph, and (3) Series 2002-B Bonds purchased with amounts provided by the Commission shall be registered in the name of the Commission and shall be held in trust by the Trustee on behalf of the Commission and shall not be released from such trust unless the Trustee shall have received written instructions from the Commission. Notwithstanding anything to the contrary, so long as the Series 2002-B Bonds are held under a Book-Entry-Only System, Series 2002-B Bonds will not be delivered as set forth above; rather, transfers of beneficial ownership of the Series 2002-B Bonds to the Person indicated above will be effected on the records of the Securities Depository pursuant to its rules and procedures.

Liquidity Provider Bonds

Series 2002-B Bonds purchased with proceeds made available through the Liquidity Agreement shall be deemed purchased by the Commission for the benefit of the Liquidity Provider, shall constitute Liquidity Provider Bonds, and shall be held by the Trustee as fiduciary for the Liquidity Provider (and shall be shown as Liquidity Provider Bonds on the Bond Register or, if the Series 2002-B Bonds are held in the Book-Entry-Only System, such Liquidity Provider Bonds shall be recorded in the records of the Securities Depository for the account of the Trustee, as custodian for the Liquidity Provider) in accordance with the provisions of the Second Supplemental Indenture and the Liquidity Agreement. Liquidity Provider Bonds shall bear interest at the Liquidity Provider Rate. The Remarketing Agent shall continue to use its best efforts to arrange for the sale of any Liquidity Provider Bonds, subject to full reinstatement of the amount available to the Trustee under the Liquidity Agreement with respect to such Series 2002-B Bonds, at which time the Liquidity Provider's security interest in the Series 2002-B Bonds shall be released.

Series 2002-B Bonds Bond Purchase Fund

The Second Supplemental Indenture creates the Series 2002-B Bonds Purchase Fund to be established with the Trustee which will include therein a Remarketing Account, a Liquidity Provider Purchase Account and a Commission Purchase Account. Amounts received from the remarketing of Series 2002-B Bonds by the Remarketing Agent on account of any optional or mandatory tender will be deposited to the Remarketing Account of the Series 2002-B Bonds Purchase Fund. Amounts drawn on the Liquidity Agreement for the purchase of Series 2002-B Bonds on account of any optional or mandatory tender will be deposited into the Liquidity Provider Purchase Account, and amounts, provided by the Commission to purchase Series 2002-B Bonds, if needed, will be deposited to the Commission Purchase Account of the Series 2002-B Bonds Purchase Fund. Amounts deposited to the Series 2002-B Bonds Purchase Fund will be used to pay the purchase price of Series 2002-B Bonds tendered for optional

or mandatory tender. The Trustee will apply such payment first from the Remarketing Account, then from the Liquidity Provider Purchase Account and finally from the Commission Purchase Account.

Redemption of Series 2002-B Bonds

When interest on the Series 2002-B Bonds is payable at a Weekly Rate, the Series 2002-B Bonds may be redeemed, in whole or part, at the written direction of the Commission on any Interest Payment Date.

The Liquidity Provider Bonds are subject to special mandatory redemption and payment prior to maturity as provided in the Liquidity Agreement, in whole or in part, on the dates and at the redemption prices provided in such Liquidity Agreement. See "Initial Liquidity Agreement" below.

The Initial Liquidity Agreement

The Bank of Nova Scotia, acting through its New York Agency has been selected by the Commission to provide the initial Liquidity Agreement to provide for the purchase of the Series 2002-B Bonds that have been tendered for purchase and which cannot be remarketed by the Remarketing Agent.

General. The Series 2002-B Bonds will be purchased by the Liquidity Provider pursuant to the Initial Liquidity Agreement upon the optional or mandatory tender of the Series 2002-B Bonds for purchase, which cannot be remarketed by the Remarketing Agent. The initial Liquidity Agreement will be the obligation of the Liquidity Provider to make available to the Trustee, upon request and in accordance with the terms thereof, up to (A) an amount sufficient to pay up to $150,000,000 of principal portion of the purchase price of the Series 2002-B Bonds when due, at purchase pursuant to a tender, plus (B) an amount equal to 34 days' interest, computed at the Maximum Rate (based on a year of 365 days), on the Series 2002-B Bonds to pay that portion of the purchase price of the Series 2002-B Bonds corresponding to interest), in order to assure the payment of the purchase price of any Series 2002-B Bonds tendered as a result of an optional or mandatory tender. The obligation of the Initial Liquidity Provider to purchase the Series 2002-B Bonds is subject to automatic termination or suspension upon the occurrence of certain events as described in "Events of Termination," "Automatic Termination of Obligation to Purchase Series 2002-B Bonds" and "Suspension of Obligation to Purchase Series 2002-B Bonds" below.

Term and Liquidity Provider Rate. The initial Liquidity Agreement will terminate on August 27, 2003, unless extended by mutual agreement (the "Stated Expiration Date"), and subject to earlier termination as described below. Liquidity Provider Bonds purchased under the initial Liquidity Agreement will bear interest at the Liquidity Provider Rate. Under the initial Liquidity Agreement, the Liquidity Provider Rate is a rate per annum equal to: (i) the higher of (a) the rate of interest from time to time announced by the initial Liquidity Provider as its base rate for commercial lending if the initial Liquidity Provider establishes a such rate, or (b) the overnight rate of interest quoted by initial Liquidity Provider for the overnight sale to other major banks of federal funds plus 0.50% per annum (the "Adjusted Base Rate") from the first day of purchase to, and including, the ninetieth (90th) day, (ii) the Adjusted Base Rate plus 0.75% per annum from the ninety-first (91st) day of purchase through, and including, the Stated Expiration Date and (iii) the Adjusted Base Rate plus 1.50% per annum following the Stated Expiration Date. The Liquidity Provider Bonds will bear interest at the Adjusted Base Rate plus 3.00% per annum (the "Default Rate") upon the "Events of Termination" described below as well as any due but unpaid principal of such bonds.

Special Mandatory Redemption. The initial Liquidity Agreement requires the special mandatory redemption of any Liquidity Provider Bonds in equal or nearly equal quarterly installments, the first such installment being payable three months following the earlier of (w) Substantial Completion of the 2002 Project, (x) the occurrence and continuance of an "*Event Of Termination*" (as defined in the following paragraph) under the initial Liquidity Agreement, (y) December 1, 2007 or (z) the Stated Expiration Date (but only if such Stated Expiration Date occurs after (w) and (y) of this paragraph) and on each date

thereafter that is three months following the prior date of payment so that each Liquidity Provider Bond is paid in full no later than the tenth anniversary date of the initial delivery of the Series 2002-B Bonds or the fifth anniversary of the Stated Expiration Date, whichever is later.

Events of Termination. The following events shall constitute an "Event of Termination" under the initial Liquidity Agreement:

(a) any principal or interest due on the Series 2002-B Bonds is not paid by the Commission when due and such principal or interest is not paid by the Bond Insurer when, as, and in the amounts required to be paid pursuant to the terms of the Financial Guaranty Insurance Policy; or

(b) (i) any material provision of the Financial Guaranty Insurance Policy at any time for any reason ceases to be valid and binding on the Bond Insurer in accordance with the terms of the Financial Guaranty Insurance Policy or is declared to be null and void by a court or other governmental agency of appropriate jurisdiction, or (ii) the validity or enforceability thereof is contested by the Bond Insurer or any governmental agency or authority with appropriate jurisdiction, or the Bond Insurer denies that it has any or further liability or obligation under the Financial Guaranty Insurance Policy; or

(c) (i) the issuance, under the laws of the state of incorporation or organization of the Bond Insurer, of an order for relief, rehabilitation, reorganization, conversion, liquidation or dissolution of the Bond Insurer, (ii) (A) an involuntary case or other proceeding is instituted in a court having jurisdiction in the premises seeking an order for relief, rehabilitation, reorganization, conservation, liquidation or dissolution in respect of the Bond Insurer or for any substantial part of its property under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or for the appointment of a receiver, liquidator, assignee, custodian, trustee or sequestrator (or other similar official) and such proceeding is not terminated for a period of thirty (30) consecutive days or such court enters an order granting the relief sought in such proceeding or (B) the Bond Insurer shall institute or take any corporate action for the purpose of instituting any such proceeding; (iii) the Bond Insurer shall become insolvent or unable to pay its debts as they mature or claims under any of its insurance policies as such claims are made, or shall commence a voluntary case or other proceeding seeking liquidation, reorganization or other relief with respect to itself or its debts under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect; (iv) the Bond Insurer shall consent to the entry of an order for relief in an involuntary case or other proceeding under any such law; (v) the Bond Insurer shall consent to or seek the appointment of or taking possession by a receiver, liquidator, assignee, trustee, custodian or sequestrator (or other similar official) for itself or for any substantial part of its property; (vi) the Bond Insurer shall make a general assignment for the benefit of creditors; (vii) the Bond Insurer shall fail generally to pay its debts or claims as they become due; or (viii) the Bond Insurer shall take any corporate action in furtherance of any of the foregoing; or

(d) the Bond Insurer shall default in any payment or payments of amounts payable by it under any insurance policy or policies (other than the Financial Guaranty Insurance Policy) which are on a parity with the Financial Guaranty Insurance Policy when due and such default shall continue for a period of ten (10) Business Days (it being understood by the initial Liquidity Provider that default for purposes of this paragraph shall not mean a situation whereby the Bond Insurer contests in good faith its liability under any such policy or policies in light of claims made thereunder); or

(e) any representation or warranty made by the Commission under or in connection with the initial Liquidity Agreement or any of the related documents shall prove to be untrue in any material respect on the date as of which it was made; or

(f) nonpayment of certain fees under the initial Liquidity Agreement (together with interest thereon at a rate equal to the Default Rate to the extent permitted by law and solely from lawfully available funds) within ten Business Days after the Trustee and the Commission have received written notice from the initial Liquidity Provider that the same were not paid when due; or

(g) nonpayment of any other fees, or any other amount when due hereunder (together with interest thereon at a rate equal to the Default Rate to the extent permitted by law and solely from lawfully available funds), if such failure to pay when due shall continue for ten business days after written notice thereof to the Commission by the initial Liquidity Provider; or

(h) the breach by the Commission of any of the terms or provisions of the initial Liquidity Agreement related to the use of funds provided under the initial Liquidity Agreement to purchase tendered Series 2002-B Bonds; the amendment, termination or waiver by the Commission related to the Financial Guaranty Insurance Policy or related document without the consent of the initial Liquidity Provider; the redemption of any Series 2002-B Bonds prior to the redemption of any Liquidity Provider Bonds (or payment of amounts owing to the initial Liquidity Provider); its good faith efforts to maintain its existence and not consolidate with, privatize or merge into any other person or entity or convey, assign, transfer or lease the Project or its other assets to any other person, other than the pledge and assignment of the Revenues for the benefit of the First Tier Obligations, the Second Tier Obligations and the Subordinate Lien Obligations, except with the initial Liquidity Provider's consent unless provision is made for the payment of the Commission's outstanding debts, including all obligations owing under the initial Liquidity Agreement; the maintenance of the Financial Guaranty Insurance Policy and no surrender, cancellation, termination, amendment or modification of the Financial Guaranty Insurance Policy without the initial Liquidity Provider's consent; the requirement that an Alternate Liquidity Agreement provide for the purchase of any Liquidity Provider Bonds upon its effectiveness; the appointment of any successor Trustee or Remarketing Agent or the substitution or addition of a municipal bond insurance policy on the Series 2002-B Bonds, without the consent of the initial Liquidity Provider; and the requirement to obtain additional municipal bond insurance or other credit enhancement, acceptable to the initial Liquidity Provider, if the ratings assigned to the obligations insured by the Insurer shall drop below "AA+" or its equivalent, by Fitch, "AA+" or its equivalent by S&P or "Aa1" or its equivalent, by Moody's, if requested by the initial Liquidity Provider; or

(i) the breach by the Commission of any of the other terms or provisions of the initial Liquidity Agreement which is not remedied within 30 days after written notice thereof shall have been received by the Commission from the initial Liquidity Provider; or

(j) the Second Supplemental Indenture shall terminate or cease to be of full force and effect, other than as a result of any redemption in full of the Series 2002-B Bonds or provision for such redemption in full in accordance with the Second Supplemental Indenture; or

(k) the occurrence of the rating of the Bond Insurer's claims-paying ability is reduced below "AA-", "AA-" or "Aa3" by any two of Fitch, S&P or Moody's, respectively; or

(l) the Bond Insurer is substituted as insurer of the Series 2002-B Bonds, or the Financial Guaranty Insurance Policy is surrendered, canceled, or terminated, or amended or modified in any material respect, without the initial Liquidity Provider's prior written consent; or

(m) the rating of the Bond Insurer's claims-paying ability is withdrawn or suspended for credit-related reasons or reduced below "BBB-", "BBB-" and "Baa3" by Fitch, S&P and Moody's, respectively.

Automatic Termination of Obligation to Purchase Series 2002-B Bonds. The initial Liquidity Provider under the initial Liquidity Agreement is not obligated to make funds available to the Trustee upon an Event of Termination described in (a), (c), (d), (l) and (m) of the "Events of Termination" paragraph above and the obligation of the initial Liquidity Provider to purchase Series 2002-B Bonds shall immediately terminate without notice or demand, and thereafter the initial Liquidity Provider shall be under no obligation to purchase the Series 2002-B Bonds.

Suspension of Obligation to Purchase Series 2002-B Bonds. In the case of an Event of Termination specified in (b) of the "Events of Termination" paragraph above, the initial Liquidity Provider may suspend its obligations to purchase Series 2002-B Bonds hereunder upon written notice to

the Commission, the Trustee and the Bond Insurer until a final nonappealable order of a court having jurisdiction in the premises shall be entered declaring that all material contested provisions of the Financial Guaranty Insurance Policy are upheld in their entirety. In the event such order is entered declaring any material provision of the Financial Guaranty Insurance Policy null and void, or declaring that the Bond Insurer does not have any further liability of obligation under the Financial Guaranty Insurance Policy, then the initial Liquidity Provider's obligation to purchase Series 2002-B Bonds shall immediately terminate. Notwithstanding the foregoing, if, upon the earlier of the date the initial Liquidity Provider is not obligated to purchase Series 2002-B Bonds as described under the paragraphs "*Automatic Termination of Obligation to Purchase Series 2002-B Bonds*," "*Suspension of Obligation to Purchase Series 2002-B Bonds*" and "*Notice of Termination and Resulting Mandatory Tender,*" litigation is still pending and a judgment regarding the validity of the Financial Guaranty Insurance Policy as is the subject of such Event of Termination has not been obtained, then the obligation of the initial Liquidity Provider to purchase Bonds shall terminate without notice or demand.

Notice of Termination and Resulting Mandatory Tender. In the case of an Event of Termination specified in (e), (f), (g), (h), (i), (j) or (k) of the "Events of Termination" paragraph above, the initial Liquidity Provider may terminate the its obligation to purchase Series 2002-B Bonds by giving written notice (a "Notice of Termination") to the Commission, the Trustee and the Bond Insurer, specifying the date on which its obligation shall terminate (the "Termination Date"), which shall be not less than thirty (30) days from the date of receipt of such notice by the Trustee, and on and after the Termination Date the Bank shall be under no further obligation to purchase Series 2002-B Bonds other than Series 2002-B Bonds which are the subject of a proper mandatory tender of the Series 2002-B Bonds as described in clause (2) of the paragraph "Mandatory Tender of Series 2002-B Bonds in Weekly Rate Period – Mandatory Tender Upon Expiration of or Default under the Liquidity Agreement" described above for which the initial Liquidity Provider has received notice on or prior to the Termination Date

Payments to Trustee for Tendered Series 2002-B Bonds. The Liquidity Provider is directed under the Second Supplemental Indenture to provide funds under the Liquidity Agreement (including the initial Liquidity Agreement) to the Trustee by 2:45 p.m., New York City time, in an amount sufficient, together with the proceeds of the Series 2002-B Bonds successfully remarketed by the Remarketing Agent, to enable the Trustee to pay the purchase price of such Series 2002-B Bonds to be purchased on such purchase date (exclusive, however, of accrued interest which would be due on the purchase date if such purchase date is an Interest Payment Date); provided, the Liquidity Provider shall not make any payment under the Liquidity Agreement with respect to Commission Bonds or Liquidity Provider Bonds.

The Liquidity Agreement is not security for the payment of the principal, premium, if any, of and interest on the Series 2002-B Bonds.

Alternate Liquidity Agreement

Pursuant to the terms of the Second Supplemental Indenture, the Commission may elect to replace any Liquidity Agreement with an Alternate Liquidity Agreement conforming to the requirements of the Second Supplemental Indenture. The Commission will promptly notify the Trustee and the then current Liquidity Provider of its intention to deliver an Alternate Liquidity Agreement. Upon receipt of such notice, the Trustee will deliver a notice of mandatory tender of the Series 2002-B Bonds in accordance with the terms of the Second Supplemental Indenture. See "Mandatory Tender of Series 2002-B Bonds in Weekly Rate Period – Mandatory Tender Upon Substitution of Alternate Liquidity Agreement" and "– Notice of Mandatory Tender" above.

APPENDIX E

GEC'S SYSTEM REPORT

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CENTRAL TEXAS TURNPIKE SYSTEM
2002 PROJECT
ENGINEERING REPORT

Texas Department of Transportation
Texas Turnpike Authority Division

July 22, 2002

Prepared by

PBSJ

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CENTRAL TEXAS TURNPIKE SYSTEM

2002 PROJECT

ENGINEERING REPORT

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CENTRAL TEXAS TURNPIKE SYSTEM

2002 PROJECT

ENGINEERING REPORT

EXECUTIVE SUMMARY

INTRODUCTION

This report documents and describes the location, preliminary engineering design features, construction cost estimates, operation and maintenance expense estimates, and a construction schedule for the portion of the Central Texas Turnpike System consisting of the State Highway (SH) 45 North element, the Loop 1 element and the SH 130 element located in Travis and Williamson counties in central Texas, together the 2002 Project (see Figure 1). These elements are roadway expansion and new turnpikes that will be constructed by the Texas Turnpike Authority Division (TTA) of the Texas Department of Transportation (TxDOT). Texas Senate Bill 370, adopted during the 75th Texas Legislature, created the Texas Turnpike Authority as a division of the Texas Department of Transportation, effective September 1, 1997.

These elements have been in various stages of planning, design, and construction since the early 1980's. The alignments and corridors approved for these elements were selected to help alleviate traffic congestion and improve mobility at various locations throughout the northern and eastern regions of the Austin metropolitan area. The north and east Austin metropolitan communities, as well as the surrounding areas, will experience benefits from the implementation of these improvements. The SH 45 North element will provide an east-west roadway for this area. Interstate Highway (IH) 35 represents one of the few north-south roadways serving Austin and its surrounding communities. Currently IH 35 is experiencing high levels of congestion, delays, and driver frustrations. One of the causes for this prevalent mobility restriction through and surrounding Austin is the increase in international truck traffic due to the North American Free Trade Agreement (NAFTA) and the inability of the highway lane capacity on IH 35 to keep pace. IH 35 is one of the major north-south roadways providing access to the lower Rio Grande Valley and the Mexican Border from the north. Austin and San Antonio's population growth has caused an accelerated deterioration of mobility along IH 35. Because of these factors, an increase in the number of accidents has occurred and IH 35 has experienced a steady degradation in its level of service (LOS). The current TxDOT LOS rating is E/F.

Schematic designs were developed and the 2002 Project was programmed for construction by TxDOT as funds became available. In December 1994, the Texas Transportation Commission requested the TTA to study this highway network as a toll road. With the sale of bonds to finance design, right-of-way (ROW) and construction, the 2002 Project will be opened to traffic years earlier than would have been possible as an exclusively TxDOT funded project.

Based on advanced project development and the strength of the TTA Management Team, the 2002 Project should be constructed within the cost and schedule parameters included in this report.

2002 PROJECT DESCRIPTION

The 2002 Project is part of a highway improvement program in the north and east Austin metropolitan region. This network of highways will serve as an alternate to IH 35 for the cities of Austin, Cedar Park, Elgin, Georgetown, Leander, Manor, Round Rock, and Pflugerville. SH 45 North, located between US 183 on the west and SH 130 on the east, is the east-west route of the 2002 Project. Loop 1, from Parmer Lane north to SH 45 North is a major north-south route in this program. SH 45 North and Loop 1 will improve traffic flow in both the northwest and northeast regions of the Austin Metroplex. SH 130, from US 183 southeast of Austin to IH 35 north of Georgetown, is the second major north-south route included in the 2002 Project. Once constructed, the 2002 Project will relieve present and future traffic overburdens on RM 620, FM 1325, US 183, FM 734, US 290 and IH 35. The SH 45 North and Loop 1 elements traverse Travis and Williamson Counties, with a majority of the improvements located in Williamson County. The SH 130 element traverses Travis and Williamson Counties with the majority of the element located in Travis County. The SH 45 North and Loop 1 elements connect the cities of Austin, Round Rock, and Pflugerville. The SH 130 element is an eastern alternative to IH 35 for the city of Austin (see Figure 1). These elements will be controlled access facilities totaling approximately 65.7 miles (16.7 miles for SH 45 North and Loop 1 and 49.0 miles for SH 130). The SH 45 North and Loop 1 elements will be six lane divided roadways except for the eastern section of SH 45 North between County Road 172 and SH 130. This section will be a four lane divided roadway. These elements will have discontinuous frontage roads, toll facilities, overpasses, underpasses, and direct-connectors at the interchanges. The SH 130 element will be a four lane divided limited access roadway with toll facilities, overpasses, underpasses, discontinuous frontage roads and direct-connectors at the SH 45 North interchange (see Appendix B). The ROW for the 2002 Project will accommodate future lane expansion.

Three mainlane barrier toll plazas are proposed for SH 45 North and Loop 1. One mainlane toll plaza is located on Loop 1 in Section 2, approximately 1.5 miles south of the Loop 1/SH 45 North interchange. The second toll plaza is located on SH 45 North in Section 8, approximately 0.5 miles west of Parmer Lane. The third toll plaza is located on SH 45 North in Section 6, approximately 0.25 miles east of Wilke Lane. The remaining toll collection will occur at 13 ramp locations.

Four mainlane barrier toll plazas are proposed for SH 130. One mainlane toll plaza is located in Segment 1, approximately 0.6 miles south of County Road 107. The second mainlane toll plaza is located in Segment 2, approximately 0.6 miles north of Cameron Road. The third toll plaza is located in Segment 3, approximately 1.0 miles north of FM 969. The fourth toll plaza is located in Segment 4, approximately 2 miles south of the SH 130/SH 71 interchange. The remaining toll collection will occur at 30 ramp locations.

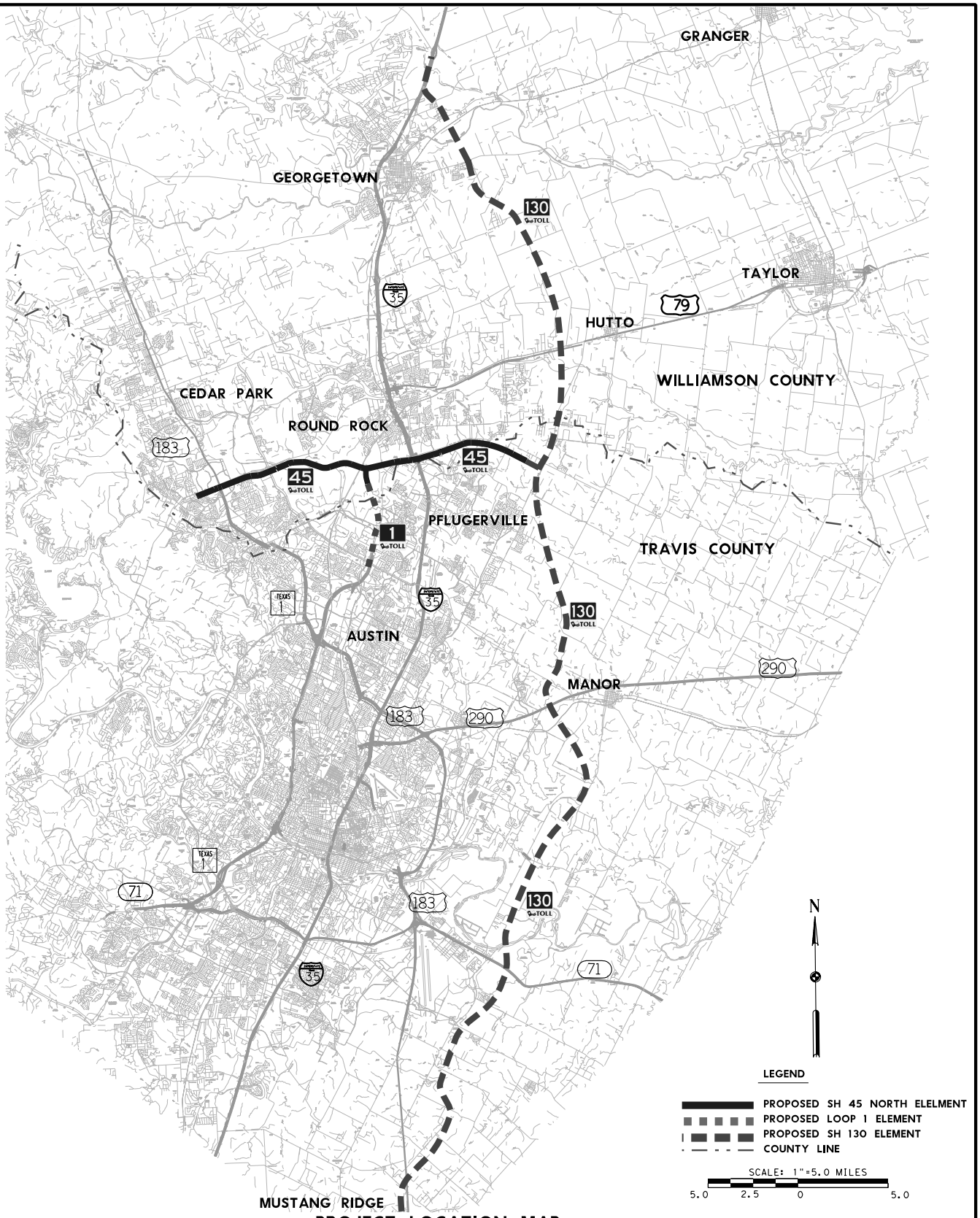
2002 PROJECT COST AND SCHEDULE

The SH 45 North and Loop 1 elements will be constructed using the traditional design-bid-build project delivery process. Design plans are in various stages of completion and ROW acquisition is in progress. Based on current plans, costs were estimated for engineering, ROW acquisition, utility relocation, major roadway construction items, toll plazas, toll systems and operations buildings. Construction costs were based on the latest TxDOT unit prices for the Austin area. Detailed schedules have been developed for each element section. The estimated costs and schedules represent a professional judgment based on PBS&J experience on major turnpike projects. The estimated cost and schedule is reasonable and the elements should be constructed on time and within the limits of the element costs.

The SH 130 element will be constructed utilizing an Exclusive Development Agreement (EDA) with Lone Star Infrastructure (Developer). The Developer Team includes Fluor Daniel, Jones Brothers Inc./Deavers Construction, Balfour Beatty Construction Inc., DMJM & Harris, S&B Infrastructure, Southwest Strategies Group Inc., SWG&M, Hicks & Co., TBE Group Inc., VMS Inc., Raba-Kistner, Austin Road & Bridge, T.J. Lambrecht Construction and Bridgefarmer & Associates Inc. The EDA contract for SH 130 has a guaranteed schedule and lump sum cost. PBS&J has reviewed the schedule durations and cost submitted by the Developer and considers them reasonable for the project scope. Costs for other items of work for SH 130 such as construction oversight and management, toll systems, and the purchase price of the necessary ROW were estimated.

The 2002 Project should open in phases. SH 130 from IH 35 to SH 71 should open in September 2007. SH 130 from SH 71 to US 183 should open in December 2007. Loop 1 and the eastern portion of SH 45 North should open in September 2007. The western portion of SH 45 North should open in December 2007 (see Table 9). The 2002 Project should be complete and open to traffic by December 1, 2007.

The 2002 Project cost is estimated to be $2,942,000,000. This includes appropriate inflation factors and contingencies for construction change orders. Unforeseeable escalation of prices or wages, shortages of labor or materials, and changes in economic conditions are factors that affect construction costs and could escalate or reduce the 2002 Project cost (see Tables 6 & 7). The estimated cost is reasonable to complete the project.



PROJECT LOCATION MAP

FIGURE 1

Texas Department of Transportation

TTA TOLL

PBSJ

CENTRAL TEXAS TURNPIKE SYSTEM

2002 PROJECT

ENGINEERING REPORT

INTRODUCTION

Austin has experienced significant growth in the past three decades. In the ten years between 1980 and 1990, northeast Austin witnessed an expansion in population approximating 46% with limited improvement to the transportation infrastructure to accommodate the increases in motor vehicle traffic. Indicators suggest that previous growth in population has not exhausted future growth potential. These trends are particularly relevant in southern Williamson and northern and eastern Travis counties. Recent projections from the State Comptroller's Office show a 147% growth in population from 2000 to 2025 within the area. These projections are corroborated by the Capital Area Metropolitan Planning Organization (CAMPO), which forecasts a 168% growth from 2000 to 2025. The rapid and continuous growth has had both a predictable and detrimental effect on the regional transportation system. This system has not kept pace with increased traffic needs.

Congestion produces driver delays, higher levels of noise and air pollution, and loss of economic potential. Overburdened roadways also undermine safety and increase risk to the motorists. The purpose of the 2002 Project is to counter the ill effects of the region's overburdened transportation system. The 2002 Project will enhance existing travel routes and expand the mobility network, i.e. adding significant travel lane capacity to the highway system, to the north and east of Austin's Central Business District (CBD). The results of this highway improvement program will reduce driver delays and noise and air pollution, while maintaining the economic potential of the region. The program will also create enterprise opportunities and improve safety for the traveling public.

It is the purpose of this report to present the location, engineering design features, construction schedules, cost estimates, and operation and maintenance expense estimates for the 2002 Project.

2002 PROJECT DESCRIPTION

The 2002 Project is part of a transportation mobility improvement program of highways in the north and east Austin metropolitan regions. This project will provide east-west and north-south routes that will improve safety and mobility in compliance with the CAMPO transportation plan.

SH 45 North is the east-west route of the 2002 Project. At SH 45 North's western terminus, US 183 is being improved by TxDOT to enhance traffic mobility immediately north and south of SH 45 North. While US 183 is not a part of the 2002 Project, its proposed improvements extend an on-going transportation project north through the SH 45 North interchange for the purpose of reducing traffic congestion entering and exiting SH 45 North from the north, south, and west. From the US 183 interchange, SH 45 North extends to the east to a connection with SH 130. This includes major interchanges at Loop 1 and IH 35. Loop 1 is an extension of the existing Loop 1 freeway from FM 734 to SH 45 North.

SH 130 will consist of new location construction from IH 35 north of Georgetown to US 183 southeast of Austin. This will include major interchanges at IH 35 north, US 79, SH 45 North, US 290, and SH 71.

For design and construction purposes, SH 45 North and Loop 1 have been subdivided into nine sections (see Table 1). These sections will be constructed utilizing the traditional design-bid-build project delivery process.

SH 130 has been subdivided into four segments (see Table 2). The TTA will execute an EDA for the design, ROW acquisition, utility relocation, construction and construction engineering and inspection.

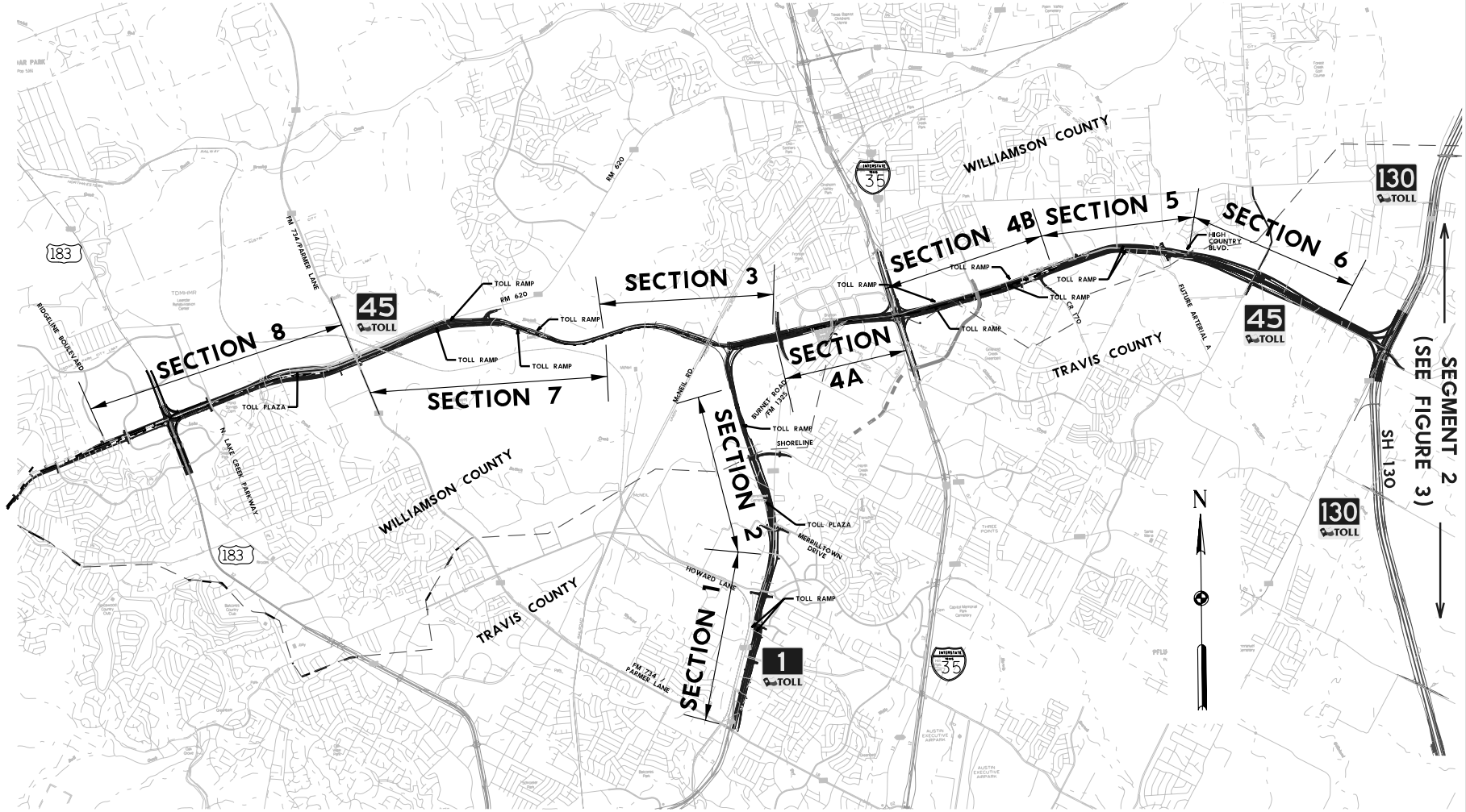
TABLE 1

SECTION NUMBER	SH 45 NORTH AND LOOP 1 ELEMENTS LIMITS AND LENGTHS	MILES
1	Loop 1 - From Parmer Lane to Merrilltown Dr.	1.8
2	Loop 1 - From Merrilltown Dr. to one quarter mile south of the SH 45 North/Loop 1 interchange.	1.7
3	SH 45 North/Loop 1 Interchange - From one quarter mile south of interchange to approximately one mile west of IH 35/SH 45 North interchange and from the SH 45 North/Loop 1 interchange to approximately three quarter miles west of the interchange.	2.8
4A	IH 35/SH 45 North Interchange West - From approximately one mile west of the IH 35/SH 45 North interchange to the IH 35/SH 45 North interchange.	1.0
4B	IH 35/SH 45 North Interchange East - From the IH 35/SH 45 North interchange to east of County Road 170 (Pflugerville Loop).	1.1
5	SH 45 North - From east of County Road 170 to High Country Boulevard.	1.4
6	SH 45 North - From High Country Boulevard to west of SH 130.	1.5
7	SH 45 North - From Parmer Lane to three quarter miles west of the SH 45 North/Loop 1 interchange.	2.6
8	SH 45 North - From Ridgeline Boulevard to Parmer Lane, including the US 183/SH 45 North interchange.	2.8
	TOTAL	**16.7**

TABLE 2

SEGMENT NUMBER	SH 130 ELEMENT LIMITS AND LENGTHS	MILES
1	SH 130 - From IH 35 to US 79.	13.1
2	SH 130 – From US 79 to US 290.	15.0
3	SH 130 – From US 290 to SH 71.	11.4
4	SH 130 – From SH 71 to US 183.	9.5
	TOTAL	**49.0**

SH 45 NORTH FROM RIDGELINE BOULEVARD TO SH 130
LOOP 1 FROM PARMER LANE TO SH 45 NORTH



SH 45 NORTH AND LOOP 1 ELEMENT
SECTION LIMITS

SCALE: 1" = 1.0 MILE
1.0 0.5 0 1.0

FIGURE 2

Texas Department of Transportation

TTA TOLL

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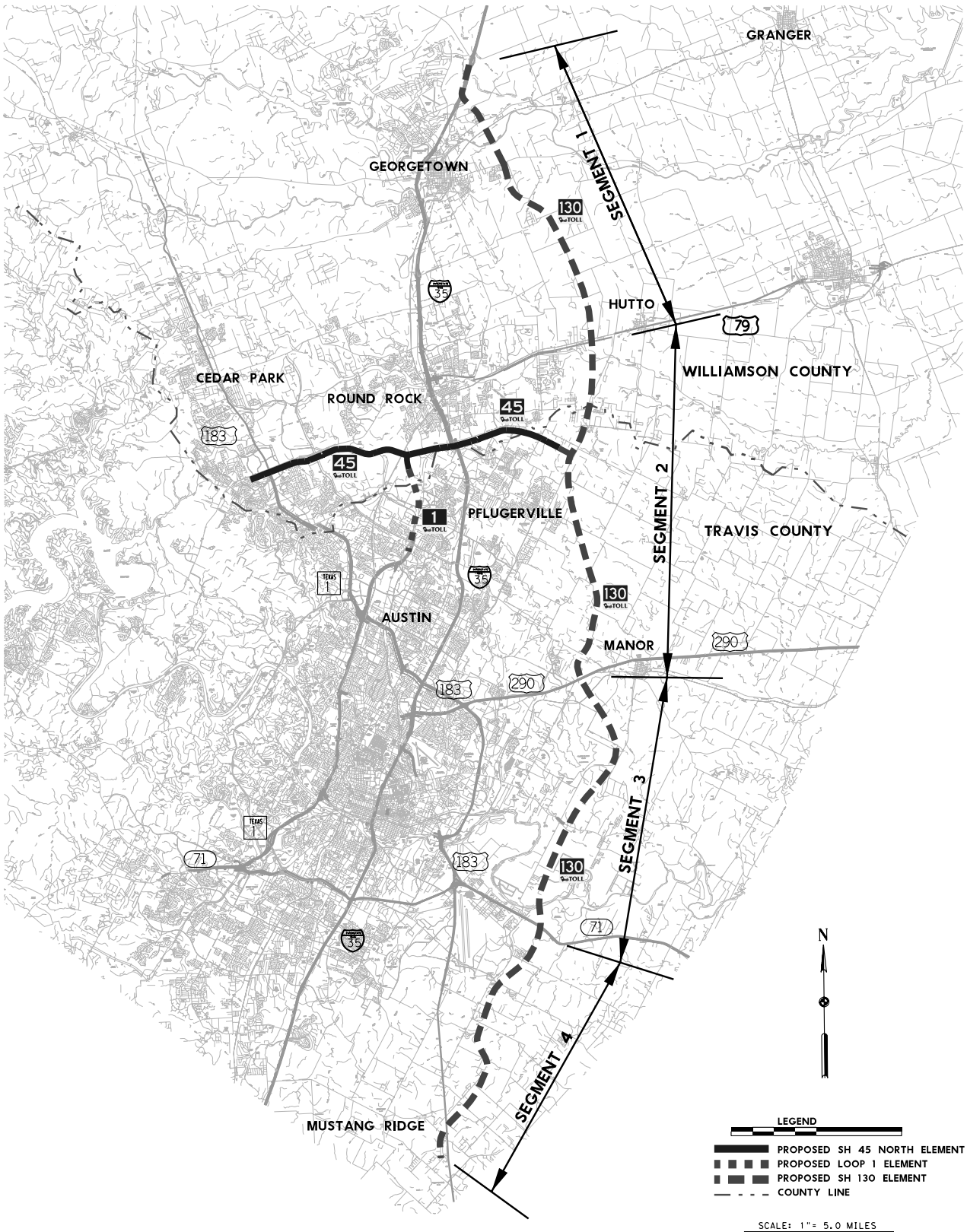

SH 130 ELEMENT
SEGMENT LIMITS

FIGURE 3

Texas Department of Transportation

TTA TOLL

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DESIGN STATUS

The following table provides the final design plan status for SH 45 North and Loop 1 as of June 2002.

TABLE 3

SECTION NUMBER	SH 45 NORTH AND LOOP 1 ELEMENTS DESIGN STATUS	PLAN STATUS
1	Loop 1 - From Parmer Lane to Merrilltown Dr.	95%
2	Loop 1 - From Merrilltown Dr. to one quarter mile south of the SH 45 North/Loop 1 interchange.	90%
3	SH 45 North/Loop 1 Interchange - From one quarter mile south of interchange to approximately one mile west of IH 35/SH 45 North interchange and from the SH 45 North/Loop 1 interchange to approximately three quarter miles west of the interchange.	100%
4A	IH 35/SH 45 North Interchange West - From approximately one mile west of the IH 35/SH 45 North interchange to the IH 35/SH 45 North interchange.	95%
4B	IH 35/SH 45 North Interchange East - From the IH 35/SH 45 North interchange to east of County Road 170 (Pflugerville Loop).	90%
5	SH 45 North - From east of County Road 170 to High Country Boulevard.	30%
6	SH 45 North - From High Country Boulevard to west of SH 130.	30%
7	SH 45 North - From three quarter miles west of the SH 45 North/Loop 1 interchange to Parmer Lane.	85%
8	SH 45 North - From Ridgeline Boulevard to Parmer Lane, including the US 183/SH 45 North interchange.	50%

DESIGN STANDARDS

Design criteria for the 2002 Project is consistent with the current standards and practices of the American Association of State Highway and Transportation Officials (AASHTO) and TxDOT. The criteria for the geometric design are presented in summary form in Appendix A.

Roadway

The proposed roadways are designed for safe operations at speeds consistent with those on similar facilities. The designs are based on a 70 miles per hour (mph) desirable for the mainlanes, 60 mph desirable (40 mph minimum) for ramps and direct-connectors, and 40 mph desirable for local and frontage roads. These design speeds provide safety in terms of vertical and horizontal alignments and stopping sight distance without significantly increasing costs. All ramps will be designed to provide the smoothest and safest roadway transitions between approaching and departing roadways.

SH 45 North and Loop 1 will have six traffic lanes, except for the section of SH 45 North between CR 170 and SH 130 (see Appendix B). This section of SH 45 North will have four traffic lanes. At various locations approaching and departing toll facilities and ramps the number of lanes may vary. Throughout the 2002 Project, the width of the mainlanes will be 12 feet, 14 feet for one-lane ramps, and 12 feet for ramps and direct-connectors with two or more lanes. Outside shoulder widths on mainlanes will be 10 feet, 6 feet for ramps, and 8 feet for direct-connectors.

SH 130 will have four traffic lanes (see Appendix B). At various locations approaching and departing toll facilities and ramps the number of lanes may vary. Throughout the 2002 Project, the width of the mainlanes will be 12 feet, 14 feet for one-lane ramps, and 12 feet for ramps and direct-connectors with two or more lanes. Outside shoulder widths on mainlanes will be 10 feet, 6 feet for ramps, and 8 feet for direct-connectors.

Intersecting local roadways and frontage roads will provide for local traffic circulation. The frontage roads will consist of one-way service with two or three traffic lanes in each direction. To enhance traffic circulation, many cross streets will have standard Texas U-Turns. The width of the traffic lanes for the frontage roads will be 12 feet.

Pavement lanes will be clearly marked, and overhead lighting, warning signs, and directional signs will be provided to aid in the safety of traffic operations. The points of ingress and egress at ramp terminals will also be marked for safety.

Pavement

The mainlane, shoulder, and ramp pavement design for SH 45 North and Loop 1 will consist of 11 inches of continuously reinforced concrete pavement over 6 inches of asphalt base. This pavement design is based on geotechnical analysis and projected traffic volumes.

The frontage road pavement structure for SH 45 North and Loop 1 will consist of a 2 inch surfacing layer of asphalt concrete pavement (ACP) (Type C) (Surf) over a 2 inch ACP (Type C) and 3 inch ACP (Type B). The sub-base material will consist of 9 inches of flexible base (Type D, Grade 6, CL 4). Select fill may be used in areas where adequate subgrade is needed.

The mainlane, shoulder, and ramp pavement design for SH 130 will consist of 13 inches of continuously reinforced concrete pavement over 1 inch of asphalt bond breaker, over 6 inches of cement stabilized base, over 6 inches lime-stabilized subgrade. This pavement design is based on geotechnical analysis and projected traffic volumes.

The proposed frontage road pavement structure for SH 130 will consist of a 2 inch stone matrix asphalt over 2-3 inches of hot mix asphalt. The subbase material will consist of between 11.5 and 12 inches of flexible base over 12 inches of lime-stabilized subgrade.

Bridge Structures

Bridge structures will be designed in accordance with the latest edition of the "Standard Specifications for Highway Bridges" as published by AASHTO. TxDOT's "Bridge Design Guide" will be used to ensure compliance with TxDOT practices. The use of either concrete beams or steel girders will be determined as conditions warrant.

The SH 45 North and Loop 1 bridge widths will be built to the ultimate sections of the approaching roadway. The SH 130 bridge widths will be built to interim sections of the approaching roadway, however, direct-connectors will be built to the ultimate sections. SH 45 North and Loop 1 traffic lanes on mainlane bridges will be 12 feet in width with 10 foot wide shoulders. SH 130 traffic lanes on mainlane bridges will be 12 feet in width with 10 foot outside shoulders and varying inside shoulders.

Drainage

As with any limited access facility, it is important to provide a drainage system that will remove storm water from the pavement in a rapid, but efficient manner. The collection of water will be accomplished with a system that includes inlets, pipes, and ditches.

Drainage areas, storm water volumes, culvert sizes, number and location of ditches, inlets, and number of major drainage structures have been determined. All proposed drainage outfalls can be constructed within the proposed ROW or incorporated into existing outfall locations.

Drainage design criteria conform to TxDOT standard practices and procedures, with modifications as required to comply with local conditions and practices (see Appendix A). Complete and comprehensive drainage design, including necessary standards and typical drawings, will be developed before final design.

Illumination

To promote safety along the 2002 Project, roadway illumination will be used. The design criteria for the illumination system will conform to the latest edition of standards or pertinent recommendations contained in the following publications.

1. *"The Informational Guide for Roadway Lighting,"* AASHTO.
2. *"The Roadway Lighting Handbook;"* FHWA, implementation Package 78-15.
3. *"American National Standard Practice for Roadway Lighting,"* ANSI/IES RP-8.
4. *"IES Lighting Handbook."*
5. *"Standard Specifications for Structural Supports for Highway Signs, Luminaries, and Traffic Signals,"* AASHTO Subcommittee on Bridges and Structures.

High mast and conventional lighting will be used to illuminate major interchanges, ramps, and intersections. Additional illumination will be provided at the toll plazas for improved visibility and security.

Signing

Distinctive and adequate signing is a necessity for major highway facilities. Signs will provide a means by which the user can readily be guided throughout the 2002 Project. Large, legible, directional signage, as well as regulatory and warning signs, will be provided.

All signs along the 2002 Project will conform to the Texas Manual on Uniform Traffic Control Devices (TMUTCD). They will be constructed to withstand high winds and will be reflectorized to make messages clearly discernable at night. Signs will be both shoulder mounted and overhead bridge mounted, for good driver visibility. Signs along existing intersecting highways and thoroughfares will be modified as necessary to provide directions to the 2002 Project. Special signs in advance of the toll plazas will be used to inform drivers of the various payment options at toll lanes. TxDOT will ensure that appropriate signs will be erected at strategic locations to direct traffic to the 2002 Project. TxDOT will also include the 2002 Project on state highway maps as a part of the state highway system.

Landscaping and Aesthetics

Landscaping will be provided along the 2002 Project. The combination of planting, hardscape treatments, and structural elements will enhance the attractiveness of the 2002 Project. Landscaping will be provided at all ramp and barrier plazas.

RIGHT-OF-WAY

The TTA has authority to acquire land, real estate easements, and other interests in real estate by negotiated purchase and by eminent domain for the construction, operation, and maintenance of the 2002 Project.

ROW limits have been established based on construction limits for bridges, roadways, drainage, toll plazas, interchanges, and to accommodate future expansion. These limits will also permit proper maintenance of the 2002 Project. Portions of the ROW for the 2002 Project have been, or are being, acquired by Williamson County and the City of Round Rock. The remaining ROW is to be acquired by TTA. SH 130 acquisition services will be provided by the Developer, while funding and eminent domain services will be provided by the TTA.

The ROW estimate, as summarized in the cost estimates, is based on review of the trends of previous acquisitions by TxDOT and the TTA. The ROW cost estimates are current. The estimated expenses for legal and court fees and jury awards that are necessary in condemnation proceedings are included in the cost estimates. Relocation assistance expenses to property owners and tenants and other land acquisition related expenditures are also included in the ROW cost estimate.

UTILITY ADJUSTMENTS

Utility adjustments and relocations are required throughout the 2002 Project. Costs for adjustments on SH 45 North and Loop 1 are shown in the cost estimate. Costs for adjustments on SH 130 are included in the Developer's lump sum cost.

On SH 45 North and Loop 1, the TTA will reimburse utility adjustment costs when the adjustments are preformed by the respective utility companies. All utility construction within the ROW will be subject to inspection by the TTA construction engineer.

Under the EDA for SH 130, the Developer is responsible for performing or causing to be performed at the Developer's expense, adjustment of all previously identified conflicting utilities including all coordination, design, design review, permitting, construction, inspection, payment, maintenance of records, work necessary for relinquishment of existing utility property interests and preparation of joint use agreements. For private utilities, the Developer will provide ROW acquisition services and will be responsible for the purchase price to acquire new property interests outside the ROW. For public utilities, the Developer will provide ROW acquisition services and the TTA will be responsible for the purchase price to acquire new property interests.

TOLL COLLECTION

The 2002 Project will use a computerized toll collection system similar in composition and functionality to those used on other toll roads, including electronic toll collection (ETC) using automatic vehicle identification (AVI). It is intended that the 2002 Project toll collection system will be inter-operable with the other Texas ETC systems so that ETC customers from other cities such as Dallas and Houston can use the Central Texas Turnpike System (and vice versa) without multiple transponders on their vehicles. United Toll Systems, LLC of Wetumpka, Alabama has been selected as the toll systems integrator for the 2002 Project.

A closed barrier toll system will be used. SH 45 North and Loop 1 will include three mainlane toll plazas and thirteen ramp toll plazas at strategic entrance and exit points. The SH 45 North west mainlane toll plaza will be located between US 183 and the Loop 1 interchange. The SH 45 North east mainlane toll plaza will be between IH 35 and SH 130. The third mainlane plaza will be on Loop 1 south of SH 45 North. SH 130 will include four mainlane toll plazas (one in each of the four roadway segments) and 30 ramp toll plazas at strategic entry and exit points.

The mainlane barrier toll plazas will be configured for the typical mainlane section of two or three high-speed lanes in each direction, located at the center of the plaza. These will be equipped with ETC/AVI for cashless open-road toll collection at highway speeds. Cash customers will exit from the right lane when approaching the toll plaza to use conventional toll lanes equipped with both automatic and manually operated toll equipment. The mix of automatic versus manual toll equipment will vary from plaza to plaza depending on the traffic characteristics, toll schedule and other operational factors at each site. ETC/AVI will be available on all toll lanes.

Ramp toll plazas on SH 45 North and Loop 1 will typically have three toll lanes configured with a mixture of ETC/AVI, automatic coin machine (ACM), and manual toll equipment as dictated by

traffic characteristics, toll schedule and other operational factors. SH 130 ramp toll plazas will typically have two toll lanes with ETC/AVI, ACM, and manual toll equipment. ETC/AVI will be available on all toll lanes.

Toll collection will be accomplished through a competitively selected toll operations services contractor operating under the management and oversight of the TTA staff. Toll operations services will include toll collection, toll plaza management, cash handling, banking and armored car services, accounting and internal audit, customer service, violation processing and enforcement, toll equipment maintenance, and toll plaza janitorial services.

Offices for administrative, managemen, and supervisory personnel will be located in buildings adjacent to the mainlane toll plazas with adequate parking facilities.

A Customer Service Center (CSC) will be located near the 2002 Project, convenient to the turnpike customer in leased retail space in a commercial or shopping center. A Violation Processing Center (VPC) will be co-located with the CSC to take advantage of economies of scale and synergies available between the staff, support systems, and facilities of the two operations.

TOLL OPERATIONS AND MAINTENANCE EXPENSE

The estimate of operations and maintenance costs includes administration costs, toll collection and maintenance, customer service, violation processing, banking and armored car services, janitorial services, policing, and other costs associated with the 2002 Project (see Table 4). The Texas Transportation Commission intends to have the Texas Department of Public Safety provide policing and public safety service for the 2002 Project.

FIBER OPTIC COMMUNICATION NETWORK

The 2002 Project will include a fiber optic communication network (FON) to provide internal communications and support intelligent transportation systems (ITS) deployed along the entire length of the 2002 Project. The FON will be configured to connect toll plazas, devices, and other TTA installations. The outside-plant system will include a conduit system with manhole vaults located at the appropriate spacing along the roadway. Conduit will be installed for future expansion. Electronics and computer equipment will be provided at the headquarters and at each mainlane and ramp toll plaza.

ROADWAY AND BUILDING MAINTENANCE

The 2002 Project will be maintained in accordance with TxDOT maintenance standards for interstate highways, including both routine and periodic maintenance (see Table 4).

The SH 130 EDA allows the TTA the option for the Developer to provide periodic maintenance for the first fifteen years of operations.

TABLE 4

Central Texas Turnpike System 2002 Project
Annual Operations and Maintenance Schedule

FISCAL YEAR	OPERATIONS		TOLL EQUIPMENT MAINTENANCE				ROADWAY AND BUILDING MAINTENANCE				TOTAL O&M		FISCAL YEAR TOTAL
			Minor/Routine		Major/Periodic		Minor/Routine		Major/Periodic				
	SH 45/Loop 1	SH 130	SH 45/Loop 1	SH 130	SH 45/Loop 1	SH 130	SH 45/Loop 1	SH 130	SH 45/Loop 1	SH 130	SH 45/Loop 1	SH 130	
2008	$8,532,236	$5,957,856	$1,203,268	$1,467,400			$3,030,249	$6,536,399	$308,463	$604,588	$13,074,220	$14,566,240	$27,640,460
2009	$8,775,829	$6,125,582	$1,238,234	$1,510,042			$3,182,369	$6,812,718	$317,419	$622,141	$13,513,850	$15,070,480	$28,584,330
2010	**$14,795,975**	**$7,676,318**	**$1,274,250**	**$1,553,963**			**$3,340,977**	**$7,099,924**	**$326,643**	**$640,220**	**$19,737,840**	**$16,970,420**	**$36,708,260**
2011	$13,978,067	$7,874,883	$1,311,346	$1,599,202			$3,506,325	$7,398,420	$336,144	$658,842	$19,131,880	$17,531,350	$36,663,230
2012	$14,359,832	$8,077,916	$1,349,555	$1,645,798			$3,678,675	$7,708,626	$435,569	$773,843	$19,823,630	$18,206,180	$38,029,810
2013	$14,529,694	$8,109,140	$1,351,190	$1,647,792			$3,688,353	$7,722,708	$346,058	$678,275	$19,915,300	$18,157,910	$38,073,210
2014	$14,933,716	$8,323,545	$1,391,725	$1,697,226			$3,799,004	$7,954,389	$473,638	$854,173	$20,598,080	$18,829,330	$39,427,410
2015	**$16,053,418**	**$8,439,895**	**$1,433,477**	**$1,748,143**			**$3,912,974**	**$8,193,020**	**$1,036,919**	**$2,093,263**	**$22,436,790**	**$20,474,320**	**$42,911,110**
2016	$15,756,317	$8,017,388	$1,476,481	$1,800,587			$4,030,363	$8,438,811	$378,147	$741,169	$21,641,310	$18,997,960	$40,639,270
2017	$16,220,375	$8,249,278	$1,520,776	$1,854,605	$27,370,012	$32,098,862	$4,151,274	$8,691,975	$1,692,264	$3,184,563	$50,954,700	$54,079,280	$105,033,980
2018	$16,698,287	$8,488,057	$1,566,399	$1,910,243			$4,275,812	$8,952,735	$401,177	$786,306	$22,941,670	$20,137,340	$43,079,010
2019	$17,190,467	$8,733,930	$1,613,391	$1,967,550			$4,404,087	$9,221,317	$413,212	$809,895	$23,621,160	$20,732,690	$44,353,850
2020	**$18,716,700**	**$8,906,827**	**$1,661,793**	**$2,026,577**			**$4,536,209**	**$9,497,956**	**$425,608**	**$834,192**	**$25,340,310**	**$21,265,550**	**$46,605,860**
2021	$19,270,430	$9,166,261	$1,711,647	$2,087,374			$4,672,295	$9,782,895	$582,515	$1,050,525	$26,236,890	$22,087,060	$48,323,950
2022	$19,840,467	$9,433,173	$1,762,996	$2,149,995			$4,812,464	$10,076,382	$571,995	$1,013,770	$26,987,920	$22,673,320	$49,661,240
2023	$20,427,509	$9,707,996	$1,815,886	$2,214,495			$4,956,838	$10,378,673	$1,313,538	$2,651,682	$28,513,770	$24,952,850	$53,466,620
2024	$21,032,066	$9,990,967	$1,870,362	$2,280,930			$5,105,543	$10,690,033	$1,099,843	$2,272,499	$29,107,810	$25,234,430	$54,342,240
2025	**$22,538,525**	**$10,300,201**	**$1,926,473**	**$2,349,358**			**$5,258,710**	**$11,010,734**	**$493,397**	**$967,057**	**$30,217,100**	**$24,627,350**	**$54,844,450**
2026	$22,499,379	$9,000,440	$1,984,267	$2,419,838			$5,416,471	$11,341,056	$508,199	$996,069	$30,408,320	$23,757,400	$54,165,720
2027	$23,165,533	$9,261,625	$2,043,795	$2,492,434	$36,783,007	$43,138,186	$5,578,965	$11,681,288	$27,648,412	$30,233,040	$95,219,710	$96,806,570	$192,026,280
2028	$23,851,574	$9,530,550	$2,105,109	$2,567,207			$5,746,334	$12,031,727	$716,420	$1,292,014	$32,419,440	$25,421,500	$57,840,940
2029	$24,558,085	$9,807,430	$2,168,263	$2,644,223			$5,918,724	$12,392,679	$555,322	$1,088,432	$33,200,390	$25,932,760	$59,133,150
2030	**$25,229,321**	**$10,025,376**	**$2,233,310**	**$2,723,549**			**$6,096,286**	**$12,764,459**	**$571,982**	**$1,121,085**	**$34,130,900**	**$26,634,470**	**$60,765,370**
2031	$25,976,893	$10,316,830	$2,300,310	$2,805,256			$6,279,174	$13,147,393	$1,663,951	$3,359,072	$36,220,330	$29,628,550	$65,848,880
2032	$26,746,736	$10,616,871	$2,369,319	$2,889,414			$6,467,550	$13,541,815	$768,714	$1,362,422	$36,352,320	$28,410,520	$64,762,840
2033	$27,539,500	$10,925,739	$2,440,399	$2,976,096			$6,661,576	$13,948,069	$625,020	$1,225,039	$37,266,490	$29,074,940	$66,341,430
2034	$28,355,860	$11,243,686	$2,513,611	$3,065,379			$6,861,423	$14,366,511	$643,771	$1,261,791	$38,374,660	$29,937,370	$68,312,030
2035	**$29,131,949**	**$11,493,946**	**$2,589,019**	**$3,157,340**			**$7,067,266**	**$14,797,506**	**$881,106**	**$1,589,014**	**$39,669,340**	**$31,037,810**	**$70,707,150**
2036	$30,001,532	$11,834,389	$2,666,690	$3,252,060			$7,279,284	$15,241,432	$682,976	$1,338,634	$40,630,480	$31,666,510	$72,296,990
2037	$30,891,081	$12,178,923	$2,746,690	$3,349,622	$49,433,286	$57,974,115	$7,497,663	$15,698,674	$3,056,417	$5,751,676	$93,625,140	$94,953,010	$188,578,150
2038	$31,807,207	$12,533,685	$2,829,091	$3,450,111			$7,722,592	$16,169,635	$724,570	$1,420,156	$43,083,460	$33,573,590	$76,657,050
2039	$32,750,753	$12,899,026	$2,913,964	$3,553,614			$7,954,270	$16,654,724	$2,107,843	$4,255,172	$45,726,830	$37,362,540	$83,089,370
2040	**$33,739,852**	**$13,277,297**	**$3,001,383**	**$3,660,223**			**$8,192,898**	**$17,154,365**	**$768,696**	**$1,506,644**	**$45,702,830**	**$35,598,530**	**$81,301,360**
2041	$34,741,243	$13,664,810	$3,091,424	$3,770,029			$8,438,685	**$17,668,996**	$1,817,873	$3,756,094	$48,089,230	$38,859,930	$86,949,160
2042	**$35,747,706**	**$14,053,891**	**$3,184,167**	**$3,883,130**			**$8,691,846**	**$18,199,066**	**$1,301,227**	**$2,186,870**	**$48,924,950**	**$38,322,960**	**$87,247,910**
SUBTOTAL	**$780,384,111**	**$344,243,726**	**$70,660,059**	**$86,170,803**	**$113,586,305**	**$133,211,164**	**$192,213,532**	**$402,967,112**	**$55,995,049**	**$84,980,228**	**$1,212,839,050**	**$1,051,573,020**	
TOTAL	**$1,124,627,837**		**$156,830,862**		**$246,797,469**		**$595,180,644**		**$140,975,277**		**$2,264,412,070**		

OPERATIONS COST INCLUDE ROADWAY AND TOLL OPERATION COSTS AND ENGINEERING OPERATION COST

ENVIRONMENTAL CONSIDERATIONS AND PUBLIC INVOLVEMENT TIMELINE

As part of the project development process, a Final Environmental Impact Statement (FEIS) for each element of the 2002 Project has been completed in compliance with the National Environmental Policy Act (NEPA) of 1969, Federal Highway Administration (Part 771), and TTA rules (43 TAC Chapter 52). Each FEIS examined the social, economic, and environmental impacts associated with the 2002 Project. As a result of extensive public involvement and the completion of the FEIS, a Record of Decision (ROD) was issued for each element, as outlined in Table 5.

TABLE 5

ENVIRONMENTAL PROCESS AND PUBLIC INVOLVEMENT TIMELINE

Element	DEIS Approved	Public Hearing	FEIS Approved	Received ROD
SH 45 North	September 15, 1999	November 9, 1999	July 19, 2000	February 23, 2001
Loop 1	September 7, 1999	November 4, 1999	June 9, 2000	July 25, 2000
SH 130	January 4, 2000	February 10, 2000	April 4, 2001	June 5, 2001

All major permits have been acquired. It is reasonable to expect the remaining governmental approvals required for development of the 2002 Project will be acquired in accordance with the project schedule.

2002 PROJECT COSTS

Based on the SH 45 North and Loop 1 plans, quantities were estimated for all construction items. Costs for other items such as toll plazas, operations buildings, ROW, and utility relocations were also estimated. The SH 130 EDA has been reviewed and the cost submitted is reasonable based on the scope of work. Costs were based on the latest TxDOT unit prices for the Austin area. Unforeseeable escalation of prices or wages, shortages of labor or materials, and changes in economic conditions are factors that affect construction costs and could escalate or reduce the cost. The estimated cost is reasonable and the 2002 Project should be constructed within the limits of the estimated cost. The estimated cost represents a professional judgment based on PBS&J experience on major turnpike projects. The 2002 Project cost is estimated to be $2,942,000,000 (see Tables 6 & 7).

CASH FLOW PROJECTIONS

Annual projections of cash required to construct, maintain and operate the 2002 Project through year 2042 have been calculated (see Table 8). Monthly cash flows can be calculated on a straight-line basis.

TABLE 6

Central Texas Turnpike System 2002 Project
Estimate Summary - SH 45 North/LOOP 1

Item	Sections 1 & 2	Section 3	Sections 4A & 4B	Section 5	Section 6	Section 7	Section 8	Totals
Construction								
Roadway								
Pavement, subgrade, etc.	$ 30,726,934	$ 9,298,124	$ 15,986,109	$ -	$ -	$ 21,478,252	$ -	$ 77,489,000
Curb, sidewalk, etc.	$ 2,836,749	$ 1,063,179	$ 1,957,612	$ -	$ -	$ 1,394,617	$ -	$ 7,252,000
Earthwork	$ 29,639,340	$ 6,970,954	$ 6,118,859	$ -	$ -	$ 11,253,413	$ -	$ 53,983,000
Drainage	$ 8,782,761	$ 4,104,659	$ 3,076,210	$ -	$ -	$ 6,231,663	$ -	$ 22,195,000
Structures								
Bridges	$ 15,599,609	$ 62,395,277	$ 70,909,770	$ -	$ -	$ 18,813,787	$ -	$ 167,718,000
Retaining Walls	$ 18,388,741	$ 5,330,570	$ 8,782,286	$ -	$ -	$ 7,233,522	$ -	$ 39,735,000
Miscellaneous								
Illumination	$ 2,245,526	$ 1,876,342	$ 2,748,585	$ -	$ -	$ 539,812	$ -	$ 7,410,000
Signing & Striping	$ 902,537	$ 1,070,537	$ 1,279,620	$ -	$ -	$ 801,127	$ -	$ 4,054,000
Signalization	$ 481,297	$ 538,866	$ 356,730	$ -	$ -	$ 80,942	$ -	$ 1,458,000
Toll plaza, and buildings	$ 8,826,200	$ -	$ 2,799,600	$ 1,480,000	$ 5,280,000	$ 2,960,000	$ 5,970,000	$ 27,316,000
PreFab Toll Booths	$ 540,000	$ -	$ 400,000	$ 200,000	$ 160,000	$ 400,000	$ 240,000	$ 1,940,000
Toll Plaza Footprint (Roadway)	$ 498,543	$ -	$ 56,410	$ 24,394		$ 48,788	$ 474,149	$ 1,102,000
Utilities	$ 7,265,025	$ -	$ 497,525	$ -	$ -	$ 380,720	$ -	$ 8,143,000
Environmental mitigation	$ 2,098,587	$ 1,617,806	$ 728,861	$ -	$ -	$ 2,371,326	$ -	$ 6,817,000
Mobilization	$ 10,140,000	$ 8,465,000	$ 9,806,525	$ 3,832,944	$ 2,619,621	$ 4,649,689	$ 7,712,286	$ 47,226,000
Demolition	$ 464,480	$ 212,234	$ 819,909	$ -	$ -	$ 1,197,773	$ -	$ 2,694,000
Traffic Control Plan	$ 615,489	$ 4,609,192	$ 1,744,006	$ -	$ -	$ 859,945	$ -	$ 7,829,000
Landscaping	$ 1,092,500	$ 571,500	$ 1,173,000	$ 218,500	$ 655,500	$ 218,500	$ 1,679,000	$ 5,609,000
Preliminary Design Quantities	$ -	$ -	$ -	37,284,054	24,778,485	-	75,671,009	$ 137,734,000
Contingency	Section 2 (10%) $ 8,046,540	$ -	$ -	20% $ 8,607,978	20% $ 6,698,721	$ -	10% $ 9,174,644	$ 32,528,000
Construction Cost	**$ 149,190,860**	**$ 108,124,240**	**$ 129,241,620**	**$ 51,647,870**	**$ 40,192,330**	**$ 80,913,880**	**$ 100,921,090**	**$ 660,232,000**
Construction Letting Cost	**$ 158,142,310**	**$ 110,286,720**	**$ 131,826,450**	**$ 56,296,180**	**$ 43,809,640**	**$ 87,386,990**	**$ 110,003,990**	**$ 697,752,000**
Construction Final Cost	**$ 173,956,540**	**$ 121,315,390**	**$ 145,009,100**	**$ 61,925,800**	**$ 48,190,600**	**$ 96,125,690**	**$ 121,004,390**	**$ 767,528,000**
Other Costs								
Engineering	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 169,872,000
Toll Collection Systems	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 22,800,000
Fiber Optic Network	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 7,084,000
Construction Engineering and Inspection	$ 14,810,069	$ 9,925,805	$ 12,481,572	$ 5,155,456	$ 4,259,668	$ 8,042,429	$ 10,258,559	$ 64,934,000
Utility Relocations	$ 10,168,260	$ 758,514	$ 6,931,004	$ 5,753,929	$ 6,037,033	$ 5,118,539	$ 20,383,805	$ 55,151,000
Right-of-way	$ 73,710,585	$ 17,174,679	$ 49,710,814	$ 17,732,325	$ 19,945,450	$ 26,119,330	$ 131,573,086	$ 335,966,000
Furniture and Equipment	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,044,000
Toll Tags	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 8,000,000
Total Project Cost	**$ 272,645,450**	**$ 149,174,390**	**$ 214,132,490**	**$ 90,567,510**	**$ 78,432,750**	**$ 135,405,990**	**$ 283,219,840**	
Final Project Cost								**$ 1,432,379,000**

CONSTRUCTION COST IS BASED ON PRESENT VALUE FROM DATE OF ESTIMATE
CONSTRUCTION LETTING COSTS INCLUDES A 4% ANNUAL INFLATION FACTOR FROM DATE OF ESTIMATE TO DATE OF LETTING
CONSTRUCTION FINAL COSTS INCLUDES A 10% CONTINGENCY FROM THE CONSTRUCTION LETTING COSTS
RIGHT-OF-WAY COSTS INCLUDES A 10% ANNUAL ESCALATION FACTOR FROM DATE OF ESTIMATE TO DATE OF ACQUISTION
SECTION 8 INCLUDES DESIGN, ROW, & UTILITY COSTS FOR THE CONNECTION TO US 183, DOES NOT INCLUDE CONSTRUCTION COST FOR THE DIRECT CONNECTOR BRIDGES

TABLE 7

Central Texas Turnpike System 2002 Project Estimate Summary - SH 130

Item	Totals
Exclusive Development Agreement	
Element Cost	$ 985,264,000
Contingency	$ 49,263,000
Final Element Cost	**$ 1,034,527,000**
TTA Costs	
Construction Oversight and Management	$ 115,352,000
Toll Collection Systems	$ 27,600,000
PreFab Toll Booths	$ 4,202,000
Fiber Optic Network	$ 15,350,000
Right-of-way	$ 303,785,000
Furniture and Equipment	$ 848,000
Toll Tags	$ 8,000,000
Total Cost	**$ 1,509,664,000**

ELEMENT COST IS BASED ON EXCLUSIVE DEVELOPMENT AGREEMENT (EDA) CONTRACT

FINAL ELEMENT COST INCLUDES A 5% CONTINGENCY

RIGHT-OF-WAY COSTS INCLUDES A 10% ANNUAL INFLATION FACTOR FROM DATE OF ESTIMATE TO DATE OF ACQUISITION

TABLE 8

Central Texas Turnpike System 2002 Project
Project Cash Flow

SH 45 North and Loop 1	FY02	FY03	FY04	FY05	FY06	FY07	FY08	FY09	FY 2010	FY 2011
Professional Services	$ 89,585,000	$ 20,940,855	$ 18,468,461	$ 34,357,676	$ 34,968,128	$ 21,982,732	$ 8,718,271	$ 5,785,363		
ROW/Utilities	$ 98,071,398	$ 247,402,893	$ 30,621,523	$ 9,734,505	$ 5,287,036					
Construction		$ 35,872,924	$ 113,340,232	$ 267,114,800	$ 246,749,344	$ 96,290,092	$ 22,527,718	$ 24,560,890		
Operations and Maintenance							$ 13,074,220	$ 13,513,850	$ 19,737,840	$ 19,131,880
Sub-total	**$ 187,656,398**	**$ 304,216,672**	**$ 162,430,216**	**$ 311,206,981**	**$ 287,004,508**	**$ 118,272,824**	**$ 44,320,209**	**$ 43,860,103**	**$ 19,737,840**	**$ 19,131,880**

SH 130	FY02	FY03	FY04	FY05	FY06	FY07	FY08	FY09	FY 2010	FY 2011
Professional Services		$ 22,327,500	$ 23,013,500	$ 22,750,580	$ 22,388,772	$ 15,323,111	$ 6,353,629	$ 3,195,363		
ROW	$ 444,489	$ 153,434,739	$ 149,220,680	$ 684,807						
Construction	$ 16,227,309	$ 115,648,037	$ 316,631,242	$ 293,853,508	$ 246,190,318	$ 100,078,491	$ 1,897,839			
Operations and Maintenance							$ 14,566,240	$ 15,070,480	$ 16,970,420	$ 17,531,350
Sub-total	**$ 16,671,798**	**$ 291,410,276**	**$ 488,865,422**	**$ 317,288,895**	**$ 268,579,090**	**$ 115,401,602**	**$ 22,817,708**	**$ 18,265,843**	**$ 16,970,420**	**$ 17,531,350**

SH 45 North, Loop 1 and SH 130	FY02	FY03	FY04	FY05	FY06	FY07	FY08	FY09	FY 2010	FY 2011
Professional Services	**$ 89,585,000**	**$ 43,268,355**	**$ 41,481,961**	**$ 57,108,256**	**$ 57,356,900**	**$ 37,305,843**	**$ 15,071,900**	**$ 8,980,726**	**$ -**	**$ -**
ROW & Utilities	**$ 98,515,887**	**$ 400,837,632**	**$ 179,842,203**	**$ 10,419,312**	**$ 5,287,036**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Construction **	**$ 16,227,309**	**$ 151,520,961**	**$ 429,971,474**	**$ 560,968,308**	**$ 492,939,662**	**$ 196,368,583**	**$ 24,425,557**	**$ 24,560,890**	**$ -**	**$ -**
Operations and Maintenance ***	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ 27,640,460**	**$ 28,584,330**	**$ 36,708,260**	**$ 36,663,230**
Total/FY	**$ 204,328,196**	**$ 595,626,948**	**$ 651,295,638**	**$ 628,495,876**	**$ 555,583,598**	**$ 233,674,426**	**$ 67,137,917**	**$ 62,125,946**	**$ 36,708,260**	**$ 36,663,230**

** INCLUDES TRADITIONAL CONSTRUCTION CONTRACTS, EDA, TOLL EQUIPMENT, TOLL TAGS, FIBER OPTIC NETWORK, TOLL BOOTHS, AND OFFICE FURNITURE AND EQUIPMENT

*** INCLUDES TRADITIONAL OPERATIONS AND MAINTENANCE COSTS, PLUS OPERATIONS ENGINEERING

TABLE 8

Central Texas Turnpike System 2002 Project
Project Cash Flow

SH 45 North and Loop 1	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Professional Services											
ROW/Utilities											
Construction											
Operations and Maintenance	$ 19,823,630	$ 19,915,300	$ 20,598,080	$ 22,436,790	$ 21,641,310	$ 50,954,700	$ 22,941,670	$ 23,621,160	$ 25,340,310	$ 26,236,890	$ 26,987,920
Sub-total	**$ 19,823,630**	**$ 19,915,300**	**$ 20,598,080**	**$ 22,436,790**	**$ 21,641,310**	**$ 50,954,700**	**$ 22,941,670**	**$ 23,621,160**	**$ 25,340,310**	**$ 26,236,890**	**$ 26,987,920**

SH 130	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Professional Services											
ROW											
Construction											
Operations and Maintenance	$ 18,206,180	$ 18,157,910	$ 18,829,330	$ 20,474,320	$ 18,997,960	$ 54,079,280	$ 20,137,340	$ 20,732,690	$ 21,265,550	$ 22,087,060	$ 22,673,320
Sub-total	**$ 18,206,180**	**$ 18,157,910**	**$ 18,829,330**	**$ 20,474,320**	**$ 18,997,960**	**$ 54,079,280**	**$ 20,137,340**	**$ 20,732,690**	**$ 21,265,550**	**$ 22,087,060**	**$ 22,673,320**

SH 45 North, Loop 1 and SH 130	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Professional Services	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
ROW & Utilities	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Construction **	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Operations and Maintenance ***	**$ 38,029,810**	**$ 38,073,210**	**$ 39,427,410**	**$ 42,911,110**	**$ 40,639,270**	**$ 105,033,980**	**$ 43,079,010**	**$ 44,353,850**	**$ 46,605,860**	**$ 48,323,950**	**$ 49,661,240**
Total/FY	**$ 38,029,810**	**$ 38,073,210**	**$ 39,427,410**	**$ 42,911,110**	**$ 40,639,270**	**$ 105,033,980**	**$ 43,079,010**	**$ 44,353,850**	**$ 46,605,860**	**$ 48,323,950**	**$ 49,661,240**

**** INCLUDES TRADITIONAL CONSTRUCTION CONTRACTS, EDA, TOLL EQUIPMENT, TOLL TAGS, FIBER OPTIC NETWORK, TOLL BOOTHS, AND OFFICE FURNITURE AND EQUIPMENT**

***** INCLUDES TRADITIONAL OPERATIONS AND MAINTENANCE COSTS, PLUS OPERATIONS ENGINEERING**

TABLE 8

Central Texas Turnpike System 2002 Project
Project Cash Flow

SH 45 North and Loop 1	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032	FY 2033	FY 2034
Professional Services												
ROW/Utilities												
Construction												
Operations and Maintenance	$ 28,513,770	$ 29,107,810	$ 30,217,100	$ 30,408,320	$ 95,219,710	$ 32,419,440	$ 33,200,390	$ 34,130,900	$ 36,220,330	$ 36,352,320	$ 37,266,490	$ 38,374,660
Sub-total	**$ 28,513,770**	**$ 29,107,810**	**$ 30,217,100**	**$ 30,408,320**	**$ 95,219,710**	**$ 32,419,440**	**$ 33,200,390**	**$ 34,130,900**	**$ 36,220,330**	**$ 36,352,320**	**$ 37,266,490**	**$ 38,374,660**

SH 130	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032	FY 2033	FY 2034
Professional Services												
ROW												
Construction												
Operations and Maintenance	$ 24,952,850	$ 25,234,430	$ 24,627,350	$ 23,757,400	$ 96,806,570	$ 25,421,500	$ 25,932,760	$ 26,634,470	$ 29,628,550	$ 28,410,520	$ 29,074,940	$ 29,937,370
Sub-total	**$ 24,952,850**	**$ 25,234,430**	**$ 24,627,350**	**$ 23,757,400**	**$ 96,806,570**	**$ 25,421,500**	**$ 25,932,760**	**$ 26,634,470**	**$ 29,628,550**	**$ 28,410,520**	**$ 29,074,940**	**$ 29,937,370**

SH 45 North, Loop 1 and SH 130	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032	FY 2033	FY 2034
Professional Services	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
ROW & Utilities	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Construction **	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Operations and Maintenance ***	$ 53,466,620	$ 54,342,240	$ 54,844,450	$ 54,165,720	$ 192,026,280	$ 57,840,940	$ 59,133,150	$ 60,765,370	$ 65,848,880	$ 64,762,840	$ 66,341,430	$ 68,312,030
Total/FY	**$ 53,466,620**	**$ 54,342,240**	**$ 54,844,450**	**$ 54,165,720**	**$ 192,026,280**	**$ 57,840,940**	**$ 59,133,150**	**$ 60,765,370**	**$ 65,848,880**	**$ 64,762,840**	**$ 66,341,430**	**$ 68,312,030**

** INCLUDES TRADITIONAL CONSTRUCTION CONTRACTS, EDA, TOLL EQUIPMENT, TOLL TAGS, FIBER OPTIC NETWORK, TOLL BOOTHS, AND OFFICE FURNITURE AND EQUIPMENT

*** INCLUDES TRADITIONAL OPERATIONS AND MAINTENANCE COSTS, PLUS OPERATIONS ENGINEERING

TABLE 8

Central Texas Turnpike System 2002 Project
Project Cash Flow

SH 45 North and Loop 1	FY 2035	FY 2036	FY 2037	FY 2038	FY 2039	FY 2040	FY 2041	FY 2042	Total
Professional Services									$ 234,806,000
ROW/Utilities									$ 391,117,000
Construction									$ 806,456,000
Operations and Maintenance	$ 39,669,340	$ 40,630,480	$ 93,625,140	$ 43,083,460	$ 45,726,830	$ 45,702,830	$ 48,089,230	$ 48,924,950	$ 1,212,839,000
Sub-total	$ 39,669,340	$ 40,630,480	$ 93,625,140	$ 43,083,460	$ 45,726,830	$ 45,702,830	$ 48,089,230	$ 48,924,950	$ 2,645,218,000

SH 130	FY 2035	FY 2036	FY 2037	FY 2038	FY 2039	FY 2040	FY 2041	FY 2042	Total
Professional Services									$ 115,352,000
ROW									$ 303,785,000
Construction									$ 1,090,527,000
Operations and Maintenance	$ 31,037,810	$ 31,666,510	$ 94,953,010	$ 33,573,590	$ 37,362,540	$ 35,598,530	$ 38,859,930	$ 38,322,960	$ 1,051,573,000
Sub-total	$ 31,037,810	$ 31,666,510	$ 94,953,010	$ 33,573,590	$ 37,362,540	$ 35,598,530	$ 38,859,930	$ 38,322,960	$ 2,561,237,000

SH 45 North, Loop 1 and SH 130	FY 2035	FY 2036	FY 2037	FY 2038	FY 2039	FY 2040	FY 2041	FY 2042	Total
Professional Services	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 350,159,000
ROW & Utilities	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 694,902,000
Construction **	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,896,983,000
Operations and Maintenance ***	$ 70,707,150	$ 72,296,990	$ 188,578,150	$ 76,657,050	$ 83,089,370	$ 81,301,360	$ 86,949,160	$ 87,247,910	$ 2,264,412,000
Total/FY	$ 70,707,150	$ 72,296,990	$ 188,578,150	$ 76,657,050	$ 83,089,370	$ 81,301,360	$ 86,949,160	$ 87,247,910	$ 5,206,456,000

** INCLUDES TRADITIONAL CONSTRUCTION CONTRACTS, EDA, TOLL EQUIPMENT, TOLL TAGS, FIBER OPTIC NETWORK, TOLL BOOTHS, AND OFFICE FURNITURE AND EQUIPMENT

*** INCLUDES TRADITIONAL OPERATIONS AND MAINTENANCE COSTS, PLUS OPERATIONS ENGINEERING

IMPLEMENTATION SCHEDULE

The implementation schedule for SH 45 North and Loop 1 is based on historical time frames from previous TxDOT projects and the PBS&J's knowledge of pre-construction and construction requirements (see Appendix C). The implementation schedule anticipates reasonable amounts of time for completion of remaining work activities such as completion of final design, ROW acquisition, utility relocation, contractor selection, and construction.

The implementation schedule for SH 130 was provided by the Developer as part of the EDA (see Appendix C). This schedule is a contractual commitment by the Developer. See Table 9 for open to traffic schedules.

TABLE 9

ELEMENT SECTION / SEGMENT NUMBER	OPEN TO TRAFFIC SCHEDULE	DATE
Loop 1		
1 & 2	Loop 1 - From Parmer Lane to one quarter mile south of the SH 45 North/Loop 1 interchange.	September 2007
SH 45 North		
3	SH 45 North/Loop 1 Interchange - From one quarter mile south of interchange to approximately one mile west of IH 35/SH 45 North interchange and from the SH 45 North/Loop 1 interchange to approximately three quarter miles west of the interchange.	September 2007
4A & 4B	IH 35/SH 45 North Interchange West - From approximately one mile west of the IH 35/SH 45 North interchange to east of County Road 170 (Pflugerville Loop).	September 2007
5	SH 45 North - From east of County Road 170 to High Country Boulevard.	September 2007
6	SH 45 North - From High Country Boulevard to west of SH 130.	September 2007
7	SH 45 North - From three quarter miles west of the SH 45 North/Loop 1 interchange to Parmer Lane.	December 2007
8	SH 45 North - From Ridgeline Boulevard to Parmer Lane, including the US 183/SH 45 North interchange.	December 2007
SH 130		
1	SH 130 – From IH 35 to US 79.	September 2007
2	SH 130 – From US 79 to US 290.	September 2007
3	SH 130 – From US 290 to SH 71.	September 2007
4	SH 130 – From SH 71 to US 183.	December 2007

APPENDIX A
DRAINAGE AND GEOMETRIC DESIGN CRITERIA

SH 45 NORTH AND LOOP 1 – DRAINAGE DESIGN CRITERIA

I. GENERAL

The drainage system will include all curb inlets, grate inlets, manholes, junction boxes, headwalls, safety end treatments, storm sewer pipes, box sewers, culverts, lined channels, ditches, swales, and any other appurtenances necessary to provide proper drainage of the turnpike, frontage roads, cross-street intersections, and major interchanges.

The drainage system must meet the following requirements:

1. Provide drainage for the mainlanes so that they remain passable during the specified design storm.
2. Provide drainage of the frontage roads and adjacent property so that the minimum number of lanes are impacted during the design year storm.
3. Provide protection from erosion of side slopes, both on the turnpike and on adjacent property.
4. Provide adequate waterway openings to convey the flow of contributing storm sewers, ditches, and creeks crossing the turnpike without adverse impact on adjacent property.

II. DESIGN METHODS AND REQUIREMENTS

The general design criteria for the turnpike drainage systems will be the TxDOT *Hydraulic Design Manual*, Third Edition, December 1985. As of January 1997, TxDOT issued a Fourth Edition, *Draft Hydraulic Design Manual* as the primary source of guidance for all metric projects. Because recommended procedures and policies were updated in this "draft" Fourth Edition, Section Engineers may reference it accordingly and supplement the Third Edition where applicable. Additional drainage design guidelines are listed below.

A. Mainlanes and direct connections
   1. Design frequency for storm sewer, inlets, and laterals where emergency overflow is present: 10-year.
   2. Design frequency for storm sewers, inlets, and laterals for depressed roadway sections with no emergency overflow: 50-year
   3. Ponding: either one-half the width of the outer lane or the width of the inside shoulder.
   4. Design Frequency for culverts and bridges: 50-year (Impact of the 100-year flood event shall be evaluated).

B. Frontage roads
   1. Design frequency for storm sewers and inlets or roadside ditches and flumes: 10-year.
   2. Design frequency for storm sewers and inlets for depressed roadway sections with no emergency overflow: 25-year minimum, 50-year desirable.
   3. Ponding width allowable: width of outer lane.
   4. Design frequency for culverts and small bridges: 25-year (Impact of the 100-year flood event shall be evaluated).
   5. Design frequency for major river crossings: 50-year (Impact of the 100-year flood event shall be evaluated).

C. Intersecting local streets
   1. Design frequency for storm sewers and inlets: 10-year.
   2. Design frequency for open channel and small culverts for rural roadway section: 10-year minimum, 50-year desirable.

3. Design frequency for inlets along depressed roadways: 25-year minimum, 50-year desirable.
4. Allowable ponding width: width and depth, which will allow passage of one lane of traffic.

D. All improvements and/or ties to major cross-channels, ditches, or creeks must be approved by the appropriate governmental entity and/or regulatory agency. A 50-year starting water surface elevation in the outfall channels, based on the frequency as defined by TxDOT, shall be used in the design of the storm sewer system.

E. Miscellaneous design requirements
1. Minimum pipe size: 18 inches.
2. Hydraulic grade lines will be one foot below top of grate inlet or throat of curb inlet.
3. Minimum velocity in pipe: 2.5 feet per second.
4. Minimum time of concentration used for design of inlets or sewer pipe: 10 minutes.
5. Time of concentration for each subsequent inlet or pipe run: calculated by using actual flow time to first inlet plus flow times for each additional pipe run to design section.
6. Storm sewer conduit: reinforced concrete pipe or reinforced concrete box.
7. Maximum pipe run between clean-out points (manholes or inlets): 400 feet for pipe 48 inches and under and 800 feet for pipe over 48 inches.
8. Hydraulic design shall be performed using Manning's equation.
9. Hydrologic design flows: computed by use of the Rational Method for areas up to about 200 acres (for areas larger than 200 acres, regional regression equations should be used).
10. Culverts crossing railroad tracks must be of size and material approved by the railroad. Heavy gauge corrugated metal pipe, or corrugated metal arches may be required in lieu of reinforced concrete pipes.
11. Pump stations will not be used on these projects.

F. Water quality measures (temporary and permanent)

Each Section Engineer is responsible for abiding by all federal and state laws and regulations concerning water quality. This will include the Texas Natural Resource Conservation Commission (TNRCC) publications*: Complying with the Edwards Aquifer Rules: Administrative Guidance* (RG-349) and *Complying with the Edwards Aquifer Rules: Technical Guidance* (RG-348).

The following water quality guidelines are applicable to these projects:

1. Water Pollution Abatement Plans (WPAP) will be prepared by each section as necessary to meet the requirements of TNRCC.
2. Best Management Practices (BMP) as specified by TNRCC shall be used, with consideration given to economics, right-of-way requirements, and ease of maintenance.
3. Grassy swales between the frontage roads and mainlanes will be used wherever possible to reduce or eliminate sedimentation and filtration basins. The side slopes lined with vegetative filter strips should be as flat as possible to maximize the removal of pollutants.
4. The water quality measures shall be designed for ultimate design freeway conditions including future HOV lanes.

G. Downstream conveyance of stormwater

Stormwater discharge must be evaluated on an individual basis to assure that there is no adverse impact to downstream property. Consequently, the Section Engineers will be responsible for any mitigation measures, such as detention ponds, necessary to correct this problem.

SH 130 – DRAINAGE DESIGN CRITERIA

I. GENERAL

The drainage system will include all curb inlets, grate inlets, manholes, junction boxes, headwalls, safety end treatments, storm sewer pipes, box sewers, lined channels, ditches, swales, and any other appurtenances necessary to provide proper drainage of the Interim Design including all frontage roads, cross-street intersections, and major interchanges. Drainage system shall be sized and located in such a manner as to accommodate the Ultimate Design with minimal throwaway work.

At a minimum, the drainage system must meet the following requirements:

A. Provide a well-drained corridor and a safe environment for those that use, operate and maintain the Project. The analysis, design and construction of all drainage structures and appurtenances shall address the interim and ultimate improvements, functionality, durability, ease of maintenance, access, safety, aesthetics, protection against vandalism and environmental concerns.

B. Design and construct a drainage system within the Final ROW, including outfalls, to accommodate all storm water that originates within or reaches the Final ROW, Additional Properties and easements from contributing drainage areas. Provide adequate waterway openings to convey the flow of contributing storm sewers, ditches, and creeks crossing the Project without adverse impact on adjacent property. Design shall incorporate latest land-use plans and/or reasonable potential land uses from Williamson and Travis Counties and other applicable Governmental Entities within the Project limit, including expected changes to the existing watercourses and drainage systems.

C. Provide a drainage design to prevent accumulation of water upon and adjacent to mainlanes. Provide drainage for mainlanes so they remain passable during the design storms. Provide drainage of the frontage roads and adjacent property so that the minimum number of lanes will be impacted during the design year storm.

D. All drainage structures and storm systems shall be evaluated for acceptability during the 100-year storm event. Developer shall provide for conveyance and/or storage for storm events that exceed the design frequency criteria, so that the roadways remain passable and without adverse impacts to the Project or adjacent property.

E. Provide drainage for the Interim Design and Ultimate Design to protect the roadway, subsurface and highway structures from water damage. Provide protection from erosion of the side slopes, both on the Development Work and on adjacent property.

F. Developer shall fully comply with applicable Laws related to drainage and shall acquire all applicable Governmental Approvals.

G. Design and construction of drainage system shall accommodate the Interim Design and Ultimate Design configuration. Consideration shall be given to, but not limited to, pipe, inlet locations, capacity, culvert inlet and outlet structures locations, and junction/manhole structure locations.

H. Only bridges and bridge-class culverts are shown on the Schematic Design plans. It is Developer's responsibility to determine the location and appropriate size for all other culverts needed to address the Final Design of the Ultimate Design configuration for the Project.

II. Design Methods and Requirements

The general design criteria for the drainage systems must comply with the policies, procedures, and requirements of the TxDOT *Highway Design Division Operation and Procedures Manual* (1986), TxDOT *Bridge Division Operation and Planning Manual* (1984), the TxDOT *Bridge Division Hydraulic Manual* (Third Edition, December 1985), and TxDOT *Design Division Hydraulic Design Manual* (Fourth Edition, January 1997). The construction of all drainage related features shall be in accordance with 1993 TxDOT *Standard Specifications for Highways, Streets and Bridges*.

All drainage documentation shall be approved and signed, sealed, and dated by a Registered Professional Engineer. The design frequency shall be indicated on all calculations.

A. Mainlanes and direct connections

The general design criteria associated with mainlane and direct connector construction must comply with the following requirements:

1. Design frequency for storm sewers, inlets, and laterals where emergency overflow is present: 10-year.

2. Design frequency for storm sewers, inlets, and laterals for depressed roadway sections with no emergency overflow: 50-year.

3. Allowable ponding width: the width of the shoulder.

4. Design frequency of culverts and bridges shall meet FEMA regulated requirements and shall be designed for a minimum of a 50-year storm with two (2) feet of freeboard. This structure will also be capable of passing a 100-year storm event with zero (0) feet of freeboard as well as surviving a 500-year storm event. All storm events along with event year elevations shall be indicated on the final plans.

B. Frontage roads drainage

The general design criteria associated with frontage road construction must comply with the following requirements:

1. Design frequency for storm sewers and small culverts (36" diameter or hydraulic equivalent and smaller): 10-year.

2. Design frequency for storm sewers and inlets for a depressed roadway section with no emergency overflow: 50-year.

3. Allowable ponding width: one (1/2) half the width of outer lane.

4. Design frequency for culverts and small bridges shall meet FEMA regulated requirements and shall be designed for a minimum of a 25-year storm with two (2) feet of freeboard.

The impact of a 100-year flood shall also be evaluated and indicated on the final plans.

5. Design frequency for major river crossings shall meet FEMA regulated requirements and shall be designed for a minimum of a 50-year storm with two (2) feet of freeboard. The impact of a 100-year flood shall also be evaluated and indicated on the final plans.

C. Intersecting city and county cross-streets drainage

The general design criteria associated with intersecting city and county cross-street construction must comply with the following requirements:

1. Design frequency for storm sewers for curbed roadway sections: 10-year.

2. Design frequency for open channel and small culverts (36" diameter or hydraulic equivalent and smaller): 10-year.

3. Minimum design frequency for inlets along depressed roadways, other highways, and frontage roads: 50-year.

4. Allowable ponding width: width and depth that will allow passage of one (1) lane of traffic.

5. Design frequency for culverts and small bridges shall meet FEMA regulated requirements and shall be designed for a minimum of a 10-year storm. The impact of a 100-year flood should also be evaluated and indicated on the final plans.

D. Driveway culverts

The general design criteria associated with driveway culverts must comply with the following requirements:

1. Design frequency shall be 10 years;

2. Backwater from culvert headwaters shall remain at least 2 feet below the finished pavement grade of the mainlanes, direct connectors, frontage roads and intersecting city and county streets.

E. Outfall channel improvements

Developer shall design outfall channels carrying storm drainage from the Ultimate Design, as well as the drainage from the Toll Collection facilities, to major cross-channels for a 50-year storm. For channels draining over 200 acres, the channel section must be capable of conveying a 100-year storm. The appropriate Governmental Entity must approve all improvements and/or ties to major cross-channels, ditches, or creeks in writing. Developer shall use a 50-year starting water surface elevation in the outfall channels, based on the frequency, as defined by TxDOT, in the design of the storm sewer system.

SH 45 NORTH AND LOOP 1 – GEOMETRIC DESIGN CRITERIA

	MAINLANES	FRONTAGE ROADS	DIRECT CONNECTORS	RAMPS
GENERAL				
Design Speed	70 mph	40 mph	60 mph (upper range)*** 50 mph (mid range) 40 mph (lower range)	60 mph (upper range)*** 50 mph (mid range) 40 mph (lower range)
Stopping sight distance	625' (minimum) 850' (desirable)	275' (minimum) 325" (desirable)	525' (minimum, 60 mph) 650' (desirable, 60 mph) 400' (minimum, 50 mph) 475' (desirable, 50 mph) 275' (minimum, 40 mph) 325' (desirable, 40 mph)	525' (minimum, 60 mph) 650' (desirable, 60 mph) 400' (minimum, 50 mph) 475' (desirable, 50 mph) 275' (minimum, 40 mph) 325' (desirable, 40 mph)
HORIZONTAL ALIGNMENT				
Maximum degree of curvature	3°	10°	4° (60 mph) 7° (50 mph) 10° (40 mph)	4° (60 mph) 7° (50 mph) 10° (40 mph)
Maximum super-elevation rate	0.06 ft/ft	0.06 ft/ft**	0.06 ft/ft	0.06 ft/ft
VERTICAL ALIGNMENT				
Desirable grade	3.0 percent 4.0 percent maximum	7.0 percent 8.0 percent (maximum)	4.0 percent 6.0 percent maximum uphill 6.5 percent maximum downhill	4.0 percent 6.0 percent maximum
Vertical curve length (K-Values)		0.35 percent (minimum)		
Desirable-crest Desirable-sag Minimum-crest Minimum-sag	540 220 290 150	80 70 60 60	310(60 mph), 160(50 mph), 80(40 mph) 160(60 mph), 110(50 mph), 70(40 mph) 190(60 mph), 110(50 mph), 60(40 mph) 120(60 mph), 90(50 mph), 60(40 mph)	310(60 mph), 160(50 mph), 80(40 mph) 160(60 mph), 110(50 mph), 70(40 mph) 190(60 mph), 110(50 mph), 60(40 mph) 120(60 mph), 90(50 mph), 60(40 mph)
CROSS-SECTION				
Lane width	12'	12' (14' outside only if curbed)	14' (12' for two lane)	14' (12' for two-lane)
Shoulder width				
Inside shoulder	4' (2-lane), 10' (3+lanes)	4'	8' (one-lane), 4' (two-lane)	4'****
Outside shoulder	10'	8" (uncurbed), NA (Curbed)	8' (one-lane), 8'(two-lane)	6'****
Curb offset	N/A	1.5'	N/A	N/A
Cross-slope				
Inside shoulder	2.0 percent	2.0 percent	2.0 percent (varies)	2.0 percent (varies)
Traffic lanes	2.5 percent	2.0 percent		2.0 percent (varies)
Outside shoulder	2.5 percent	2.0 percent		2.0 percent (varies)
CLEAR ZONE				
	30'	10' (uncurbed) 1.5' from face of curb (minimum)* 3.0' from face of curb (desirable)*	30' (roadway)	16'
VERTICAL CLEARANCE				
(Minimum)				
Over Roadway	16'-6"	16'-6"	16'-6"	16'-6"
Over Streets	16'-6"	16'-6"	16'-6"	16'-6"
Over Railroad	23'-0"	23'-0"	23'-0"	23'-0"
Over electrified light Rail	26'-6"	26'-6"	26'-6"	26'-6"
Overhead signs and pedestrian crossings	17'-6"	17'-6"	17'-6"	17'-6"

* The face of the new bridge columns should be located 6 feet or more from the face of curb

** For areas where super-elevation using the e=0.06 max. Criteria is impractical due to constrained conditions caused by cross streets, driveways, drainage considerations, etc., the low speed urban street criteria is applicable (See TxDOT *Highway Design Division Operations and Procedures Manual*)

*** If attached schematics indicate a lesser value than those indicated on this table, then Developer will use that value as the acceptable desirable criteria for that specific location.

**** Shoulder width measured from lane line to face of curb. Total ramp width from face of curb to face of curb is 24 feet (one-lane) and 34 feet (two-lane).

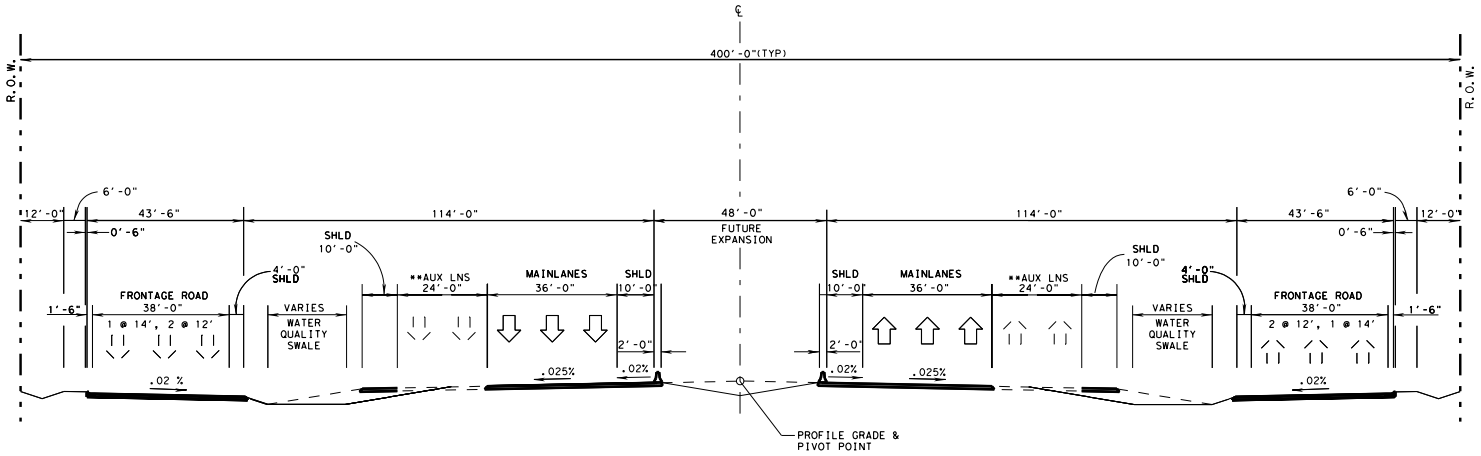
SH 130 – GEOMETRIC DESIGN CRITERIA

	MAINLANES	FRONTAGE ROADS	DIRECT CONNECTORS	RAMPS
GENERAL				
Design Speed	70 mph	40 mph	60 mph (desirable) [C,H] 50 mph (usual) [C,H] 40 mph (min)	60 mph (desirable) [C,H] 50 mph (usual) [C,H] 40 mph (min)
Stopping sight distance	850’	325’	650’ (60 mph) 475’ (50 mph) [H] 325’ (40 mph)	650’ (60 mph) 475’ (50 mph) [H] 325’ (40 mph)
HORIZONTAL ALIGNMENT				
Maximum degree of curvature	3°	10°	4° (60 mph) 7° (50 mph) 10° (40 mph)	4° (60 mph) 7° (50 mph) 10° (40 mph)
Maximum super-elevation rate	0.06 ft/ft	0.06 ft/ft [B]	0.06 ft/ft	0.06 ft/ft
VERTICAL ALIGNMENT				
Desirable grade	3.0 percent [G] 4.0 percent (max)	7.0 percent 8.0 percent (max) 0.50 percent (min)	4.0 percent 6.0 percent (max uphill) 6.5 percent (max downhill)	4.0 percent 6.0 percent (max)
Vertical Curve Length (Minimum K-Value)				
Crest	540	80	310 (60 mph), 160 (50 mph), 80 (40 mph)	310 (60 mph), 160 (50 mph), 80 (40 mph)
Sag	220	70	160 (60 mph), 110 (50 mph), 70 (40 mph)	160 (60 mph), 110 (50 mph), 70 (40 mph)
CROSS-SECTION				
Lane width	12’	12’ (14’ outside only if curbed)	14’ (12’ for two lane)	14’ (12’ for 2 lanes)
Shoulder Width				
Inside Shoulder	6’ (Interim), 10’ (Ultimate)	4’	8’ (one-lane), 4’ (two-lane) [E]	4’ [D]
Outside Shoulder	10’	6’ (uncurbed), NA (curbed)	8’ (one-lane), 8’ (two-lane) [E]	6’ [D]
Curb offset	N/A	1.5’	N/A	N/A
Cross-slope				
Inside shoulder	2.0 percent (min)	2.0 percent (min)	2.0 percent (varies)	2.0 percent (varies)
Traffic lanes	2.0 percent (min)	2.0 percent (min)	2.0 percent (varies)	2.0 percent (varies)
Outside shoulder	2.5 percent (min)	2.0 percent (min)	2.0 percent (varies)	2.0 percent (varies)
CLEAR ZONE				
Distance from edge of lane unless noted otherwise	30’	16’ (uncurbed) 1.5’ from face of curb (min) 3.0’ from face of curb (desirable) [A]	30’	16’
VERTICAL CLEARANCE				
(Minimum)				
Over Roadway [F]	16’-6”	16’-6”	16’-6”	16’-6”
Over Streets [F]	16’-6”	16’-6”	16’-6”	16’-6”
Over Railroad	23’-0”	23’-0”	23’-0”	23’-0”
Over electrified light Rail	26’-6”	26’-6”	26’-6”	26’-6”
Overhead signs and pedestrian crossings [F]	17’-6”	17’-6”	17’-6”	17’-6”

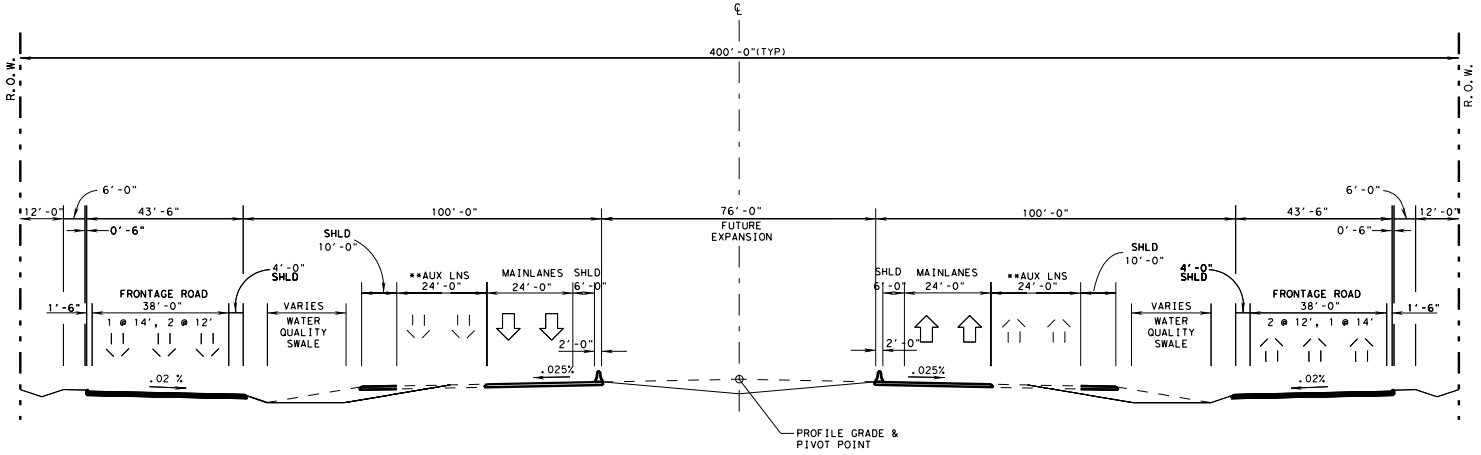
(A) The face of the new bridge columns should be located 6 feet or more from the face of curb
(B) For areas where super-elevation using the e=0.06 max. criteria is impractical due to constrained conditions caused by cross streets, driveways, drainage considerations, etc., the low speed urban street criteria is applicable (See TxDOT *Highway Design Division Operations and Procedures Manual*)
(C) If attached schematics indicate a lesser value than those indicated on this table, then Developer will use that value as the acceptable minimum criteria for that specific location.
(D) Shoulder width measured from lane line to face of curb. Total ramp width from face of curb to face of curb is 24 feet (one-lane) and 34 feet (two-lane).
(E) To mitigate restrictions on the design imposed by sight distance, it is acceptable to position the 8-foot shoulder on the inside of the curve and the 4-foot shoulder on the outside of the curve for two-lane direct connectors.
(F) Vertical clearances shall be measured from the top of the 30-year pavement section including any future overlay stages of the pavement design.
(G) Vertical grades steeper than 3.5% on the mainlanes shall be subject to approval by the TTA, in its sole discretion.
(H) Criteria less than those shown as “usual” shall be subject to approval by the TTA, in its sole discretion.

APPENDIX B
TYPICAL SECTIONS

TYPICAL SECTION (2002 PROJECT)



SECTION 1, 2, 3, 4A, 4B, 7 & 8



SECTION 5 & 6

PREPARED BY: Turner Collie & Braden Inc.
ENGINEERS • PLANNERS • PROJECT MANAGERS

SH 45 NORTH & LOOP 1
B-1

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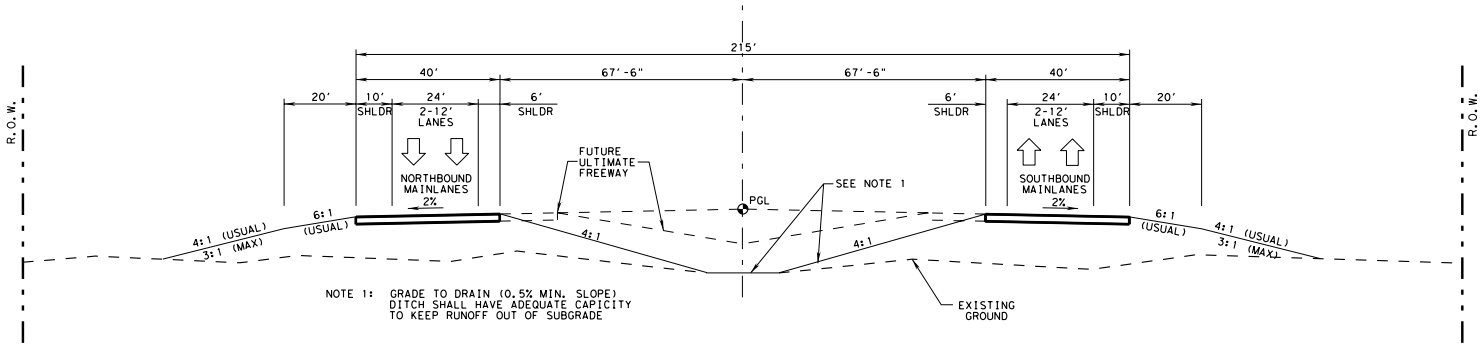
TYPICAL SECTION (2002 PROJECT)



4 LANE DIVIDED TYPICAL

FRONTAGE ROADS NOT SHOWN

PREPARED BY: HDR ENGINEERING, INC.

SH 130
B-2

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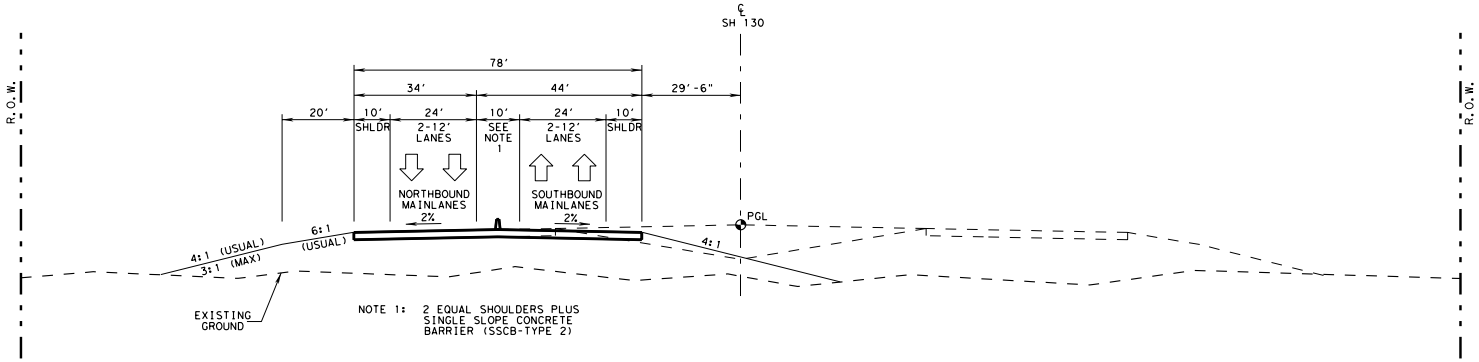
TYPICAL SECTION (2002 PROJECT ALTERNATE)



4 LANE BARRIER - DIVIDED TYPICAL

FRONTAGE ROADS NOT SHOWN

PREPARED BY: HDR ENGINEERING, INC.

SH 130
B-3

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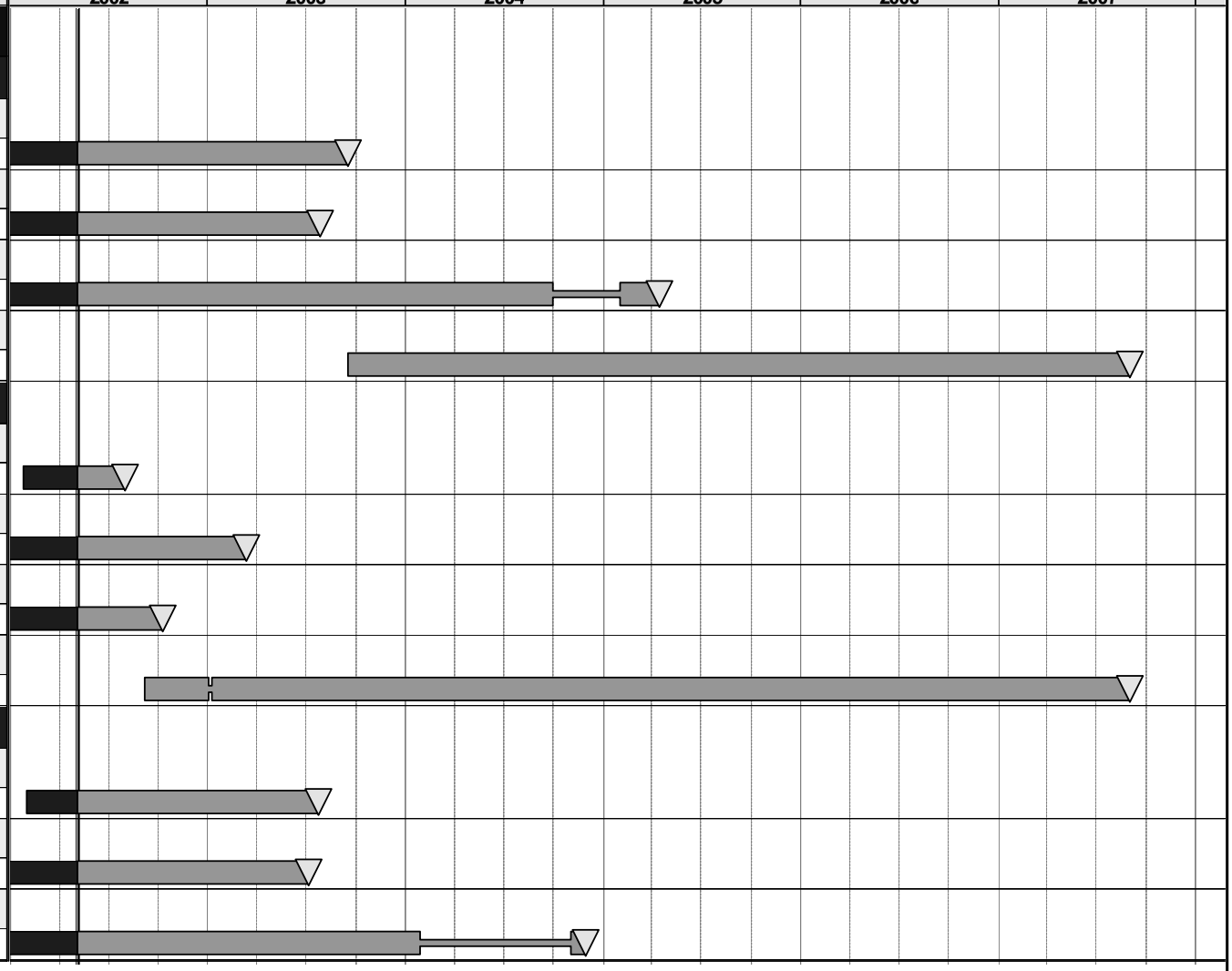
APPENDIX C
PROJECT SCHEDULES

	Early Start	Early Finish
SH 45 North & Loop 1		
Section 1 & 2		
+ Design	30OCT01A	15SEP03
+ ROW	08OCT01A	26JUL03
+ Utilities	01OCT01A	13APR05
+ Construction	18SEP03	01SEP07
Section 3		
+ Design	25JAN02A	31JUL02
+ ROW	01DEC01A	11MAR03
+ Utilities	01AUG00A	08OCT02
+ Construction	05SEP02	01SEP07
Section 4A & 4B		
+ Design	01FEB02A	25JUL03
+ ROW	10JAN01A	06JUL03
+ Utilities	01JUN01A	30NOV04



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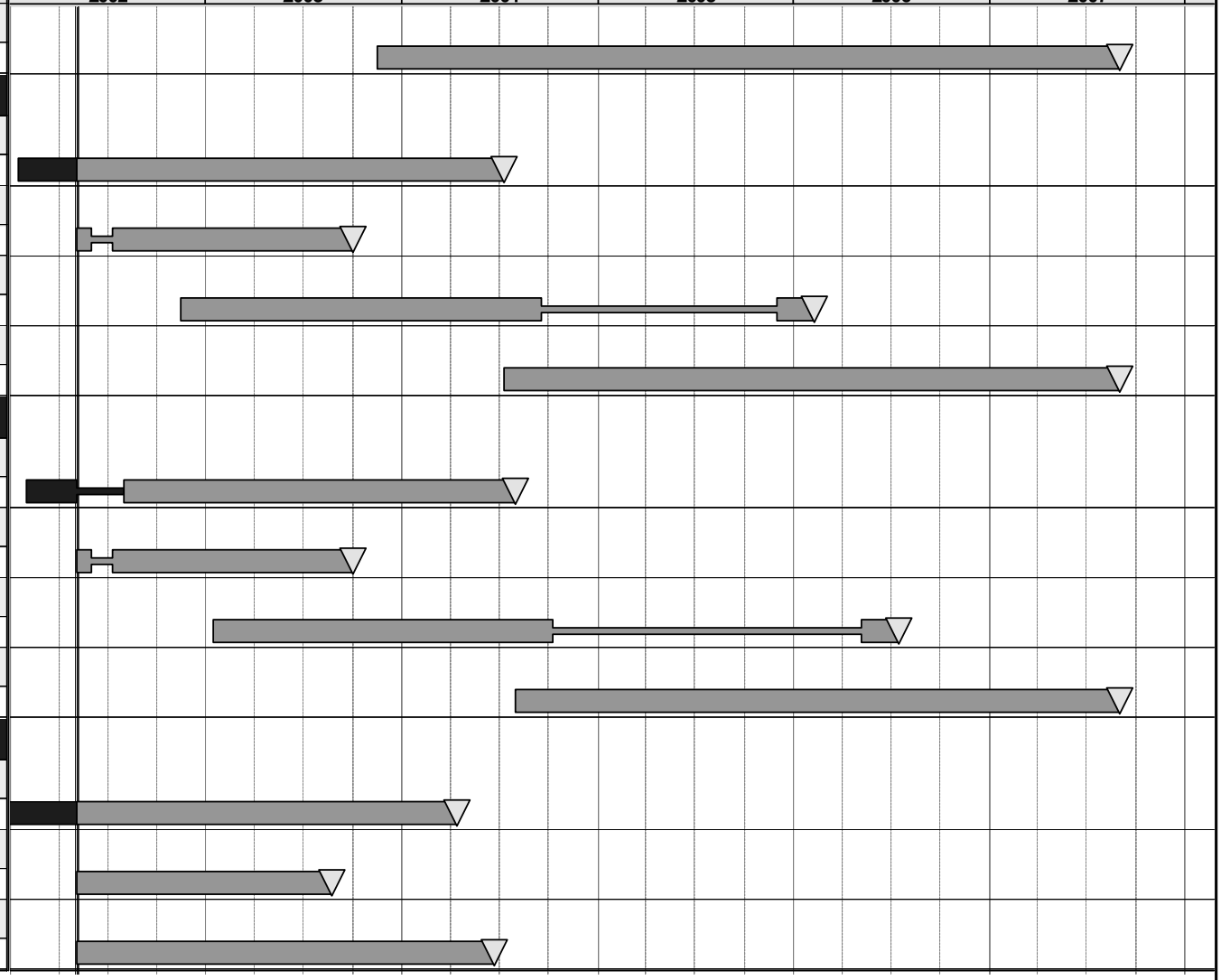
Sheet 1 of 3

Central Texas Turnpike 2002 Project
SH45 North & Loop 1 Elements
Appendix "C"

TTA TOLL

PBSJ

	Early Start	Early Finish
+ Construction		
	18NOV03	01SEP07
Section 5		
+ Design		
	15JAN02A	08JUL04
+ ROW		
	04MAY02	02OCT03
+ Utilities		
	15NOV02	08FEB06
+ Construction		
	09JUL04	01SEP07
Section 6		
+ Design		
	31JAN02A	29JUL04
+ ROW		
	04MAY02	02OCT03
+ Utilities		
	15JAN03	17JUL06
+ Construction		
	30JUL04	01SEP07
Section 7		
+ Design		
	31OCT01A	12APR04
+ ROW		
	04MAY02	23AUG03
+ Utilities		
	06MAY02	22JUN04



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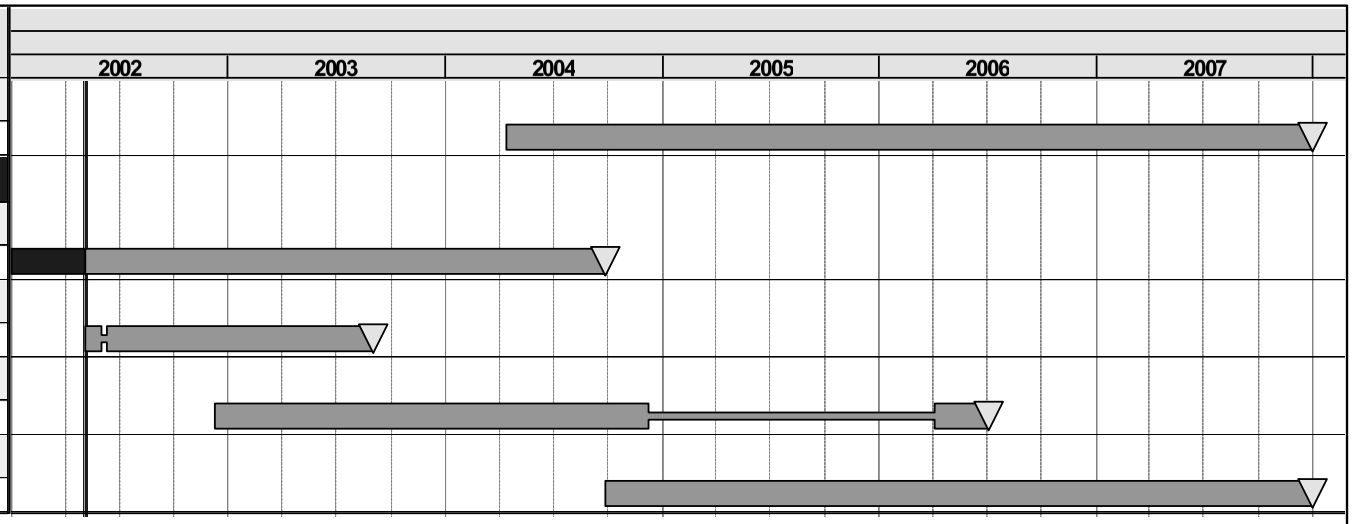
Sheet 2 of 3

Central Texas Turnpike 2002 Project
SH45 North & Loop 1 Elements
Appendix "C"

TTA TOLL

PBSJ

	Early Start	Early Finish
+ Construction		
	13APR04	31DEC07
Section 8		
+ Design		
	01JAN02A	27SEP04
+ ROW		
	04MAY02	02SEP03
+ Utilities		
	09DEC02	03JUL06
+ Construction		
	28SEP04	31DEC07



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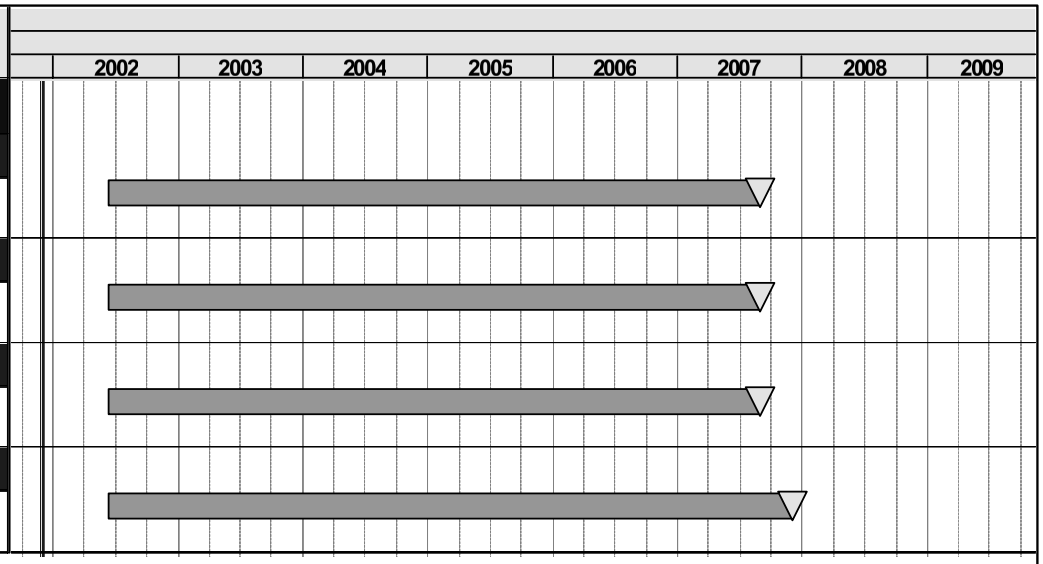
Sheet 3 of 3

Central Texas Turnpike 2002 Project
SH45 North & Loop 1 Elements
Appendix "C"

TTA TOLL

PBSJ

	Early Start	Early Finish
SH 130		
+ Segment 1 - Design,ROW,Utilities & Construction		
	10JUN02	01SEP07
+ Segment 2 - Design,ROW,Utilities & Construction		
	10JUN02	01SEP07
+ Segment 3 - Design,ROW,Utilities & Construction		
	10JUN02	01SEP07
+ Segment 4 - Design,ROW,Utilities & Construction		
	10JUN02	01DEC07



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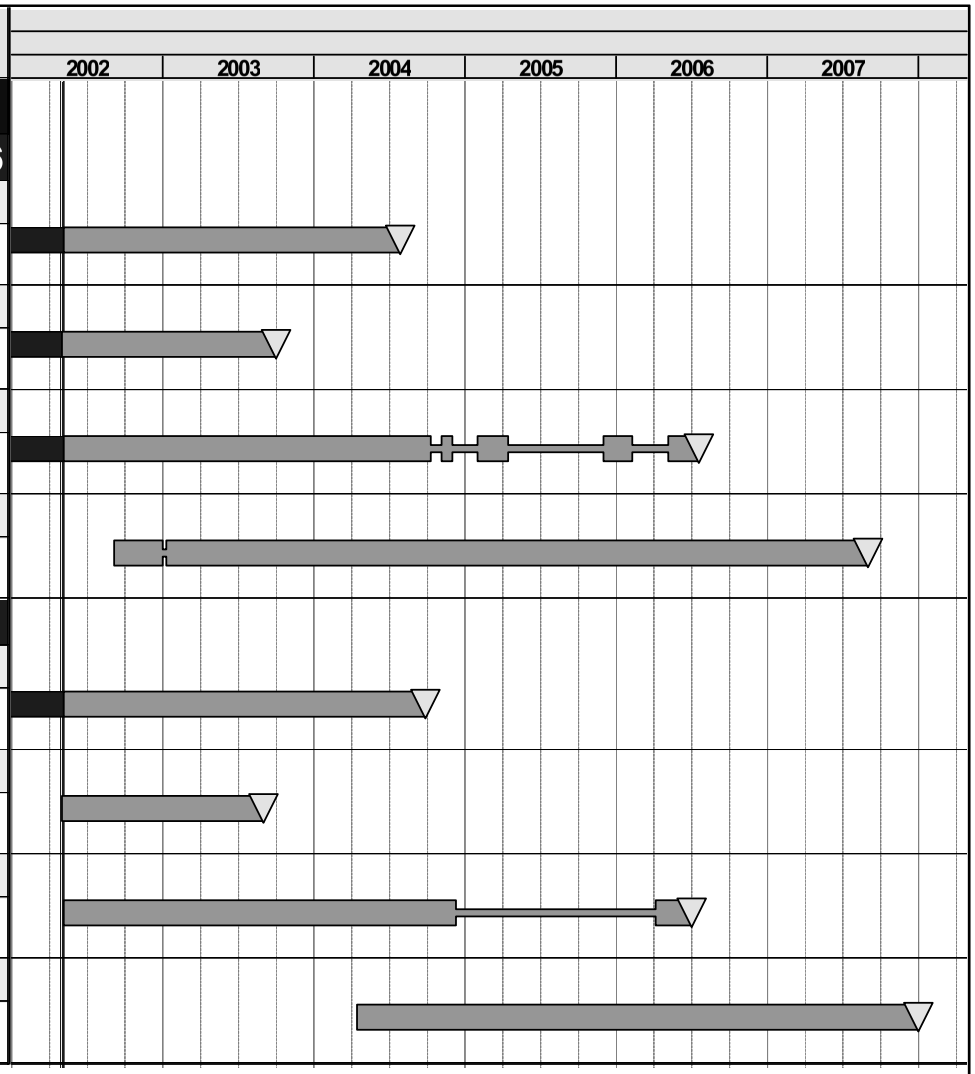
Central Texas Turnpike 2002 Project
SH 130 Element
Appendix "C"

TTA TOLL

PBSJ

	Early Start	Early Finish
SH 45 & Loop 1		
Open to Traffic Phase 1 -Sections 1&2,3,4A&B,5,6		
+ Design		
	30OCT01A	29JUL04
+ ROW		
	10JAN01A	02OCT03
+ Utilities		
	01AUG00A	17JUL06
+ Construction		
	05SEP02	01SEP07
Open to Traffic Phase 2 -Sections 7,8		
+ Design		
	31OCT01A	27SEP04
+ ROW		
	04MAY02	02SEP03
+ Utilities		
	06MAY02	03JUL06
+ Construction		
	13APR04	31DEC07



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Sheet 1 of 1

Central Texas Turnpike 2002 Project
SH45 & Loop 1 Elements
Appendix "C"

TTA TOLL

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APPENDIX F

TRAFFIC AND REVENUE REPORT

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CENTRAL TEXAS TURNPIKE SYSTEM
2002 PROJECT
TRAFFIC AND REVENUE FORECAST

Texas Department of Transportation
Texas Turnpike Authority Division

July 22, 2002

Prepared by

URS Corporation
Vollmer Associates, L.L.P.

Vollmer Associates LLP
50 West 23rd Street
New York, NY 10010-5205

URS Corporation - New York
One Penn Plaza, Suite 610
New York, NY 10119-0698

July 22, 2002

Mr. Phillip E. Russell, PE, JD
Director
Texas Turnpike Authority Division
Texas Department of Transportation
125 East 11 Street
Austin, TX 78701-2483

Dear Mr. Russell:

URS and Vollmer Associates have jointly prepared this Central Texas Turnpike System 2002 Project Traffic and Revenue Report. The forecasts and report are used in connection with the issuance by the Texas Department of Transportation of its Series 2002 Bonds and the United States Department of Transportation's TIFIA loan associated therewith.

As described in this Report, the 2002 Project consists of three proposed turnpike elements: two to be located just north of Austin in southwest Williamson County and northern Travis County—Loop 1 and SH 45—and are referred to as the Northwest Austin Area Turnpike Elements; and the third element, SH 130, extending from Georgetown into Travis County, initially terminating south of Austin-Bergstrom International Airport at US 183 South. While Vollmer Associates took primary responsibility for the Northwest Austin Area Turnpike Elements and URS took primary responsibility for the SH 130 Element, many of the study tasks were shared, including the use of several sub-consultants for their specific expertise in various aspects of work, the development and validation of the traffic forecasting model, and the present and future socioeconomic data and highway networks that were used as input to the model. This collaboration provided a built-in peer review of the assumptions, methodology and development of the forecasts.

This is our complete and final Traffic and Revenue Report. We understand that it will be included in full in the Official Statement accompanying the forthcoming 2002 Project Bond sale. It should be read together with the applicable descriptive portions of the Official Statement.

Respectfully,

VOLLMER ASSOCIATES LLP

Gerald V. Nielsten, PE
Managing Partner

URS CORPORATION – NEW YORK

David Schellinger, PE
Vice President

Arthur H. Goldberg, PE
Vice President

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EXECUTIVE SUMMARY

The traffic and revenue forecasts in this report were developed for the first phase of the Central Texas Turnpike Project (CTTP), hereinafter referred to as the "2002 Project", in connection with the issuance by Texas Department of Transportation (TxDOT) of its Series 2002 Bonds and the USDOT's TIFIA loan associated therewith.

As described in the report, the 2002 Project consists of three proposed turnpike elements: two to be located just north of Austin in southwest Williamson County and northern Travis County—Loop 1 and SH 45—and are referred to as the Northwest Austin Area Turnpike Elements; and the third element, SH 130, extending from Georgetown into Travis County, south of Austin-Bergstrom International Airport.

The report that follows includes, initially, discussions on existing travel patterns (Chapter 2); the study methodology, including the development, validation and application of the traffic forecasting model (Chapter 3); and the socioeconomic forecasts (Chapter 4) and highway networks that were used as input to the model (Chapter 5)—all of which were used as the foundation for the traffic and revenue forecasts for the three project elements. The traffic and revenue forecasts for the Northwest Austin Area Elements, developed by Vollmer Associates LLP, are covered in Chapter 6; while the corresponding forecasts for the SH 130 Element, developed by URS Corporation, are covered in Chapter 7. Chapter 8 combines the revenue forecasts for the total 2002 Project; and Chapter 9 describes the results of the sensitivity tests to assess the risks associated with changes in the highway network, the socioeconomic forecasts, assumed inflation rates, the toll diversion coefficients, and toll sensitivity. Chapter 10 discusses the relative roles and relationships between URS Corporation and Vollmer Associates LLP for this study.

Each of the three elements is unique in terms of its traffic potential:

- The Loop 1 element will be an extension of the existing MoPac Expressway that currently carries over 100,000 vehicles per day at Parmer Lane. The MoPac Expressway presently extends northward from Parmer Lane in the form of a surface arterial with at-grade signalized intersections. As such, the traffic model for this element predicts impressive traffic levels upon its opening and throughout the forecast period.

- The SH 45 North element (known herein as SH 45 or the SH 45 element) will occupy and serve an east-west corridor that presently lacks an express east-west limited-access route in the expanding area north of Austin. This element would also have interchanges with US 183, Loop 1, IH 35 and SH 130 for connections to major north-south roadways.

- The SH 130 element will occupy and serve the growing north-south corridor east of Austin and serve as a relief route to IH 35 for NAFTA-related and other long-distance traffic between San Antonio and the Dallas-Fort Worth metroplex as well as provide

additional badly needed daily commuter lane capacity in the Austin region. Geographically, the Austin metropolitan area has expanded north and south, because growth potential is limited in the western portions of the area due to restricted water protection zones. SH 130 will support and spur the anticipated development in the area east of Austin.

The three elements of the 2002 Project are programmed for opening to traffic in September 2007, except for the southernmost section of SH 130 and the westernmost section of the SH 45 element which will open in December 2007. All three elements will have a closed barrier/ramp system of toll collection under which no toll-free use of the Project will be possible except on the discontinuous frontage roads. The 5-mile Loop 1 element will have a single barrier; the 13-mile SH 45 element will have two barriers, with one west and the other east of IH 35; and the 49-mile SH 130 element will have four barriers, one north of and the other three south of the SH 45 junction. All seven mainline toll barriers will be designed for open-road tolling with highway-speed lanes through the center of the plazas, for drivers with electronic transponders.

The toll rates for the full-length trip for the three elements will be in the range of 12-15 cents per mile, comparable to most of the urban toll projects financed since 1990, when adjusted for inflation to 2007 when the 2002 Project will be open to traffic. Transponder users, who will be given a 10 percent discount, are expected to be in the range of 25-40 percent participation in 2007 up to 50-75 percent in 2025, higher for autos than trucks, and generally higher on the Northwest Austin Area Elements than on SH 130 due to the commuter areas served by them. A modified version of the Capital Area Metropolitan Planning Organization (CAMPO) traffic model produced the basis for the forecasts for the years 2007, 2010, 2015, 2020 and 2025; the intermediate years were calculated by interpolation, while those beyond 2025 were extrapolated based on a tapering annual rate of growth declining to 2 percent by 2042. Traffic reductions in fiscal years 2016, 2026 and 2036 reflect the impact of periodic toll increases programmed for those years; and the respective forecast tables indicate that it will take two to four years for the traffic to rebound to the pre-toll-increase levels. The revenue forecast for the combined 2002 Project is as follows:

Fiscal Year Ending Aug. 31	Toll Revenue (000)			Fiscal Year ending Aug. 31	Toll Revenue (000)		
	Northwest Austin Area Elements	SH 130 Element	Total		Northwest Austin Area Elements	SH 130 Element	Total
				2026	$ 92,295	$ 140,643	$232,939
				2027	94,967	147,687	242,654
2008	$ 16,511	$ 18,485	$ 34,996	2028	97,639	154,722	252,361
2009	24,111	25,543	49,654	2029	100,310	161,715	262,026
2010	30,418	29,275	59,693	2030	102,982	168,629	271,611
2011	34,665	37,502	72,166	2031	105,654	175,426	281,080
2012	37,757	42,452	80,208	2032	108,325	182,068	290,393
2013	39,024	46,767	85,791	2033	110,997	188,515	299,512
2014	40,292	49,769	90,060	2034	113,669	194,728	308,396
2015	41,559	52,771	94,330	2035	116,340	201,030	317,370
2016	54,274	63,068	117,342	2036	136,754	219,996	356,750
2017	55,811	68,242	124,053	2037	139,820	225,628	365,448
2018	57,348	73,417	130,764	2038	142,886	231,184	374,070
2019	58,885	78,591	137,476	2039	145,952	236,761	382,713
2020	60,421	83,766	144,187	2040	149,018	242,354	391,372
2021	62,890	91,874	154,764	2041	152,084	247,958	400,042
2022	65,668	99,184	164,852	2042	155,150	253,567	408,717
2023	68,447	106,493	174,940				
2024	71,226	113,802	185,028				
2025	74,004	121,111	195,116				

It is the considered opinion of URS and Vollmer that the revenue projections are reasonable and that they have been prepared in accordance with accepted practices for Traffic and Revenue studies, more particularly described below:

- The demographic growth rates underlying the traffic forecasts are prudent. While the actual population and employment in 2000 exceeded most forecaster's expectations, earlier CAMPO forecasts for 2007 were retained as the initial basis for the socioeconomic inputs to the traffic model, resulting in projected growth rates roughly one-half those of the 1990-2000 period. Accordingly, the population/employment forecasts are achievable, even under a recessionary scenario.

- From a network viewpoint, the 2002 Project will serve a metropolitan area that is already congested, with a significant demand for north-south travel.

- Beyond this, the projected network improvements to the routes that parallel the 2002 Project elements have been advanced to compete for market share earlier, while the feeder route improvements have been inserted in the network only to the extent needed to

serve the projected land use. One such competing route improvement is the HOV expansion to IH 35 inserted into the model in 2015. Due to its high cost, it is highly unlikely that this IH 35 improvement will be constructed, especially when the SH 130 element will relieve the traffic demand on IH 35.

- Even with the demand for highway network improvements, the traffic model yielded modest market shares for the three project elements, as represented by the screenline results from the respective project corridors.

Element	Market Share	
	2010	2025
Loop 1	14%	13%
SH 45 West End	24	26
SH 45 East End	15	19
SH 130 North End	11	14
SH 130 South End	5	6

- Lastly, a long and deep ramp-up process was introduced to the model outputs based on experience of new toll road projects that were opened to traffic in the 1990s, even with the congested highway network being experienced today. Starting with ramp-up factors on the order of 55 percent in the first year of operation (FY 2008), a four-year ramp-up period was selected for the Northwest Austin Area Elements and a six-year ramp-up period was selected for the SH 130 element.

Beyond the base forecast, a number of sensitivity tests were run to test variations in network assumptions, socioeconomic forecasts, inflation rates and toll diversion coefficients in terms of assessing the risk of various "down-side" scenarios. The year 2015 was selected for the tests, as it represents the first model year following the ramp-up process and coincides with the first scheduled toll increase.

In the test that resulted in the greatest impact, it was assumed that 2010 regional land use would be delayed to 2015, which has the effect of reducing the regional population growth rate from 2.6 percent annually to 1.7 percent during the period 2000-2015. The result was a revenue decrease for the Northwest Austin Area Elements of 18 percent and a decrease in the SH 130 element of 20 percent. Again, the regional traffic congestion that has been a positive element in terms of influencing the forecasts has dampened the negative impact of the potential recession-generated delayed land use. The other sensitivity tests resulted in impacts that were far less severe.

The collaboration between URS and Vollmer provided a built-in peer review of the assumptions, methodology and development of the forecasts. This internal collaboration, undertaken at every stage of the traffic and revenue forecasting process, provided a step-by-step comprehensive review that included the socioeconomic forecasting, the existing traffic patterns, the highway network, the traffic model and toll diversion.

1 INTRODUCTION

1.1 Central Texas Turnpike Project (CTTP)

The Texas Turnpike Authority Division of the Texas Department of Transportation (TTA) will construct a new turnpike system, known as the Central Texas Turnpike Project (CTTP), in the Greater Austin area. The first phase of the CTTP to be financed and constructed is hereinafter referred to as the "2002 Project". Vollmer Associates and URS Corporation were jointly employed to conduct an investment-grade study of traffic and toll revenues for the 2002 Project, with Vollmer taking primary responsibility for the Northwest Austin area elements and URS taking primary responsibility for the SH 130 element.

1.1.1 Overall system

The 2002 Project consists of three proposed turnpike elements. Two elements will be located just north of Austin in southwest Williamson County and northern Travis County - Loop 1 and SH 45 - and are referred to as the Northwest Austin Area turnpike elements. The third element, SH 130, will extend from north of Georgetown in Williamson County southerly into Travis County, south of Austin-Bergstrom Airport, passing east of Austin. Figure 1-1 displays the location of the proposed turnpike elements.

There are two future turnpikes, US 183A and SH 45 South, which will be financed and constructed separately from the 2002 Project. Pursuant to minute orders, the Texas Transportation Commission has agreed to cause construction of US 183A and the eastern phase of SH 45 South to be completed by the dates set forth below. For purposes of the forecasts set forth herein, it is assumed that US 183A and the eastern phase of SH 45 South will be operated as toll facilities employing a rate schedule and collection structure that are consistent with those assumed for the 2002 Project. US 183A will be completed in 2011, and SH 45 South will be built in two phases, with the eastern phase completed in 2010 and the western phase between IH 35 and Loop 1 in 2025. US 183A will run parallel to US 183 through the cities of Leander and Cedar Park.

1.1.2 Northwest Austin Area Turnpike Elements

The two Northwest Austin Area Turnpike Elements - SH 45 and Loop 1 - are located in southwest Williamson County and northern Travis County. These are depicted in Figure 1-2. Loop 1 will be a five-mile element[1] extending from Parmer Lane northward to the future SH 45 element. The SH 45 element will run east-west for about 13 miles, connecting US 183 with the Loop 1 element, IH 35 and the SH 130 element. Service roads will be built alongside these

[1] As used in this report, Loop 1 is defined as five miles beginning at Parmer Lane in the south and terminating at the confluence of Loop 1 and SH 45 west of the SH 45/Loop 1 Interchange.

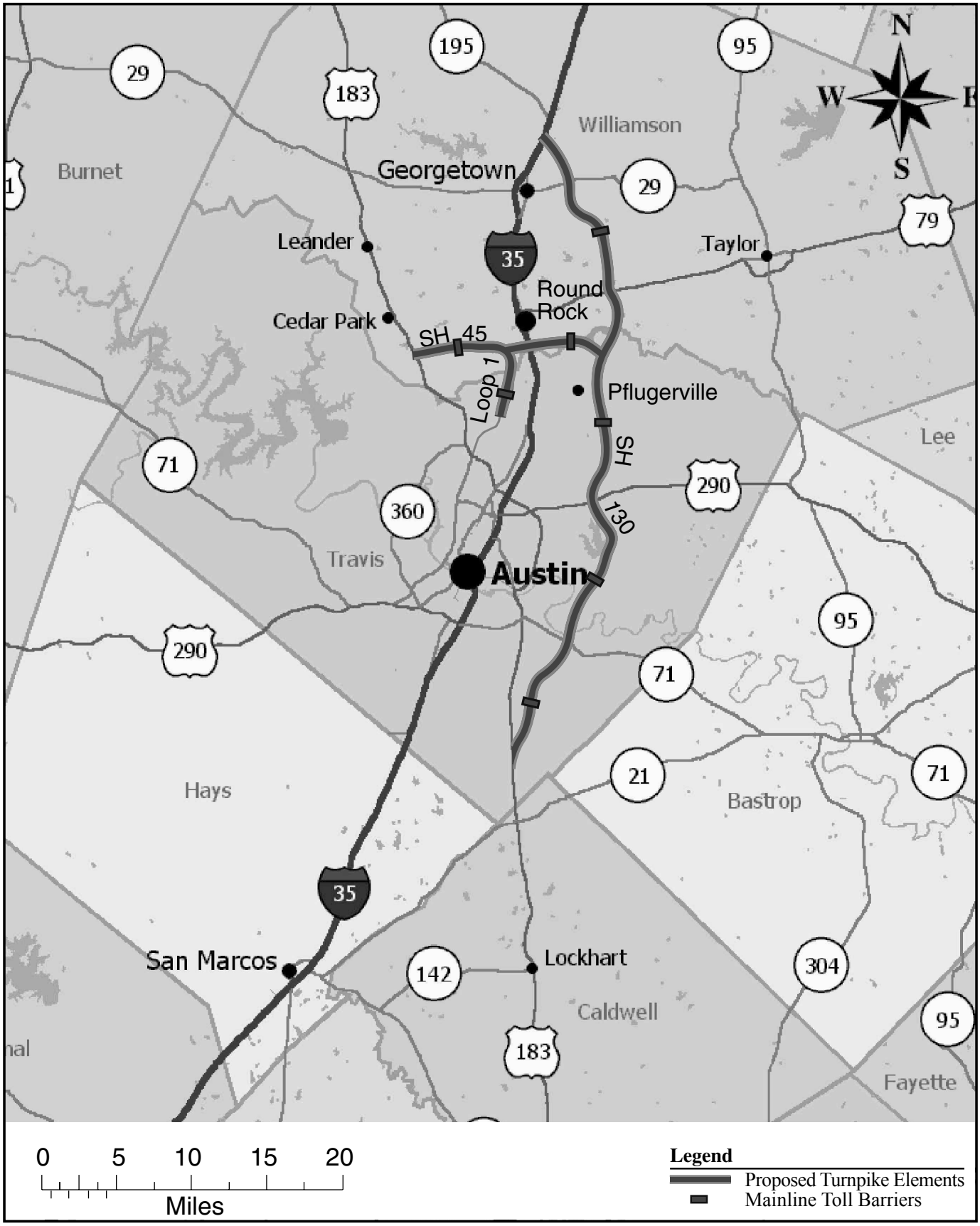


Figure 1-1
Central Texas Turnpike 2002 Project

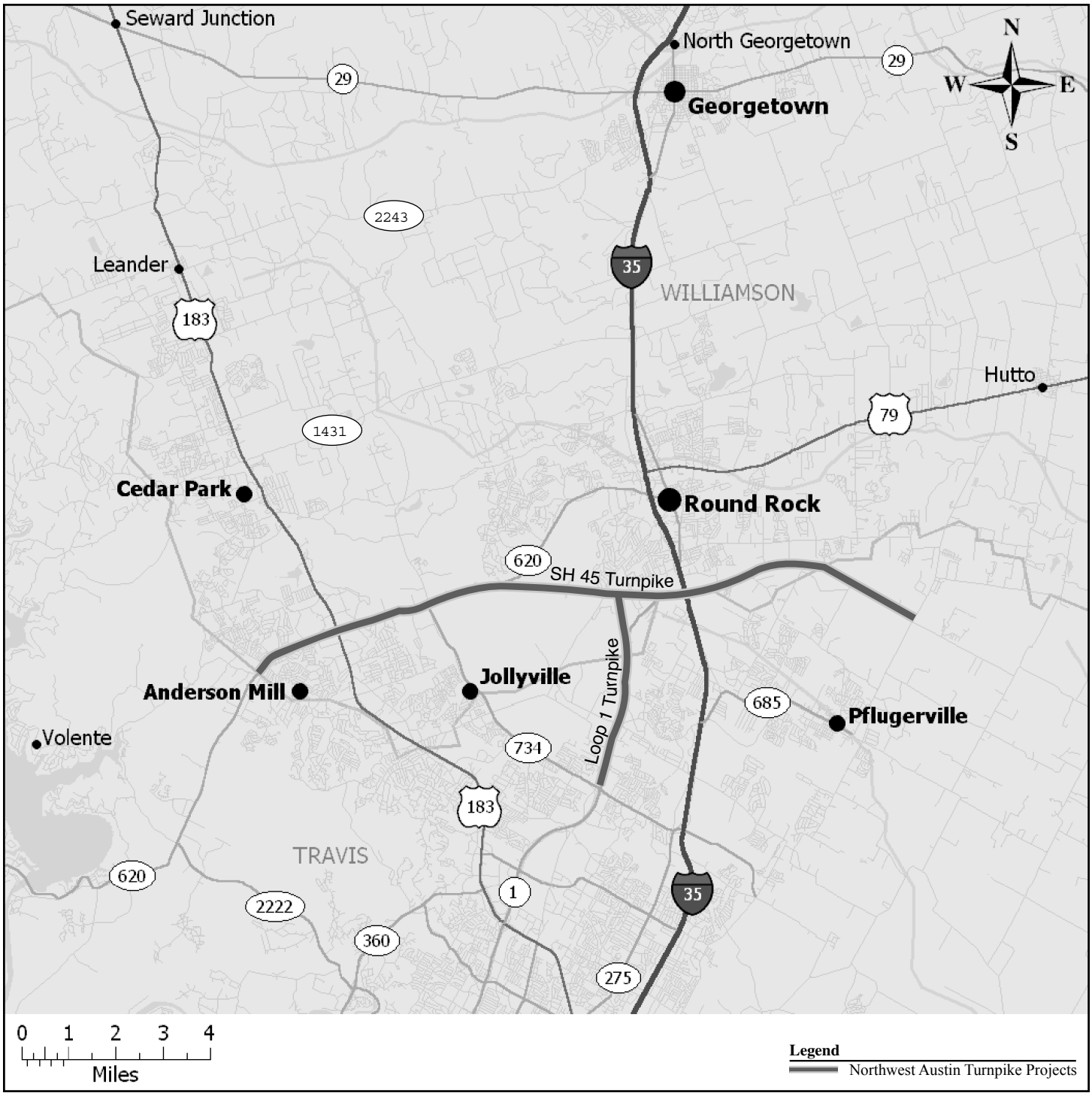


Figure 1-2
Northwest Austin Turnpike Projects

elements to serve shorter trips, however, they are discontinuous and will force longer trips onto the mainline where they must pay a toll. The configuration will not allow express through traffic to avoid paying tolls at the barrier toll plazas.

The Loop 1 element and the SH 45 element from Loop 1 to SH 130 are scheduled for opening in the beginning of September 2007. By December 1, 2007, the SH 45 element will be completed, as it is extended further west with a four-lane overpass over US 183. Direct highway ramps connecting the Northwest Austin elements and other limited access highways (namely, IH 35, the SH 130 element, and US 183) will be constructed in phases as detailed in Chapter 6. Most of these connectors will completed in 2007, though some are not completed until 2025. A connection from SH 45 to the US 183A Turnpike will be built in 2007, though the US 183A turnpike will not be completed until 2011.

The Loop 1 element will complete a limited-access, north-south connection between Austin and the cities of Round Rock and Cedar Park, and help relieve some of the congestion on US 183 and IH 35. The SH 45 element between the cities of Cedar Park and Round Rock will be the only east-west interstate-level roadway in the northern Austin area and therefore will provide significant time savings over the limited-capacity parallel routes. As substantial growth in population and employment is forecasted for the Loop 1/SH 45 area, the demand for new roads will increase over time.

1.1.3 SH 130 Element

The SH 130 element will extend from the IH 35/SH 195 junction at Georgetown in Williamson County (north of Austin) approximately 49 miles southward, on the east side of Austin, to a junction with US 183 in southern Travis County south of Austin-Bergstrom International Airport. A connection to IH 35 (described in Chapter 7) is also planned, via the proposed SH 45 South. This connection is scheduled for completion by September 1, 2010. The SH 130 element is shown in Figure 1-1 along with the Loop 1 and SH 45 elements and some of the background regional highway network.

As described in detail in Chapter 7, the SH 130 element has been divided into four segments, which, with one modification, URS has utilized for purposes of toll system design. Segments 1, 2 and 3 of SH 130 are scheduled for opening in September 2007. Segment 4 of SH 130 is schedule for opening in December 2007. After 2007, various improvements are planned to upgrade the element, including flyover ramps at certain interchanges and improved control of access.

The SH 130 element will pass through Williamson and Travis counties, and, via its connection to SH 45 South, will also serve Hays County. This three-county corridor, encompassing the City of Austin in Travis County, is one of the fastest growing areas in Texas, which is expected to grow from a population of 1.2 million in 2000 to 2.0 million by 2025.

IH 35 and US 183 are the principal north-south intercity routes in the study area which will be in competition with the SH 130 element. Both arterials are highly congested, not only during peak

commuter hours, but throughout the day. The SH 130 element will not only provide relief to IH 35, US 183 and other highways in the corridor and improve overall mobility in the Austin area, but will also increase accessibility to the new Austin-Bergstrom International Airport and through the present sparsely-developed area on the east side of Austin. Traffic is expected to increase substantially in the corridor, brought about by this growth and by freight traffic generated through the North American Free Trade Agreement (NAFTA).

1.2 Study Purpose and Scope

The purpose of this study is to forecast traffic and gross toll revenues for the 2002 Project in the greater Austin, Texas area. The study area covers Williamson, Travis, and Hays Counties.

This study involved significant re-analysis of land use and the incorporation of a toll diversion element into the regional traffic model. With respect to land use, regional and local indices of household and employment were investigated, and verified using information from regional and local authorities, as well as independent verification of socioeconomic activity. Local jurisdictions, the metropolitan planning organization (CAMPO) and the Texas Department of Transportation were contacted for the most recent information on the existing roadways and future improvements to the roadway network. New traffic data on major local and state roads were acquired for re-calibration of the traffic model. Toll diversion equations were developed from stated preference surveys conducted for this project. The traffic model was developed from the CAMPO model and modified to include toll diversion equations and forecast traffic by time of day.

1.3 Consultant Team

Vollmer Associates LLP ("Vollmer") and *URS Corporation* ("URS") head the consultant team for the Traffic and Revenue Study and were responsible for project management, coordination, and forecasting gross toll revenues to be derived from the 2002 Project. URS forecasted traffic and revenue for the SH 130 element and Vollmer forecasted traffic and revenue for the Northwest Austin Area elements. Several firms assisted Vollmer and URS in their work effort:

- *George Hoyt & Associates* (GH&A) provided traffic model support services including network modifications, development of new trip tables from origin/destination (O/D) surveys, and recalibration of the new base year traffic model.

- *Alliance-Texas Engineering Company* coordinated and oversaw data collection efforts, coded and entered O/D surveys into a database, and provided local engineering support for model validation efforts.

- *Integra Joseph Farber & Company* provided the socioeconomic review and the employment and household projections used in the traffic model.

- *Resource Systems Group Inc.* conducted the stated preference surveys used for developing toll diversion equations.

- *Gram Traffic Counting Inc.* conducted O/D surveys and traffic counts in the study area to be used for model validation.

1.4 Organization of the Report

The following is a brief description of the contents of each chapter:

- *Chapter 2 – Existing Travel Patterns* – Presents a summary of survey and traffic count data in the project area. This data was used in developing and calibrating the forecast models.

- *Chapter 3 – Study Methodology* - explains the methodology used to forecast toll traffic and revenue for the 2002 Project, based upon an adaptation of the CAMPO traffic model and toll diversion equations.

- *Chapter 4 – Future Socioeconomic Forecasts* - describes the methodology and assumptions used to assess future development in the Austin metropolitan area and the 2002 Project study areas.

- *Chapter 5 – Roadway Network* – describes the key network changes between traffic model analysis years.

- *Chapter 6 – Northwest Austin Turnpike Elements Traffic and Revenue Forecasts* - presents the base case toll structure and the resulting traffic and revenue forecasts for the Northwest Austin Turnpike elements.

- *Chapter 7 – SH 130 Turnpike Element Traffic and Revenue Forecasts* - presents the base case toll structure and the resulting traffic and revenue forecasts for the SH 130 Turnpike element.

- *Chapter 8 – Revenue Forecast for the 2002 Project* – combines the revenue forecasts presented in Chapters 6 and 7, and includes estimates of customer service center revenues.

- *Chapter 9 – Sensitivity Analysis* – results of analyses testing the sensitivity of key model inputs are presented in this chapter.

- *Chapter 10 – Due Diligence Review* – discusses the internal review undertaken at every stage of the traffic and revenue forecasting process.

2 EXISTING TRAVEL PATTERNS

Data on existing travel patterns were compiled in support of and to calibrate the transportation demand (simulation) models described in Chapter 3. The data were compiled (1) by the consultant participants specifically for the 2002 Project, and (2) from other available regional travel data sources.

2.1 2002 Project-Specific Travel Data

The travel data compiled specifically for the 2002 Project consisted of traffic counts, travel times and origin-destination surveys, all of which enabled the consultant team to develop a profile of the traffic characteristics in the Austin region for use in the models.

2.1.1 Traffic Counts

Numerous traffic count data were compiled from (a) permanent count stations operated by TxDOT throughout the region; (b) from automatic traffic recorder (ATR) machines placed out for seven-day periods during the traffic surveys conducted by the consultant team in October and November of 1999; and (c) from vehicle classification counts obtained from TxDOT, as well as those counts conducted by the consultant team at the respective survey stations.

Table 2-1 shows how traffic at locations in the 2002 Project corridor has grown over the years. These counts come from the CAMPO 1997 Saturation Count Report, and represent passenger car equivalents (i.e., the total number of counted axles divided by two). The average annual growth rates from 1972 to 1997 range from 7 to 16 percent for all of these locations. The 1980 to 1997 average annual growth rates range from 5 to 16 percent.

Table 2-1
Historic Traffic and Growth Rates in Corridor [A]

LOCATION	1972	1976	Avg Ann'l Growth, '72-'76	1980	Avg Ann'l Growth, '76-'80	1984	Avg Ann'l Growth, '80-'84	1988	Avg Ann'l Growth, '84-'88	1992	Avg Ann'l Growth, '88-'92	1997	Avg Ann'l Growth, '92-'97	Avg Ann'l Growth '72-'97	Avg Ann'l Growth '80-'97
US HIGHWAY 183															
North of RM 620	7,100	15,660	22%	17,200	2%	35,550	20%	37,460	1%	38,460	1%	54,390	7%	8%	7%
West of Loop 1	16,600	30,840	17%	45,000	10%	85,480	17%	87,900	1%	97,300	3%	158,880	10%	9%	8%
LOOP 1															
South of US 183	-	-	N/A	-	N/A	66,000	N/A	76,520	4%	125,680	13%	159,820	5%	N/A	7% [B]
FM 1325															
West of IH 35	2,800	5,280	17%	8,070	11%	14,050	15%	16,790	5%	-	N/A	36,260	N/A	11%	9%
North of Parmer Lane	3,640	6,660	16%	-	N/A	-	N/A	30,420	N/A	42,740	9%	62,940	8%	12%	11% [C]
RM 620															
West of US 183	1,860	4,510	25%	6,900	11%	14,950	21%	17,480	4%	17,750	0%	26,310	8%	11%	8%
West of IH 35	1,480	5,850	41%	11,600	19%	-	N/A	22,100	N/A	27,390	6%	40,140	8%	14%	8%
FM 734 (PARMER LANE)															
East of Loop 1	1,020	1,790	15%	4,170	24%	9,520	23%	10,420	2%	26,950	27%	35,020	5%	15%	13%
GATTIS SCHOOL ROAD															
East of Greenlawn Boulevard	195	550	30%	895	13%	1,620	16%	4,430	29%	5,750	7%	8,010	7%	16%	14%
INTERSTATE HIGHWAY 35															
North of San Gabriel River South	11,690	19,290	13%	22,000	3%	40,500	16%	45,770	3%	56,630	5%	86,400	9%	8%	8%
North of FM 1325	20,190	28,310	9%	36,000	6%	65,050	16%	81,860	6%	100,400	5%	165,610	11%	9%	9%
North of US 183	31,720	43,610	8%	56,510	7%	99,380	15%	120,960	5%	155,490	6%	198,990	5%	8%	8%
North of Ben White Blvd	36,460	55,960	11%	78,100	9%	117,910	11%	126,010	2%	145,290	4%	186,290	5%	7%	5%
At Hays/Travis County Line	17,840	22,150	6%	-	N/A	37,590	N/A	49,580	7%	65,670	7%	89,490	6%	7%	7% [B]

Notes:
(A) Traffic shown was measured in passenger car equivalents, or the total number of axles divided by two.
(B) 1984-1997 average annual growth
(C) 1976-1997 average annual growth

Table 2-2 is a listing of representative traffic counts across a representative *screenline* within the project corridor. A screenline is a boundary, whether it be a river or an imaginary line, across which only a limited number of routes traverse. Screenlines are used by traffic engineers to measure and analyze volume changes over a period of years or with respect to competing routes and traffic shifts. Traffic surveys are usually conducted along screenlines. The screenline chosen for illustrative purposes was the Colorado River (see Figure 2-1).

Table 2-2
Colorado River Screenline Counts

Existing Arterials	Average Weekday Traffic		Growth
	1990	1997	
SH 360	19,700	36,000	
Loop 1/MoPac Expwy.	81,000	135,000	
Lamar/1st/Congress *	93,900	106,100	
IH 35 incl. Frontage Rds.	163,000	195,800	
Pleasant Valley *	16,600	21,000	
US 183	43,000	67,000	
FM 973	5,700	8,500	
Total	422,900	569,400	+34.6

* The 1st Street, Congress and Pleasant Valley counts were taken in 1992.

These volumes provide an indication of the present level of traffic in the project corridor and the growth of that traffic, from which the elements of the 2002 Project will draw.

Overall, traffic across the Colorado River screenline increased 34.6 percent between 1990 and 1997, representing an average annual rate of 4.3 percent. Increases and decreases on the individual routes crossing the screenline reflect the traffic shifts to SH 360, Loop 1 and US 183 which were improved during the period.

2.1.2 Travel Times

In addition to the traffic count data, the consultant participants made numerous travel time runs, during peak and off-peak hours, over the principal arterials in the Austin area for use in calibrating the transportation models. Table 2-3 is a representative list of travel times in the Loop 1, SH 45 and SH 130 corridors.

Table 2-3
Representative Travel Times

Turnpike Corridor	Existing Arterials	From/To	To/From	Miles	Peak		Off-Peak	
					Min.	MPH	Min.	MPH
Loop 1	Loop 1/FM 1325	IH 35	Braker La.	7.5	27.5	16.3	10.1	44.3
SH 45*	RM 620	IH 35	US 183	7.8	9.6	48.3	10.8	43.0
SH 45	Louis Henna Blvd	CR 170	IH 35	1.4	7.3	11.5	3.7	22.9
SH 130	US 183	FM 1327	FM 2243	38.9	68.6	34.1	49.9	47.1
SH 130	IH 35	SH 195	FM 1327	43.6	65.9	39.7	38.5	67.9

*off-peak travel speeds lower than peak due to atypical signal blockage

These travel times, their respective average speeds during peak and off-peak hours, and the traffic volumes in Tables 2-1 and 2-2 provide an indication of the levels of congestion in the respective element corridors. The relative travel speeds between the peak and off-peak periods are particularly indicative of the level of congestion.

These data indicate that the 2002 Project will be serving an already congested area that has seen dramatic growth in the last decade and a highway network that has not kept up with it.

2.1.3 Origin-Destination Surveys

As with the traffic counts and travel times compiled and summarized above, traffic surveys were undertaken in the project corridors to compile traffic data and travel characteristics for the purpose of validating the trip tables in the transportation models. Data on motorist travel patterns were obtained by distributing return-postcard questionnaires at 39 survey locations in the 2002 Project area. In addition to trip origin and destination (O/D), data were compiled on trip frequency, trip purpose, vehicle classification and vehicle occupancy. The data were then geocoded to the model zone structures and factored to represent observed volumes based on 12-hour vehicle classification counts, and on seven-day machine counts taken at the survey stations and their relationship to data obtained from representative TxDOT permanent count stations in the area.

Figure 2-1 shows the locations of the 39 survey stations, while Table 2-4 lists the survey stations and their respective 1999 annual average daily traffic (AADT) and average weekday traffic (AWT) volumes, and percent two-axle traffic.

The IH 35 frontage road weigh station surveys were used as surrogates for surveys that would have been preferable on the mainline roadway, but where conducting such surveys would have been disruptive and unsafe. The weekend surveys at Stations 18 through 20 in Caldwell and Guadalupe counties were conducted to augment the data compiled in Williamson and Travis counties. Generally, the surveys were conducted in one direction only, but traffic was counted in two directions to produce the two-directional volumes in Table 2-4. The exceptions are RM 620, Loop 1, and the one-way IH 35 frontage roads, which all were counted in only one direction.

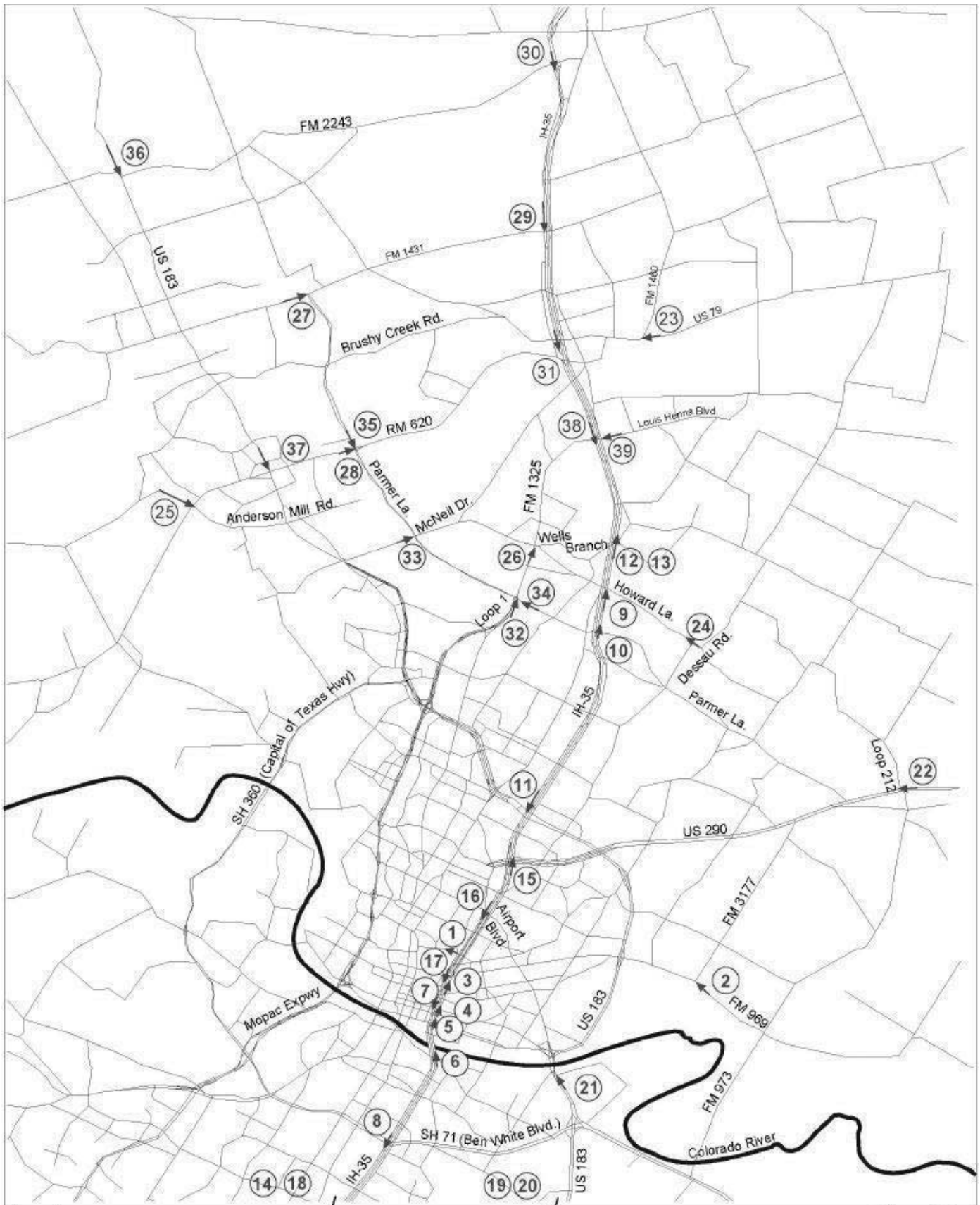


Figure 2-1
Survey Station Locations

Table 2-4
Survey Station Traffic

Sta.	Location	2002 Project Area	Survey Direction	Survey Days	1999 Volume[A]		Percent Two-Axle Vehicles[B]
					AADT	AWT	
1	26 Street east of Red River	SH 130	Westbound	W	23,604	25,053	99.3%
2	FM 969 east of FM 3177	SH 130	Westbound	W	11,993	12,731	95.2
3	IH 35 NB Frontage Rd. south of 15 St.	SH 130	Northbound	W	17,860	19,048	98.9
4	IH 35 NB Frontage Rd. south of 7 St.	SH 130	Northbound	W	16,055	16,596	98.1
5	IH 35 NB Frontage Rd. south of Caesar Chavez	SH 130	Northbound	W	12,792	13,748	98.6
6	IH 35 NB Frontage Rd. south of Riverside	SH 130	Northbound	W	19,893	20,810	99.2
7	IH 35 SB Frontage Rd. north of 8 St.	SH 130	Southbound	W	25,080	27,105	98.6
8	IH 35 SB Frontage Rd. north of Ben White	SH 130	Southbound	W	29,504	31,770	96.8
9	IH 35 NB Frontage Rd. south of Howard La.	Both	Northbound	W	8,231	9,293	96.8
10	IH 35 NB Frontage Rd. south of Parmer La.	Both	Northbound	W	8,233	9,049	97.4
11	IH 35 SB Frontage Rd. north of US 183	Both	Southbound	W	25,086	27,171	95.8
12	IH 35 NB Frontage Rd. south of Well Branch[C]	Both	Northbound	W	5,809	5,591	97.8
13	IH 35 NB Frontage Rd. south of Well Branch[D]	Both	Northbound	W	17,098	18,099	98.7
14	IH 35 NB Mainline at Buda weigh station	SH 130	Northbound	W	69,615	78,204	86.5
15	IH 35 NB Frontage Rd. south of US 290	SH 130	Northbound	W	24,667	25,826	97.1
16	IH 35 SB Frontage Rd. north of Airport Blvd.	SH 130	Southbound	W	12,021	13,264	94.6
17	IH 35 SB Frontage Rd. north of MLK	SH 130	Southbound	W	10,229	12,178	99.2
18	SH 123 north of Zorn (south of San Marcos)	SH 130	Northbound	WW	9,340	9,578	91.8
19,20	US 183 north of Lockhart	SH 130	Northbound	WW	11,106	11,962	93.1
21	US 183 south of Vargas	SH 130	Northbound	W	65,730	72,587	91.9
22	US 290 east of Loop 212 (Manor)	SH 130	Westbound	W	26,597	26,605	93.2
23	US 79 east of FM 1460	Both	Westbound	W	25,398	27,956	91.7
24	Dessau Rd. east of FM 685 (Dessau)	SH 130	Westbound	W	10,508	11,654	96.7
25	Anderson Mill Rd. north of FM 620	NW	Southbound	W	4,880	5,257	94.1
26	FM 1325 south of Wells Branch	NW	Northbound	W	49,573	55,375	97.3
27	FM 1431 west of Parmer La.	NW	Eastbound	W	21,844	24,494	95.5
28	FM 620 EB west of Parmer La.	NW	Eastbound	W	10,080	10,863	94.0
29	IH 35 SB Frontage Rd. north of FM 1431	NW	Southbound	W	5,412	6,222	89.0
30	IH 35 SB Frontage Rd. north of FM 2243	NW	Southbound	W	6,289	6,903	96.1
31	IH 35 SB Frontage Rd. north of FM 620	NW	Southbound	W	13,581	14,892	96.1
32	Loop 1 NB south of Parmer La.	NW	Northbound	W	21,594	23,733	98.5
33	McNeil Dr. west of Parmer La.	NW	Northbound	W	23,505	26,205	96.4
34	Parmer La. east of Loop 1	NW	Westbound	W	36,188	39,773	98.3
35	Parmer La. north of FM 620	NW	Southbound	W	27,446	29,837	94.1
36	US 183 north of FM 2243	NW	Southbound	W	20,395	21,254	95.3
37	US 183 north of FM 620	NW	Southbound	W	47,036	50,645	97.2
38	IH 35 SB Frontage Rd. north of FM 1325	NW	Southbound	W	25,089	26,182	95.7
39	Louis Henna Blvd. east of IH 35	NW	Westbound	W	33,621	38,161	97.0

(A) All volumes are two-directional, except those for the IH 35 frontage roads, FM 620, and Loop 1, where the direction is indicated under "Location".
(B) Weekday percentage.
(C) West and thru branches.
(D) East branch.
Both Refers to the survey stations run for both the SH 130 and Northwest Austin area projects.
W Surveys run on weekdays only.
WW Surveys run on weekdays and weekend days.
NW Northwest Austin elements: Loop 1 and SH 45 corridors.

Approximately 135,000 postcard questionnaires were distributed, of which nearly 20,000 (15 percent) were returned and nearly 16,000 (80 percent of returned questionnaires) were geocoded. At the IH 35 weigh station near Buda (Station 14), over 500 truck interviews were conducted (of over 9,000 vehicles passing the station during the survey period).

2.1.4 Travel Characteristics

The O/D data were used to validate the relative distribution of length of travel in the travel demand models described in Chapter 3.

In addition to O/D, data for two-axle vehicles were compiled on trip purpose, trip frequency and vehicle occupancy. These data are grouped in Tables 2-5, 2-6 and 2-7 for survey stations 1 through 24, generally in the SH 130 service area; and 25 through 39 in the area of the Northwest Austin corridor. Several of the survey stations within each group were common to both corridors. Those motorists with no response in the trip purpose and trip frequency categories (less than 2 percent) were factored out of the sample, with the remainder adding up to 100 percent. The percentages represent the distribution on an AADT basis.

Table 2-5
Trip Purpose

Trip Purpose	SH 130 Corridor	Northwest Corridor
Commute	43.8%	59.6%
Business	29.5	10.0
Recreational/Social	5.6	6.2
School	5.9	4.0
Shopping	3.3	9.1
Personal	11.9	11.1
Total	100.0	100.0

Table 2-6
Trip Frequency

Trip Frequency (One-Way Trips)	SH 130 Corridor	Northwest Corridor
Less than once per week	22.1%	14.2%
Once per week	9.1	6.1
2-3 times per week	13.4	10.8
4-5 times per week	31.4	39.8
6+ times per week	24.0	29.1
Total	100.00	100.0

Table 2-7
Vehicle Occupancy

Vehicle Occupancy	SH 130 Corridor	Northwest Corridor
1	77.6%	77.4%
2	16.0	15.9
3	4.3	4.6
4	1.5	1.5
5+	0.6	0.6
Total	100.0	100.0

In the SH 130 corridor, work-related trips (commute and business) represent 73 percent of the total. This is consistent with the 55 percent who travel four or more times per week (normally associated with work). In terms of vehicle occupancy, 78 percent were single-occupant vehicles. This average vehicle occupancy was 1.3, considered normal for a metropolitan area such as Austin.

In the Northwest Corridor, work-related trips represent 70 percent of the total. Again, this is consistent with the 69 percent who travel four or more times per week. From the trip-frequency data, as one would expect, travel in the Northwest corridor is oriented more toward frequent trips, normally associated with the daily commute. Finally, the vehicle-occupancy data in the two corridors are nearly equal throughout the range shown in the table.

2.2 Other Regional Travel Data

In addition to the data compiled specifically for the 2002 Project, the consultant team relied on available regional travel data from other sources. In the development and calibration of the regional traffic model for use by the metropolitan planning organization (MPO), various data were collected and, in some cases, incorporated into the model's background databases. These data include historical traffic count data specific to the model roadway links. These volumes were used to validate both local traffic flows and directionality, as well as overall regional vehicle miles traveled (VMT).

In developing the original Capital Area Metropolitan Planning Organization (CAMPO) model, the consultant team responsible for that work conducted a series of origin-destination surveys on major roadways at the cordon boundary of the CAMPO region. The cordon boundary represents the limits, or the edge, of the highway network in the CAMPO model. The results of these cordon surveys were used to calibrate and validate the trip length frequencies of external travel in the original CAMPO model. Information from the cordon surveys was also utilized to establish the magnitude and distribution of external-to-external trips, which represent travel from locations outside the model through the network to other locations outside the model. For the 2002 Project, the survey data were utilized to develop and validate travel profiles for external trips by vehicle type (auto and truck) for each facility type.

Vehicle classification data collected by TxDOT at numerous locations along IH 35 and on principal roadways in the Austin region was reviewed and summarized to identify a representative number of axles for vehicles classified within the CAMPO model as trucks. The CAMPO model identifies vehicles with two axles and six tires as trucks, as well as vehicles with more axles. A composite value of 4.1 axles was identified as a weighted mean for vehicles classified as trucks by CAMPO. In the SH 130 Corridor, and with the expected shifts of traffic from IH 35, this translates to a 3.1 multiple of the passenger car toll rates. This value was used with the modeled toll plaza truck volumes to generate the truck component of the SH 130 element revenues. In the Northwest Corridor, where there are relatively few long-distance interstate truck trips, a multiple of 2.5 times the passenger car toll rate was used.

3 STUDY METHODOLOGY

As mentioned previously, the data on existing travel patterns, discussed in Chapter 2, were compiled in support of and to calibrate the transportation demand models discussed below. This chapter summarizes the modeling methodology, model validation, the toll diversion procedures, and finally, the application of the models to forecast 2002 Project traffic. Some of the material is very technical, but considered necessary to include in the report to facilitate the peer-review process.

3.1 Modeling Methodology

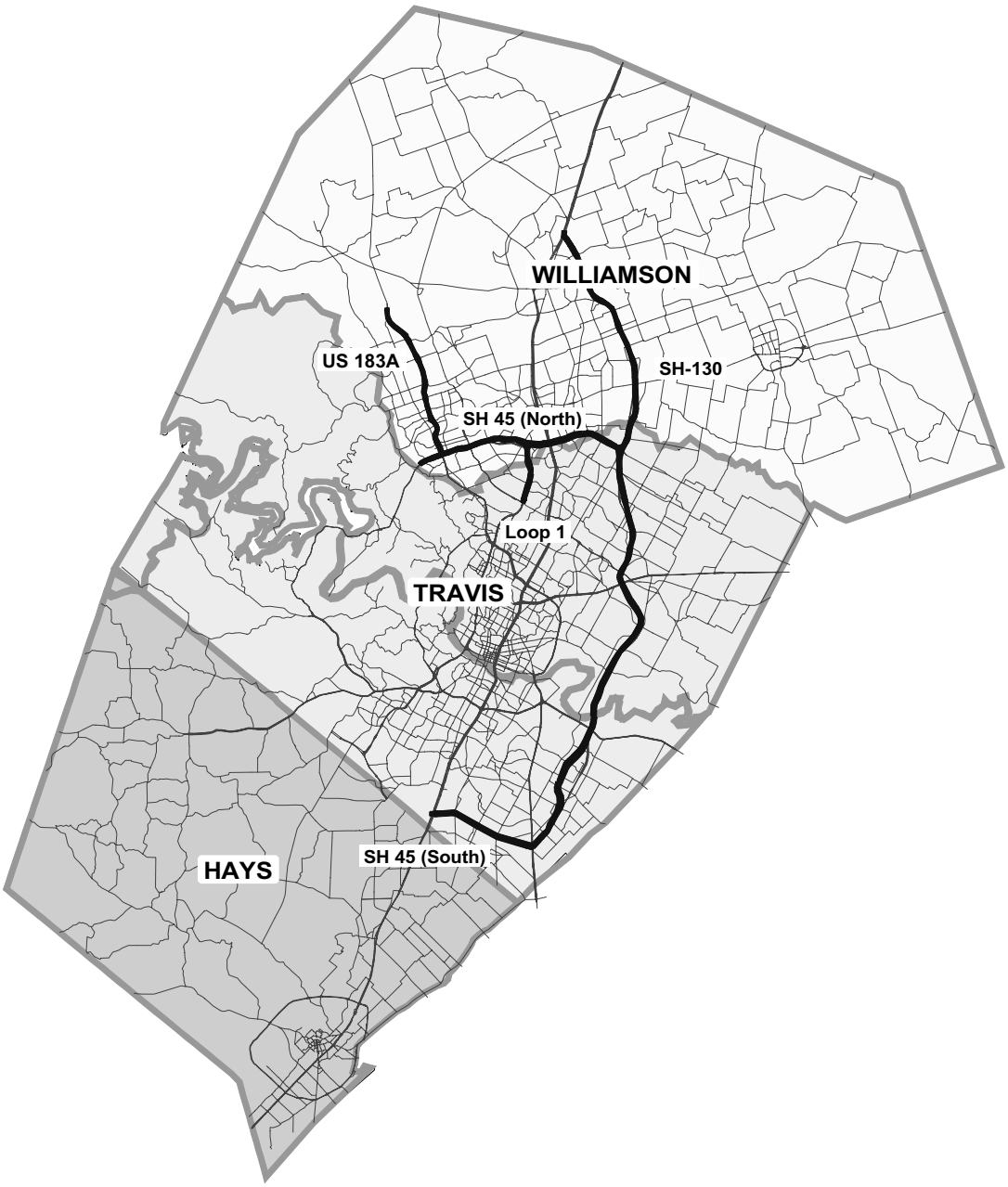
The forecasting methodology developed for this project required an approach that could efficiently handle the estimation of traffic for each of the 2002 Project elements under a variety of conditions that would occur within a complex transportation environment. These conditions to be analyzed included variations in anticipated regional growth along with a series of potential toll policies that would be applied across multiple horizon years. With these requirements, a decision was made to employ travel demand modeling techniques in order to forecast demand in a comprehensive manner for the 2002 Project.

Travel demand models are normally utilized for forecasting traffic in urban areas where complex highway networks provide multiple travel choices. These models simulate travel for the entire network of highways and streets throughout the study area. The models have distinct components utilized to estimate different elements of travel. The first component of the model is trip *generation*, which estimates the number of trips generated by discrete zones within the study area based on socioeconomic characteristics such as population, households and employment. These estimated trips are then *distributed* in the second model step based on the attractiveness of destination activity and the degree of spatial separation between trip-producing and trip-attracting zones. Once the trips have been allocated between zones, the model estimates a *mode choice* for the trips effectively splitting them into various auto modes such as drive-alone, carpool, and the various public transit options available. The final step of these models is the network *assignment* that effectively loads the respective trips onto the networks. This model step is structured so the trips are assigned both on a time and cost-sensitive basis to toll and non-toll routes.

3.2 Travel Demand Model Development

Given the large study area encompassed by 2002 Project and the need for a single process to effectively evaluate multiple projects, a decision was made to employ a regional travel demand model to forecast the demand for the turnpike elements. The decision to utilize this model was based on knowledge that it had recently been developed and validated with current data from the Austin area. The use of this existing model allowed the consultant team to focus their resources on the modeling refinements necessary to accurately forecast turnpike element usage. The model used had been developed by CAMPO. The CAMPO model forecasts travel for the areas within Williamson, Travis and Hayes Counties, as shown in Figure 3-1.

Figure 3-1
Areas Covered by the CAMPO Model



The CAMPO model is a highly detailed, "four-step" travel demand forecasting process similar to travel demand models utilized in most urbanized area across the nation. The model was recently validated with extensive travel surveys conducted in 1997, as discussed in Chapter 2. This model is used extensively by both TxDOT and CAMPO as part of their long-range transportation planning for the Austin region.

Given its extensive detail, the CAMPO model was adopted as the basis for estimating traffic on the turnpike elements contained within the CAMPO region, and was used for developing trip tables. The single, 24-hour TRANSCAD highway assignment procedure currently used in the CAMPO model was replaced with an enhanced "time-of-day" assignment process using the TP+ planning package that assigned trips for three separate periods. The revised assignment process modeled separate AM and PM peak periods along with a separate residual off-peak period. The use of this advanced technique allowed the modeling to better reflect variations in travel time that exists throughout the day due to differences in demand. The TP+ highway assignment process also provided a more advanced assignment algorithm and specific capabilities required to more adequately represent the time-cost tradeoffs utilized by travelers when selecting routes which include tolls.

3.3 CAMPO Model Validation

Since the highway assignment procedures were converted from TRANSCAD to TP+, it was necessary to revalidate the CAMPO model to confirm that it properly replicates observed travel patterns. The focus of this effort was to ensure that the revised assignment process would replicate observed traffic across the region at a level equal to, or better than, the original assignment procedures. To validate the model, comparisons were made between a 1999 version of the model (using 1997 demographics and networks) and field data collected that year.

The validation of the revised highway assignment process considered the degree of replication of regional VMT by facility type and area type, along with comparisons of observed and estimated speeds by time of day. Using the origin-destination data gathered from the surveys (described in Chapter 2), and a select-link analysis was done to compare observed and model-estimated travel patterns for key roadway segments and screenlines. This analysis was followed by a review of the estimated and observed traffic for the primary roadways in the project corridor. A summary of the observed and estimated traffic by facility type for the original CAMPO highway assignment and the revised process is listed in Table 3-1.

Table 3-1
CAMPO Model
Observed and Estimated VMT by Facility Type

Facility Type	Observed VMT	Estimated VMT	Ratio	CAMPO Ratio*
IH 35	6,165,000	6,142,785	1.00	1.05
Other Freeways	2,541,383	2,481,256	0.98	1.14
Expressway	1,134,056	1,154,126	1.02	1.04
Principal Arterial Divided	5,724,070	6,002,921	1.05	0.99
Principal Arterial Undivided	4,661,529	4,914,510	1.05	1.08
Minor Arterial Undivided	3,159,592	3,220,974	1.02	1.11
Collector	181,861	145,450	0.80	1.06
Local	797	518	0.65	1.42
IH 35 Express	144,274	159,714	1.11	1.07
Freeway Ramps	308,553	299,350	0.97	0.92
Freeway Frontage	1,410,279	1,065,695	0.76	0.71
Total	25,431,394	25,587,298	1.01	1.04

* CAMPO ratio was obtained from "Capital Area Metropolitan Planning Organization (CAMPO) Urban Transportation Study" report, May 2000

As the values in the table indicate, the revised assignment procedure provides an improved overall replication of the observed traffic. In the revised model, the total estimated traffic is only one percent higher than the observed traffic (ratio of 1.01), whereas the original CAMPO model overestimated traffic in the region by four percent. The replication of observed traffic for high-capacity roadways such as freeways and expressways in the revised model shows a significant improvement over the original CAMPO results. The improvement in estimating traffic for these facility types is important, since the speed and capacity characteristics of the proposed toll facilities are similar to those provided for the freeway and expressway facility types.

The revised modeling process also included refinements that enabled separately assigning and reporting truck traffic. This is a critical aspect of travel especially in the SH 130 corridor since a significant number of truck trips associated with the NAFTA commodity flows utilize IH 35 to traverse the Austin region. Due to the extensive traffic delays that are common on IH 35, it is anticipated that SH 130 could potentially divert a significant number of truck trips from this congested facility.

A comparison of the estimated and observed truck trips for selected locations along IH 35 are provided in Table 3-2. The observed truck data for IH 35 was obtained from TxDOT for the year 1998. In order to be consistent with the definition of truck trips in the CAMPO model, the observed truck trip data on IH 35 were processed to include trucks with three or more axles and two-axle trucks with six tires. As the values in the table indicate, the revised assignment process provided an acceptable replication of the observed truck percentages in the corridor. It should be

noted that truck percentages are generally 15 to 20 percent of the total traffic on IH 35, with the exception of the areas near the Austin central business district.

Table 3-2
Observed and Estimated Truck Traffic on IH 35

Location	County		1997 Validation				TxDOT % Truck (1998)
			Auto	Truck	Total	% Truck	
North of FM 306	Comal	Main	39,316	10,625	49,941	21.28%	20.40%
		Frontage	1,278	226	1,504	15.03	
		Total	40,594	10,851	51,445	21.09	
North of SH 123	Hays	Main	47,166	10,417	57,583	18.09	18.90
		Frontage	1,644	86	1,730	4.97	
		Total	48,810	10,503	59,313	17.71	
North of San Marcos	Hays	Main	60,770	11,482	72,252	15.89	17.40
		Frontage	259	46	305	15.08	
		Total	61,029	11,528	72,557	15.89	
North of Hays County Line	Travis	Main	66,566	12,580	79,146	15.89	15.80
		Frontage	3,450	289	3,739	7.73	
		Total	70,016	12,869	82,885	15.53	
South of Austin	Travis	Main	90,360	14,318	104,678	13.68	15.90
		Frontage	3,518	304	3,822	7.95	
		Total	93,878	14,622	108,500	13.48	
North of SH 71	Travis	Main	92,859	12,584	105,443	11.93	10.80
		Frontage	13,107	1,117	14,224	7.85	
		Total	105,966	13,701	119,667	11.45	
North of Colorado River	Travis	Main	138,366	16,506	154,872	10.66	9.80
		Frontage	22,196	2,042	24,238	8.42	
		Total	160,562	18,548	179,110	10.36	
South of FM 620	Williamson	Main	86,637	12,604	99,241	12.70	13.20
		Frontage	19,008	1,758	20,766	8.47	
		Total	105,645	14,362	120,007	11.97	
South of SH 29	Williamson	Main	62,935	10,875	73,810	14.73	16.60
		Frontage	—	—	—		
		Total	62,935	10,875	73,810	14.73	
South of Salado	Bell	Main	23,788	8,137	31,925	25.49	29.10
		Frontage	1,347	136	1,483	9.17	
		Total	25,135	8,273	33,408	24.76	

3.4 Toll Diversion Methodology

Following the revalidation of the CAMPO model with the enhanced assignment procedures, toll diversion models for each trip purpose were developed. The toll diversion models are essentially "route choice" models permitting travelers to select between the best toll route and the best non-

toll route. These models are based on simple binary logit functions that consider time and costs associated with each route.

Under ideal conditions, these toll diversion models would be developed and validated against existing toll road usage in the corridor or the region where the project is to be applied. However, there are no existing toll roads in the Austin region from which travel data and toll road usage can be obtained. As a result, it was necessary to develop models using local data obtained from stated-preference surveys. Resource Systems Group (RSG) conducted stated-preference surveys at locations throughout the Austin area and processed the results. The initial models were then adjusted during an extensive validation effort to ensure that they provide the appropriate level of sensitivity to key policies, such as variations in toll rates.

3.4.1 Stated-Preference Survey

The stated-preference surveys were conducted to measure the degree to which motorists value their time and, therefore, their willingness to pay a toll as a tradeoff for saving time. The respective values of time for auto and truck drivers were used as the basis for developing the toll diversion models used in this project. In addition to the value of time, the stated-preference surveys were used to determine the presence of any biases against toll roads in general, along with the benefits perceived by travelers associated with electronic toll collection (ETC) using electronic transponders as elsewhere in Texas.

In order to determine the values of time, the survey respondents were asked a series of choices comparing various times savings to various levels of toll fees. Through these repeated experiments, the underlying tradeoffs made by the travelers can be calculated. The stated-preference survey data were analyzed by trip purpose so that toll diversion models for individual trip purposes could be developed.

In a similar manner, the survey respondents were questioned with regards to their willingness to use ETC. Respondents were first familiarized with the characteristics of the ETC systems, such as the use of a transponder attached to the vehicle and the automatic debiting of a user's credit card account. After responding to another series of questions related to the use of an ETC system with various time and cost tradeoffs, a bias term representing the benefit of ETC usage was estimated for use in the toll diversion models. Lastly, the stated-preference survey data were analyzed to estimate a penalty associated with the use of toll roads in general.

3.4.2 Toll Diversion Model Development

The toll diversion models are structured as binary logit functions that partition trips between the toll and non-toll routes based on the travel timesavings and associated toll costs. The logit model essentially determines the "probability" of selecting a toll road based on the time and cost tradeoffs. This probability reflects the share of trips between a given origin-destination zonal pair that will utilize the toll facility. The model has the following structure:

$$Toll\ Share = (1 / (1 + e^{U})$$

where:

Toll Share = Probability of selecting a toll road
e = Base of natural logarithm (ln)
U (work) = $a \times (Time_{TR} - Time_{FR}) + b \times (Cost)/\ln(Inc) + C_{TR} + C_{ETC}$
U (nonwork) = $a \times (Time_{TR} - Time_{FR}) + b \times (Cost) + C_{TR} + C_{ETC}$
$Time_{TR}$ = Toll road travel time in minutes
$Time_{FR}$ = Nontoll road travel time in minutes
Cost = Toll in dollars
Inc = Annual income / 1000
C_{TR} = Constant for toll road bias
C_{ETC} = Constant for ETC bias
a,b = Coefficients

The cost term in the utility expression (U) varies slightly by trip purpose. The stated-preference analysis indicated that the work-related trip purposes (home-based work and work-based other) were sensitive to the income level of the traveler. Therefore, the cost term for these two purposes is divided by the natural logarithm of the household income in thousands of dollars.

Table 3-3 displays the coefficients developed for each of the trip purposes. The table also displays a key relationship implied by the coefficients: the value of time. The coefficients for time were established directly from the stated-preference survey analysis. As part of the development and validation of the models, the cost coefficients from the survey analysis were adjusted in an iterative process to obtain an acceptable level of toll elasticity.

Table 3-3
Toll Diversion Model Coefficients

Trip Purpose	Coefficients				Constants		Value of Time ($/Hr) (B)		
		Cost ($) (A)							
	Time (min.)	SH 130 All Times of Day	NW Austin Elements Peaks	NW Austin Elements Off-Pks	Toll Bias	ETC Bias	SH 130 All Times of Day	NW Austin Elements Peaks	NW Austin Elements Off-Peaks
Home Based Work	0.1053	1.7597	2.4020	3.6030	0.2190	-0.2960	$ 13.41	$ 9.82	$ 6.55
Home Based Shop	0.0754	0.5603	0.5603	0.8412	0.1872	-0.2423	8.07	8.07	5.38
Home Based School	0.0777	0.6277	0.6277	0.9425	0.1632	-0.2226	7.43	7.43	4.95
Home Based Other	0.0441	0.2314	0.2314	0.3474	0.1716	-0.1650	11.44	11.44	7.63
Work Based Other	0.1396	2.4275	2.4275	3.6413	0.2258	-0.3400	12.89	12.89	8.60
Other Based Other	0.0872	0.3333	0.3333	0.5005	0.2667	-0.2980	15.70	15.70	10.47
Truck	0.0884	0.1538	0.1538	0.1538	0.3375	0.0000	34.49	34.49	34.49

(A) For HBW and WBO, cost term is toll road cost / ln(income/1000).
(B) For HBW and WBO, value of time is based on 1997 median income of $41,889.

As shown in the table, different values were used for the SH 130 element and the Northwest Austin elements. This reflects the fact that the Northwest elements were designed with service roads; while not continuous, the users have a visible and relatively easy access to a parallel free alternative, thus making such trips more sensitive to travel time and cost values.

The table also lists the constant terms for toll road bias and the usage of ETC. The constant term for ETC usage was derived directly from the analysis of the stated-preference data. Essentially, the ETC bias term increases the likelihood of selecting the toll route due to the convenience of automatic payment perceived by the traveler. The analysis of the stated-preference data indicated a benefit equivalent to 2 to 4 minutes for each trip purpose except truck trips.

In contrast, the toll road bias term indicates a reluctance to utilize toll roads, with all other aspects of the trip being equal. The initial values derived from the stated-preference data were very high, with equivalent penalties in the range of 11 to 26 minutes. Through further discussions and analyses, the consultant team concluded that the initial penalty values most likely reflect anti-toll road sentiment by respondents that are generally opposed to toll facilities. This response is common in regions that lack toll facilities. In regions where toll facilities are present, the toll bias terms tend to be minimal, as travelers recognize the benefits, in terms of travel timesavings provided by the facilities.

In order to properly estimate the bias penalties for this project, the stated-preference data were reprocessed with the removal of all observations from respondents that consistently refused to select the toll road option, regardless of the timesavings offered. The invariant responses ranged between 39 to 49% of the survey data set for each trip purpose. It should be noted that these levels of invariant responses in stated preference surveys are typical in situations where there is local opposition to introduction of tolled facilities. The removal of these "invari observations resulted in the constant terms listed in the table, which are generally within the range of 1 to 4 equivalent minutes of travel time.

An analysis of the value of time implied by the time and cost coefficients was also carried out. The values of time vary by trip purpose within a range from $4.95 to $15.70 per hour. For auto trips, the higher values, such as those associated with home-based work trips and other-based other trips, indicate a greater willingness to pay a toll in order to save travel time. This willingness is most likely due to the urgency associated with those trip purposes. In contrast, the lower values of time for purposes such as home-based school trips suggest that these trips are less willing to pay the toll associated with the timesavings. For trucks, the relatively high value of time reflects the greater sensitivity related to the delivery of the commodities being transported and costs associated with truckers' salaries.

A weighted average value time for all trips except trucks was calculated by multiplying the value of time for each trip purpose by the number of trips in that purpose. For the SH 130 element, for example, the average value of time for all trips was approximately $12.06 per hour. This value compares favorably to relationships with the average wage rate of the region. For the CAMPO region in 1997, the median household income from the Census Bureau was listed as $41,889. The average household income listed from the 1997 CAMPO household survey was $46,684.

Using the $12.06 estimate, the value of time is approximately 57 percent of the Census estimated 1997 median household income and is approximately 52 percent of the average household income reported from the 1997 survey. While in previous studies there has been significant variation in the value of time as a function of wage rate, it is anticipated that the value of time should be within the range of 50 to 70 percent of the average wage rate.

As part of the validation effort, a series of trials were conducted with a preliminary version of the SH 130 alignment and toll plan which was readily available to URS during the model development effort. The purpose of these trials was to provide an initial assessment of the reasonableness of the model with respect to its estimates by time-of-day as well as the general sensitivity to changes in toll rates. It should be noted that the elasticity analysis was also conducted with the final alignment and toll rates for each of the 2002 Project elements, as summarized in Chapter 9 of this report.

The validation analysis included a comparison of traffic on the SH 130 element by time of day and an analysis of the elasticity by vehicle type in response to increased toll levels. Table 3-4 lists the estimated traffic on SH 130 by time of day along with the CAMPO models' response to an increased toll level in the year 2015, the midpoint of the horizon years modeled.

In the upper section of Table 3-4, the traffic by time of day for SH 130 is shown. The traffic listed as "Total Peak" is the summation of traffic for the two hours in the morning peak period and the two hours in the afternoon peak period. For auto trips, the total peak-period traffic consists of approximately 35.1 percent of the daily traffic. As expected, trucks have a lower percentage (30.2 percent) of the total trips occurring in the peak periods. In terms of total traffic (auto and truck trips), 34.5 percent occur in the peak periods. This value compares favorably to similar toll facilities that have been constructed over the last several years in Florida. Traffic at the mainline barrier of the Seminole Expressway indicates that 34.6 percent of the daily traffic occurs in the peak periods. For the two mainline barriers on the Veterans Expressway (in Tampa), the peak period traffic ranges from 32.4 percent to 33.2 percent.

The lower section of Table 3-4 lists the results of the toll elasticity tests by vehicle type and time of day. Under the base toll plan, SH 130 has a toll rate of approximately 10.5 cents per mile for the opening year of 2006. As a result of periodic increases scheduled to occur by the year 2015, the base toll rate will be approximately 14.7 cents per mile. Converting this rate back to 1997 dollar terms, the 2015 toll rate is approximately 8.8 cents per mile, which is slightly less than the rate charged for several recently-constructed toll facilities. Under the doubled toll scenario, the per-mile rate is increased from 8.8 cents to 17.6 cents per mile.

To assist in the validation effort, TTA provided the annual traffic volumes for the Dallas North Tollway for periods during which tolls were increased. The Dallas North Tollway opened in 1965 and it has been extended periodically over the years. Using these data, toll elasticities, as defined in Section 9.1 of the report, were estimated.

From the Dallas North Tollway data, an overall elasticity of –0.20 was derived for this well-established corridor. This elasticity is similar to values obtained for other mature toll roads, which tend to be within the range of –0.10 to –0.20. A doubling of toll rates for SH 130 based on the model output resulted in a 35.7 percent reduction in total traffic. This implies an elasticity of approximately –0.36, which is considered moderately elastic. This level of elasticity implies a sensitivity to tolls (greater than that of the Dallas North Tollway) that would be more appropriate for a corridor with significant growth and competitive non-tolled alternatives. As expected, truck traffic is more sensitive to the increased tolls, with a 61.0 percent reduction estimated by the model. The reduction appears comparable to the –0.60 elasticity for trucks experienced on the Dallas North Tollway.

Table 3-4
SH 130 Validation Test Results

Estimated Traffic by Vehicle Type and Time of Day

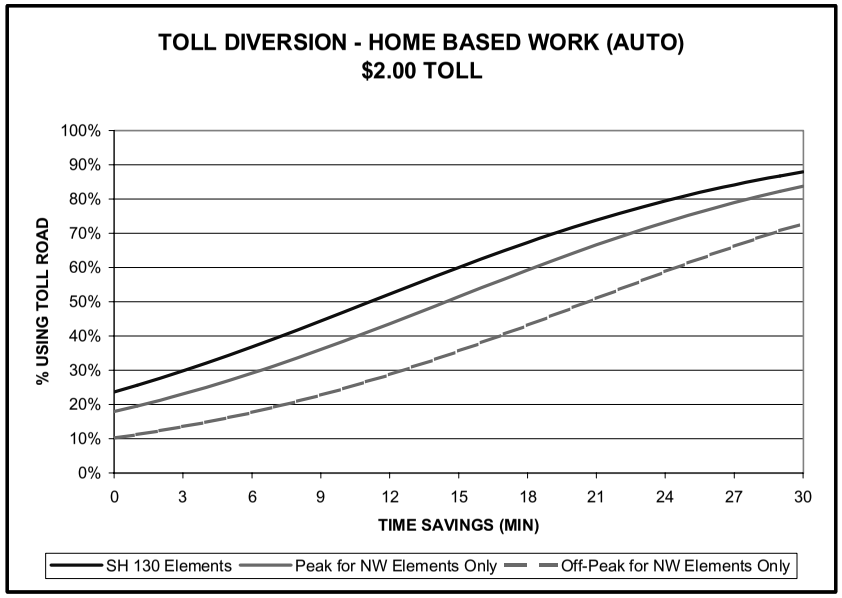
Vehicle Type	Time of Day	Traffic Volume	Peak To Daily Ratio
Auto	Total Peak	490,309	35.1%
	Off Peak	907,547	
	Total	1,397,851	
Truck	Total Peak	56,903	30.2
	Off Peak	131,713	
	Total	188,616	
Total	Total Peak	547,207	34.5
	Off Peak	1,039,260	
	Total	1,586,467	

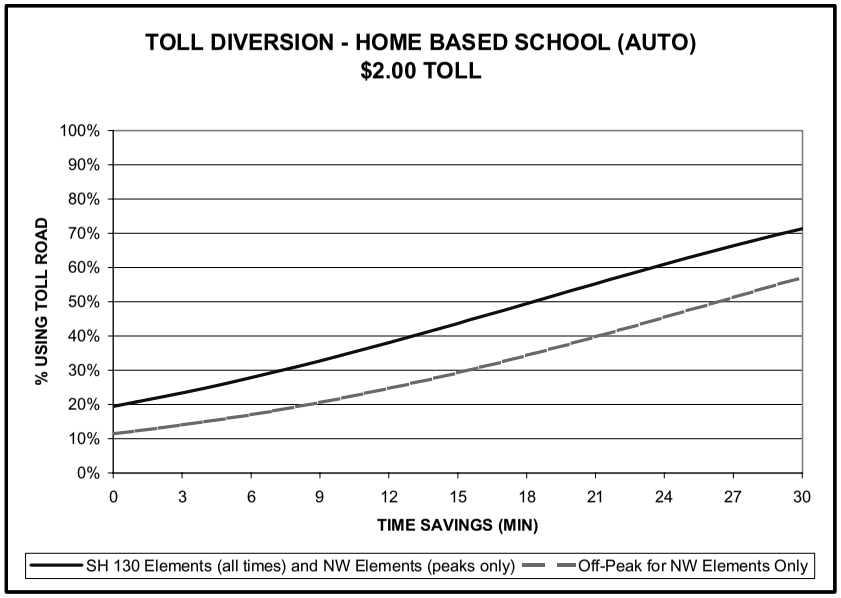
Toll Elasticity by Time of Day

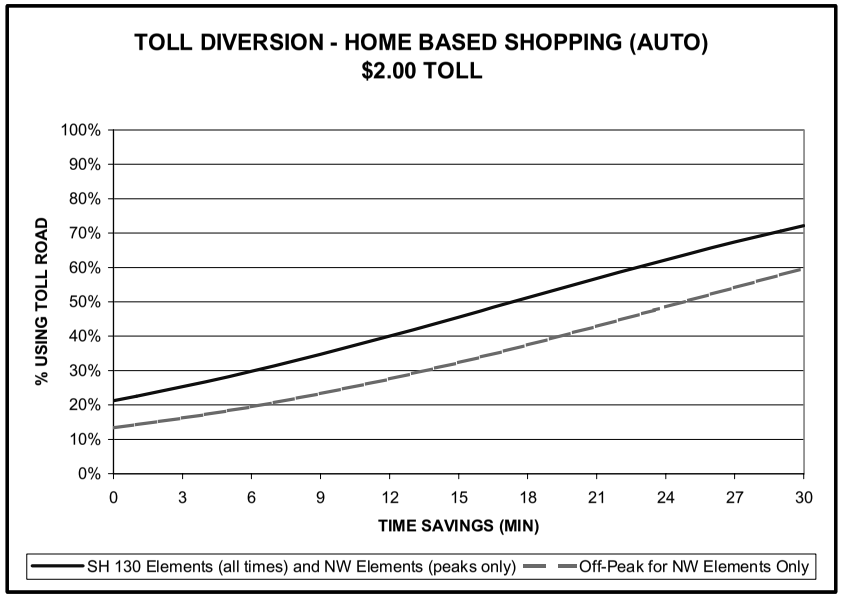
Vehicle Type	Time of Day	Traffic Volumes		Time of Day	
		Base Toll	Doubled Tolls	Traffic Reduction	Retained Traffic
Auto	AM Peak	213,695	151,452	29.1%	70.9%
	PM Peak	276,609	188,905	31.7	68.3
	Off Peak	907,547	605,916	33.2	66.8
	Total	1,397,851	946,273	32.3	67.7
Truck	AM Peak	29,063	11,698	59.7	40.3
	PM Peak	27,840	10,503	62.3	37.7
	Off Peak	131,713	51,268	61.1	38.9
	Total	188,616	73,469	61.0	39.0
Total	AM Peak	242,758	163,150	32.8	67.2
	PM Peak	304,449	199,408	34.5	65.5
	Off Peak	1,039,260	657,184	36.8	63.2
	Total	1,586,467	1,019,742	35.7	64.3

The percentage of trips for each trip purpose selecting the toll facilities under a range of time-savings is shown in the following exhibits. Note the lower toll road usage for autos on the Northwest elements during the off-peak, and also during the peak for home-based work trips. In Figure 3-2, the percent shares for the home-based work and home-based shop purposes are displayed. Figure 3-2 also displays similar values for the home-based school, home-based other and non-home based trip purposes (work-based other and other-based other). Figure 3-2 further shows the percent shares for the truck toll diversion model. The shares are based on typical toll rates for autos ($2.00) and trucks ($6.00) and the estimated values are similar to models developed for other projects.

Figure 3-2
Toll Diversion







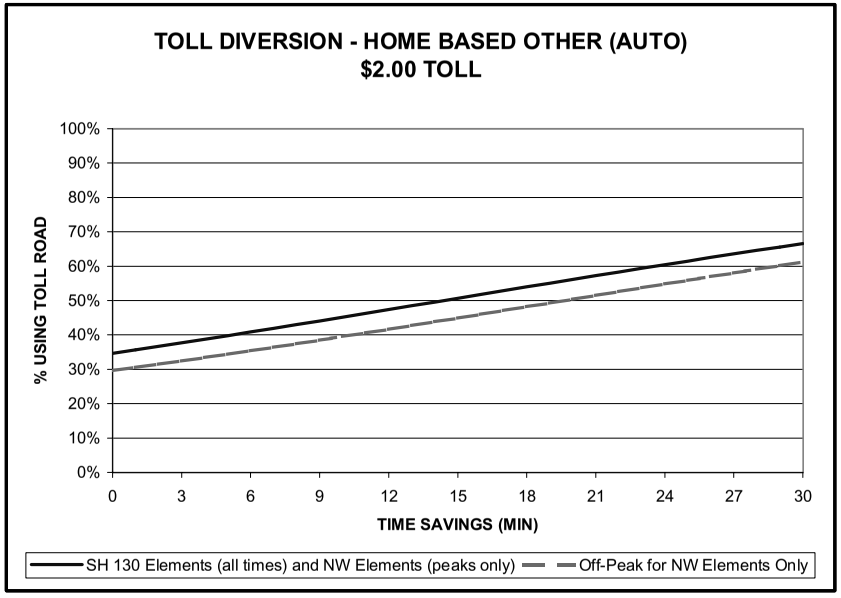
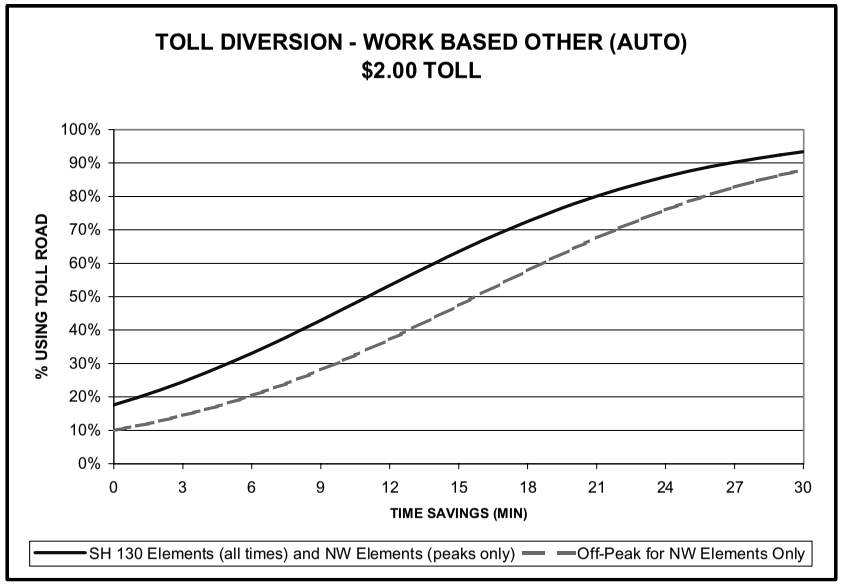
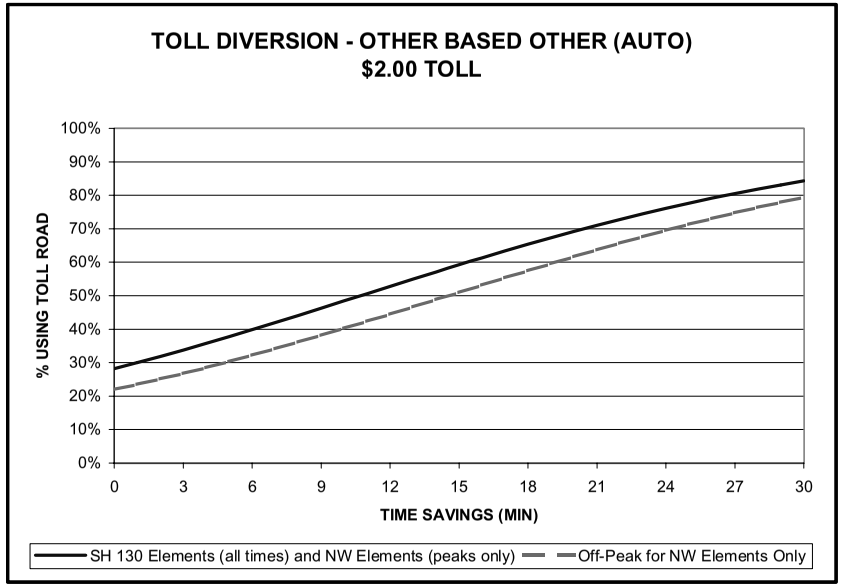
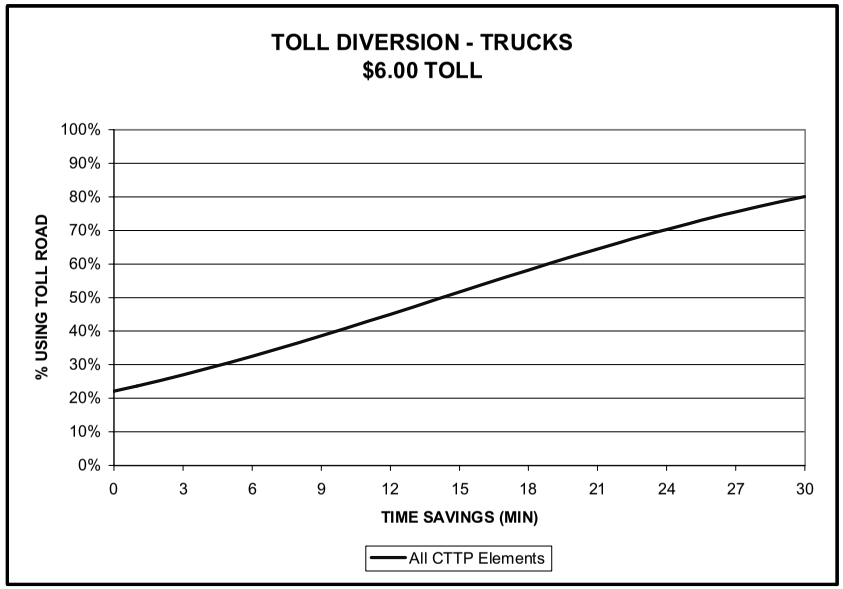


Figure 3-2 cont'd
Toll Diversion







3.5 Travel Demand Model Application

After development and validation, the model was prepared for application for the various horizon years. This effort included the development of socioeconomic data forecasts as well as the preparation of background transportation networks for each horizon year. Lastly, it was necessary to establish key assumptions in the modeling process such as the future rate of inflation and the market penetration of ETC.

3.5.1 Socioeconomic Forecasts

The preparation of future year socioeconomic data forecasts included estimating the population, households and employment by type for each traffic analysis zone (TAZ) utilized in the model. These forecasts were prepared in five-year intervals covering the period between 2005 and 2025. For much of the CAMPO region, a significant level of development is anticipated for the future. For this reason, a subconsultant was retained to carefully analyze the projected development assumed in the CAMPO forecasts. The results of this review effort are summarized in greater detail in Chapter 4 of the report.

3.5.2 Background Transportation Network

As part of the forecasting process, it was necessary to establish background transportation networks to reflect the transportation system in each of the model horizon years. This effort required significant investigation of other travel routes included in the CAMPO Long Range Plan. The review was focused on confirming the feasibility of each route as well as its anticipated construction schedule. Based on the results of this effort, the completion date and configuration for individual routes were refined as necessary. The consultant team then jointly reviewed each route within the respective element corridors to determine whether a given route was complementary or competitive with respect to the three 2002 Project elements. A more comprehensive review of this process is provided in Chapter 5.

3.5.3 Summary of Modeling Assumptions

In addition to the forecasting of socioeconomic growth and preparation of horizon year transportation networks, it was also necessary to set rates for selected parameters in the toll diversion model process. Since the model is structured to estimate current year toll revenues, it was necessary to estimate the future rate of inflation. The assumed rate of inflation is required in order to properly reflect (discount) the future value of the tolls relative to other Consumer Price Indices. For the 2002 Project, a review of historic rates of inflation was performed for the previous 10-year and 20-year periods. Based on that analysis, a 3 percent annual rate of inflation was adopted.

The forecasting of future demand for the 2002 Project also required assumptions concerning the likely usage of ETC. As discussed previously, the toll diversion model provides an increased

probability of selecting the tolled route if the trip-maker uses ETC. This is due both to the perceived benefits of automatic debiting and a reduction in delay at the toll plazas. In addition, tolls for ETC patrons are to be discounted by 10 percent. The consultant team reviewed the usage statistics for several facilities that have converted to ETC systems. From these data, the estimated market share for ETC usage was established for each facility by vehicle type. In general, the assumed rate of ETC usage for the Northwest Austin Projects was slightly higher than the rates established for SH 130 since the Northwest Projects serve trips that are more locally-oriented than the trips utilizing SH 130. The assumed ETC market shares for each project are discussed in Chapter 6 for the Northwest Austin elements and Chapter 7 for the SH 130 element.

4 FUTURE SOCIOECONOMIC FORECASTS

4.1 Introduction

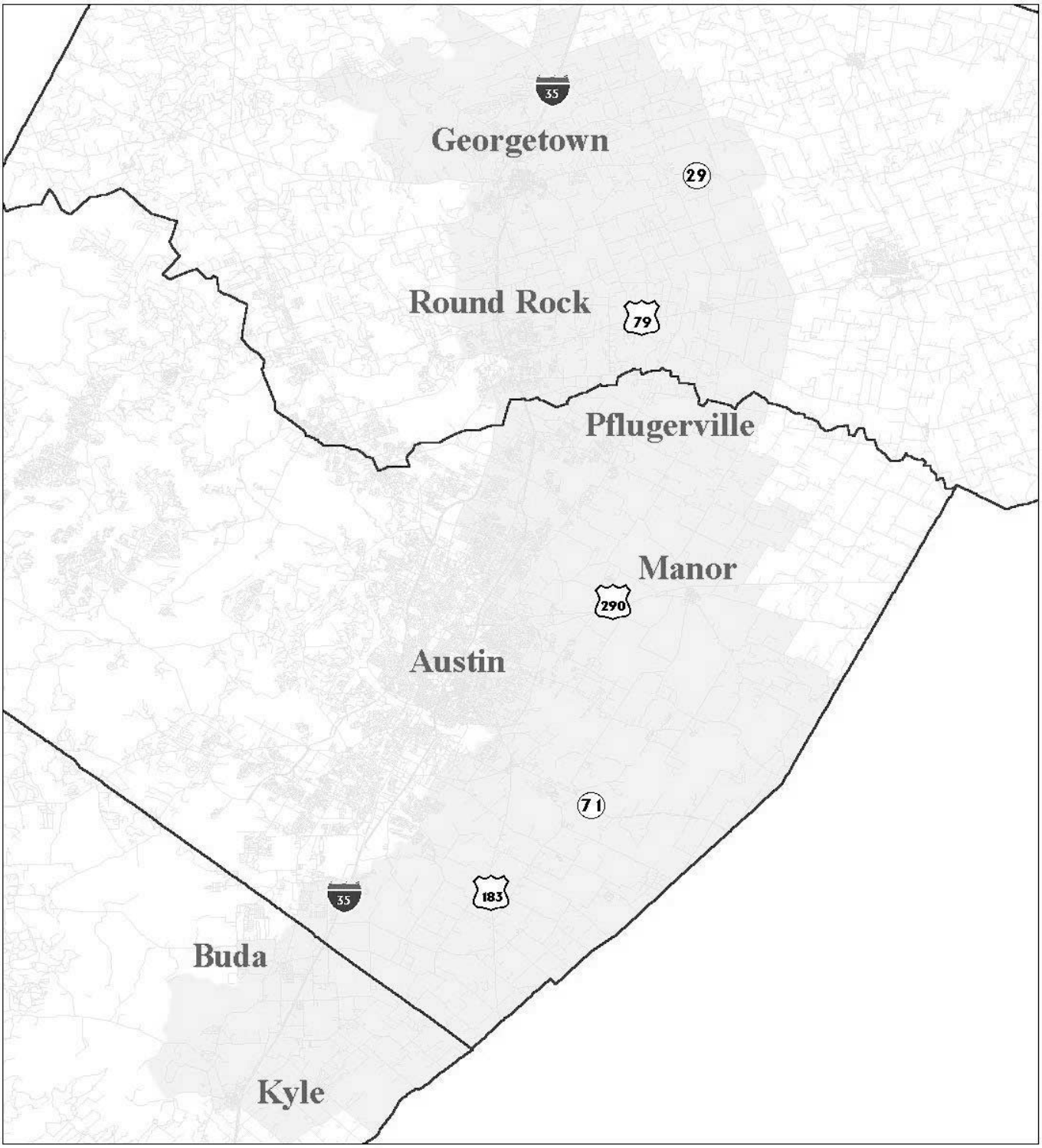
4.1.1 Overview

Socioeconomic indicators were researched to assist in estimating future traffic patterns and growth. Traffic forecasting models use socioeconomic indicators, such as population and employment, as variable inputs. The Capital Area Metropolitan Planning Organization (CAMPO) is responsible for creating local socioeconomic forecasts. The most recent population and employment forecasts were completed in 1999, and contain 1997 base year data and forecasts for the years 2007, 2015 and 2025. Integra Joseph Farber & Co. carried out an assessment of these forecasts to determine their "reasonableness" at both the regional and traffic serial zone (TSZ) level within the 2002 Project study areas. The review of CAMPO's forecasts resulted in some cases requiring adjustments to better reflect expected growth patterns, thereby introducing a more conservative growth forecast. Prior to reviewing the forecasts, the CAMPO 1997 base year population and employment estimates were also reviewed. In addition, the effects of the recent economic downturn were reviewed and incorporated into the demographic forecasts.

4.1.2 Study Area

The study areas for the 2002 Project are located in Travis, Williamson, and Hays Counties in Central Texas. Due to the overlapping nature of the three 2002 Project elements, the overall study area was broken up into two smaller study areas- SH 130 and SH 45/Loop 1. Both areas are currently experiencing rapid growth in population and employment and increased levels of roadway congestion, which is further compounded by an inadequate supply of roadway infrastructure.

The SH 130 study area is the largest, and covers approximately 703 square miles south of central Williamson County, eastern Travis County, and northern Hays County as seen in Figure 4-1. This study area contains portions of the cities of Austin, Round Rock, Georgetown, Pflugerville, Kyle, Buda and Manor. The SH 45/Loop 1 study area shown in Figure 4-2 covers approximately 142 square miles of northern Travis and southwestern Williamson Counties. This study area is comprised mainly of the city of Austin and smaller portions of Round Rock, Cedar Park and Leander.



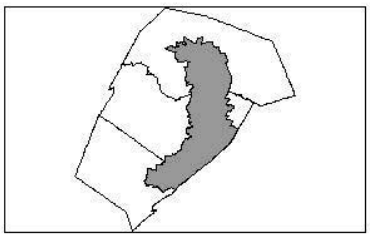


Figure 4-1
SH 130 Study Area

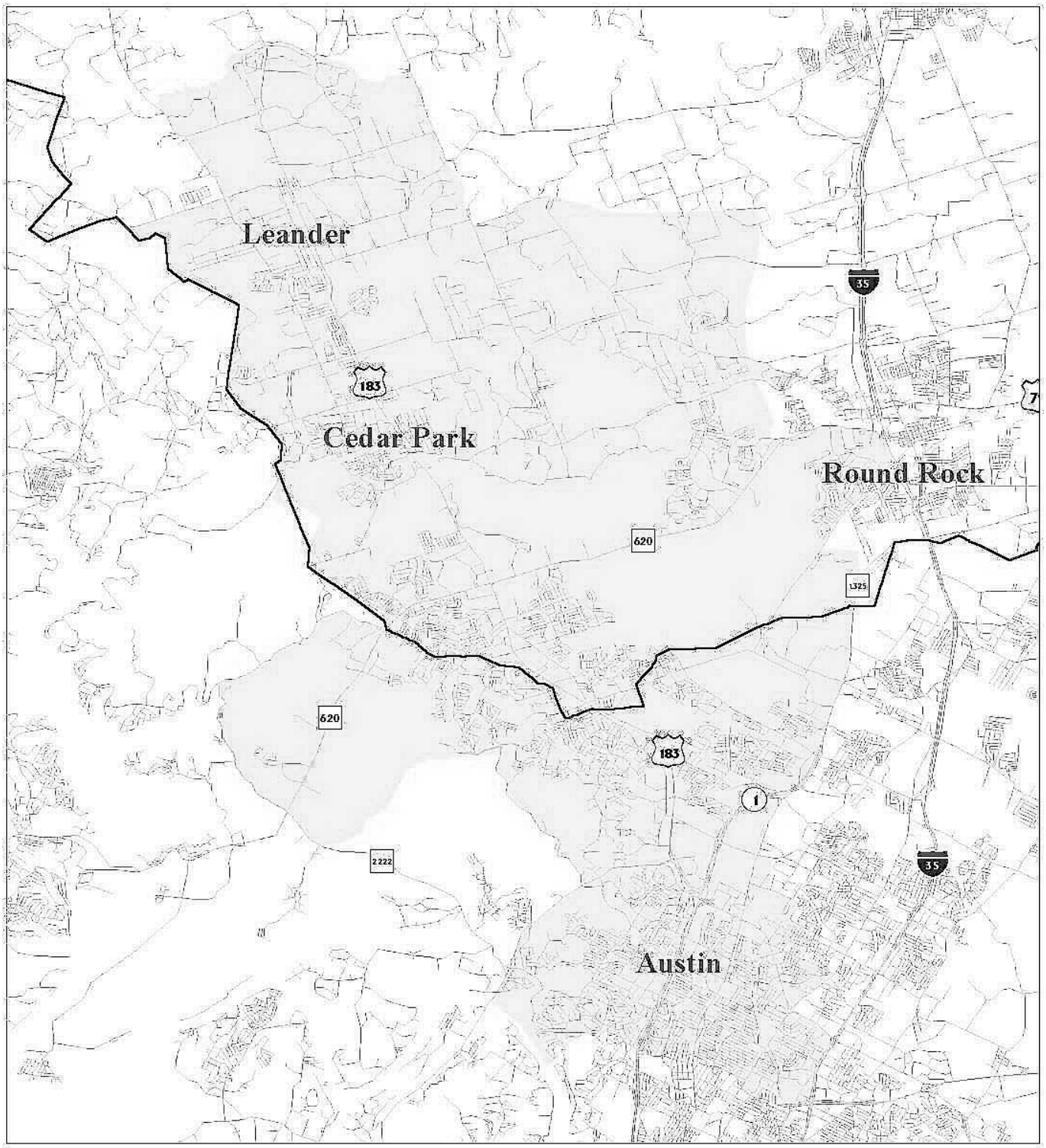
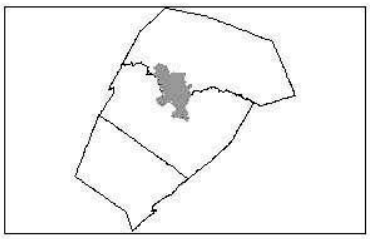


Figure 4-2
SH 45 / Loop 1 Study Area



4.2 Background Socioeconomic Information

4.2.1 Population: Historic and Current Trends

The population of the State of Texas has increased rapidly between 1940 and 2000 from 6.4 million to 20.8 million persons.[2] Most of this increase has been in urban areas such as Dallas-Fort Worth, Houston, San Antonio, Austin metropolitan regions and cities along the U.S.-Mexico border. In the 1990s, the State of Texas continued to grow rapidly, and the total population increased by 22.8 percent from 17.0 million persons in 1990 to 20.8 million in 2000[3]. The U.S. Census Bureau describes the State as having experienced significant domestic and international in-migration. This is largely due to the State's strong economy, pro-business environment, and reasonable cost of living. During this time, Texas was the second-fastest growing state in total population, superseded only by California and by a difference of less than 250,000 persons.

Between 1970 and 2000, the growth rate of the combined population of Travis, Williamson and Hays Counties was 18.1 to 26.2 percent higher than the growth rate for the State of Texas[4]. Travis County is significantly larger in population (812,280 persons in 2000) than the other two counties while Williamson County has the second largest population (249,967 persons in 2000), and Hays County has the smallest population (97,589 persons in 2000) due to its more rural nature. Between 1990 and 2000, the three counties have grown at a significantly faster rate than the State, as their total population increased by 48.4 percent, compared to 22.8 percent for the entire state.

In terms of total population, the U.S. Bureau of Census ranks the Austin Metropolitan Area as the 17th fastest growing metro area nationwide. From 1990-2000, Travis County's population increased by 235,000 persons (40.9 percent), followed by Williamson County with 110,416 persons (79.1 percent), and Hays County with 31,975 persons (48.7 percent).

Similarly, the populations of the cities in the 2002 Project study area increased significantly between 1970 and 1990. Austin, being the largest city in the study area, added the greatest total population (213, 814 persons representing an 84.9 percent increase). Other cities also grew by large percentages between 1970 and 1990, including Round Rock which grew by 1,000.1 percent, Georgetown by 132.1 percent, and Pflugerville by 709.5 percent. Cedar Park grew by 48.6 percent between 1980 and 1990. Table 4-1 shows the historic populations of the cities in the 2002 Project Study Area.

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[2] Sources: Texas Almanac, 1992, and the U.S. Census Bureau, 2000.
[3] Source: U.S. Census Bureau, 1990 and 2000
[4] Sources: Texas Almanac, 1992, and the U.S. Census Bureau, 2000.

Table 4-1
Historic Populations for Cities in the 2002 Project Study Area

City	1970	1980	% Change	1990	% Change
Austin	251,808	345,496	37.2	465,622	34.8
Round Rock	2,811	11,812	320.2	30,923	161.8
Georgetown	6,395	9,468	48.1	14,842	56.8
Pflugerville	549	745	35.7	4,444	496.5
Cedar Park	n/a	3,474	--	5,161	48.6
Leander	n/a	2,179	--	3,398	55.9
Kyle	1,629	2,093	28.5	2,108	0.7
Buda	498	n/a	--	1,795	--
Manor	940	1,044	11.1	1,041	-.03
Total	264,630	376,311	42.2%	529,334	40.7%

Source: Texas Almanac, 1992

It is not surprising that the populations of cities within the 2002 Project study area also showed phenomenal growth in the last decade as shown in Table 4-2. Austin's population increased by more than 190,000 persons (41.0 percent), while Round Rock and Georgetown almost doubled their population to 61,136 and 28,339 persons respectively[5]. Cedar Park experienced the most impressive growth, as the population increased five-fold from 4,444 persons to 36,049 persons over this time period. The population of Pflugerville more than trebled from 5,161 persons to 16,335 persons, while Leander and Kyle's population increased to 7,596 (123.5 percent) and 5,314 (152.1 percent) persons respectively. Other locations such as Buda and Manor did not follow these high growth trends, as their populations only grew by 33.9 percent and 15.7 percent, respectively.

[5] Source: U.S. Census Bureau, 2000

Table 4-2
Population Estimates for Cities in the 2002 Project Study Area

City	1990 Census	2000 Census	Difference	Percent Change	Avg. Annual Percent
Austin	465,622	656,562	190,940	41.0%	3.50%
Round Rock	30,923	61,136	30,213	97.7%	7.05%
Georgetown	14,842	28,339	13,497	90.9%	6.68%
Cedar Park	4,444	26,049	21,605	486.2%	19.34%
Pflugerville	5,161	16,335	11,174	216.5%	12.21%
Leander	3,398	7,596	4,198	123.5%	8.38%
Kyle	2,108	5,314	3,206	152.1%	9.69%
Buda	1,795	2,404	609	33.9%	2.96%
Manor	1,041	1,204	163	15.7%	1.47%
Total	529,334	804,939	275,605	20.7%	4.28%

Source: U.S. Census Bureau, 2000.

4.2.2 Employment: Historic and Current Trends

In January 2002, the Austin area economy employed 722,000 people, representing a loss of some 16,000 jobs (2.2%) from the record peak reached in November 2000. As shown in Figure 4-2a, the 5-year period between January 1997 and January 2002 resulted in the addition of over 110,000 jobs (3.4% growth compounded annually). April 2002 data indicates a small increase in the number of jobs and a decline in the unemployment rate, which may signal the beginning of a turnaround in the area economy. The largest employment sectors are services, trade, education, government, and manufacturing. Computer and electronics dominate the manufacturing sector. Table 4-3 shows the top twenty largest employers in the Austin Metropolitan area, with the University of Texas leading the way, followed by Dell Computer Corporation, the City of Austin, the Austin Independent School District, and Motorola. Figures 4-3 and 4-4 show the locations of these and other major employers in the SH 130 and SH 45/Loop 1 study areas, respectively. Sections 4.2.3 and 4.4.5 provide additional insight into the current Austin area economic conditions.

Figure 4-2a: Austin, Texas MSA - Labor Force and Number of Employed, 1997-2002

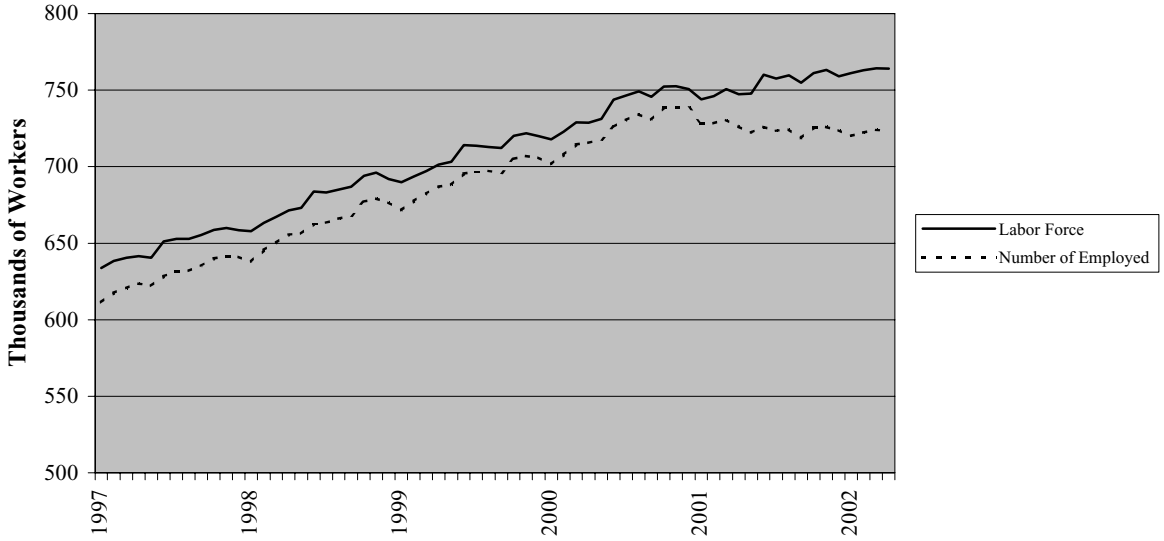


Table 4-3
Top 20 Employers in the Austin Metropolitan Area

Rank	Employer	Number of Employees
1	University of Texas	20,249
2	Dell Computer Corporation	17,000
3	City of Austin	10,775
4	Austin Independent School District	10,770
5	Motorola	8,340
6	IBM Corporation	7,000
7	Seton Healthcare Network	6,779
8	Internal Revenue Service/Austin Center	5,800
9	HEB Grocery Stores	5,666
10	St. David's Healthcare Partnership	4,831
11	Round Rock Independent School District	4,000
12	Wal-Mart Stores	3,800
13	Travis County Government	3,500
14	Texas Department of Transportation	3,381
15	Austin Community College	3,103
16	Texas Department of Health	3,100
17	Advanced Micro Devices, Incorporated	3,000
18	Southwest Texas University	2,860
19	Applied Materials, Incorporated	2,600
20	Texas Department of Mental Health/Retardation	2,500

Source: Greater Austin Chamber of Commerce. Major Employers of the Austin Area – 2002.

As shown in Table 4-4, total employment has grown by 423,000 over the past 20 years, nearly tripling the 1980 levels by the year 2000. The greatest number of jobs was added in Travis County; however the greatest percent change has been in Williamson County which has five times the number of jobs as it did in 1980.

Table 4-4
Historic Employment by County

	Travis	Williamson	Hays	Total
1980	199,726	14,793	11,641	226,160
1990	331,911	28,553	18,039	378,503
2000	538,100	76,587	34,331	649,018

Sources: Texas Almanac (1980) and Texas Workforce Commission (1990, 2000).

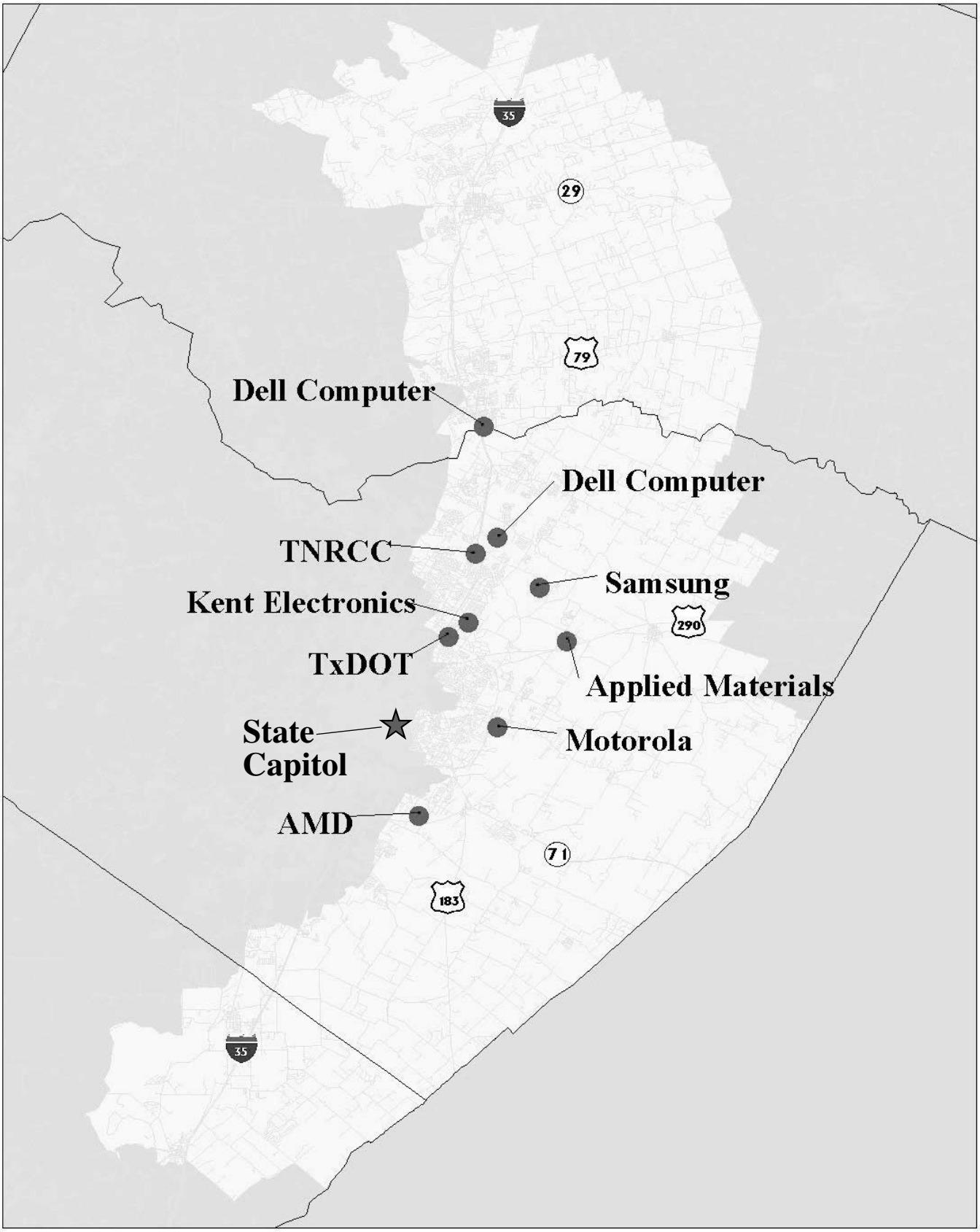


Figure 4-3
Major Employers in the SH 130 Study Area

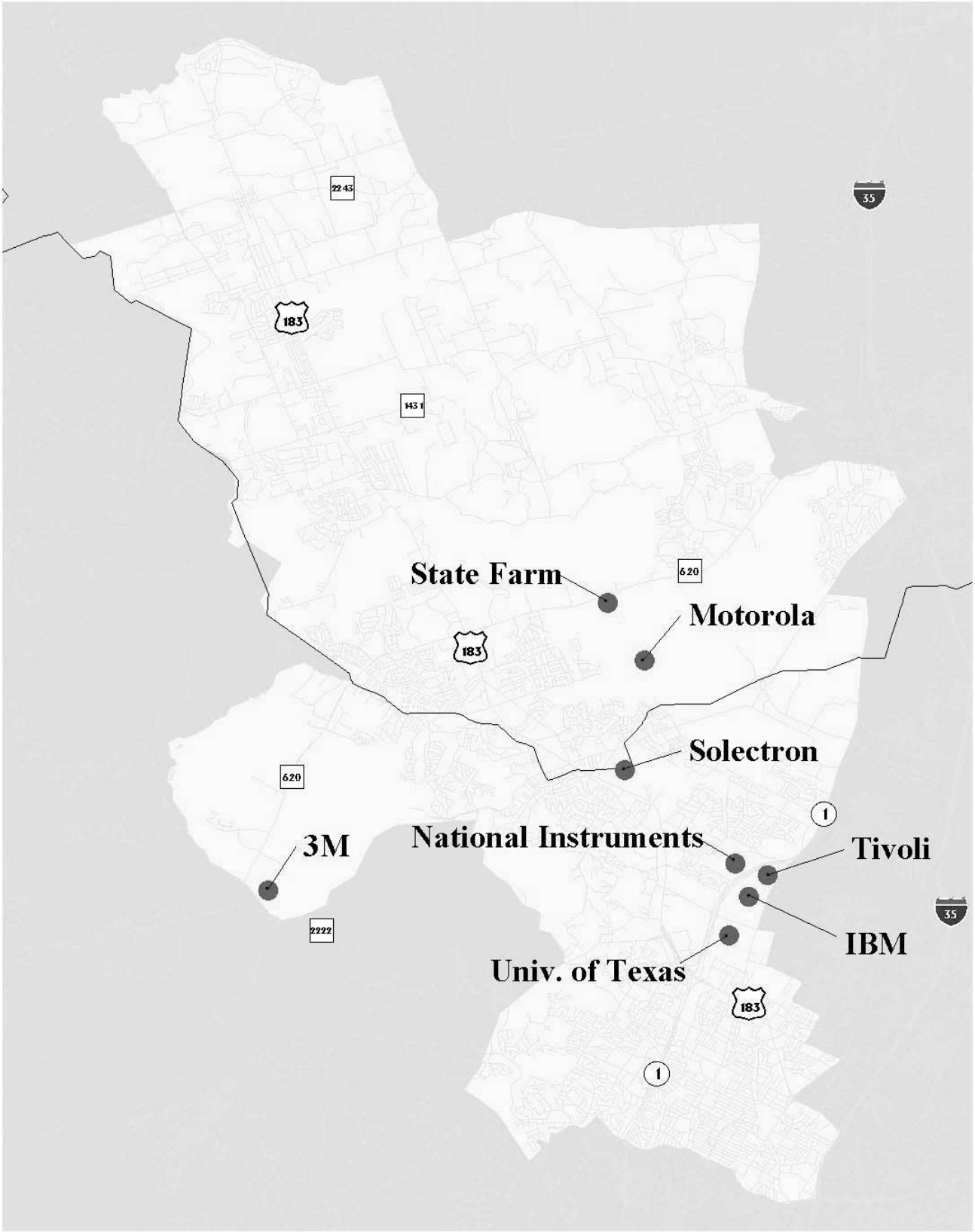
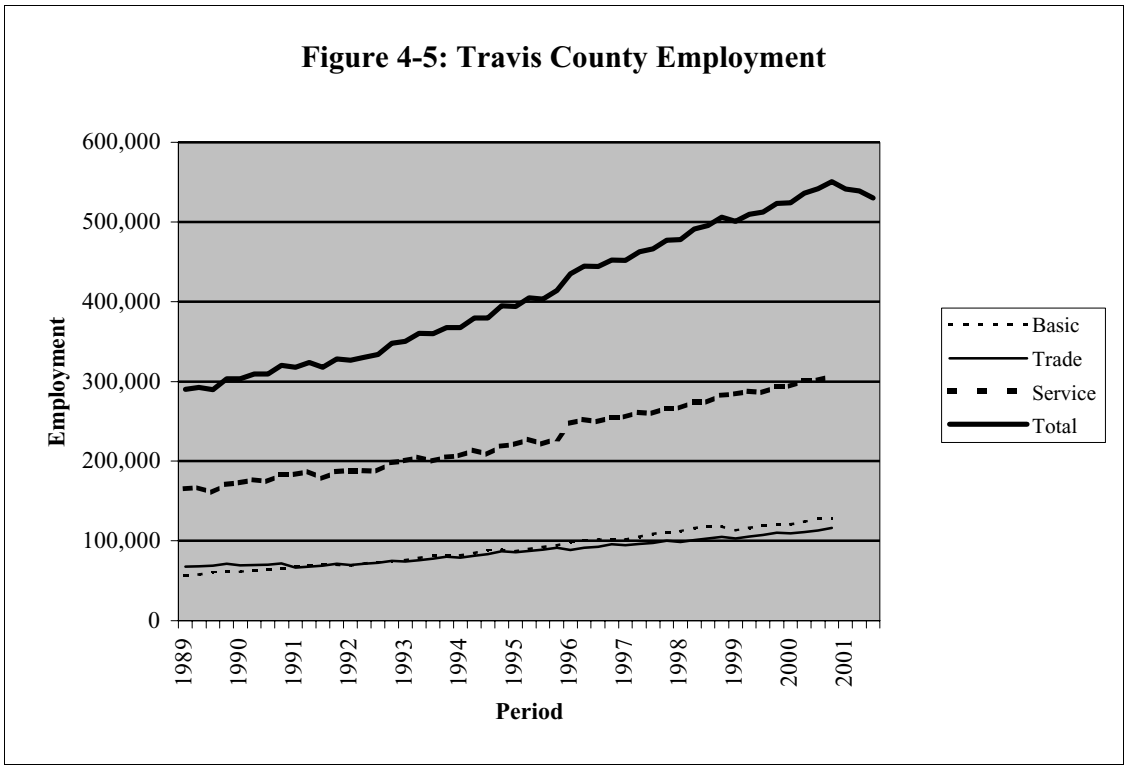
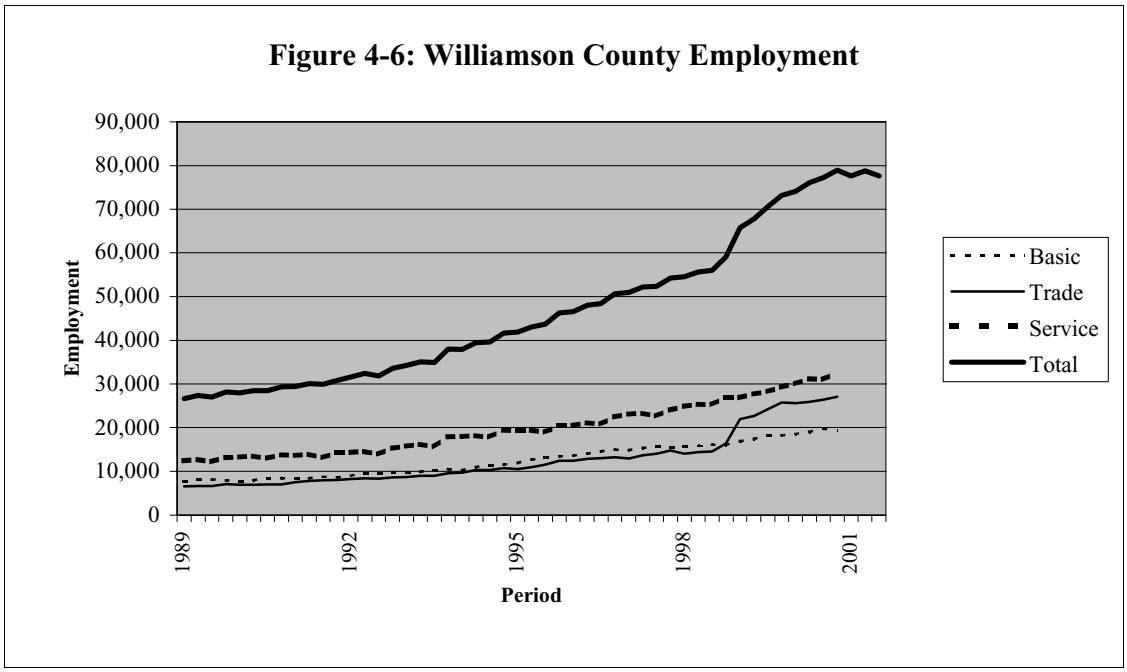


Figure 4-4
Major Employers in the SH 45 / Loop 1 Study Area

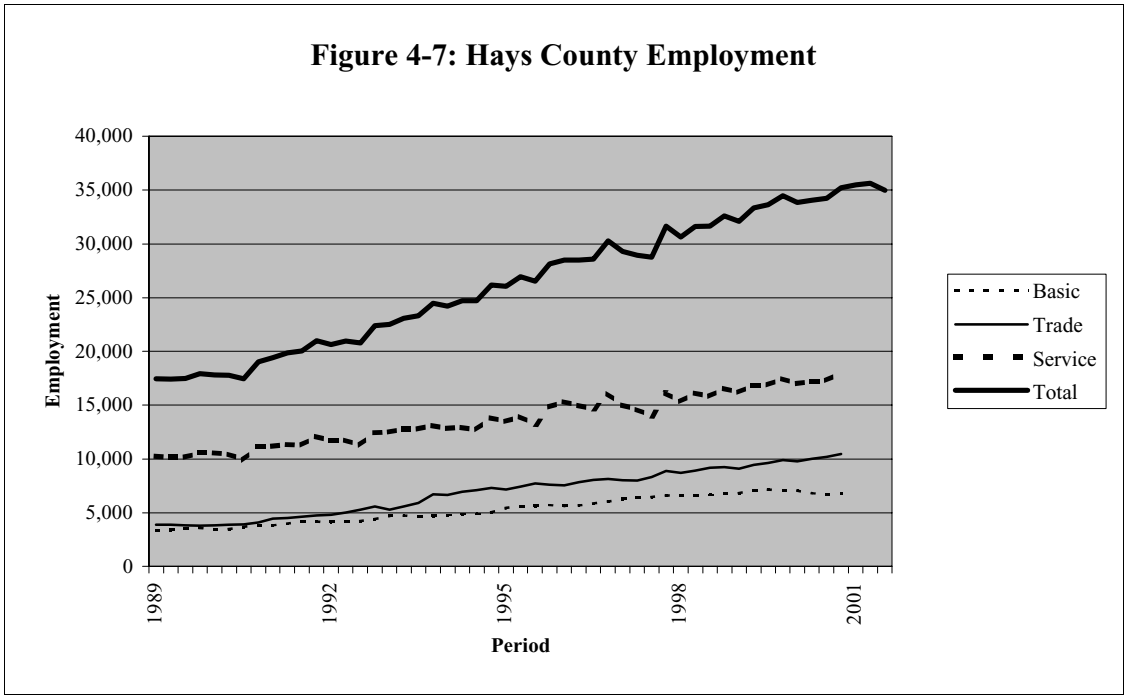
Figures 4-5, 4-6 and 4-7 show the total change of employment from 1989 to the Third Quarter 2001 in all three counties, along with the employment changes by three employment sectors: basic, trade, and services. As seen in Figure 4-5, Travis County's employment experienced the largest growth, primarily due to new jobs in the services sector. Williamson County's employment also grew substantially over this period (see Figure 4-6), with a closer balance among sectors. Hays County's employment (Figure 4-7) also increased over this time period, mainly in the service sector, but with increasing amounts in the trade sector, probably due to the expansion of an outlet mall south of San Marcos.



Source: Texas Workforce Commission, 2001a.



Source: Texas Workforce Commission, 2001a.



Source: Texas Workforce Commission, 2001a.

The three counties have unemployment rates that continue to be lower than both statewide and national average rates in spite of the recent economic downturn. The metropolitan Austin area unemployment rate was 5.3 percent compared to the national average of 5.7 percent in April 2002[6].

CAMPO estimated the employment in the SH 130 and SH 45/Loop 1 study areas as shown in Table 4-5.

Table 4-5
Employment Estimates for the 2002 Project Study Areas

Study Area	1997 CAMPO Employment Estimate
SH 130	125,143
SH 45/Loop 1	118,828

Source: CAMPO, 1997.

SH 130 Corridor

Zones of recent and ongoing development activity in this corridor are illustrated in Figures 4-8 to 4-10 and discussed below. Activity levels are based on surveys conducted over the last two years.

Georgetown
Commercial development in Georgetown has mainly occurred in the region east of IH 35 between SH 29 and SH 195. Several large industrial buildings have also been constructed around the corner of IH 35 and Inner Loop Road. Additionally, there is some commercial development, including a grocery store, occurring along FM 2338.

City of Round Rock
Round Rock has continued to experience strong growth during the past year, despite the region's economic downturn. Perhaps the fastest growing parts of Round Rock, at present, are along Louis Henna Boulevard and across IH 35 along FM 1325 at the La Frontera development. La Frontera contains a very large number of strip and free-standing retail stores and restaurants. Two office buildings have also been constructed, as has an apartment complex. More construction is planned as part of the total development and this new construction will begin to move in a southwesterly direction along FM 1325, as the tract is built out. Office construction in La Frontera appears to have slowed, due to the lack of demand in the region, but will likely return once the market recovers. A large amount of retail has also been built along Louis Henna Boulevard, particularly around its intersection with IH 35. Additionally, Round Rock continues to see the development of scattered vacant property along IH 35, into retail and office uses. The construction of industrial and warehouse buildings has been particularly strong east of IH 35 between Old Settlers Road and Chandler Road. This area has seen a significant amount of new

[6] U.S. Bureau of Labor Statistics, 2002; Texas Workforce Commission, 2002

Figure 4-8

Zones of Recent and Ongoing Development SH 130 Study Area Georegetown and Round Rock

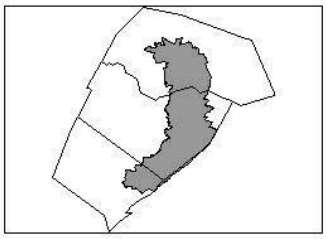


Figure 4-9

Zones of Recent and Ongoing Development SH 130 Study Area Pflugerville and East Austin

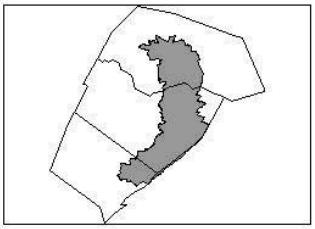
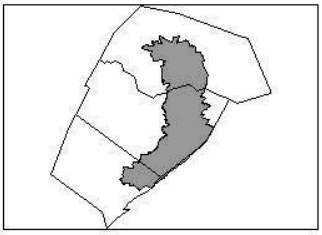


Figure 4-10

Zones of Recent and Ongoing Development SH 130 Study Area South Austin and Hays County



construction since the previous field survey. Also of note, is a planned medical clinic at the intersection of Chandler Road and IH 35 and the growing concentration of auto dealerships on the east side of the Westinghouse Road and IH 35 intersection.

Round Rock's residential development continues throughout the city and appears particularly strong in subdivisions located east of IH 35, like Lake Forest, Sonoma, and Ryan's Crossing. The Terra Vista (along Chandler Road) development has begun construction and will develop at least 1,200 acres. West of IH 35, developers are building out existing subdivisions and creating new ones. The Cat Hollow master-planned community continues to build-out and two new subdivisions were identified in west Round Rock: Sendero Springs and Behrens Ranch. Construction in these new developments is, in addition to the growth in existing subdivisions in west Round Rock like the Stone Oak subdivision. There has also been a substantial amount of multi-family development over the past year. A number of new apartment complexes have been built along Louis Henna Boulevard and two new apartment complexes are located west of IH 35 along O'Connor Drive. New apartment complexes have also been built along Old Settlers Boulevard in north Round Rock and Gattis School Road in south Round Rock.

City of Pflugerville

Viewed as an affordable alternative to Austin and relatively close, Pflugerville has continued to attract new residents and Pflugerville's housing growth is slowly moving northward to merge with Round Rock. In addition to the building out of various subdivisions within the city, there has also been new single-family residential growth along Dessau Road at the Cambridge Estates and Mountain Creek Estates subdivisions, as well as along FM 685 at the Falcon Pointe subdivision. Two new apartment complexes were identified along Pflugerville Loop and along Grand Avenue Parkway. Retail and office construction has occurred along FM 1825, which is the City's primary arterial, but there has also been new commercial construction along Wells Branch Parkway and Heatherwilde Boulevard.

Tech Ridge Industrial Park

As predicted, the Tech Ridge Industrial Park has experienced rapid development over the past year, with Dell Computer now occupying a number of large multi-story office buildings. In addition to Dell's facilities, there are a number of other large industrial buildings that have been constructed, including a recently completed building with 290,000 square feet of available space. Retail is also establishing itself with a large home improvement store and department store located at the southeast corner of Howard Lane and IH 35 and a large grocery store and strip center located at the southeast corner of Parmer Lane and IH 35. New residential development has come in the form of several large apartment complexes constructed along Harris Ridge Boulevard and Parmer Lane, as well as, within single-family construction in the existing subdivisions.

US 290

During a brief survey along US 290, several new and large warehouse/industrial buildings were identified along Tuscany Way and Sansom Road. Further to the east, next to the Applied Materials facility, a new industrial building is near completion. The only notable residential development identified was a new apartment complex, near Cross Park Drive, and another complex at the southeast corner of US 290 and IH 35.

US 71-US 183 (Austin-Bergstrom Airport)
Substantial industrial/office and warehouse development has been occurring at the southwest corner of the intersection of US 183 and US 71 at the MetCenter industrial park. Due to its proximity to the Austin-Bergstrom Airport, this area has also become an attractive site for hotels and restaurant pads. The southwest corner of US 183 and US 71 is likely to see continued growth during the near and longer term, due to its future proximity to SH 130, the availability of vacant land, and the general movement towards greater industrial and warehousing land uses in this part of the city. Another industrial park is being constructed at the northeast corner of the US 183 and US 71. This site may not develop at the same rapid rate as the MetCenter site; however, given its location, it too is attractive for industrial/warehouse land uses. The Interport site, which lies east of the Austin-Bergstrom Airport along US 71, has not shown any further signs of development than were first observed during the initial field surveys (i.e. there are no roads or buildings).

The Cities of Buda and Kyle
Development continues in northern Hays County in the cities of Buda and Kyle. The city of Kyle appears to be growing faster than Buda, despite being further away from Austin. Both cities currently have a moratorium on planning new development, due to concerns about adequate infrastructure for future growth.

Buda's residential development appears to be concentrated within existing subdivisions located between Loop 4 and Goforth Road and in subdivisions located along FM 967, particularly in the Coves of Cimmarron subdivision, which lies just outside of the SH 130 study area. Retail development has occurred primarily at the southwest intersection of Loop 4 and IH 35, where a large grocery store and strip center were built. A restaurant is also being constructed and this area will likely continue attracting retail development. Further south along IH 35 to the west and north of County Road 132, additional industrial and retail development have occurred within an existing industrial park. There is also a new commercial cluster containing a hotel, restaurant, and retail store just south of Loop 4's southmost intersection with IH 35. There has been little new development along the eastern side of IH 35 in Buda. No residential development was observed during the field survey from IH 35 and there is only a small amount of new commercial construction south of IH 35's intersection with FM 2001. During the review of the CAMPO forecasts, Buda officials identified this area as having a low likelihood of future residential growth due to the lack of available water and poor water quality that prevents the use of wells.

Kyle's residential growth continues at a rapid pace, particularly due to the Plum Creek subdivision that is currently under construction and is planned for more than 5,800 units. Residential development is also continuing at the Steeple Chase, The Trails, Prairie on the Creek, and Amberwood subdivisions. Two new subdivisions are being developed west of IH 35, Silverado (which lies along FM 150) and Bradford Meadows (which lies on the southwest side of Kyle). East of IH 35, residential development is occurring at several subdivisions along FM 150 called Cherry Park and High Meadows, along with a manufactured home subdivision. There have also been two new schools built in the area east of IH 35.

Since completing the review of CAMPO's population and employment forecasts, both cities have initiated temporary building moratoriums on new development, due to the lack of water and

wastewater resources. During the review of CAMPO's population and employment forecasts, the city manager of Kyle and the city administrator of Buda were both interviewed and asked directly whether their respective cities had sufficient water and wastewater resources to support future growth. While the city administrator of Buda identified a future need for water resources, both officials reported that their cities had sufficient wastewater infrastructure. However, in 2002, the city governments of both Buda and Kyle announced that they were setting a moratorium on the approval of future development projects, until they devise a plan that insures that both cities' have the ability to provide adequate water and wastewater services for future growth.

SH 45/Loop 1 Study Area

Field surveys for the SH 45/Loop 1 study area were conducted for the following locations: the area surrounding the intersection of Loop 1 and US 183; along Loop 360; along FM 620, along Parmer Lane, and major arterials in Cedar Park and Leander. For a discussion of the development on the western side of Round Rock, which falls in the SH 45/Loop 1 study area, return to the previous "City of Round Rock" section of the SH 130 study area. Zones of recent and ongoing development activity in the SH 45/Loop 1 corridor are illustrated in Figure 4-11 and discussed below.

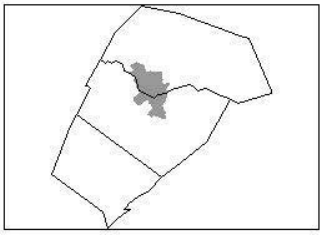
Loop 1-US 183

The area surrounding the intersection of Loop 1 and US 183 continues to experience commercial and retail growth, albeit less rapidly than during the 1998-2000 period and despite rising vacancy rates. Part of this slower growth may also be the result of less land being available for development, although there is still sufficient land for future growth. Along US 183, east of Loop 1, there has been retail and office infill development that has occurred on both the north and south sides of the roadway. Turning north on to Metric Boulevard, there has been new office/industrial/warehouse construction on both sides of the road, continuing to Rutland Drive. Following Metric Boulevard north and turning west onto Gracy Farms Road, office/industrial buildings have been built near this intersection and continuing west towards Loop 1, Tivoli is constructing their new offices on the south side of the roadway. Across the street and a further west along Gracy Farms Road a new apartment complex has been constructed.

Traversing north along Loop 1, north of Braker Lane, new office buildings are under construction, which will have 175,000 square feet of space, and next to them a hotel is being built. On the west side of Loop 1, National Instruments has completed the buildings that were identified during the previous field survey. Further north, at the intersection of Loop 1 and Burnet Road, a new office building has been built at the southeast corner and at the northwest corner a new building with 77,000 square feet of space has been built. There does not appear to be any new development along US 183 north of Loop 1, until south of Duval Road where a new hotel and restaurant are being constructed. This lack of development along US 183 is primarily due to a diminishing supply of available land. Finally, between US 183 and Loop 1 on Braker Lane, new office and commercial construction is being started.

Figure 4-11

Zones of Recent and Ongoing Development SH 45 / Loop 1 Study Area



Loop 360
New office construction has continued along Loop 360 between FM 2222 and Spicewood Springs Road. This has been one of the most popular areas for office and retail development in west Austin and several new office buildings were identified during the field surveys. The development of office and commercial buildings is likely to continue until all available land is occupied.

FM 2222 - FM 620
Development along FM 620, north of FM 2222 has accelerated since the previous field survey of the area. An office park is ready for development at the northeast corner of FM 2222 and FM 620, now that roads have been built and other infrastructure have been put into place. Due to its attractiveness, this area will likely develop very quickly with multi-story office and retail buildings. Single-family residential development continues within existing subdivisions along FM 620 and at least one new subdivision has been built since the previous field survey. In addition to single-family subdivisions, FM 620 is also becoming a popular location for large multi-family apartment complexes with a number of them now lying along the roadway.

US 183-FM 620
Commercial construction has continued to concentrate at the northwest corner of the intersection of US 183 and FM 620 within the Lakeline Mall development. New strip retail centers and stand-alone stores and restaurants have been built on this property since the previous field survey. On the northeast corner of the US 183 and FM 620 intersection, retail development is starting to take place in an area that has existing roadway infrastructure but which has been mostly vacant for several years. Within this development a department store, retail strip center, and small bank have recently been built. The southwest corner of this intersection is beginning to see some development, with the construction of a hotel and restaurant.

Parmer Lane
Creating a corridor from Cedar Park to its intersection with US 290 in east Austin and with many of Austin's major high tech firms located along it or very near it, Parmer Lane will undoubtedly continue to be an important location for growth. Its attractiveness is not only a result of its connectivity with major Austin area employers, but also because most of the land bordering the road has yet to be developed. Within the study area, new residential development is occurring at the Avery Ranch subdivision and several new apartment complexes that have been constructed on either side between FM 1431 and FM 620. At several places along the roadway, construction equipment was seen clearing the land, building roads, and installing infrastructure for future development.

City of Cedar Park
Along Cedar Park's major arterials, there did not appear to be a significant amount of new commercial growth since the last field survey. Single-family construction continues within the city's many subdivisions and two new apartment complexes were identified along Lakeline Boulevard and Cypress Creek Road. Surprisingly, there has not been much new commercial growth around Cedar Park's primary intersection (US 183 and FM 1431), with the exception of a very large retail store at its northwest corner. Further east, along FM 1431, with its intersection at County Road 185, a new hotel has been built.

City of Leander
Most of the city of Leander's growth has been residential during the past year, but plans for a large grocery store were identified during this update. The store is planned for the northwest corner of the intersection of US 183 and FM 2243. Its location at the periphery of existing development may become an impetus for more growth to the north along US 183. Residential growth remains very strong along Bagdad Road and several new subdivisions are in the process of being constructed between FM 2243 and Leander High School. A new subdivision is also being constructed north of FM 2243 along County Road 279 (Bagdad Road). Additionally, there are two more subdivisions being developed along FM 2243, east of Bagdad Road and outside of the study area. Despite being told by Leander city officials that residential development east of US 183 would not likely occur until wastewater issues were resolved, a new subdivision (called Ridgewood) is being developed along County Road 272.

Other Areas

Many of the Austin's high growth areas are located within the 2002 Project study areas. However, field surveys were also conducted for two other areas that have had substantial development activity: the Austin central business district (CBD) and the area around the intersection of US 290 and Loop 1 in southwest Austin.

Austin CBD
New commercial development in the Austin CBD continues, despite the economic downturn and growing downtown vacancy rates. During the first quarter of 2002, the office vacancy rate in downtown Austin was 18.6 percent or 1.25 million square feet (Austin American Statesman 2002, D3). The downward trend in Austin's absorption of vacant office space is expected to continue with the completion of a high-rise office building at 6th Street and Lavaca and a new 33-story office building that is now under construction at 4th Street and Congress. The expansion of the Austin Convention Center has been completed and a new hotel is being built next to it along 5th Street. In what will mark the first major downtown retail development on the east side of IH 35 in many years, a 100,000 square foot retail project is moving towards construction at the 1000 block of East 6th Street, (Austin Business Journal 2002b).

So far, in 2002, Austin has seen two of its incomplete downtown projects move towards a resolution. The Intel Corporation has decided that it will not finish construction on a 10-story building in downtown Austin, of which 6 stories of concrete framework have been constructed. While the company has received numerous inquiries about selling the building over the past year, because Intel does not intend to complete the construction, it may make the building more difficult to sell (Novak 2002). However, the aborted downtown project at 6th Street and Lamar appears to have a more definite future. The project was originally planned as an urban shopping center with a large retailer and a multi-screen movie theater along with smaller shops and restaurants. Although the project was in the planning stages for more than 10 years (growing ever larger during this period), a series of problems arose which prevented the developer from breaking ground. In April 2002, it was announced that a natural foods grocery chain, based in Austin, would build a 200,000 square foot office headquarters and a new 80,000 square foot store on the site (Breyer 2002b, A1).

There are several residential loft projects still planned for downtown Austin and most appear to be moving forward, but on a much later schedule than originally planned. These projects are priced for high-income occupants, although they do maintain a small percentage of their units for "moderate" income households. Despite the publicity surrounding these projects from Austin city officials, they are still not expected to occur at a level that would make downtown a major population growth center within the region.

US 290-Loop 1 (Southwest Austin)
The area surrounding the intersection of US 290 and Loop 1 continues to be a highly desirable location for retail and commercial development. The area's growing population, the availability of land, and the existing agglomeration of retail activity that has occurred along Brodie Lane in the small city of Sunset Valley (which collects a lower sales tax than Austin) continues to draw new development. A brief field survey of this area revealed new retail construction and office space along Brodie Lane, Loop 1, US 290, and US 71.

4.2.3 Current Economic Conditions

Other current economic factors were investigated, including occupancy costs and inventory for residential and commercial developments, and other indicators such as cost of living, levels of education, and per capita income. This discussion includes updated information to reflect the recent downturn in the economy.

Occupancy Costs and Inventory

In recent years, the Austin real estate market has experienced very strong demand, substantial new construction, and rapidly increasing prices. However, past experience with overbuilding made many investors and builders cautious about undertaking new, large-scale construction projects, which created a lack of commercial and residential space during this most recent period of expansion. While, this past caution has not prevented an oversupply of office and industrial space in the Austin metropolitan area at present, it likely prevented the situation from being worse. Commercial and residential construction continues throughout the region, although the pace of new development has visibly slowed. A very concrete example of this slowdown is the incomplete Intel building that now stands in downtown Austin.

Residential
Between 1990 and 2001, the median price of a new single family home has more than doubled to $150,600[7]. To meet the increasing demand, construction of new single-family homes almost tripled between 1998 and 1999. Multi-family occupancy rates are also high in the Austin area, with over 90 percent in 2001. Recent trends show a decline in the number of single family building permits from about 9000 to 6000 per year; however permits for multi-family units in early 2002 have nearly returned to levels achieved in late 2000.

[7] Real Estate Center – Texas A&M University, 2002

Retail
In 2001, the retail occupancy rate in Austin continued to be high at about 94 percent[8], where it has been for the past few years with rents declining only moderately. There have been a number of recent large-scale retail developments in areas around Austin, including four new H-E-B stores, three new Randall's stores, three new Home Depot stores, three new Kohl's and plans for two new Albertson's stores late 2002 or early 2003.

Office
The demand for commercial real estate in Austin has declined substantially over the past year. By the first quarter of 2002, the vacancy rate for office space of all classes in Austin had risen to 20.9 percent from its low of 6.4 percent in the third quarter of 2000. In terms of square footage, almost 8 million square feet of Austin's office space was vacant in the first quarter of 2002, with 3.5 million square feet of this space being sublet. Despite the existing oversupply of office space, approximately 1.6 million square feet is currently under construction, including a 525,000 square foot office building in downtown Austin (Grubb & Ellis, 2002a).

Interestingly, while a large amount of vacant office property has become available in the Austin market, rental rates have not decreased substantially (Grubb & Ellis 2002a). However, office rents did fall about 8 percent last year for the region overall and they declined 11.3 percent in downtown Austin. It is expected that rents will continue to decline, as the leases for vacant direct lease space begin to expire. As a result of the continued convergence of low demand, growing vacancy rates, and new construction, office vacancy rates are predicted to rise through at least the third quarter of 2002, while others do not believe a market upturn will arrive until 2003 (Grubb & Ellis 2002a and Breyer 2002a, C1).

Industrial
Due to the slowdown in the technology sector, vacancy rates in the industrial market increased in the last half of 2001 to about 15 percent while rents have continued to decline. There was 30 million square feet of multi-tenant industrial space in 2001 in the Austin metropolitan area, including 3.2 million square feet of space completed in 2001. Many construction projects for 2002 have been put on hold, pending turnaround in the local economy.

Other Economic Indicators

Educational Attainment
Educational attainment in Austin is generally high due to the influx of skilled workers in the high-tech industries and the presence of the University of Texas at Austin.

Cost of Living
Although median home prices in Austin are the highest in the state of Texas, they are still comparable to other cities in the country, and the Cost of Living Index for Austin was 104.6 in 2001, compared to the national average of 100[9].

[8] Trammell Crow Company, 2002
[9] American Chamber of Commerce Research Association, 2001

Regional Income
Austin's per capita personal income ($32,309[10]) is lower than many other U.S. cities, but this is probably due to its relatively low cost of living.

4.2.4 Factors Affecting Regional Population and Employment Growth

Future regional growth in population and employment will be influenced by general economic growth, availability of developable residential land, migration from other regions, housing costs and wages. Larger numbers of jobs will produce correspondingly larger numbers of households who will seek appropriately priced housing opportunities within reasonable commuting times from their places of employment. The following paragraphs discuss some of the factors that impact population and employment growth in the region.

Increased Land Value in Primary Employment Areas

Increased home prices in the Austin Metropolitan region are pushing development to the more outlying areas where there is an abundance of land at lower costs. The high cost of land in primary employment areas such as areas close to downtown Austin results in a scarcity of planned new residential development, and the residential construction that does occur in these locations is typically high-end, multi-family housing. Single-family and more affordable housing is being planned for more suburban areas that are now experiencing residential growth.

Water and Sewer Capacity

Availability of water and sewer capacity is critical to support new development in the region, and some cities (for example, Georgetown, Buda and Leander) have cited the lack of these resources as a detriment to further development. For the case of Leander, developing the areas east of US 183 is hindered by the sloping nature of the terrain, as the existing wastewater treatment plant is located uphill of this area, and it is not financially feasible to pump sewage uphill or to build another wastewater treatment plant.

Attitudes to Development

Local attitudes toward development have been distinctly split between Austin's controlled growth policies and more lenient to pro-growth attitudes of the surrounding cities. To control development, the City of Austin has adopted a set of policies towards growth that it calls a Smart Growth Initiative, which is intended to encourage growth in the City's urban core and preserve sensitive environmental features. Figure 4-12 delineates the areas of preferred and non-preferred growth. It is not clear whether the City's Smart Growth plan will be successful, since it has encouraged little, if any, of the desired growth when direct subsidies were not provided. Additionally, over the past decade, the City of Austin has pursued a reactive rather than proactive stance on the construction of new roadway infrastructure. The smaller cities around Austin have used these policies to their advantage to attract or relocate employers and

[10] US Bureau of Economic Analysis, 2002

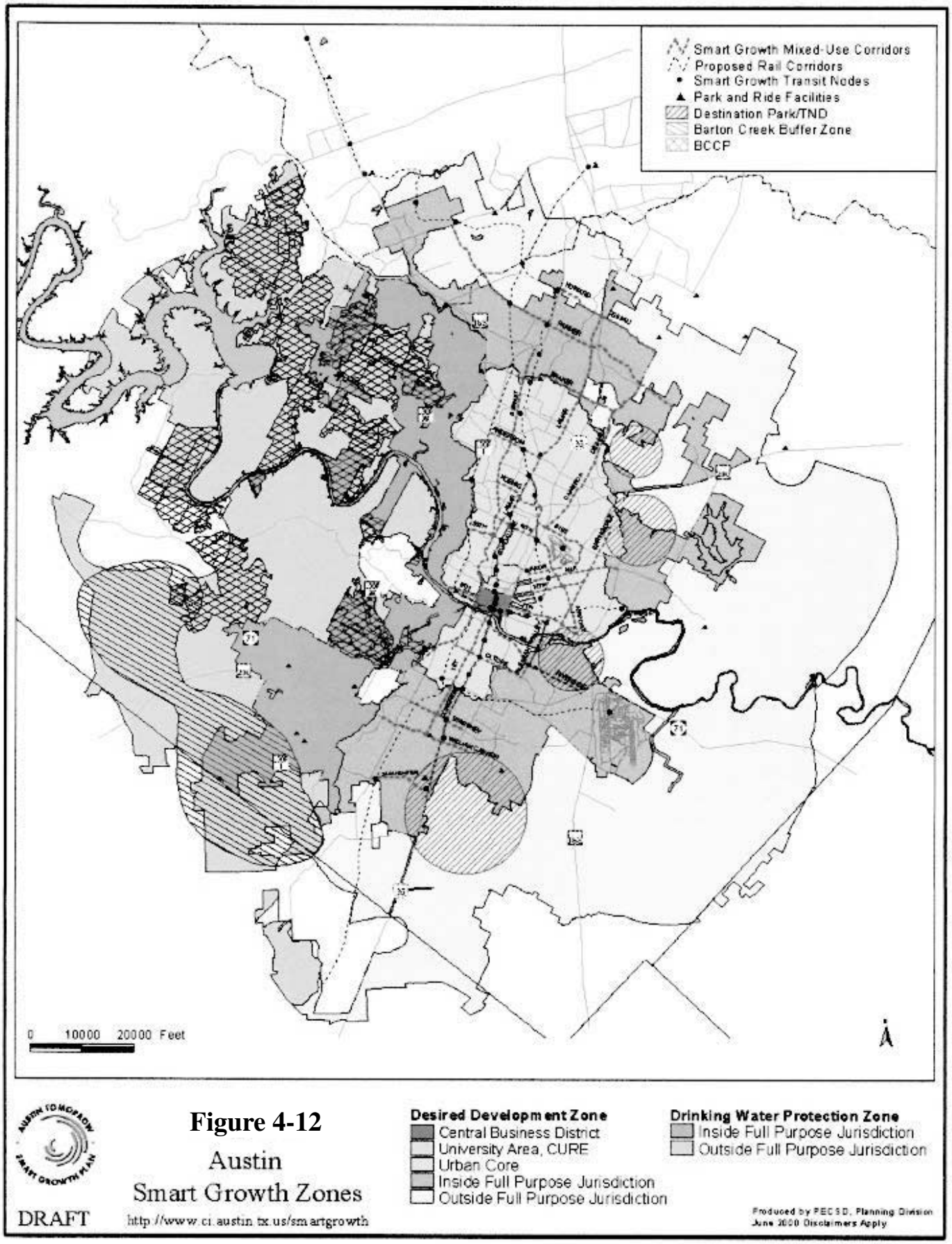


Figure 4-12

Austin
Smart Growth Zones

DRAFT

http://www.ci.austin.tx.us/smartgrowth

developers. The unintended effect of Austin's controlled growth policies has been greater tendency towards suburban development in the region.

Potential Limitations to Growth

Three important issues that could affect Austin's ability to grow in the future are: increasing traffic congestion, increasing housing costs, and increasing income disparity. These are discussed briefly in the following paragraphs.

Increasing Traffic Congestion
The Austin metropolitan area is experiencing an increase in their levels of congestion, which if unabated, could limit the region's ability to attract future employers. Austin was ranked the 13th most congested city in the U.S. in terms of annual delay per capita in 2000[11]. Dell Computer is one company that has already expressed concern with the pace of transportation improvements in the Austin area.

Increasing Housing Costs
Austin house prices have increased sharply in the last ten years, and the affordable housing is diminishing. For example, in March 2002, the median price for a home in Austin was $155,800, compared to $73,000 in 1990[12]. The high cost of homes in the city of Austin is likely attributed to the rapid population growth. There are also increased costs created by the development process and additional fees levied by the City of Austin. As a result, home prices have become substantially lower outside the Austin city limits and in the outlying communities. Residential as well as commercial rental costs have also increased significantly, and there is a shortage of housing for middle and lower-income households. These higher housing and commercial space costs have translated to an increased cost of living in the Austin area.

Increasing Income Disparity
The prosperity brought to the Austin area by the booming high-tech sector has not been equally distributed among all employment sectors of the local economy. While persons employed in the computer and technology industry made up only 6.3 percent of total private sector employment, they earned 27 percent of the Austin area's income, and this income inequality has worsened over time. In the first quarter of 2000, the top 20 percent of private sector workers earned 38 percent of all income in the Austin area, whereas in the first quarter of 2000, the top 20 percent earned 48 percent. If low-wage workers are not able to afford housing in Austin, they will probably have to live outside the city where housing prices are lower. Also, if housing and other costs of living continue to rise, employers will be forced to pay higher wages, which may then cause some employers to move to lower wage regions.

[11] Texas Transportation Institute, 2002
[12] Real Estate Center, Texas A&M University, 2002

4.3 Forecast Methodology

The main purpose of this study was to assess the existing population and employment forecasts produced by CAMPO for individual traffic serial zones (TSZs) in the project study areas and to make adjustments as needed. It should be noted that a forecast was deemed "reasonable" if it was determined to have some likelihood of occurring, and is not necessarily based on the most likely growth scenario for a TSZ. If each CAMPO forecast were adjusted to reflect the socioeconomic consultant's view of the most likely growth scenario, this would produce entirely new socioeconomic forecasts, which is beyond the scope of this study. Hence, CAMPO forecasts that were determined to be unlikely to occur were adjusted to more appropriate values after reviewing several data sources including windshield surveys, interviews with local planning agencies, digital aerial photography, various maps, plans, and other relevant literature. Note that forecast could either be "too high", "too low" or "reasonable". Multiple iterations of this review process were carried out for quality control purposes, to insure appropriateness of adjustments, and to conform with countywide control totals as described in section 4.4.

4.3.1 Assessing Forecasts Within 2002 Project Study Areas

The assessment and adjustment of the CAMPO forecasts within the 2002 Project study areas was based upon a three-stage process. First, data was collected on current growth patterns and other information to identify areas of future development. The population and employment forecasts for each TSZ were then reviewed against the data collected to determine reasonableness. Finally, the forecast value was adjusted if the TSZ's population or employment forecast was considered unreasonable.

<u>Data Collection</u>

Field surveys were used to gather data on current development patterns in locations within the 2002 Project study area, including the larger cities and the Austin-Bergstrom International Airport. Interviews were also conducted with city and county planning officials of the various cities in the study area, who are involved in the development planning process. A third source of data was obtained from various documents and maps produced by city and county planning departments. These data included plat maps, zoning maps, local population forecasts, descriptions of recently platted subdivisions, building permit information, and planned roadway improvements. Digital aerial photographs produced by Capital Area Planning Council (CAPCO) were also used to discern development patterns in each TSZ during 1997 as well as the land available for future growth. A final source of information was articles printed in the local newspaper (Austin-American Statesman) and business journal (Austin Business Journal). All of these data were used to identify which TSZs within each of the study areas were currently experiencing high levels of growth, and determine which areas would likely experience high levels of growth in the future.

Forecast Assessment and Adjustment

Population and Employment
The population and employment forecast for each TSZ was evaluated against digital aerial photography, which provided a baseline view. Since no empirical data existed, the digital aerial photography was used to discern whether the forecasted amount of growth could reasonably fit into the amount of available land. The forecasts were also evaluated against other documents and data collected, since data on recent or planned development allows for estimates of future growth. In instances where no growth was reported or expected in the near future, appropriate adjustments were made to the CAMPO forecast.

It was not possible to develop a single algorithm to adjust population and employment forecast of each TSZ, so each TSZ was reviewed and adjusted individually. A forecast was judged "reasonable" if existing data and current growth trends indicated that the forecasted level of development "could occur" in the TSZ during the forecast period. Adjustments to TSZ forecasts were made using data sources previously described and professional judgment. Further adjustments were made to ensure that the total forecast values were not lower than the previous baseline or forecast period, and the relative spatial distribution of population and employment among the TSZs was maintained.

Employment by Sector
A limited assessment of the employment by sector was carried out, and only TSZs that were known or expected to be nodes of retail, commercial and industrial development were examined in some detail. TSZs were also studied if there was a significant change in the TSZ employment structure between forecast periods.

Adjustments were made based on the data sources described earlier and the consultant team's judgment. In cases where a TSZ's total forecasted employment was adjusted and the employment by sector appeared appropriate, the employment by sector was adjusted proportionately to the changes made to the TSZ's total employment forecast.

Median Household Income
CAMPO increased the median household incomes for each TSZ by a fixed percentage from 1997 baseline values to produce 2007, 2015 and 2025 median household income forecasts. Table 4-6 shows the percentage change between the baseline and forecast years. TSZs were identified for assessment when the value of their median household incomes fell outside two standard deviations of all TSZs in their respective study area.

Table 4-6
CAMPO Adjustments to Median Household Income to Obtain Forecasted Median Household Income

County	1997-2007	2007-2015	2015-2025
Travis	9.37%	7.43%	9.37%
Williamson	8.62%	6.84%	8.62%
Hays	24.07%	18.83%	24.07%

Source: CAMPO, 1997.

If a TSZ's forecasted median household income figures were judged to be too high or too low, the baseline income was adjusted to its 1990 census tract or census block group value as appropriate, and then adjusted for inflation using the CPI to 1997 levels. This new baseline estimate was then increased by CAMPO's standard percentage (shown in Table 4-6) to produce the new forecasted median income figure for each forecast period.

Households
CAMPO reduced household size over time in most of the TSZs in each of the two study areas, which is consistent with long-term national trends. All TSZs that were forecasted to have either less than one person per household or more than four were examined to determined whether they needed adjustment. Additionally, when the difference in persons per household was more than 0.5 persons between forecast periods, the TSZ was evaluated further.

The persons per household figures for TSZs were adjusted using the census tract or census block group figure as appropriate. The new 1997 estimate was then decreased by the overall study area change in CAMPO's person per household figure between each of the forecasted study periods.

4.3.2 Assessing Forecasts Outside 2002 Project Study Areas

The methodology for assessing and adjusting forecasts of TSZs outside of the 2002 Project study areas is similar to the technique employed for TSZs within the 2002 Project study area. Forecasts were compared visually to aerial photography to determine availability of vacant land and the likely density of development. Any available recent building permit data was reviewed and compared against the TSZ forecasts. Additionally, aerials were also examined for existence of recent development and the proximity of the TSZ to existing residential and commercial development. CAMPO forecasts that were judged to be unreasonable were adjusted to reflect any recent or expected growth in the TSZ based on the data sources previously discussed.

4.3.3 Additional Forecast Periods

Population and employment forecasts were prepared for each of the CAMPO study periods (2007, 2015 and 2025), and also for the three interim periods: 2005, 2010, and 2020. These interim-period forecasts were produced by interpolating between the CAMPO baseline and forecast periods, and by assuming annualized growth rates between them with some adjustments.

4.4 Study Findings and Summary of Socioeconomic Forecasts

4.4.1 Assessment of CAMPO's Control Totals

Recent Economic Trends

The initial assessment is that CAMPO's population and employment forecast control totals were optimistic but still reasonable given rapid growth experienced in the last decade. Recent changes in the national and local economy warrant a reconsideration of the previous upper limit of reasonableness. The technology sector has a significant impact on the Austin economy. One local recent study estimates that 20 percent of Austin's workforce is related to technology industries. Since early 2001, there have been a series of layoffs in high tech companies such as Applied Materials, Dell Computer, and Motorola. Moreover, there have been a number of failures and restructuring of a number of Austin based Internet firms.

Review of State Agency Population Projections and Forecasts

Forecasts produced by three state agencies were also reviewed: The Texas State Data Center (SDC), The Texas Water Development Board (TDWB) and the Texas Comptroller of Public Accounts. The SDC produces population projections by using a popular demographic forecasting technique called the Cohort-Component method, which uses different rates of migration to produce several different population projections. The TWDB population forecasts are also based on this method, but produces only a single scenario based on the "most likely migration rate", as determined by recent and prospective growth trends and the professional opinions of board members. TWDB population forecasts are derived from the 1997 State Water Plan, and were revised in 1999 by city and county Regional Water Planning Groups (RWPG). Lastly, the Texas State Comptroller's population projections are based on a hybrid method: a biannual economic forecasting model is first used to project statewide migration rates, and then a Cohort-Component model that uses SDC assumptions is used to project statewide population projections, which are then allocated proportionally to counties by SDC. These forecasts are based on conservative assumptions, and therefore the population projections are lower than those produced by Texas SDC.

CAMPO's Employment Control Totals

CAMPO's employment forecast control totals are based on a "labor force participation rate." The employment forecast control totals were determined by multiplying the population forecast by the labor force participation rate. Travis County's rates are higher than Williamson and Hays counties, since many of these counties' residents work in Travis County. The rates increase slightly in the future to reflect the advent of more workers into the labor force. Table 4-7 provides information on the CAMPO employment control totals and the ratio of population to employment for each forecast period.

Table 4-7
CAMPO Forecasted Control Total Population to Employment Ratios

Year	CAMPO Population Control Totals	CAMPO Employment Control Total	CAMPO Employment/ Population Ratio
2007	1,321,968	651,516	0.493
2015	1,681,203	853,075	0.507
2025	2,270,237	1,148,687	0.506

Source: CAMPO, 1997.

2000 U.S. Census Results

The 2000 U.S. Census Bureau population figures for counties in the State of Texas were released in March 2001, prompting a re-assessment of CAMPO's control totals. The actual population growth of all three counties surpassed those made by the Texas SDC, the TWDB and the Texas Comptroller of Public Accounts, except for the TWDB's population for Hays county. As seen in Table 4-8, Travis County's population will likely surpass CAMPO's 2007 population control total before the year 2007. Similarly, Hays County's 2007 population may surpass CAMPO's 2007 population, and may also exceed those for 2015 and 2025 as well. On the other hand, it is questionable whether Williamson County will reach CAMPO's population control for 2007. There is concern that the slowdown in the national economy will slow or stagnate local employment growth and, subsequently, population growth.

Table 4-8
CAMPO Population Control Totals by County

County	Census 1990 Population	CAMPO 1997 Population Estimate	Census 2000 Population	CAMPO 2007 Population Control Total	CAMPO 2015 Population Control Total	CAMPO 2025 Population Control Total
Travis	576,407	719,985	812,280	869,533	1,029,114	1,271,512
Williamson	139,551	209,318	249,967	344,005	516,003	825,716
Hays	65,614	86,121	97,589	108,430	136,086	173,009

Sources: U.S. Census Bureau, 2000 and CAMPO, 1997.

Table 4-9 shows the mean annualized growth rates that are necessary to reach CAMPO's population control total forecasts, starting from the 2000 Census counts. Although high population growth over the last decade has made these rates substantially lower, and thus easier to reach, they still remain high for Williamson County.

Table 4-9
Mean Annualized Growth Rates Necessary to
Reach CAMPO Control Totals from 2000 Census Population Count

Period	Travis County	Williamson County	Hays County
1980-1990(1)	3.23%	6.19%	4.92%
1990-2000(1)	3.49%	6.00%	4.05%
2000-2007(2)	0.98%	4.67%	1.52%
2000-2015(2)	1.59%	4.95%	2.24%
2000-2025(2)	1.81%	4.90%	2.32%

Sources: U.S. Census Bureau, 1980-2000 and CAMPO, 1997.
(1) US Census Bureau 1980-2000
(2) 1997 CAMPO Forecasts

Final Population Control Totals

In consideration of the new U.S. Census Bureau information, a number of actions were taken. First, CAMPO's control totals for Travis County were retained. Although this is likely underestimate future growth, other State agency forecasts were even more conservative. CAMPO's control totals for Willamson County were replaced with the TWDB population forecasts, as these were the most conservative of the available forecasts. Williamson County's employment forecasts were adjusted proportionate to the reduced population and the County's labor force participation rate. Finally, CAMPO's Hays County control totals were also maintained since they are the most conservative. Both the final population control totals and the employment control totals for each county in the CAMPO study area are shown in Table 4-10, along with the growth rates for each period.

Table 4-10
Final Population Control Totals by County, 1997-2025

Population				
Year	**Travis County**	**Williamson County**	**Hays County**	**Total**
1997	709,491	203,133	82,458	995,082
2000	812,280	249,967	97,589	1,159,836
2007	869,533	308,313	108,430	1,286,276
2015	1,029,114	427,875	136,086	1,593,075
2025	1,271,512	575,834	173,009	2,020,355
Annualized Growth Rates				
1997-2000	4.61%	7.16%	5.78%	5.24%
2000-2007	0.98%	3.04%	1.52%	1.49%
2007-2015	2.13%	4.18%	2.88%	2.71%
2015-2025	2.14%	3.01%	2.43%	2.40%
2000-2025	1.81%	3.39%	2.32%	2.24%
Employment				
Year	**Travis County**	**Williamson County**	**Hays County**	**Total**
1997	440,346	54,604	31,018	525,968
2000	538,100	76,587	34,331	649,018
2007	503,806	104,206	31,441	639,453
2015	630,187	151,117	40,646	821,950
2025	808,023	200,569	53,058	1,061,650
Annualized Growth Rates				
1997-2000	6.91%	11.94%	3.44%	7.26%
2000-2007	-0.94%	4.50%	-1.25%	-0.21%
2007-2015	2.84%	4.76%	3.26%	3.19%
2015-2025	2.52%	2.87%	2.70%	2.59%
2000-2025	1.64%	3.93%	1.76%	1.99%

4.4.2 Assessment of 2002 Project Study Area Forecasts

After assessing CAMPO's forecasts at the zonal level, two general observations could be made. First, it appears that the population and employment densities of many of the TSZs along Capital Metro's proposed light rail corridors were greater than would seem reasonable. CAMPO's forecast appeared to expect significant redevelopment along the proposed lines that would increase both population and employment densities. Last year's defeat of a proposition to build light rail in Austin challenges whether these densities will ever occur. Second, CAMPO's forecasts increase population and employment throughout the study period for most of the TSZs, including many TSZs that are already built-out. At the same time, CAMPO assumed that household sizes would diminish into the future. Therefore, to increase population densities in

built-out TSZs, CAMPO would have to assume that more households would be sharing dwelling units or there would be significant infill. While both of these conditions are plausible and exist in some parts of the metropolitan area, neither appears to be occurring on a scale that would justify CAMPO's forecasted densities. In general, these densities were not adjusted during the assessment and became part of an overall margin of error. In instances where there were very large increases in density levels that clearly could not be justified, adjustments were then made.

SH 130 Study Area

Population and especially employment forecasts appear to be too high for most of the TSZs that lie along the SH 130 corridor, south of US 290. While SH 130 will almost certainly induce development, growth is likely to occur as nodes around the toll plazas and along intersecting arterials, rather than continuously along SH 130, especially given the lack of complete frontage roads.

There are a number of reasons that warrant lowering the population and employment forecasts in the area south of US 290, such as relatively little existing residential and employment development and slower than expected employment growth at the Austin-Bergstrom Airport. Conversely, north of US 290, a number of new construction projects have occurred, such as the La Frontera development (at the intersection of IH 35 and FM 1325) and the Tech Ridge Industrial Park that were developed after CAMPO produced their forecasts in 1997. These developments will produce higher levels of growth than were forecasted in 1997 by CAMPO. Population and employment forecasts for northern Hays County were adjusted upwards to account for higher than expected population growth, particularly along IH 35.

SH 45/Loop 1 Study Area

The CAMPO forecasts substantially underestimate the likely future population and employment growth in TSZs along RM 620, especially since there are large amounts of developable land and because RM 620 was recently widened to five lanes, thus providing better vehicular access. This area will also become more attractive once SH 45 is built and better access is provided to Round Rock and north Austin. However, employment does not appear to be growing as rapidly as expected along FM 1431 or in the city of Cedar Park. Additionally, population forecasts were lowered for TSZs located east of Leander and US 183, through the year 2015, which are constrained by inadequate wastewater service.

Population and employment forecasts were increased around the Block House subdivision, east of US 183, and for TSZs along Parmer Lane. There are also additional areas of prime developable land such as the Avery tract (located between Cedar Park and Round Rock) that would add a significant amount of population and development to this study area.

4.4.3 Adjustments to the 2002 Project Study Area Forecasts

Population and Employment

Each study area's original share of the total CAMPO population and employment forecasts was assumed to be appropriate, and these proportions were used as control totals during the adjustment of the TSZ forecasts. After adjustments were made to the individual TSZs (as needed), the projected growth of the TSZ's population and employment were proportionately adjusted so that the sum of all TSZs was then equal to their respective proportion of the original study area control totals. Since the control totals for Williamson County were adjusted downwards (the Travis and Hays County control totals were not changed), the final control totals for each study area were lower, albeit proportional.

Table 4-11 below shows the adjustments made to each of the study area control totals that take into account the adjustments to forecasts for Williamson County.

Table 4-11
Adjustments to the Control Totals of Each Study Area

Study Area Control Totals	2007 Population	2007 Employment	2015 Population	2015 Employment	2025 Population	2025 Employment
SH 130						
CAMPO	432,543	193,900	590,557	291,395	871,877	436,447
Adjusted	420,511	190,064	555,277	279,151	754,267	400,362
Difference	-12,032	-3,836	-35,280	-12,244	-117,610	-36,085
% Change	-2.78%	-1.98%	-5.97%	-4.20%	-13.49%	-8.27%
SH 45/Loop 1						
CAMPO	291,397	156,489	363,332	185,036	493,022	241,583
Adjusted	276,934	151,859	331,791	175,138	404,092	208,318
Difference	-14,463	-4,630	-31,541	-9,898	-88,930	-33,265
% Change	-4.96%	-2.96%	-8.68%	-5.35%	-18.04%	-13.77%
Total						
CAMPO	723,940	350,389	953,889	476,431	1,364,899	678,030
Adjusted	697,445	341,923	887,018	454,289	1,158,359	608,680
Difference	-26,495	-8,466	-66,871	-22,142	-206,540	-69,350
% Change	-3.66%	-2.42%	-7.01%	-4.65%	-15.13%	-10.23%

A result of these adjustments to the Williamson County control totals, the SH 45/Loop 1 2025 population control drops by 18 percent and the employment control by almost 14 percent. Although this change seems dramatic, it is reasonable since 85 percent of Williamson County's projected population and employment was allocated among the two study areas, and also because most of the SH 45/Loop 1 study area lies within Williamson County.

Persons per Household

TSZs that were most often adjusted were those containing institutional facilities, those expected to have zero future population (meaning no residential development), and those that had little or no population in 1997. The adjusted persons per household figure assumed the TSZ's 1990 Census Tract or Census Block Group persons per household figure for 1997, and this number was reduced by the decline in persons per household experienced by the total CAMPO study area for each of the forecast periods.

Median Household Income

Although CAMPO's assumption of small, uniform changes of median household income does not likely reflect future trends, it is very difficult to predict median household incomes at a small geographic level for 28 years into the future. The increase in median household incomes for Travis and Williamson Counties appear to be conservative, while those for Hays County appear to be a bit high. Nevertheless, considering the difficulty of making these types of forecasts, the CAMPO methodology for determining future median household incomes was judged to be appropriate.

Employment by Sector

For Williamson County, CAMPO generally maintained proportional shares of employment by type for each of the forecasted periods. Thus, as a TSZ's employment grew, the percentage of the total employment in that sector would remain the same. However, for Travis and Hays Counties, there was no discernible pattern for determining the future share of employment by sector. Adjustments to the employment by sector forecasts were limited to those TSZs that were rapidly developing or were currently vacant and expected to develop into the future.

4.4.4 Adjustments to Forecasts Outside 2002 Project Study Area

This region was treated the same way as TSZs within the 2002 Project study areas, meaning that it would retain the same share of population and employment after adjustments were made to the county control totals and the individual TSZs. Thus the spatial allocation of the area changed, while preserving its share of the total forecasted population and employment. Unlike the 2002 Project study areas, the adjustments were made for each county, rather than for the area as a whole. Table 4-12 shows CAMPO's estimated and forecasted population and employment for all areas outside of the 2002 Project study areas by county.

Table 4-12
Total Forecasted Population and Employment
for the Region Outside the 2002 Project Study Areas, by County

	Travis County	Williamson County	Hays County	Total
Population				
1997 Estimate	439,139	38,098	71,422	548,659
2007 Forecast	452,771	51,664	90,053	594,488
2015 Forecast	529,768	73,952	110,985	714,705
2025 Forecast	627,772	97,671	139,085	864,528
Employment				
1997 Estimate	264,614	6,915	27,921	299,450
2007 Forecast	255,290	15,699	28396	299,385
2015 Forecast	307,278	26,967	36,464	370,709
2025 Forecast	370,738	35,800	47,349	453,887

Source: CAMPO, 1997.

Assessment Findings and Adjustments

It was evident that the CAMPO forecasts for each county were prepared using differing methodologies, and thus the discrepancies found in the forecasts varied by county. This section provides some general observations of patterns that were deemed unreasonable during the consultant team's assessment of the forecasts.

Travis County
CAMPO neglected to account for the sprawling, low-density growth that is currently occurring in the Austin metropolitan area and which is expected to occur into the future. In some areas, the forecasts did not reflect growth in locations that were judged to be attractive for residential or commercial development. It was determined that the population forecasts for western Travis County are too low, rather than too high as determined by the CAMPO Peer Review Study. CAMPO appeared to have overestimated the expected employment and residential growth for the downtown Austin area. Adjustments were also made to the Travis County forecasts to account for anticipated employment growth along South Loop 1 and Loop 360, primarily between the 1997 estimate and the 2007 forecast.

Williamson County
The population and employment forecasts for TSZs in Williamson County outside the 2002 Project study area were generally found to be appropriate. However, growth for several rural TSZs appears to be overstated, as well as for areas around the city of Taylor.

Hays County
There appear to be more concerns with Hays County forecasts, than with the other two counties, especially with the baseline population and employment estimates. While attempts were made to adjust some of these discrepancies, not all the problems were corrected and the errors in the

baseline estimates often led to unreasonable forecasts. To fully identify and account for all these discrepancies, would have required a complete reproduction of the 1997 population and employment estimates. Adjustments were made to the individual forecasts of TSZs in the study area, to the best of our ability, given the limited resources available for reviewing the TSZs outside of the 2002 Project study areas. Hence discrepancies still exist in the adjusted forecasts as with the baseline estimates.

Adjustments by Traffic Subarea

Within the CAMPO population and employment forecasts, TSZs were aggregated and assigned to several units of geography: counties, traffic subareas, and traffic districts. Traffic subareas, larger than traffic districts, are fairly large pieces of the CAMPO study area and contain a number of TSZs. The 2002 Project study area was divided up into sixteen traffic subareas, as shown in Figure 4-13. These subareas are allocated in the following manner. All of subareas 1, 2, 3, and 7 and large portions of subarea 4 (70 zones), subarea 5 (10 zones), and subarea 6 (114 zones), are located in Travis County. All of subareas 8,9,13,14,15 and 16, and small portions of subarea 4 (16 zones), subarea 5 (3 zones), and subarea 6 (3 zones) are located in Williamson County. Hays County includes all of subarea 10, subarea 11, and subarea 12 only.

After the population and employment forecasts were adjusted at the county control total and the TSZ level, these figures were further adjusted at the traffic subarea level. The population and employment forecasts for the central City of Austin were reduced to reflect the greater tendency towards suburban development than was forecasted by CAMPO. Also, population and employment growth was increased for those suburban areas that were expected to experience substantial future growth. Additionally, some subareas showed U-shaped growth curves after adjustment at the TSZ level, meaning that the annual growth rates during the 1997-2008 and the 2015-2025 periods were either higher or lower than the annual growth rates forecasted for the 2007-2015 period. This trend was believed to be illogical, and thus the subarea growth rates were adjusted to diminish or eliminate these U-shaped growth trends. Population and employment that was removed from a traffic subarea was proportionally distributed to other traffic subareas.

The final product of these adjustments, by traffic subarea, is presented in Table 4-13. After producing the subarea control totals, the growth of each TSZ's future population and employment was proportionally adjusted to reach the new subarea control total. Figures 4-14 and 4-15 show each subarea's share of the total population and employment, respectively, for the base year and forecast period.

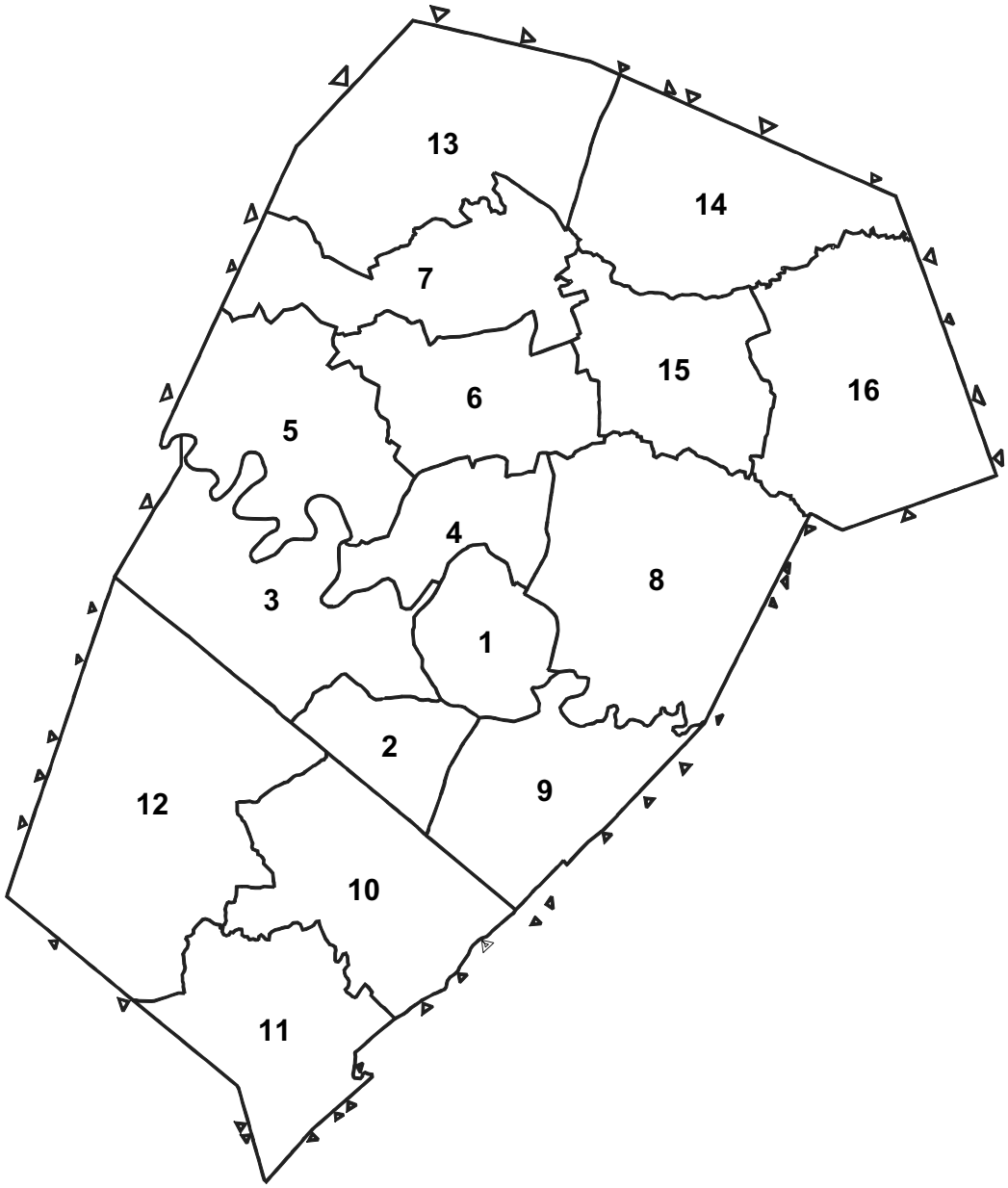
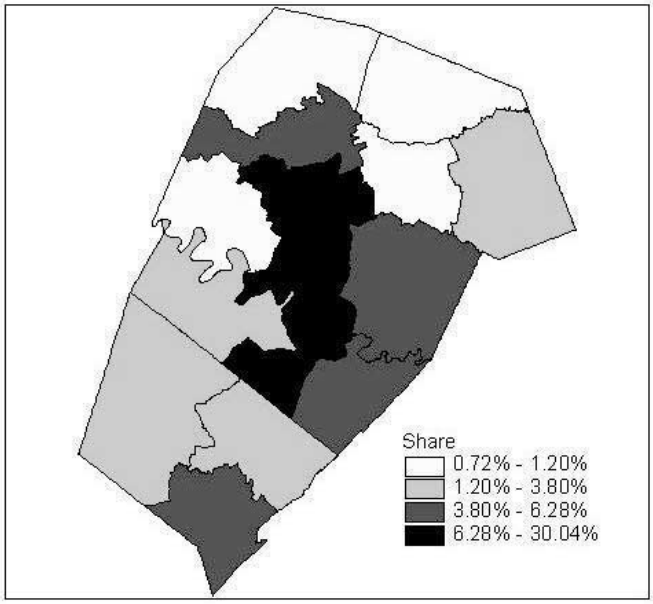


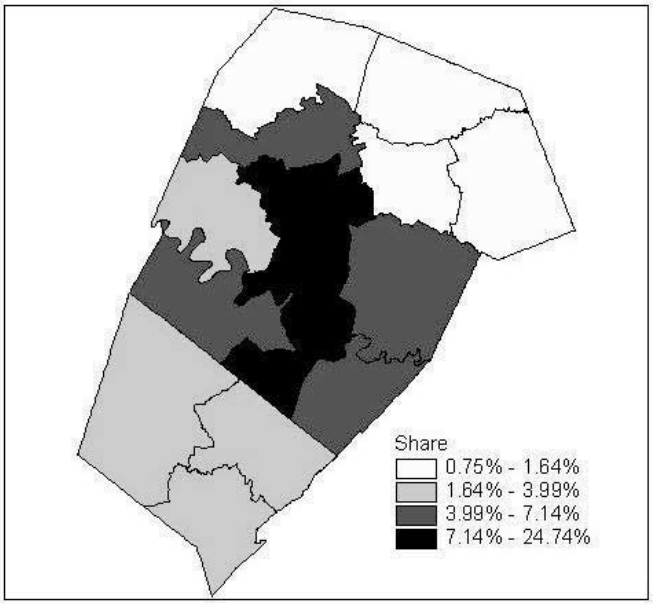
Figure 4-13
2002 Project Subarea Map

Table 4-13
Adjusted Population and Employment Forecasts for CAMPO Traffic Subareas

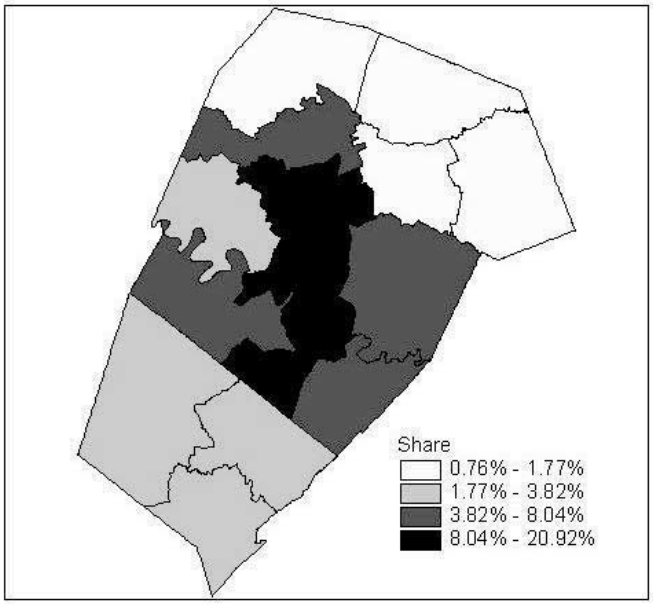
Traffic Subarea	Population				Employment			
	1997 Estimate	2007 Forecast	2015 Forecast	2025 Forecast	1997 Estimate	2007 Forecast	2015 Forecast	2025 Forecast
Subarea 1	298,953	318,173	333,290	355,175	251,827	260,821	278,538	309,231
Subarea 2	117,833	145,706	172,459	201,171	26,160	30,705	42,346	59,703
Subarea 3	37,827	63,640	89,578	117,576	16,722	23,616	32,569	41,990
Subarea 4	170,400	207,790	236,650	265,695	99,777	126,321	157,551	181,943
Subarea 5	11,898	22,594	33,581	47,983	3,219	4,532	7,116	11,233
Subarea 6	91,492	161,135	234,324	314,702	28,294	57,205	95,018	129,177
Subarea 7	38,805	56,915	80,321	128,573	8,578	13,179	19,472	33,409
Subarea 8	62,538	91,829	128,111	196,930	34,037	47,541	75,730	121,694
Subarea 9	43,222	52,050	65,172	87,828	19,129	28,136	46,565	78,284
Subarea 10	20,202	30,879	42,569	56,465	3,557	4,393	6,831	9,814
Subarea 11	42,950	51,286	60,920	76,709	24,273	24,693	30,852	39,485
Subarea 12	19,306	26,313	33,514	43,419	3,188	3,236	4,329	5,903
Subarea 13	8,177	11,913	16,285	24,357	2,345	2,940	4,410	8,456
Subarea 14	7,369	9,625	12,174	16,729	526	1,466	2,575	3,904
Subarea 15	7,116	15,356	28,254	52,269	977	1,934	3,854	10,620
Subarea 16	16,994	21,070	25,873	34,772	3,359	8,733	14,194	16,799
TOTAL	**995,082**	**1,286,276**	**1,593,076**	**2,020,355**	**525,968**	**639,452**	**821,950**	**1,061,647**



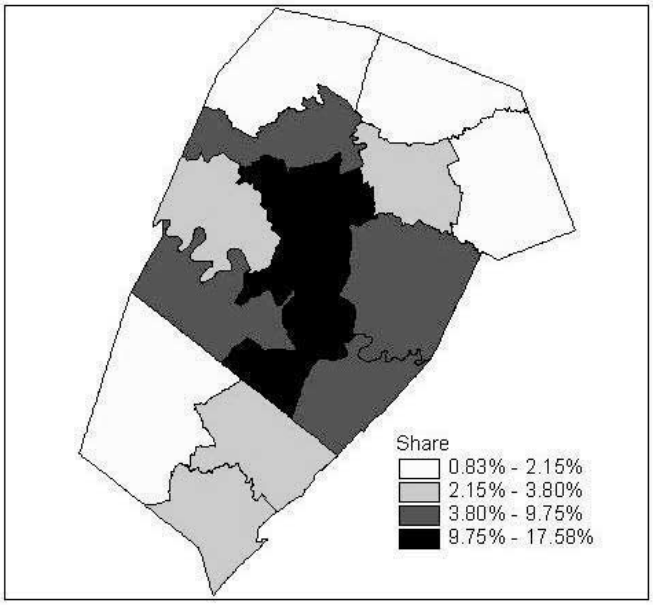
1997



2007

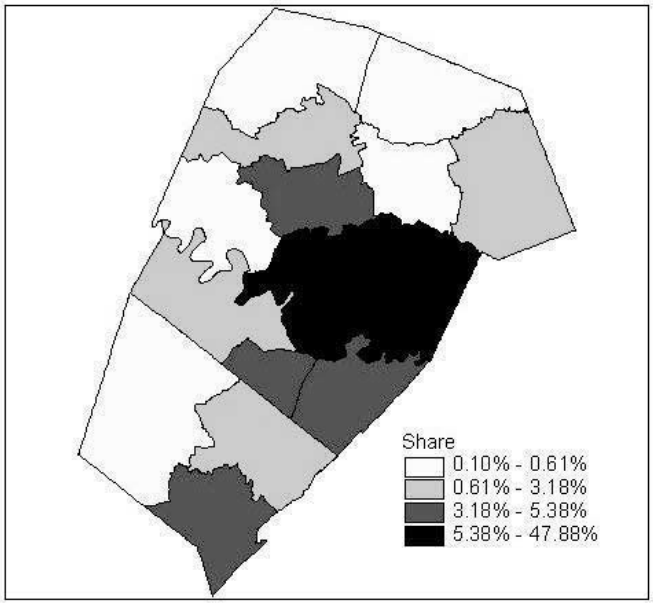


2015

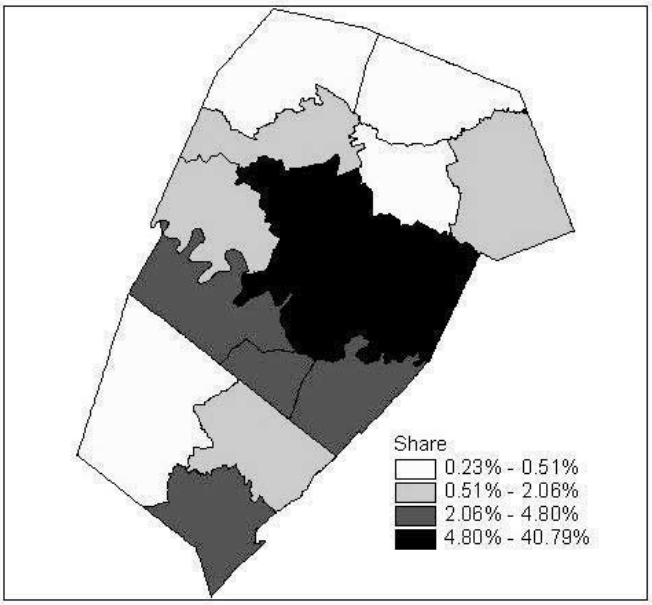


2025

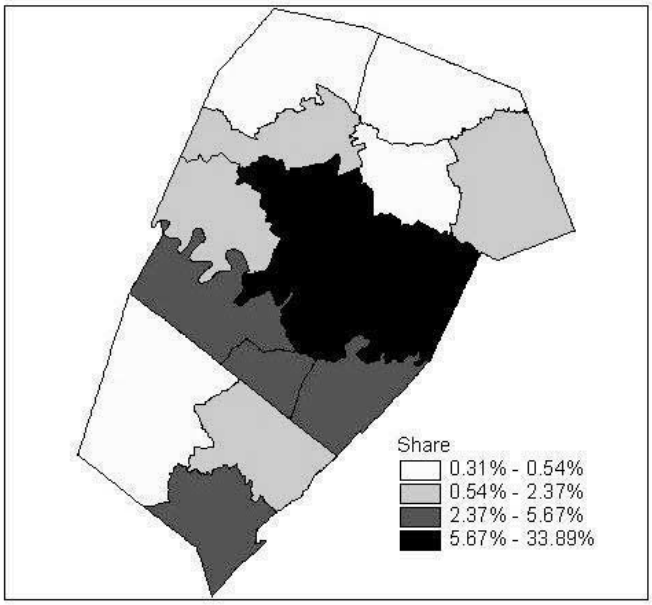
Figure 4-14
Share of Total Population by Subarea



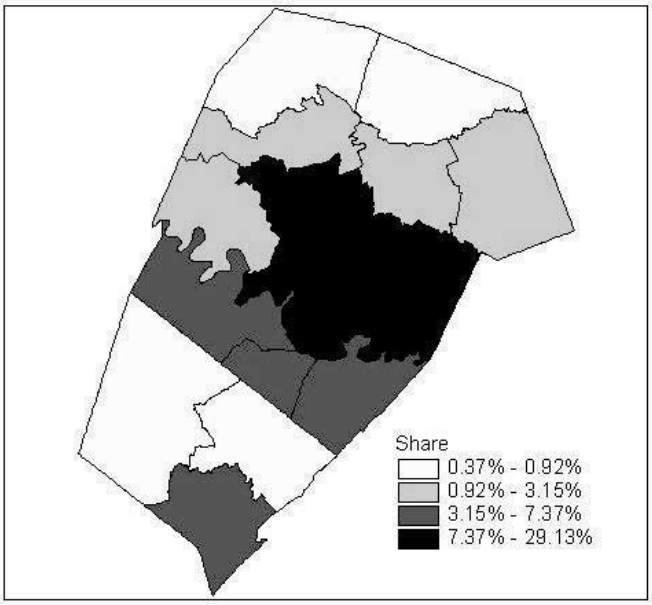
1997



2007



2015



2025

Figure 4-15
Share of Total Employment by Subarea

4.4.5 Conclusion

During the course of the study, a number of factors were considered when assessing, and, when necessary, adjusting population and employment estimates and forecasts by county as well as each TSZ. The assessment and adjustments to estimates and forecasts produced in this study are not based upon a claim of absolute correctness, but reflect a thorough attempt to better represent baseline and future conditions. These efforts will assist in producing more conservative traffic and revenue forecasts for the 2002 Project.

Additionally, earlier this year, a review was conducted of recent trends in the Austin metropolitan area, in light of changes in the Austin area economy during the recent downturn of the computer and electronics industry. Employment trends, population trends, localized growth trends, and growth sensitivities were reviewed for the Austin metropolitan area and the 2002 Project study area through April 2002.

While there has been a noticeable lessening of growth in population and employment over the last two years, the overall forecast levels continue to remain achievable. Although recent events may result in a shift in activity levels between localized areas, there continues to be a number of encouraging signs in the Austin region as a whole. Population growth appears to be well ahead of forecast levels; building permits for new residential units have rebounded from low levels in the fall of 2001; the labor force continues to grow and unemployment rates appear to have bottomed out in January 2001; new construction of commercial buildings, particularly in the retail sector, continues in 2002; and it is expected that the office and industrial markets will begin to recover within the next 12 to 24 months.

5 ROADWAY NETWORK

Future roadway networks were developed for six future years in order to produce traffic forecasts for 2005, 2007, 2010, 2015, 2020, and 2025. The CAMPO regional travel demand model provided the starting point for 2007, 2015 and 2025 assumptions. In addition, latest plans were obtained from appropriate jurisdictions such as Austin, Round Rock, Cedar Park, Pflugerville, Williamson County, Travis County, CAMPO and TxDOT. These plans from numerous sources were reviewed and meetings were held with representatives of various jurisdictions to determine likelihood and timing of construction. Based on the degree of commitment (funding, ROW status, and planning commitment) judgements were made as to whether or not to include network elements in the future highway networks. This chapter discusses key network changes between traffic model analysis years.

Improvements to non-2002 Project roadways generally fall into one of two major categories: a) improvements to parallel, competing routes and b) improvements to complementary or "feeder" routes. Improving routes parallel to a 2002 Project element will typically draw some traffic off the element, depending on the size of the improvement and its proximity to the element. Feeder routes are generally perpendicular to an element and therefore do not compete with it, and often bring more traffic to it.

5.1 1997 to 2007 Network Changes

When it was determined that none of the 2002 Project elements would open before 2007, 2005 was no longer used as a forecast year. Therefore, roadway network changes were combined for the 1997-2005 and 2005-2007 time periods. These network changes, for the years 1997 through 2007, are shown in Figure 5-1. Table 5-1 summarizes the major improvements.

All 2002 Project elements will be completed by September 1, 2007 with the exception of SH 130 south of SH 71 and SH 45 west of Loop 1, each of which will be completed by December 1, 2007. By the end of this time period, all 49 miles of the SH 130 element will be constructed between US 183 on the south and IH 35 on the north. SH 130 will generally be four lanes, with some six-lane portions. The SH 45 element will be constructed as a four-lane toll facility, with some wider portions, and the Loop 1 element will be constructed in its entirety, from Parmer Lane to SH 45, as a six-lane toll facility.

Improvements to major roadways which act as feeders to 2002 Project elements include an upgrade of portions of US 290 and SH 71 from arterials or expressways to grade-separated freeways between 1997 and 2007. Both of these roads are feeders to the SH 130 element. Portions of US 183, parallel to both the Loop 1 and SH 130 elements, will also be widened and upgraded to a freeway. Numerous other, smaller network improvements were not shown in the table, and are discussed in the following paragraphs.

TABLE 5-1 Major Network Changes, 1997-2007			
Roadway	**Limits**	**Formerly**	**Improved Condition**
SH 130 Turnpike Element	IH 35 (N) - US 183 (S)	Nonexistent	4-lane toll facility*
SH 45 N Turnpike Element	Loop 1 – SH 130	Nonexistent	4-lane toll facility*
	Loop 1 to Ridgeline	Nonexistent	4-lane toll facility*
Loop 1 Turnpike Element	SH 45 N – Shoreline Dr.	Nonexistent	6-lane toll facility*
	Shoreline Dr. – Duval Rd (south of Parmer Lane)	FM 1325, a 4-lane undivided major arterial	6-lane toll facility*
US 183	Lakeline Blvd. – McNeil Dr.	4-6 lane divided major arterial	6-lane freeway
	IH 35 (N) – SH 71	Generally, a 4-lane expressway	6-8 lane freeway
US 290	William Cannon Dr. – IH 35	4-6 lane divided major arterial	6-lane freeway
SH 71	IH 35 S – FM 973	6 lane expwy west of US 183, 4 lane div. major arterial east of US 183	6-lane freeway

* Some segments have additional auxiliary lanes

Several new arterials will be extended parallel to the SH 45 element, including Lakeline Boulevard, Davis Springs/Avery Ranch Road, Northtown Parkway, and Wyoming Springs Drive. Anderson Mill Road will be extended to Parmer Lane. New feeder arterials are planned during this time period, including Deepwood Drive and portions of East Pflugerville Loop, Greenlawn Boulevard, Heatherwilde Boulevard and Double Creek Boulevard. Portions of FM 1460, Parmer Lane, McNeil Road and Wilke Lane, all perpendicular to SH 45, will be widened.

Feeder arterials to the Loop 1 element that will be widened in the 1997-2007 timeframe include Scofield Ridge Parkway and Howard Lane.

CR 122 and CR 110, near the northern part of the SH 130 element and parallel to SH 130, will be upgraded and connected. CR 114 (Chandler Road) will be constructed as an extension of FM 1431, creating a continuous arterial between SH 130 and US 183. Other arterials parallel to SH 130 that will be constructed or widened include Arterial A (in Manor), Harris Branch Parkway, Dessau Road, McKinney Falls Parkway, and the Georgetown Inner Loop. Other SH 130 feeder routes that will be constructed and/or widened include Parmer Lane, Burleson Road, and Northtown Parkway.

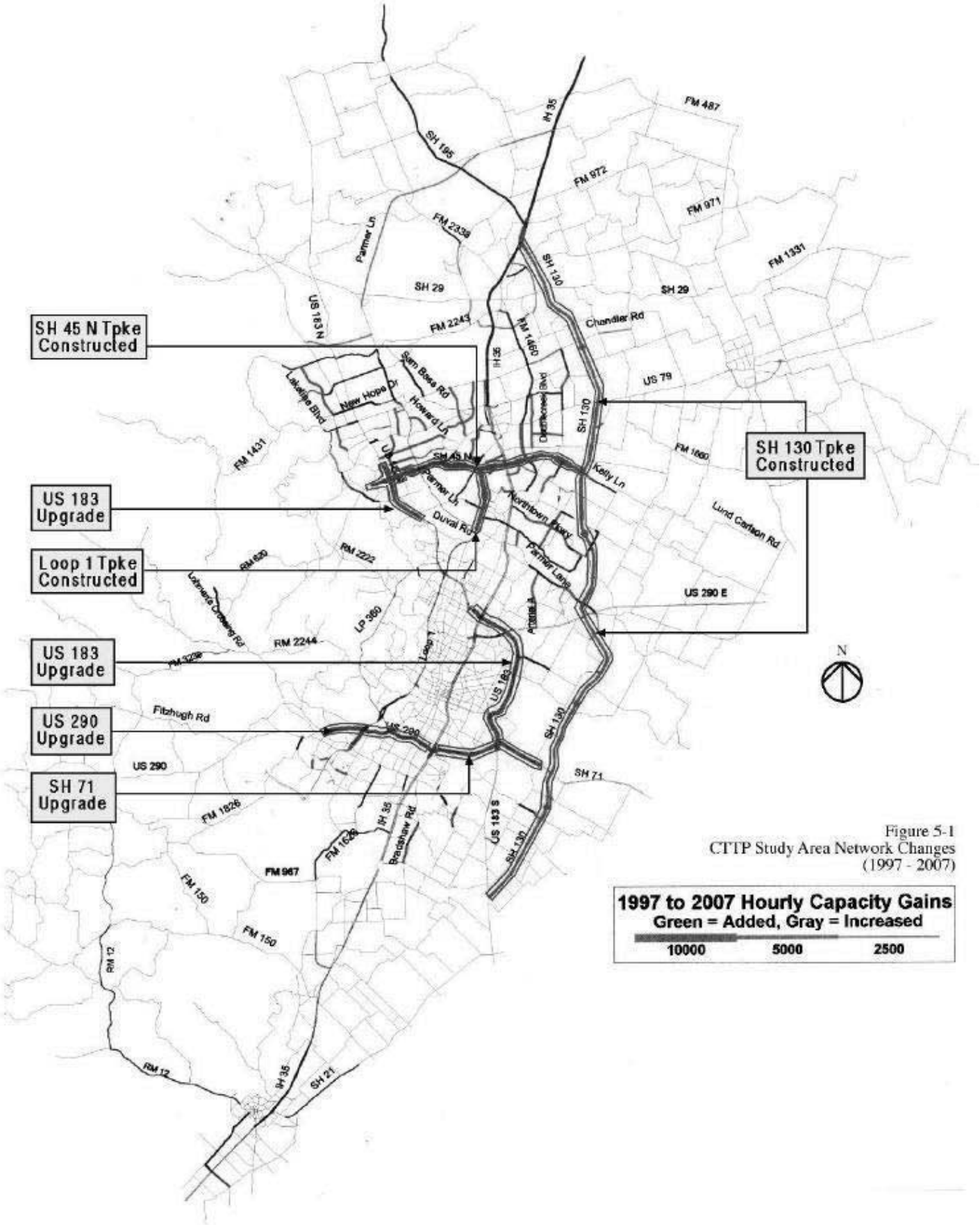


Figure 5-1
CTTP Study Area Network Changes
(1997 - 2007)

5.2 2007 to 2010 Network Changes

Two major network improvements are expected to be completed between 2007 and 2010, as shown in Figure 5-2 and Table 5-2.

TABLE 5-2
Major Network Changes, 2007-2010

Roadway	Limits	Formerly	Improved Condition
US 183	Davis Springs (Avery Ranch) Rd. – Lakeline Blvd.	4-lane divided major arterial	5-lane divided major arterial
	Lakeline Blvd. – SH 45 N	5-lane freeway	7-lane freeway
SH 45 S Turnpike (Phase 1)	IH 35 S – US 183 S	Nonexistent	4-lane toll facility

As shown above, a portion of US 183 will be improved during this timeframe, with the addition of lanes to carry traffic to and from the US 183A Turnpike, which will open later, in 2011. Additionally, the segment of SH 45 South between the SH 130/US 183 interchange and IH 35 will be constructed, feeding traffic directly into the southern end of SH 130.

Smaller roadway improvements not shown in the table include small portions of Brushy Creek Road, Davis Springs/Avery Ranch Road, Wyoming Springs Drive, Pflugerville Loop Road and New Hope Road, all parallel to the SH 45 element. These will be constructed, extended or widened during this time period. Arterial A in Round Rock, a feeder to the SH 45 element, will be extended. Pflugerville East Road, a feeder to the SH 130 element, will be widened.

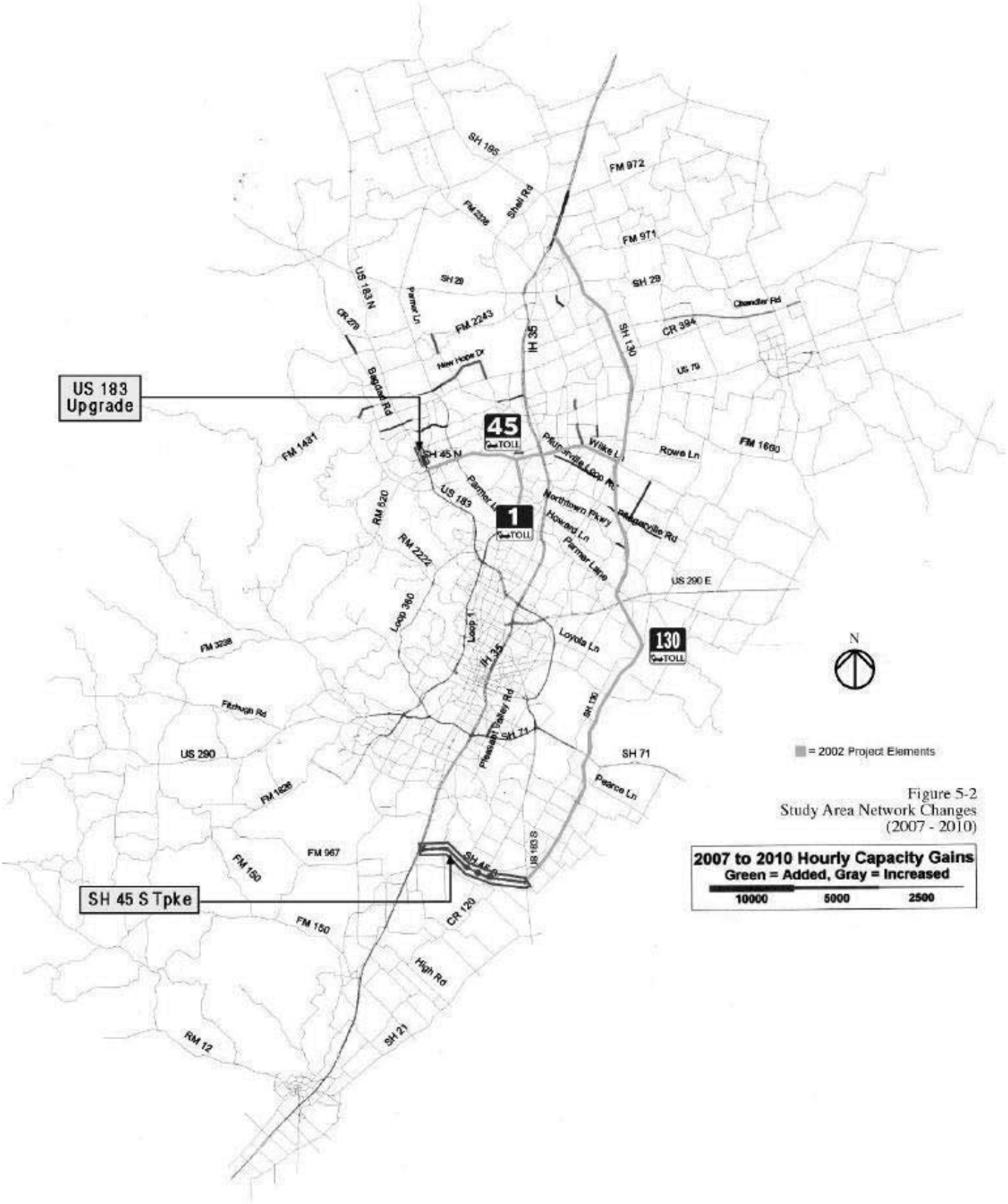


Figure 5-2
Study Area Network Changes
(2007 - 2010)

5.3 2010 to 2015 Network Changes

Figure 5-3 shows all the 2002 Project study area network improvements from 2010 to 2015, and Table 5-3 highlights the major ones.

TABLE 5-3
Major Network Changes, 2010-2015

Roadway	Limits	Formerly	Improved Condition
Parmer Lane	SH 195 – FM 2243	2-lane undivided major arterial	4-lane divided major arterial
	Brushy Creek Rd. – McNeil Dr.	4-6 lane divided major arterial	6-lane expressway
US 183A Turnpike	N/of CR 276 – New Hope Dr.	Nonexistent	4-lane toll facility
	New Hope Dr. – SH 45 N	Nonexistent	6-lane toll facility
IH 35 HOV Lanes		Nonexistent	1 reversible peak direction HOV lane (AM/PM)
US 290 E	Johnny Morris Rd. – FM 973	4-lane divided major arterial	6-lane freeway
US 290 W	Nutty Brown Rd. – William Cannon Drive	4-lane divided major arterial	6-lane freeway
US 183	SH 71 – FM 812	4-lane expressway/major arterial	6-lane freeway

Some major north-south routes will be upgraded. High-occupancy vehicle (HOV) lanes will be added along IH 35 from Round Rock to southern Austin, competing with both the Loop 1 and SH 130 element. The US 183A Turnpike will be constructed as a new toll facility paralleling US 183 from the SH 45 element to Leander, and Parmer Lane will be upgraded in the SH 45 area, and also from Leander to SH 195. These routes can be construed as both feeders and competitors, as they are parallel to SH 30 and Loop 1 but perpendicular to the SH 45 element. Additionally, several miles of US 183 will be improved south of the Colorado River, parallel to SH 130. The only major east-west route to be improved during this time is US 290, in two segments, one east and one west of Austin. Both segments were widened and upgraded to a freeway. The eastern segment is a feeder to the SH 130 element.

Other 2002 Project-vicinity improvements not shown in the table include the widening US 183 north of the SH 45 element and the addition of HOV lanes to US 183 south of SH 45. US 183 parallels SH 130 and Loop 1; improvement to such a large portion will have a noticeable impact on these 2002 Project elements.

Roads parallel to the SH 45 element that are planned to be widened during this timeframe include segments of Gattis School Road (CR 168), Lakeline Boulevard, Anderson Mill Road, and US 79. Arterial A, a feeder to SH 45, will be extended northward. Two feeder arterials to Loop 1 – Howard Lane and Parmer Road – will be widened.

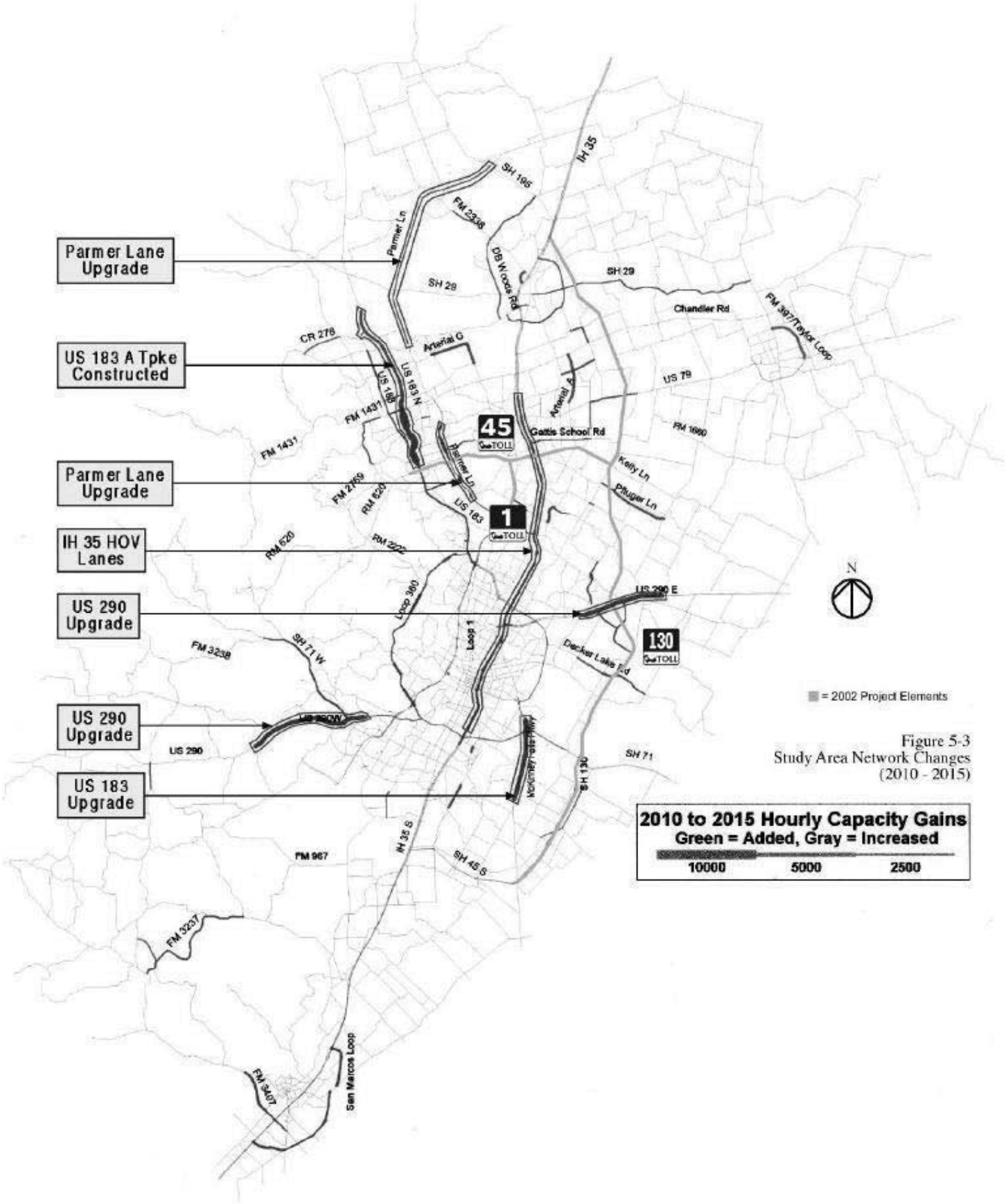


Figure 5-3
Study Area Network Changes
(2010 - 2015)

Feeder roads to SH 130 that will be upgraded or extended during this time period include portions of US 79, Pfluger Lane and Decker Lake Road. SH 29, Georgetown Inner Loop, Shell Road, Loop 360, Pleasant Valley Road, Braker Lane, Harris Branch Parkway and Decker Lake Road are some of the parallel routes being improved. Blocker Lane and an extension of Arterial A (Round Rock) will be built, paralleling some of the SH 130 element.

5.4 2015 to 2020 Network Changes

Few major network changes will occur in the 2015 to 2020 timeframe, as shown in Figure 5-4 and Table 5-4.

TABLE 5-4
Major Network Changes, 2015-2020

Roadway	Limits	Formerly	Improved Condition
Anderson Mill Rd.	Its current end at Parmer Lane – IH 35 N	Nonexistent	4-lane divided major arterial
Braker Lane	Dessau Rd – Giles Lane	Nonexistent	4-6 lane divided major arterial
	Giles Lane – US 290 E	2 lane undivided – 4 lane divide arterial	4-6 lane divided major arterial

No improvements to major highways are expected during this period. However, Anderson Mill Road will be extended to the east, paralleling a large portion of the SH 45 element. Braker Lane is another major arterial in the network that will be upgraded and extended eastward to US 290 near the SH 130 element.

Other roads scheduled for improvement in this period include extending or upgrading portions of roads parallel to the SH 45 element, such as McNeil Drive, and feeders to SH 45, such as Arterial A (Round Rock) and Kelly Lane/Cele Road. In the Loop 1 element area, Howard Lane (a feeder) and Metric Boulevard (a parallel arterial) will be widened.

Small improvements which could affect SH 130 element traffic include extensions or widening of portions of Dessau Road, Blocker Lane, and Taylor Lane, all parallel to SH 130. Feeders to SH 130 being widened or extended during this timeframe include Harris Branch Parkway, Pfluger Lane, Slaughter Lane, and Wells Branch/Northtown Parkway.

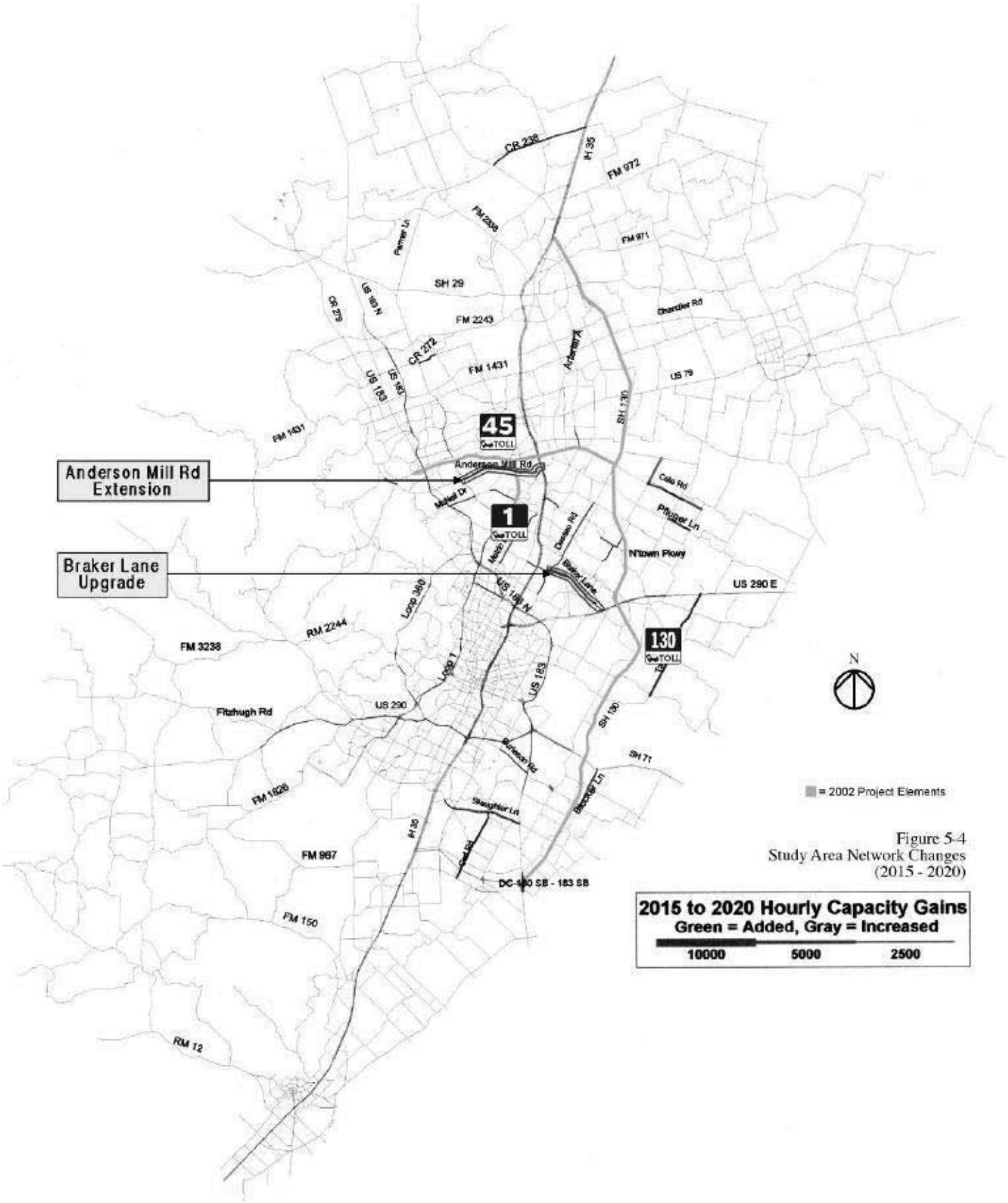


Figure 5-4
Study Area Network Changes
(2015 - 2020)

5.5 2020 to 2025 Network Changes

Numerous network changes are planned for the 2020 to 2025 time period, as shown in Figure 5-5. The most significant appear in Table 5-5 below.

TABLE 5-5
Major Network Changes, 2020-2025

Roadway	Limits	Formerly	Improved Condition
Parmer Lane	SH 29 – Brushy Creek Rd.	4-lane divided major arterial	6-lane divided major arterial/expressway
Howard Lane	Davis Springs (Avery Ranch) Rd. – McNeil Dr.	Nonexistent	4-lane divided major arterial
RM 620	SH 71 (W) – Anderson Mill Rd.	4-lane divided major arterial	6-lane divided major arterial/expressway
Loop 1 HOV Lanes	South of Parmer Lane – North of SH 45 (S)	Nonexistent	1 reversible peak direction HOV lane (AM/PM)
SH 71 (W)	RM 620 – US 290 (W)	6-lane divided major arterial	6-lane freeway
SH 71 (E)	FM 973 – Travis/Bastrop County Line	4-lane divided major arterial	6-lane freeway
SH 45 S Turnpike (Phase 2)	Loop 1 – IH 35 S	Nonexistent	4-lane toll facility
US 183 S	FM 812 – FM 973	4-lane undivided major arterial	6-lane freeway
	FM 973 – SH 130	4-lane undivided major arterial	6-lane expressway

In this final studied period, Phase 2 of the SH 45 South toll facility will be constructed, and RM 620 and SH 71 will be upgraded. These three routes are essentially noncompetitive with the 2002 Project elements and will feed traffic into some of them. HOV lanes will be added to the non-toll portion of Loop 1, feeding more traffic into the Loop 1 element, but also competing with the SH 130 element. Other major feeder routes being upgraded or extended during this period include portions of Parmer Lane and Howard Lane near the SH 45 element. A portion of US 183 South parallel to the southern part of the SH 130 element will be upgraded.

Smaller network upgrades in the 2002 Project area include McNeil Drive, Sam Bass Road, US 79, Wells Branch/Northtown Parkway, FM 1431, FM 1825, and Gattis School Road. Portions of these roads parallel to the SH 45 element will be upgraded during the 2020 to 2025 time period. Feeders to SH 45 that will be constructed or upgraded include pieces of Howard Lane, Greenlawn Boulevard, CR 122, and a western section of Anderson Mill Road. FM 1325, which feeds into the southern part of the Loop 1 element, will be widened.

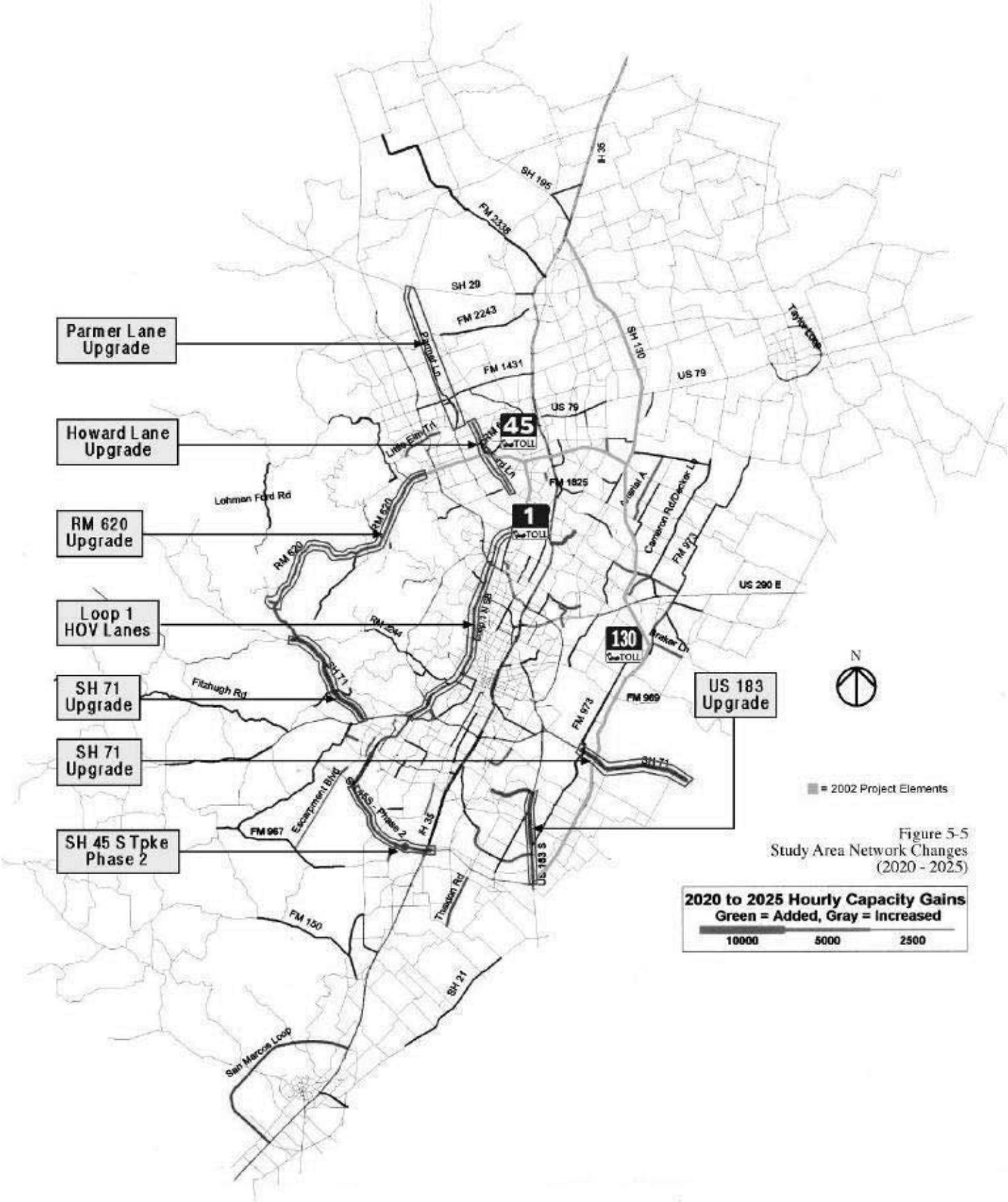


Figure 5-5
Study Area Network Changes
(2020 - 2025)

A large portion of FM 973 will be upgraded during this timeframe; this road parallels most of the SH 130 element. Other parallel roads to be widened or constructed include parts of Johnny Morris Road, Harris Branch Parkway, FM 685, Decker Lane, and IH 35 collector-distributor roadways in downtown Austin. Braker Lane and Howard Lane, feeders to SH 130, will be extended.

5.6 Interim Year Improvements

A number of improvements to the 2002 Project elements and their connections are planned to occur between model years, often in several phases. Rather than interpolating results between model years, highway networks were created and used for several interim years to account for these changes.

For example, improvements are planned to occur at the intersection of SH 45 and US 183 in phases. Because of the level of detail involved, they have been included here, in Figures 5-6 and 5-7.

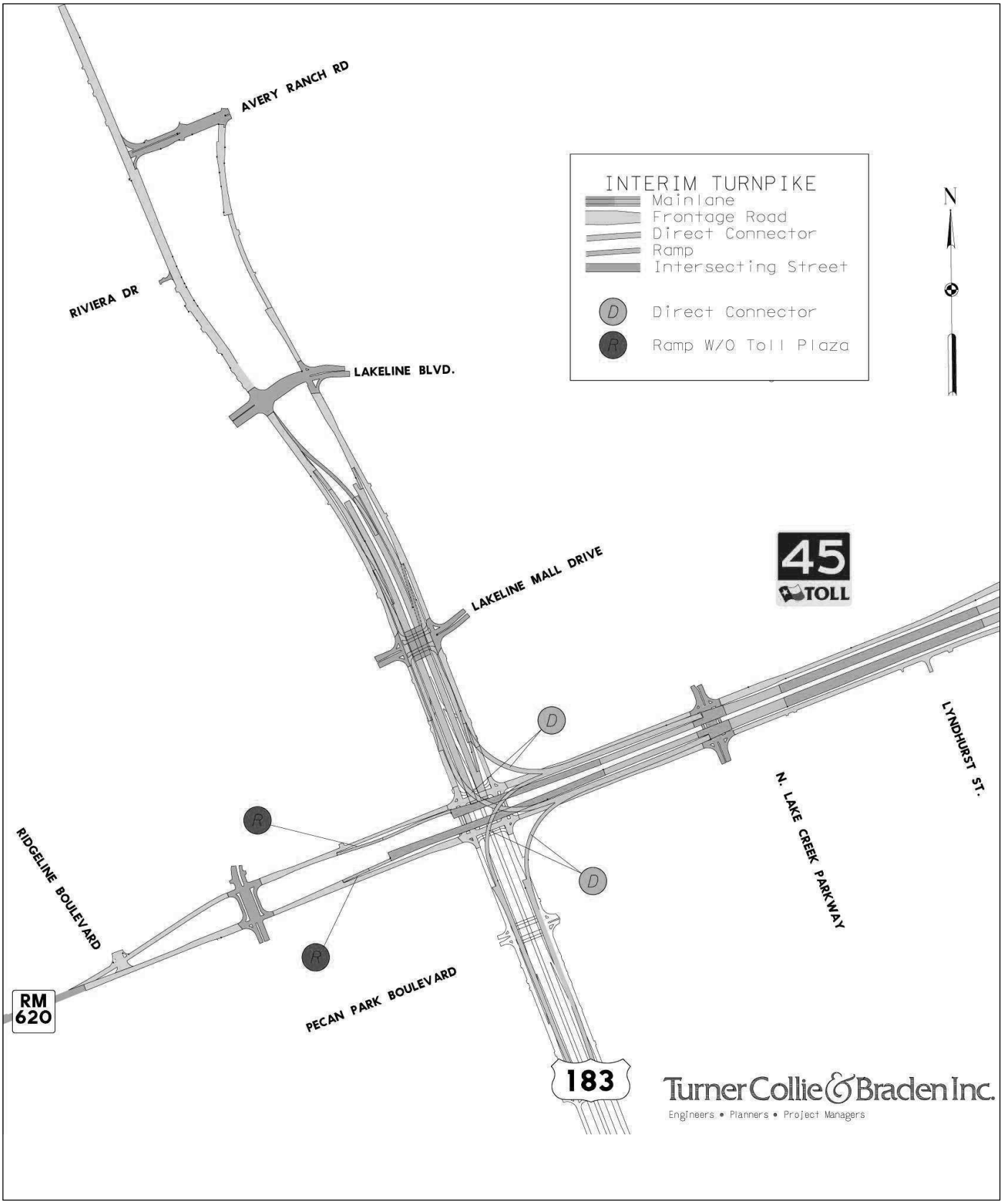


Figure 5-6
SH 45 / US 183 Improvements
December 1, 2007

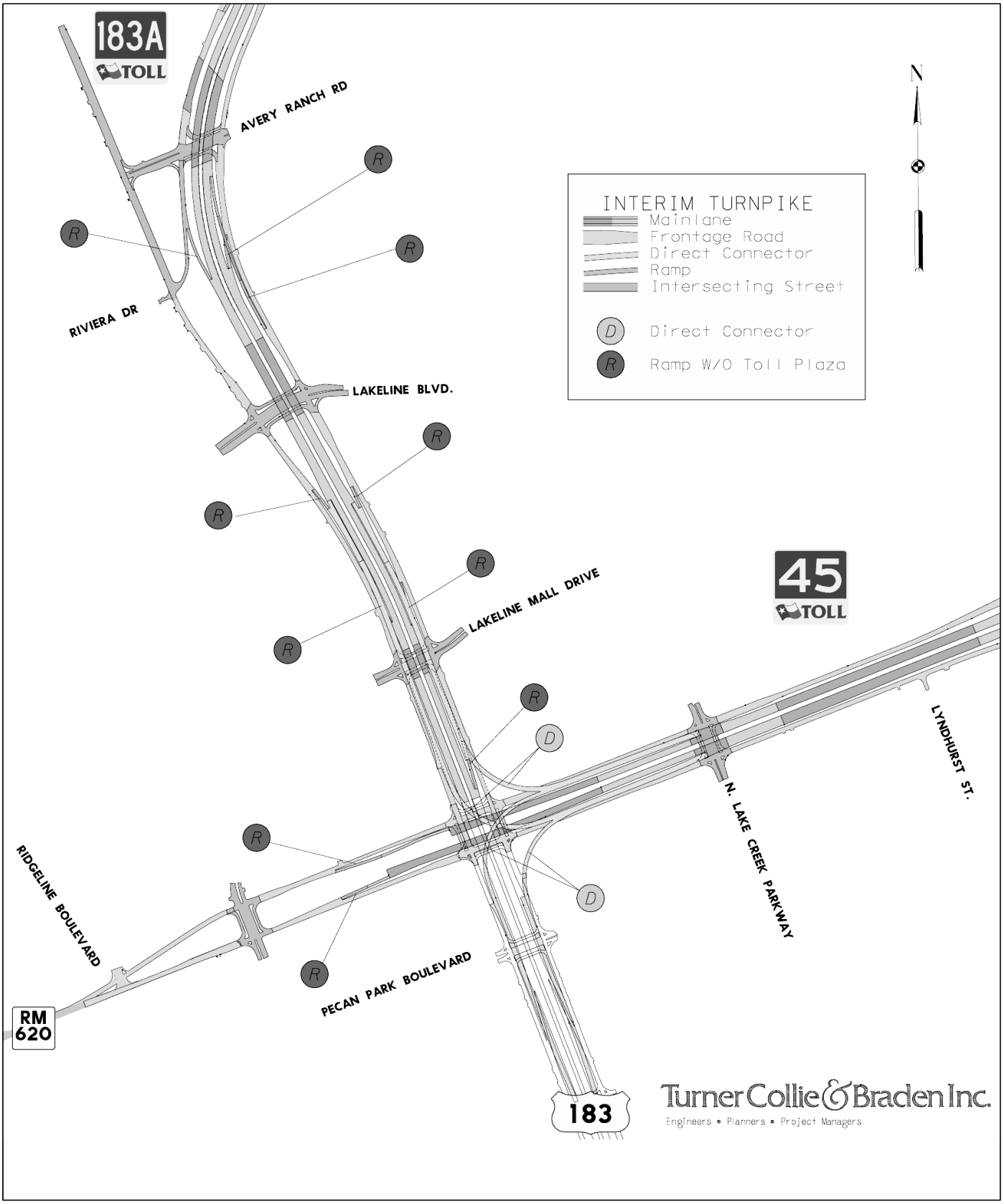


Figure 5-7
SH 45 / US 183 Improvements
September 1, 2011

6 NORTHWEST AUSTIN TURNPIKE ELEMENTS TRAFFIC AND REVENUE FORECASTS

This chapter describes the traffic and revenue forecasts on the Loop 1 and SH 45 elements. This traffic and revenue is affected by such things as the phasing of the projects (i.e., when each segment and connecting ramp is built), the toll structure, and toll rates which all serve as inputs to the model. Screenlines and representative traffic movements are analyzed to determine travel patterns and diversions in the vicinity of the turnpike elements.

Within this chapter, all referenced years are calendar years, unless otherwise noted as fiscal years (which begin September 1st of the previous year).

6.1 Segments and Phasing

The Northwest Austin Area elements will be constructed in phases. This phasing was taken into account in the traffic and revenue projections. The assumed completion dates for different segments of the Northwest Austin elements is as follows:

Loop 1 element, Parmer Lane to the SH 45 element	September 1, 2007
SH 45 element, Loop 1 to SH 130	September 1, 2007
SH 45 element, Loop 1 to Ridgeline, with 4-lane overpass over US 183	December 1, 2007

In addition, the interchange direct connectors to the projects will be built in phases, with estimated completion dates as follows:

SH 45 to IH 35 – E to N (2 lanes)	September 1, 2007
IH 35 to SH 45 – S to W (2 lanes)	September 1, 2007
SH 45 to IH 35 – W to N (1 lane)	September 1, 2007
IH 35 to SH 45 – S to E (1 lane)	September 1, 2007
SH 45 to SH 130 – E to N (2 lanes)	September 1, 2007
SH 130 to SH 45 – S to W (2 lanes)	September 1, 2007
SH 45 to SH 130 – E to S (2 lanes)	September 1, 2007
SH 130 to SH 45 – N to W (2 lanes)	September 1, 2007
US 183 to SH 45 – N to E (1 lane)	December 1, 2007
US 183 to SH 45 – S to E (2 lanes)	December 1, 2007
SH 45 to US 183 – W to N (2 lanes)	December 1, 2007
SH 45 to US 183 – W to S (1 lane)	December 1, 2007
SH 45 to IH 35 – E to S (1 lane)	September 1, 2025
IH 35 to SH 45 – N to W (1 lane)	September 1, 2025
SH 45 to IH 35 – W to S (1 lane)	September 1, 2025
IH 35 to SH 45 – N to E (1 lane)	September 1, 2025

6.2 Interchanges and Frontage Roads

Access to and egress from each of the Northwest Austin Area elements is provided at interchanges or ramps from frontage roads. Figure 6-1 is a schematic drawing of the elements with their frontage roads and connections in the year 2025.

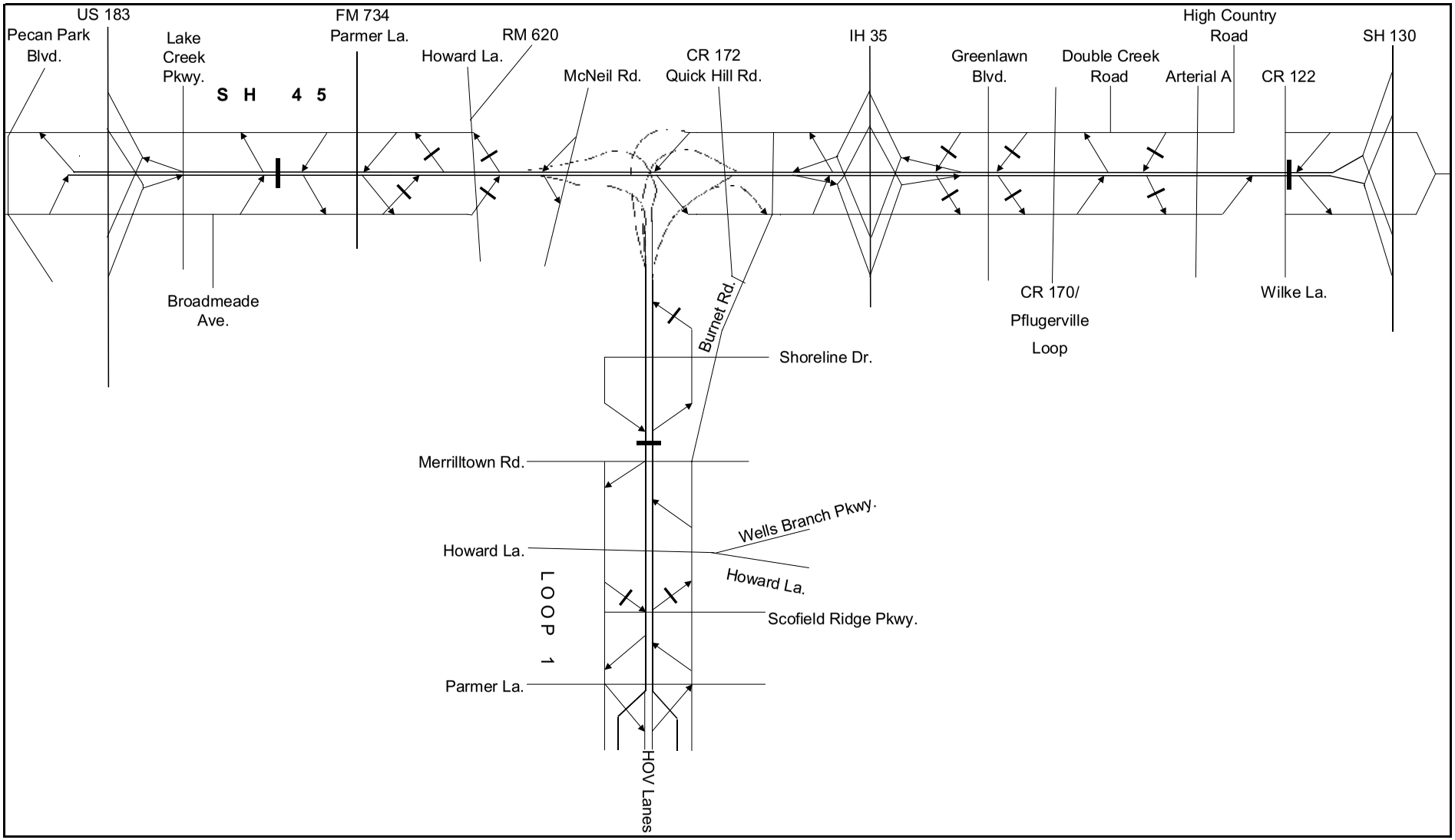
The frontage roads are often discontinuous. They are meant only to serve short, local trips, mainly in areas where existing free roads will be replaced by the turnpike elements. The discontinuity ensures that longer trips will all be funneled into the turnpike element, and be charged a toll.

Table 6-1 is a list of all the Northwest elements' on- and off-ramps and their approximate milepost location, assuming travel from north to south on the Loop 1 element, or west to east on the SH 45 element.

TABLE 6-1
Interchange Locations
Northwest Austin Elements

Ramp Location	Milepost	Type (Direction to/from)
SH 45		
Western End	0.0	Western terminus
US 183	0.7	Free connection to/from east
Lake Creek Pkwy	1.7	Free ramps to/from east
West Mainline Barrier	1.8	Toll barrier (east/west)
Parmer La./FM 734	1.9	Free ramps to/from west
	3.5	Toll ramps to/from east
Howard La.	3.4	Free ramps to/from west
	3.9	Toll ramps to/from east
McNeil Rd.	5.7	Free ramps to/from west
Loop 1 element	5.3	Free connection to/from west
	6.8	Free connection to/from east
Quick Hill Rd.	6.3	Free ramps to/from west
Burnet Rd.	7.5	Free ramps to/from east
IH 35	7.3	Free connection to/from west
	8.7	Free connection to/from east
Greenlawn	8.4	Toll ramps to/from west
CR 170/ Pflugerville Loop	8.9	Toll ramps to/from west
	9.5	Free ramps to/from east
Arterial A	10.3	Toll ramps to/from west
	11.1	Free eastbound on-ramp
East Mainline Barrier	11.8	Toll barrier (east/west)
Final service road exit	12.5	Free ramps to/from east
SH 130	12.9	Free connection to/from east

TABLE 6-1 (continued) Interchange Locations Northwest Austin Elements		
Ramp Location	**Milepost**	**Type (Direction to/from)**
Loop 1		
SH 45	0.0	Terminus at SH 45 W
	0.5	Terminus at SH 45 E
	1.1	End of ramps to/from SH 45
Shoreline Dr.	1.9	Tolled northbound on-ramp
	2.4	Free ramps to/from south
Mainline Barrier	2.6	Toll barrier (north/south)
Howard La./Wells Branch	3.1	Free ramps to/from north
	3.9	Toll ramps to/from south
Parmer La.	4.6	Free ramps to/from north
Free Loop 1 HOV Lanes	4.9	Free connection to/from south
Entry/Exit South of Parmer La.	5.1	Free ramps to/from south
Final Exit from Free Loop 1 (SOV lanes)	5.5	Southern terminus



Legend

Toll Plaza

Figure 6-1
SH 45 and Loop 1 Element Configuration and Toll Plaza Locations
2025

6.3 Toll Collection Structure

Toll System

Historically, there have been three types of toll collection systems in use in the United States: ticket systems, open barrier systems, and closed barrier systems. The Northwest Austin Area elements, like most new turnpikes proposed in the United States, utilize the closed barrier system in order to maximize the revenue stream while minimizing the operating costs. The three types of toll collection systems are described below.

Ticket Systems (example: the New Jersey Turnpike) require each driver to stop and pick up a ticket upon entry and then stop and relinquish the ticket and pay the toll upon exit. Such systems, which were much more predominant in the major turnpikes designed in the 1950's, are typically used for turnpikes serving long distance travel, with interchanges spaced far apart (ten miles or more). The major advantage to the system is its equity to the driver: a fixed rate per mile can be set for any length trip over any portion of the roadway. The primary disadvantages are that each transaction requires two stops (entry and exit), and the exit transaction is fairly time- and labor-intensive due to different tolls per transaction. This makes ticket systems the most expensive method in which to collect tolls.

Open Barrier Systems (example: the Delaware Turnpike) have toll barriers across the mainline, but do not have ramp toll barriers on all of the interchanges, typically allowing some local traffic movements toll free. The simplicity of this system is its major asset but there are two key disadvantages: local free travel may congest the roadway, displacing toll traffic, and the open system produces less revenue than the closed barrier system.

Closed Barrier Systems (example: the Sam Houston Tollway in Houston) have both mainline toll barriers as well as ramp toll plazas, placed such that no toll-free traffic movement is permitted. This system produces the greatest toll revenues at lower operating cost than a ticket system. The disadvantage of the system is the relative inequity of cost of short trips, a result of the variable distances between the barrier and ramp toll plazas, and the current trend of maintaining cash toll rates in 25-cent increments for 2-axle vehicles.

As stated previously, the Northwest Austin Area elements use closed barrier toll systems. The toll collection locations are shown in Figure 6-1. There are two mainline barrier plazas: on Loop 1 north of Merrilltown Road and on SH 45 west of Parmer Lane. Loop 1 has ramp tolls at two locations and SH 45 has ramp tolls at five locations. The collection points are configured such that all traffic entering or leaving a facility pays a toll.

Toll Plaza Staffing

Table 6-2 shows the opening year staffing needs at each toll plaza location. The toll plazas on the Northwest elements will be staffed according to the type of plaza (ramp or mainline) and the estimated number of transactions at each location. Ramp locations with less than 5,000 average weekday transactions (two-way total) will be unmanned throughout the day. These locations consist of Greenlawn Boulevard and Arterial A in the opening year, and Howard Lane in 2010,

2015, and 2020. All other ramps will be staffed sixteen hours per day. All three mainline barriers will be staffed full-time, 24 hours a day.

6.4 Toll Rates

The passenger car cash toll structure from 2007 through 2035, showing toll increase years, is presented in Table 6-2.

TABLE 6-2
Base Toll Schedule
Passenger Car Cash Tolls
And Staffing Needs

Toll Location	Toll Direction	Opening Year (2007)		Toll Increase Year		
		Staffing Needs	Tolls	2015	2025	2035
SH 45 *						
West Mainline	East/west	F	$0.75	$1.00	$1.25	$1.50
Parmer/FM 734	To/from east	P	$0.50	$0.75	$1.00	$1.25
Howard La.	To/from east	P	$0.50	$0.75	$1.00	$1.25
Greenlawn	To/from west	U	$0.50	$0.75	$1.00	$1.25
CR 170/Pflugerville Loop	To/from west	P	$0.50	$0.75	$1.00	$1.25
Arterial A	To/from west	U	$0.75	$1.00	$1.25	$1.50
East Mainline	East/west	F	$0.75	$1.00	$1.25	$1.50
LOOP 1 **						
Howard/Wells Branch	To/from south	P	$0.50	$0.75	$1.00	$1.25
Mainline	North/south	F	$0.75	$1.00	$1.25	$1.50
Shoreline Dr	To/from north	P	$0.50	$0.75	$1.00	$1.25

* Opens in 2007 except for the mainline west of the West Mainline Barrier, which will be completed by 2008.
** Opens in 2007

Staffing Needs:
F = Full Time
P = Part Time (16 hours/day)
U = Unattended

Electronic toll collection (ETC) tagholders receive a 10% discount from the cash rates. The ETC market share for automobiles and trucks shown below are derived from actual ETC usage at several facilities throughout the United States, including the Dallas North Tollway, Garden State Parkway (NJ) and the Tappan Zee Bridge (NY). Like the Northwest elements, all of these facilities are located in areas of high commuter traffic. Market shares between model years are interpolated.

Year	Auto share	Truck share
2007	30%	25%
2010	45%	40%
2015	65%	50%
2020	70%	55%
2025	75%	60%

Cost-per-mile ranges were analyzed for passenger car cash tolls. A 13-mile trip on SH 45 from its western end (just west of US 183) to the SH 130 element would cost $1.50 when it is opened in 2008, or 11.5 cents per mile. At an assumed inflation rate of 3.0 percent per year, this translates to 9.6 cents per mile in 2002 dollars. A 5-mile trip from Loop 1 at Parmer Lane to SH 45 at IH 35 would cost $0.75 in 2008; this translates to 15.0 cents per mile, or 12.6 cents per mile in 2002 dollars.

A total of 341 interchange-to-interchange movements would be possible on the Northwest Austin elements in 2008, the first model year all the elements are open. Table 6-3 presents the number of possible movements within illustrative cost-per-mile ranges. A trip on the SH 45 element between Parmer Lane and IH 35 would have the lowest cost per mile, at 9.3 cents per mile. A trip on the SH 45 element between Broadmeade Avenue and Parmer Lane would have the highest cost per mile, at 77.3 cents per mile. The overall average cost per mile for passenger cars paying cash, weighted by volume, is 18.6 cents.

While these toll rates are higher than most major North American turnpikes built in the 1950's, they are comparable with the toll rates on new and proposed urban turnpikes throughout the country. Toll rates per mile on facilities built today are higher than those on older facilities because of higher right-of-way costs, higher construction costs inclusive of social aesthetic enhancements, and higher operating and maintenance costs. Table 6-4 illustrates comparative passenger car toll rates on North American turnpikes. Most of the proposed new toll systems assume that tolls will be increased on a regular basis, roughly equivalent to general inflation rates.

TABLE 6-3 Cost-Per-Mile Analysis 2008 Toll Rates		
Cost Per-Mile Range (cents)	**Number of Movements With Rate**	**Percent of Total Movements**
< 5	0	0%
5 - 10	5	1%
10 - 15	107	31%
15 - 20	134	39%
20 - 25	51	15%
25 - 30	13	4%
30 - 35	15	4%
35 - 40	4	1%
40 - 45	5	1%
45 - 50	2	1%
50 - 55	1	0%
55 - 60	1	0%
60 - 65	2	1%
65 - 70	0	0%
70 - 75	0	0%
75 - 80	1	0%
80 - 85	0	0%
Total	341	100%

TABLE 6-4
Comparative Passenger Car Toll Rates
on North American Toll Roads

Toll Facility	Initial Opening Year	Length (miles)	Passenger Cars	
			Toll[1]	Rate-per-mile
I-15 Express Lanes (CA)	1998	8	$4.00 [3]	50.0 cents
SR 91 (CA)	1996	10	$4.75 [3]	47.5
SR 241-Foothill/Eastern Toll Road (CA)	1993	24	$4.50	18.8
Delaware Turnpike	1963	11	$2.00 / $1.25 [2]	18.2 / 11.4
E-470 (CO)	1991	34	$5.75	17.0
Proposed Northwest Parkway (CO)	2004	11	$1.75	15.9
Proposed Loop 1 Turnpike (TX)	**2007**	**5**	**$0.75 / $0.68 [2]**	**15.0 / 13.5**
San Joaquin Hills Corridor (CA)	1997	17	$2.50	14.7
Toronto 407 (CAN)	1997	43	$6.12 [3] / $4.83 [2 3]	14.2 / 11.2
Proposed SH 130 Turnpike (TX)	**2008**	**49**	**$6.00 / $5.40 [2]**	**12.2 / 11.0**
Tampa Crosstown Expressway (FL)	1976	14	$1.75	12.5
Dulles Greenway (VA)	1995	14	$1.65 / $1.40 [2]	11.8 / 10.0
Proposed SH 45 Turnpike (TX)	**2007**	**13**	**$1.50 / $1.35 [2]**	**11.5 / 10.4**
Sam Houston Tollway (TX)	1988	28	$3.00 / $2.25 [2]	10.7 / 8.0
Dallas North Tollway (TX)	1968	21	$2.25 / $1.80 [2]	10.7 / 8.6
OOCEA Holland East-West Expressway (FL)	1973	25	$2.50	10.0
OOCEA Southern Connector/GreeneWay (FL)	1990	21	$2.00	9.5
Southern Connector (SC)	2001	16	$1.50	9.4
Western Beltway - Part A (FL)	2000	11	$1.00	9.1
Hardy Toll Road (TX)	1987	23	$2.00 / $1.50 [2]	8.7 / 6.5
Massachusetts Tpke. Boston Extension	1964	12	$1.00	8.3
OOCEA Eastern Beltway/GreeneWay (FL)	1960	12	$1.00	8.3
Georgia 400	1993	6	$0.50	8.3
OOCEA Bee Line and Airport (FL)	1965	22	$1.75	8.0
Dulles Toll Road (VA)	1984	13	$0.85	6.5
Sawgrass Expressway (FL)	1990	23	$1.50	6.5
Bee Line West, Florida's Turnpike	1974	8	$0.50	6.3
North-South Tollway (IL)	1989	17	$1.00	5.9
Florida's Turnpike	1957	320	$17.15	5.4
JFK Memorial Highway (MD)	1963	42	$2.00	4.8
New Jersey Turnpike	1951	122	$5.50 / $4.95 [2]	4.5 / 4.1
Massachusetts Turnpike	1957	71	$3.10	4.4
West Virginia Turnpike	1954	88	$3.75	4.3
Pennsylvania Turnpike	1940	358	$14.70	4.1
Ohio Turnpike	1954	238	$8.95	3.8
Kansas Turnpike	1956	231	$7.75	3.4
Maine Turnpike	1947	100	$3.25	3.3
Spaulding Turnpike (NH)	1957	33	$1.00	3.0
NY State Thruway	1954	376	$11.15	3.0
Indiana Toll Road	1956	157	$4.65	3.0
Garden State Parkway (NJ)	1954	173	$3.85	2.2

Notes

1) Toll rates shown are for the year 2001, in US$, or for the opening year for proposed toll roads, and represent a full-length trip.
2) Electronic toll discounted fare.
3) Peak toll.

6.5 Baseline Traffic and Revenue Forecasts

The traffic model produces average weekday traffic projections for each of the seven analysis years for which land use information was developed: 1997, 2005, 2007, 2010, 2015, 2020, and 2025. An annualization factor of 300 was used to convert the model to yearly traffic. Gross toll revenues were calculated by multiplying traffic at the toll locations by the effective toll structure for that year. Average truck tolls are assumed to be 2.5 times the passenger car toll. Factors are applied to the revenue to account for an educational ramp-up period, which is the time it takes for the general public to learn about and use the turnpike elements. A screenline analysis was also performed to determine whether element traffic capture rates are reasonable compared to nearby, parallel toll-free roadways.

6.5.1 Traffic Forecasts

Traffic volumes on the network links that represent toll locations were summarized to provide a forecast of toll transactions on the turnpike elements. Table 6-5 presents the forecasts of toll transactions and revenues for the years 2007, 2010, 2015, 2020, and 2025. Table 6-5 shows the average weekday transactions, passenger car toll, and the revenues for each toll location. Assumptions for each model year, such as the ETC market share and discount, are also displayed in the table. The numbers in this table have not been adjusted to account for ramp-up or toll evasion.

The revenue in Table 6-5 is higher than the traffic multiplied by the passenger car toll because commercial vehicles pay higher tolls. As mentioned previously, the average toll paid by trucks on the Northwest elements is estimated at 2.5 times the passenger car toll. The percentage of trucks on each element is approximately 6% to 8%, as shown at the bottom of Table 6-5. In December 2007, when all portions of the SH 45 and Loop 1 elements are complete and open, Table 6-5 reflects that there will be about 150,000 toll transactions per average weekday, total, on the two elements. The four later model years – 2010, 2015, 2020 and 2025 – will average 175,000, 189,000, 217,000, and 259,000 transactions on weekdays, respectively. Table 6-5 posted transactions and revenue forecasts have not been adjusted for ramp up and toll evasion.

Figures 6-2 through 6-4 show the assigned traffic for the 2010, 2015, and 2025 model years on the mainline, service roads, and ramps of the SH 45 and Loop1 elements.

6.5.2 Screenline Analysis

The three screenline locations are shown in Figure 6-5 as superimposed on the 2025 network. Figures 6-6 through 6-8 display the average weekday traffic volumes crossing each screenline for the model years 2010, 2015, and 2025. In each of these figures the mainline barrier locations have been highlighted. The percentage of traffic captured by the turnpike elements varies from year to year, based on the area's land use, and the type, number, location, and saturation of alternate routes.

TABLE 6-5
Northwest Austin Area Elements
Model Year Average Weekday Toll Transactions & Revenue
(Unadjusted for Ramp Up and Toll Evasion)

	2007*			2010			2015			2020			2025		
Toll Location	**Transactions**	**Car Toll**	**Revenue**	**Transactions**	**Car Toll**	**Revenue**	**Transactions**	**Car Toll**	**Revenue**	**Transactions**	**Car Toll**	**Revenue**	**Transactions**	**Car Toll**	**Revenue**
SH 45 Turnpike															
W Mainline Toll Plaza	29,794	$ 0.75	$ 24,023	39,988	$0.75	$ 31,683	50,832	$1.00	$ 52,425	54,851	$1.00	$ 56,224	61,856	$1.25	$ 78,757
Parmer/FM 734	12,535	$ 0.50	$ 6,817	12,437	$0.50	$ 6,652	9,801	$0.75	$ 7,831	10,644	$0.75	$ 8,376	7,953	$1.00	$ 8,073
Howard Ln	5,337	$ 0.50	$ 2,789	3,886	$0.50	$ 2,027	2,717	$0.75	$ 2,104	4,075	$0.75	$ 3,110	17,660	$1.00	$ 17,842
Greenlawn	3,248	$ 0.50	$ 1,883	7,931	$0.50	$ 4,303	8,201	$0.75	$ 6,574	8,900	$0.75	$ 7,059	9,098	$1.00	$ 9,312
CR 170	11,845	$ 0.50	$ 6,285	8,886	$0.50	$ 4,610	10,375	$0.75	$ 8,020	13,223	$0.75	$ 10,082	20,816	$1.00	$ 20,865
Arterial A	2,412	$ 0.75	$ 1,926	6,444	$0.75	$ 5,023	8,858	$1.00	$ 8,952	10,957	$1.00	$ 11,052	13,706	$1.25	$ 17,116
E Mainline Toll Plaza	11,071	$ 0.75	$ 9,135	12,535	$0.75	$ 10,131	16,914	$1.00	$ 17,831	24,863	$1.00	$ 26,033	29,838	$1.25	$ 38,533
SH 45 Subtotal	**76,242**		**$ 52,857**	**92,107**		**$ 64,428**	**107,698**		**$ 103,737**	**127,513**		**$ 121,936**	**160,927**		**$ 190,498**
Loop 1 Turnpike															
Shoreline Dr	3,646	$ 0.50	$ 2,004	4,534	$0.50	$ 2,427	5,535	$0.75	$ 4,350	5,166	$0.75	$ 4,048	5,277	$1.00	$ 5,427
Mainline Toll Plaza	58,011	$ 0.75	$ 47,108	64,850	$0.75	$ 51,690	62,550	$1.00	$ 65,123	70,542	$1.00	$ 73,128	77,364	$1.25	$ 98,816
Howard/Wells Branch	12,120	$ 0.50	$ 6,629	13,024	$0.50	$ 7,001	13,107	$0.75	$ 10,411	13,712	$0.75	$ 10,805	15,714	$1.00	$ 16,285
Loop 1 Subtotal	**73,777**		**$ 55,740**	**82,408**		**$ 61,119**	**81,192**		**$ 79,883**	**89,420**		**$ 87,980**	**98,355**		**$ 120,528**
TOTAL	**150,019**		**$ 108,597**	**174,515**		**$ 125,547**	**188,890**		**$ 183,620**	**216,933**		**$ 209,917**	**259,282**		**$ 311,026**
Annual Rev in Millions			**$ 32.6**			**$ 37.7**			**$ 55.1**			**$ 63.0**			**$ 93.3**

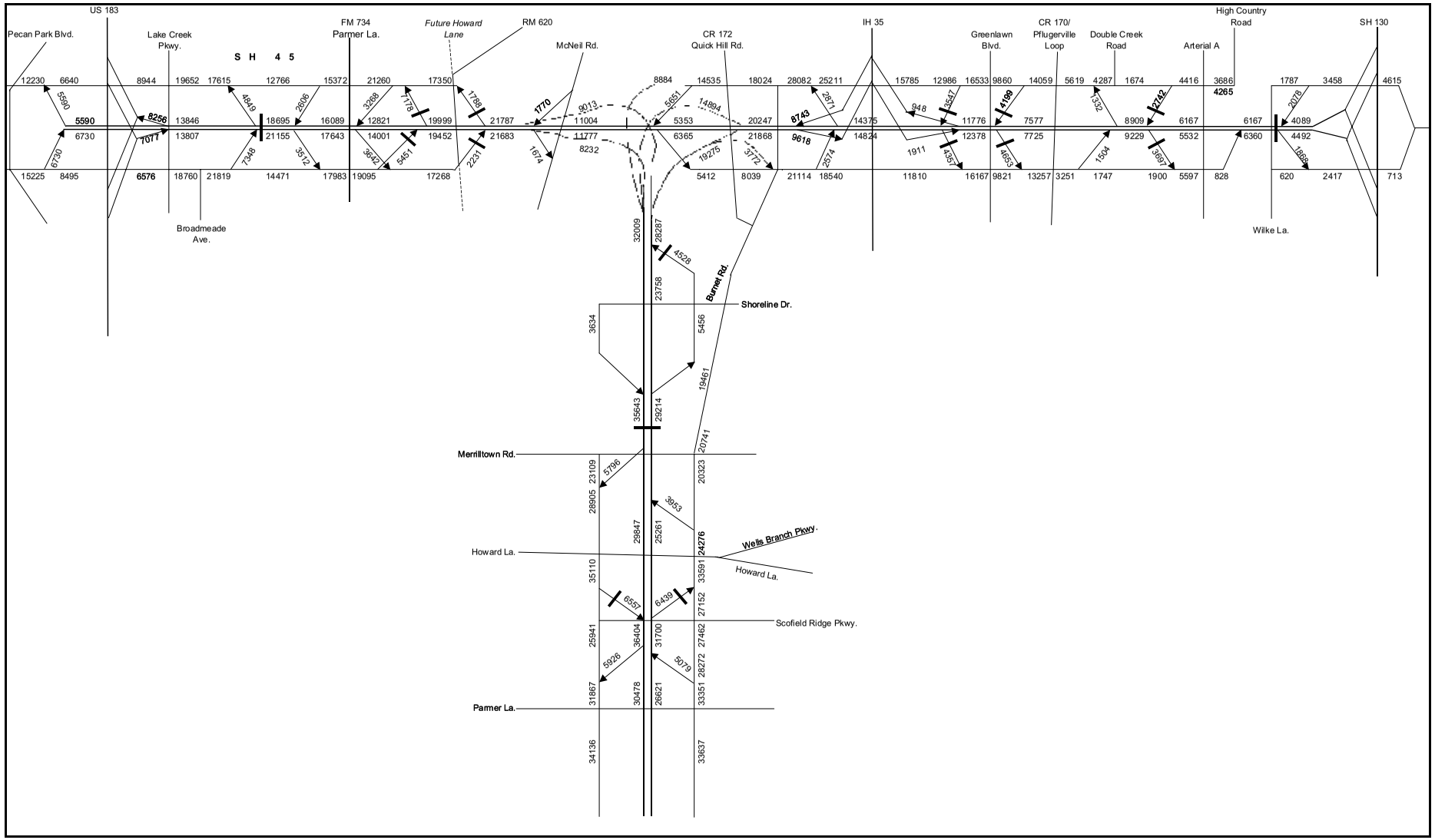
Assumptions for Model Run

% Auto ETC=	30%	45%	65%	70%	75%
% Truck ETC=	25%	40%	50%	55%	60%
Truck/Auto toll ratio=	2.5	2.5	2.5	2.5	2.5
% Auto ETC Discount	10%	10%	10%	10%	10%
% Truck ETC Discount	10%	10%	10%	10%	10%

Percent Autos and Trucks for Each Model Run

Toll Location	**Transactions**	**Revenue**	**Transactions**	**Revenue**	**Transactions**	**Revenue**	**Transactions**	**Revenue**	**Transactions**	**Revenue**
SH 45 Turnpike										
Percent Auto	93%	82%	93%	83%	93%	79%	93%	78%	94%	79%
Percent Truck	7%	18%	7%	17%	7%	21%	7%	22%	6%	21%
Loop 1 Turnpike										
Percent Auto	92%	82%	93%	82%	92%	78%	92%	77%	93%	77%
Percent Truck	8%	18%	7%	18%	8%	22%	8%	23%	7%	23%

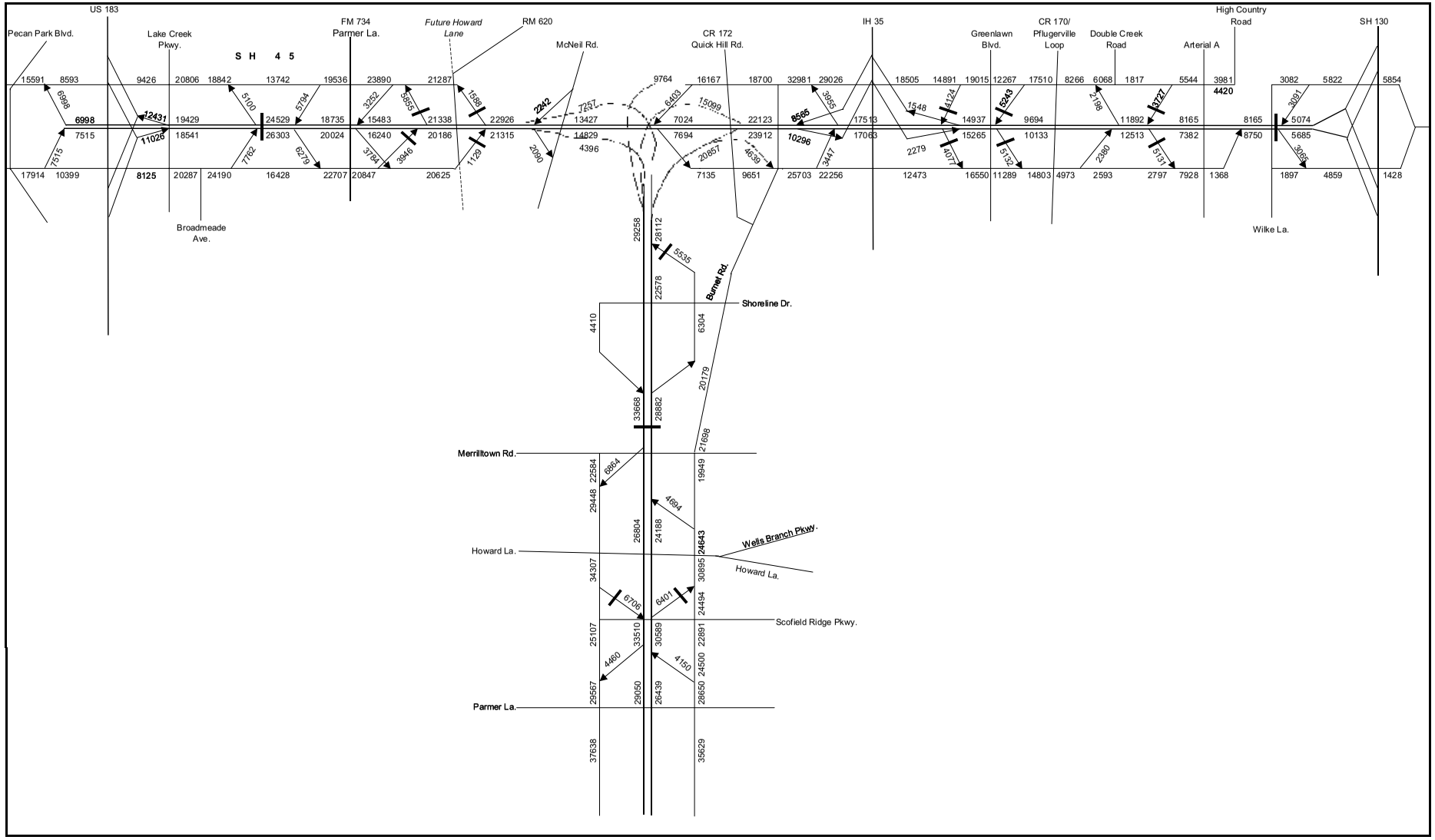
* December 2007 condition (after SH 45 west of Loop 1 is completed)



Legend

| Toll Plaza

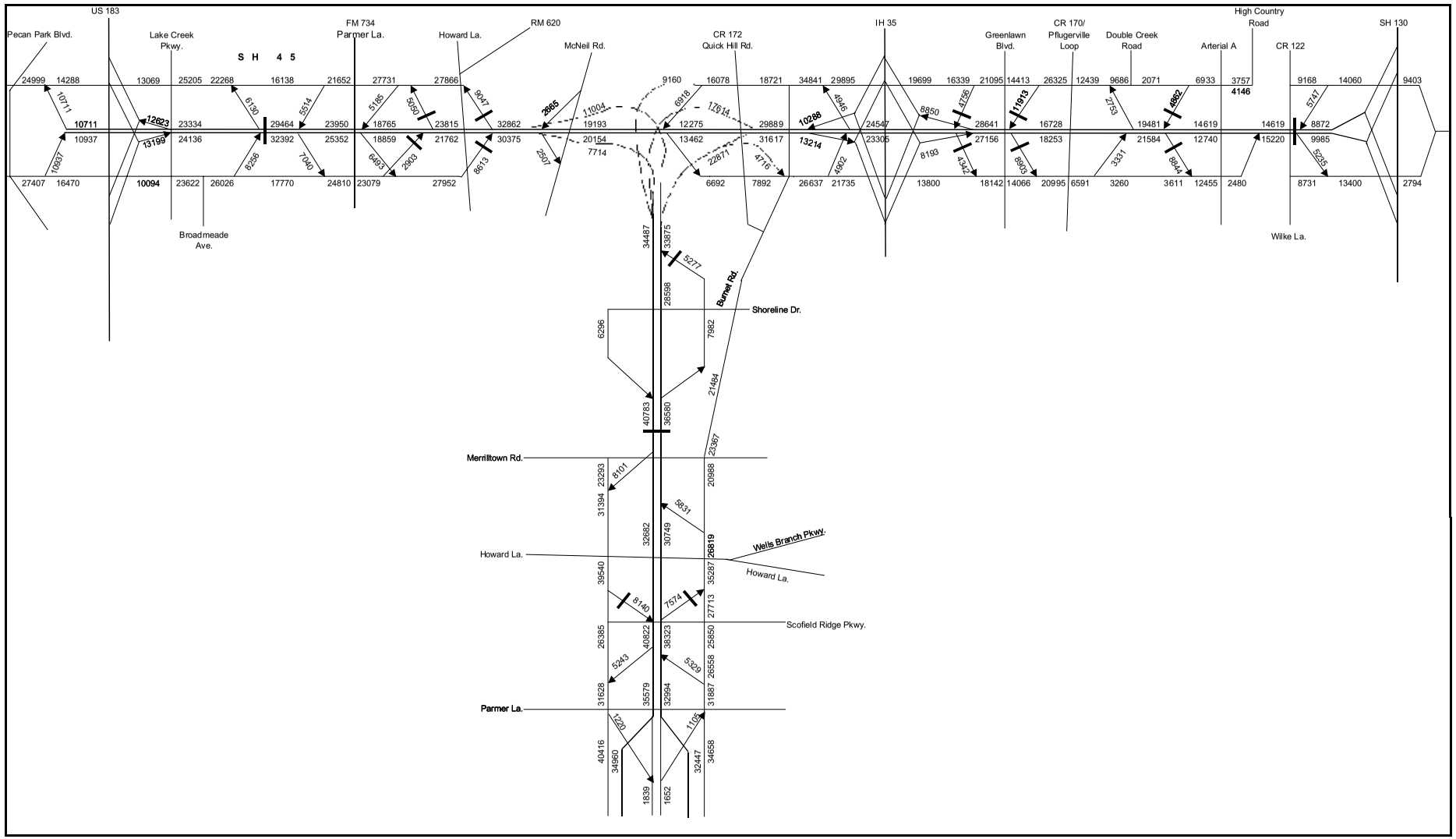
Figure 6-2
Average Weekday Traffic
SH 45 and Loop 1 Elements
2010 Base Case



Legend

| Toll Plaza

Figure 6-3
Average Weekday Traffic
SH 45 and Loop 1 Elements
2015 Base Case



Legend

| Toll Plaza

Figure 6-4
Average Weekday Traffic
SH 45 and Loop 1 Elements
2025 Base Case

Figure 6-5
Screenline Locations

	FM 1431	Arterial C (Cedar Park)	Brushy Creek Rd	Davis Springs Rd	Lakeline Blvd	Lakeline Mall Dr.	SH 45 Service Rds	SH 45 Mainline	Anderson Mill Rd	McNeil Dr	
Model Year 2010	18,029	78	14,859	17,965	10,351	-	27,189	39,988	-	35,612	
	11%	0%	9%	11%	6%	0%	17%	24%	0%	22%	**Total: 164,071**
Model Year 2015	24,225	1	11,629	10,704	20,115	-	30,171	50,832	15,378	34,512	
	12%	0%	6%	5%	10%	0%	15%	26%	8%	17%	**Total: 197,567**
Model Year 2025	25,355	12	15,450	21,201	20,874	67	33,907	61,856	19,022	44,811	
	10%	0%	6%	9%	9%	0%	14%	26%	8%	18%	**Total: 242,555**

Figure 6-6
Northwest Austin Elements
Screenline A Volumes
SH 45 West Barrier, West of Parmer Lane

	US 79	CR 168/Gattis School Rd	SH 45 Service Rds	SH 45 Mainline	Pflugerville Loop Rd	FM 1825	Northtown Parkway	
Model Year 2010	13,386	2,582	2,315	12,535	19,478	19,422	11,474	
	16%	3%	3%	15%	24%	24%	14%	**Total: 81,192**
Model Year 2015	15,833	6,606	4,979	16,914	18,656	23,879	19,263	
	15%	6%	5%	16%	18%	22%	18%	**Total: 106,130**
Model Year 2025	26,059	9,445	17,899	29,838	29,226	29,330	18,388	
	16%	6%	11%	19%	18%	18%	11%	**Total: 160,185**

Figure 6-7
Northwest Austin Elements
Screenline B Volumes
SH 45 East Barrier, East of Wilke Lane

See Figure 6-5 for screenline locations.

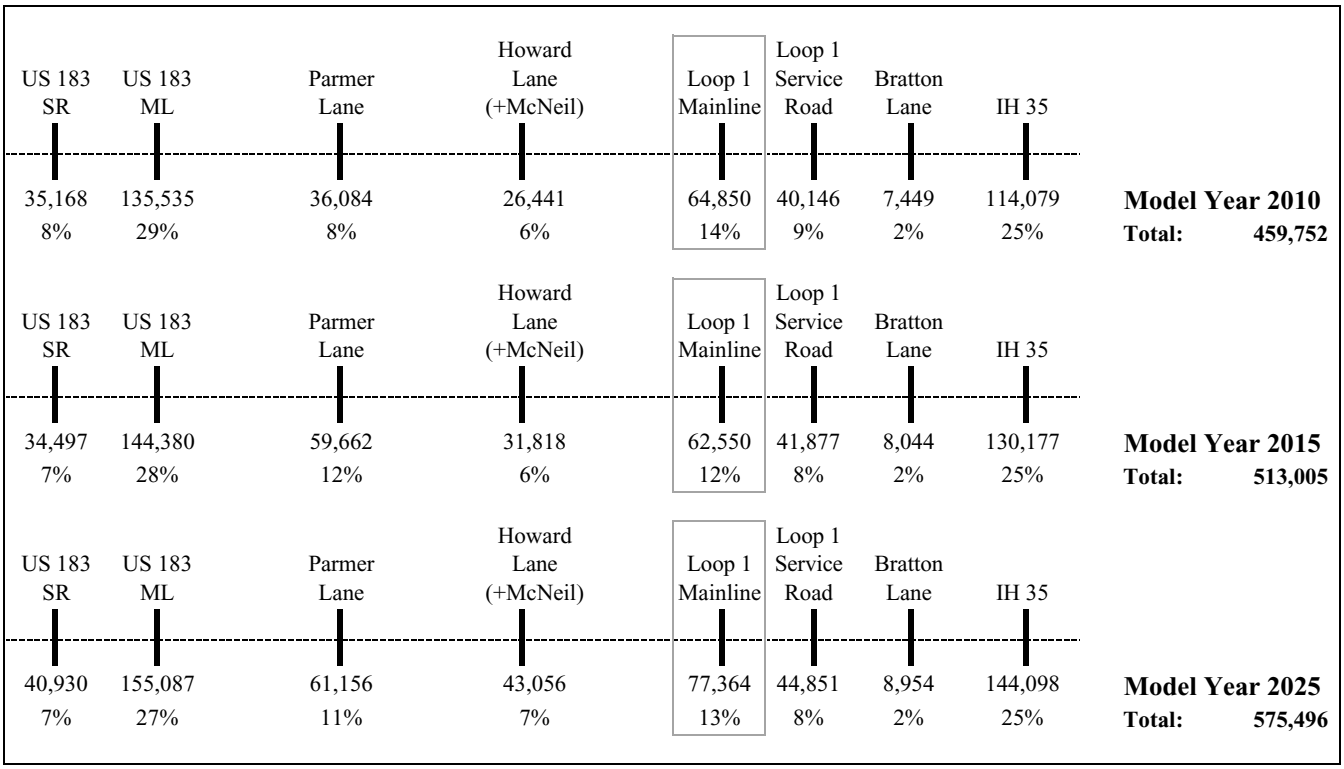


Figure 6-8
Northwest Austin Elements
Screenline C Volumes
Loop 1 Barrier, South of McNeil Dr. & Anderson Mill Rd.

See Figure 6-5 for screenline locations.

Screenline A crosses SH 45 at its western toll barrier, just west of Parmer Lane. About 24 to 26% of this screenline's traffic uses the SH 45 element. McNeil Drive is the biggest competitor to the SH 45 element, capturing 17 to 22% of screenline traffic. However, McNeil Drive will experience significant congestion during peak periods, making SH 45 a more attractive route. The SH 45 service roads are also a large competitor - they carry 14 to 17% of the screenline traffic – but the service roads are discontinuous and only serve short trips.

Screenline B, located at the eastern toll barrier of SH 45, crosses routes with significantly less traffic than the three other screenlines. The SH 45 element captures 15 to 19% of the screenline traffic. Its service roads, which in this reach do not allow access to the mainline, carry 3 to 11% of the traffic. Pflugerville Loop Road, located about a mile south of the barrier plaza, captures about 18 to 24% of the screenline volume. FM 1825, also carrying 18 to 24% of the traffic, is generally the most congested road crossing the screenline. US 79 captures 15 or 16% of the traffic.

The highest levels of screenline and turnpike element traffic occur at the Loop 1 mainline barrier and its parallel roads, at Screenline C. This screenline is located south of McNeil Drive and Anderson Mill Road, and crosses the Loop 1 element north of Merrilltown Road. Loop 1 carries 12 to 14% of the traffic. Its biggest competitors, the US 183 mainline and IH 35, each capture 25 to 30% of screenline traffic. All of the Screenline C roads are currently congested during peak periods. Construction of the Loop 1 element in 2008 will alleviate some of the congestion on Parmer Lane, Burnet Road and IH 35.

6.5.3 Revenue Forecasts

The revenue calculation was simply the product of average weekday traffic on the tolled links and the toll for each link, totaled for all toll links. Since the traffic assignment model evaluates traffic demand on weekdays, it is necessary to estimate the level of weekend activity. In the Northwest project corridors, the survey data indicated a high component of frequent commuter travel, suggesting a lesser level of weekend recreational and social trips. It is estimated that weekend traffic will be at roughly 50% of weekday traffic, thus, annual traffic and toll revenues were calculated at 300 times the average weekday traffic and revenue.

Commercial vehicles are charged a higher toll than passenger cars; on the Northwest Austin elements the average truck toll was estimated at 2.5 times the passenger car toll for each location. Downward adjustments were made to the output of the traffic model to account for a five-year educational ramp-up period: for each of the turnpike elements, revenue was multiplied by 56%, 70%, 85% and 95% for the first four years of toll operation, respectively. By the fifth year of operation, traffic has reached the levels assigned in the forecast models and revenue no longer needs such an adjustment.

Other adjustments were made to revenues to account for traffic that does not pay tolls, either as intentional evasion or inadvertently (e.g., having an unreadable ETC transponder). The estimated reductions to the revenues and toll transactions are as follows:

Mainline Plazas	Tag	2.5%
	Cash	5.0%
Attended Ramp Plazas	Tag	2.5%
	Cash	5.0%
Unattended Ramp Plazas	Tag	2.5%
	Cash	20.0%

In contrast to Table 6-5, Table 6-6 presents, for the two Northwest elements, the average annual weekday toll transactions and revenue that has been adjusted for ramp-up and toll evasion, and annual revenue on a fiscal year (FY) basis, from 2008 through 2042. As shown in the table, revenues on the Northwest elements are estimated to increase from $16.5 million in FY 2008 to $34.7 million in FY 2011, $54.3 million in FY 2016, $92.3 million in FY 2026, and $155.2 million in FY 2042. Revenue after the fiscal year 2026 was estimated to grow at a rate of 2.9% in the early years, declining to 2.0% in the later years, with the exception of FY 2036 where a toll increase is expected to occur.

TABLE 6-6
TRAFFIC AND REVENUE PROJECTIONS, FY 2008-2042
NORTHWEST AUSTIN AREA ELEMENTS
(Adjusted for Ramp Up and Toll Evasion)

Fiscal Year	SH 45		Loop 1		TOTAL	
	Avg. Weekday Toll Transactions	Annual Revenue (000s)	Avg. Weekday Toll Transactions	Annual Revenue (000s)	Avg. Weekday Toll Transactions	Annual Revenue (000s)
2008	36,664	$7,600	39,535	$8,912	76,199	$16,511
2009	58,222	$12,234	53,025	$11,877	111,247	$24,111
2010	**74,121**	**$15,558**	**66,738**	**$14,859**	**140,859**	**$30,418**
2011	85,869	$18,345	73,759	$16,320	159,628	$34,665
2012	95,782	$20,407	78,775	$17,349	174,557	$37,757
2013	101,175	$21,504	79,908	$17,520	181,083	$39,024
2014	106,568	$22,601	81,041	$17,691	187,610	$40,292
2015	**111,962**	**$23,698**	**82,175**	**$17,861**	**194,136**	**$41,559**
2016	106,777	$30,791	79,638	$23,483	186,414	$54,274
2017	110,628	$31,853	81,250	$23,958	191,878	$55,811
2018	114,480	$32,914	82,862	$24,434	197,342	$57,348
2019	118,332	$33,975	84,474	$24,910	202,806	$58,885
2020	**122,184**	**$35,036**	**86,086**	**$25,385**	**208,269**	**$60,421**
2021	129,472	$36,917	88,320	$25,972	217,791	$62,890
2022	137,905	$39,071	90,761	$26,597	228,665	$65,668
2023	146,338	$41,226	93,202	$27,221	239,540	$68,447
2024	154,770	$43,380	95,644	$27,846	250,414	$71,226
2025	**163,203**	**$45,534**	**98,085**	**$28,470**	**261,289**	**$74,004**
2026	159,936	$56,749	96,774	$35,547	256,710	$92,295
2027	165,370	$58,677	98,799	$36,290	264,168	$94,967
2028	170,804	$60,605	100,823	$37,034	271,626	$97,639
2029	176,237	$62,533	102,847	$37,777	279,085	$100,310
2030	181,671	$64,461	104,871	$38,521	286,543	$102,982
2031	187,105	$66,389	106,896	$39,264	294,001	$105,654
2032	192,539	$68,318	108,920	$40,008	301,459	$108,325
2033	197,973	$70,246	110,944	$40,751	308,918	$110,997
2034	203,407	$72,174	112,968	$41,495	316,376	$113,669
2035	208,841	$74,102	114,993	$42,238	323,834	$116,340
2036	201,899	$86,885	112,505	$49,869	314,404	$136,754
2037	207,019	$89,088	114,451	$50,732	321,471	$139,820
2038	212,139	$91,292	116,398	$51,594	328,537	$142,886
2039	217,259	$93,495	118,344	$52,457	335,603	$145,952
2040	222,379	$95,699	120,290	$53,320	342,669	$149,018
2041	227,500	$97,902	122,236	$54,182	349,736	$152,084
2042	232,620	$100,105	124,182	$55,045	356,802	$155,150

Note: -Model years shown in **bold**

7 SH 130 TURNPIKE TRAFFIC AND REVENUE FORECASTS

As described in Chapter 1, the SH 130 element will extend from the IH 35/SH 195 junction at Georgetown in Williamson County (north of Austin) approximately 49 miles southward, on the east side of Austin, to a junction with US 183 in southern Travis County south of Austin-Bergstrom International Airport. A connection to IH 35 is also planned, via the proposed SH 45 South, described further under Section 7.2 of the report. In the Austin area, it generally will follow an alignment east of Walter E. Long Lake and will pass within two miles of the airport.

In the text and tables that follow, all referenced years are calendar years, unless otherwise noted as the fiscal year ending August 31.

7.1 Segments and Phasing

The three northern segments of the SH 130 element, as designated within the 2002 Project, will be constructed simultaneously and open to traffic in September 2007. The southernmost segment, Segment 4, is planned for completion in December 2007. The segments are numbered geographically from north to south, as shown in Table 7-1:

Table 7-1
SH 130 Element Phasing

Segments	Limits	Miles	Planned Opening
1	IH 35/SH 195 to US 79	13.16*	Sept. 2007
2	US 79 Turnpike to US 290	14.98	Sept. 2007
3	US 290 to SH 71	11.36	Sept. 2007
4	SH 71 to SH 45 South and US 183/SH 45 South jct.**	9.53	Dec. 2007
Total		49.03	

* Includes the southbound collector within the IH 35 interchange.
** SH 45 South and the US 183/SH 45 South junction open in September 2010.

In addition to the SH 130 element opening in September 2007, various segment upgrades, including the conversion from frontage road connections at certain interchanges to flyover ramps, and controlled-access improvements, will occur after the initial 2002 Project bonds are retired or separate new funding becomes available.

A connection will be provided between Segment 1 and the SH 45 element in September 2007, when SH 45 is open simultaneously with SH 130, and a connection at the south end of Segment 4 will be provided to SH 45 South in September 2010.

7.2 Interchanges and Frontage Roads

Figures 7-1 through 7-3 are schematic line diagrams (not to scale) of the SH 130 element's full 49-mile alignment. Shown on the diagram are the locations where frontage roads are proposed, the interchanges, the recommended toll plan (discussed in Sections 7.3 and 7.4 of the report), and the traffic volumes by link that support the traffic forecasts (in Section 7.5.1 of the report) in the model years 2010, 2015, and 2025. Note in these figures that the toll plan encompasses a system of mainline (barrier) toll plazas and ramp plazas within Segments 1, 2, 3 and 4.

Table 7-2 lists the planned interchanges along the full 49-mile route, with a notation as to those ramps that will contain toll plazas (designated "T") and those without toll plazas (designated "N" for non-toll). The dash notation indicates that the interchange is a partial one, meaning that these ramps will not be provided. The principal interchanges, which define the four segments for purposes of the toll system design, are shown in Table 7-2 in bold type; all are free-flowing, non-tolled interchanges.

Table 7-2
SH 130 Element Interchanges

Mile-post	Interchange	Ramps to/from		Mile-post	Interchange	Ramps to/from	
		South	North			South	North
0.0[(A)]	**IH 35/SH 195**	N	—	25.8	Gregg Manor Road	T	N
2.9	FM 971	N	—	27.2	Parmer Lane	N	N
4.7	SH 29	N	T	**28.1**	**US 290**	N	N
6.5	CR 104	N	T	29.5	Blue Bluff Road	N	T
8.9	CR 107	N	T	31.4	Bloor Road	—	T
11.5	CR 109	—	N	32.2	FM 973	N	T[(B)]
13.2	US 79	T	N	35.1	FM 969	T	N
14.9	FM 685 North	—	N	37.1	TXI/Harold Green	T	N
16.0	CR 168	T	N	**39.5**	**SH 71**	N	N
18.2	**SH 45 Element**	N	N	41.1	Pearce Lane	N	T
18.2	Kelly Lane	—	N	42.5	Elroy Lane	T	N
18.6	FM 685 South	N	—	44.3	FM 812	T	N
20.4	Pfluger Lane	N	—	46.0	Moore Road	T	N
22.1	Pflugerville Road	N	T	48.1	Maha Loop	—	N
23.3	Cameron Road	—	N	**49.0**	**US 183/SH 45 South jct.**	—	N

T Toll ramp.
N Toll-free ramp.
(A) Beginning of the southbound collector.
(B) Northbound only; southbound via frontage road through Bloor Road intersection.
(C) End of the northbound collector.

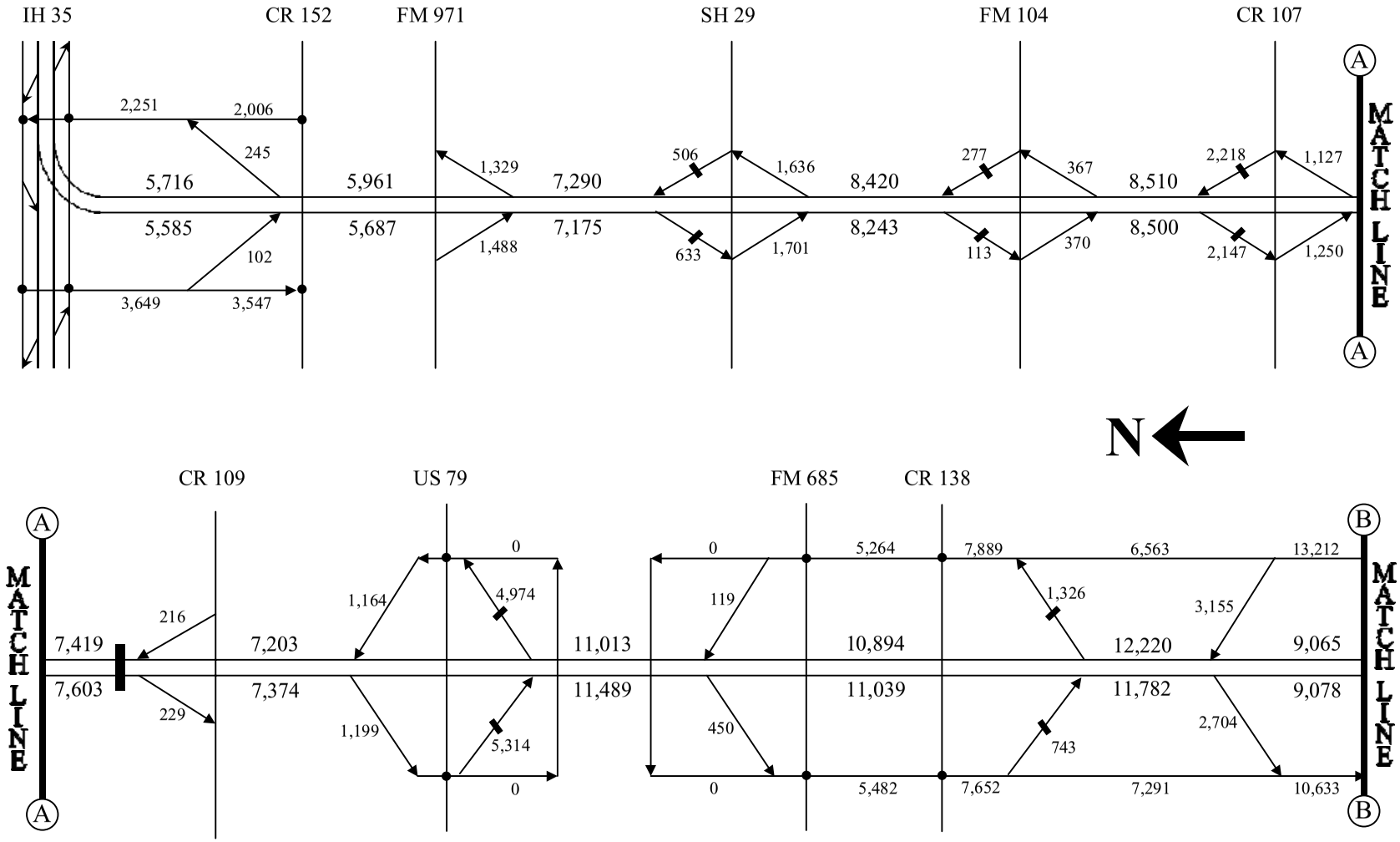


Figure 7-1
SH 130 Element
2010 Average Weekday Traffic

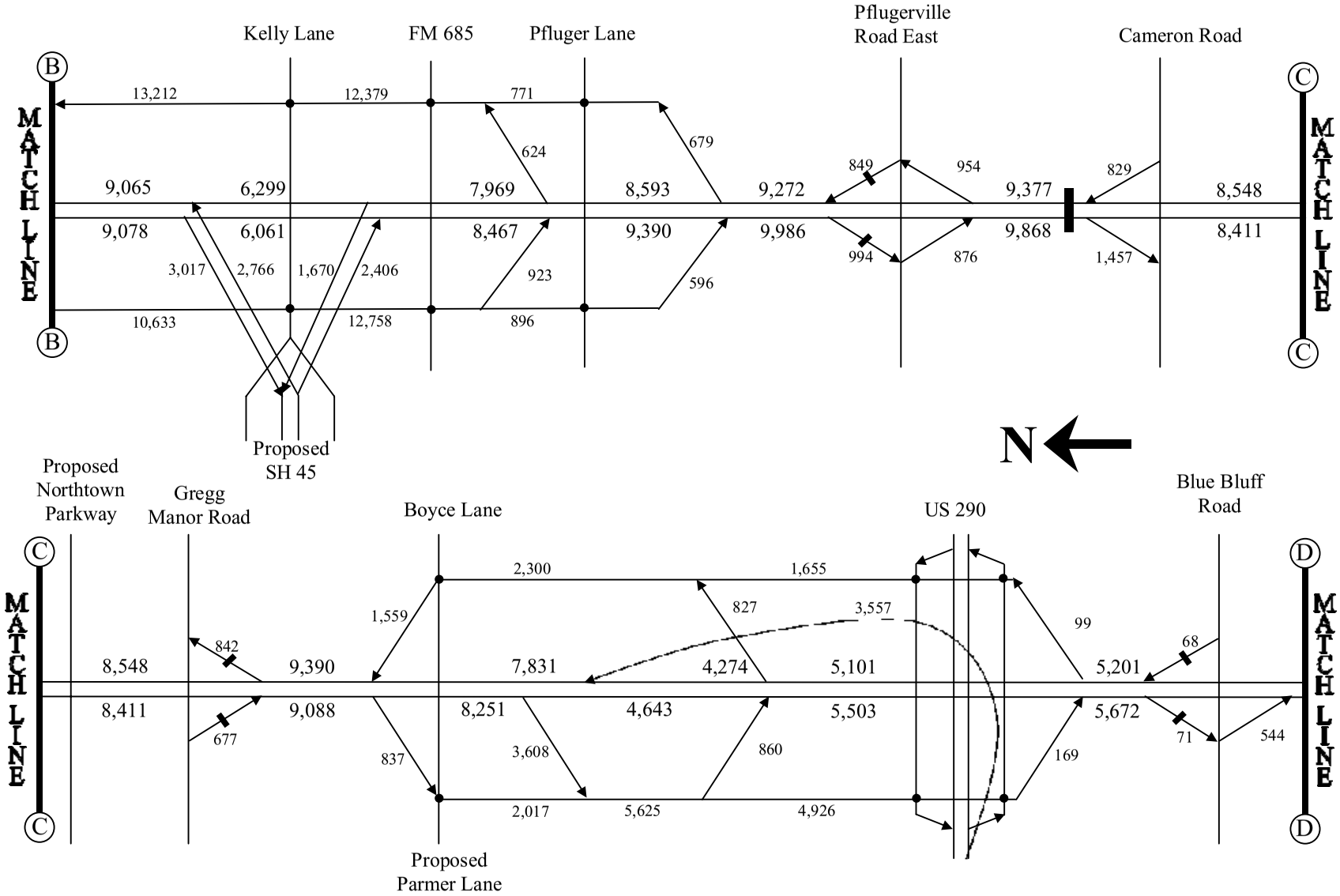


Figure 7-1 (continued)
SH 130 Element
2010 Average Weekday Traffic

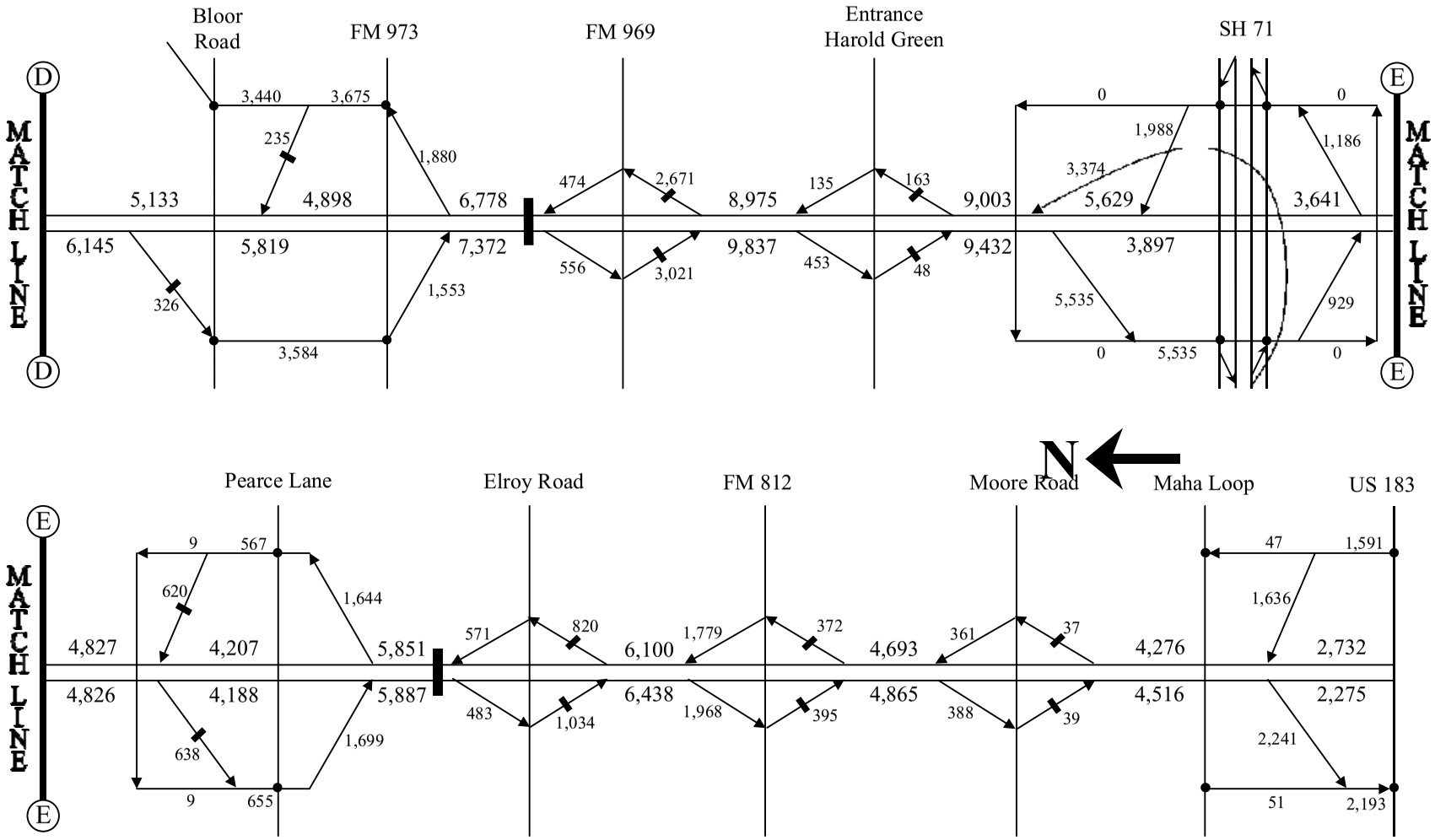


Figure 7-1 (continued)
SH 130 Element
2010 Average Weekday Traffic

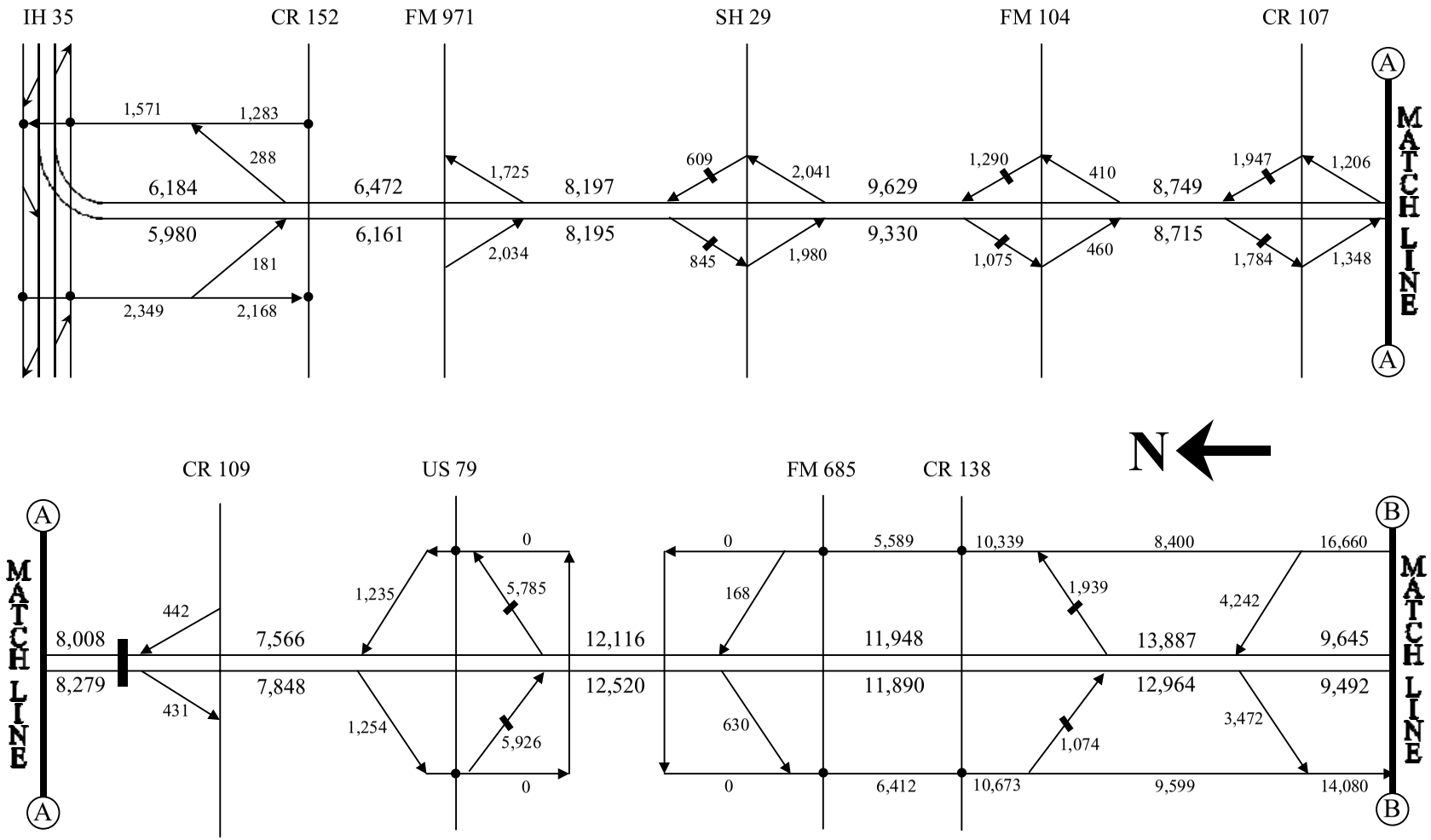


Figure 7-2
SH 130 Element
2015 Average Weekday Traffic

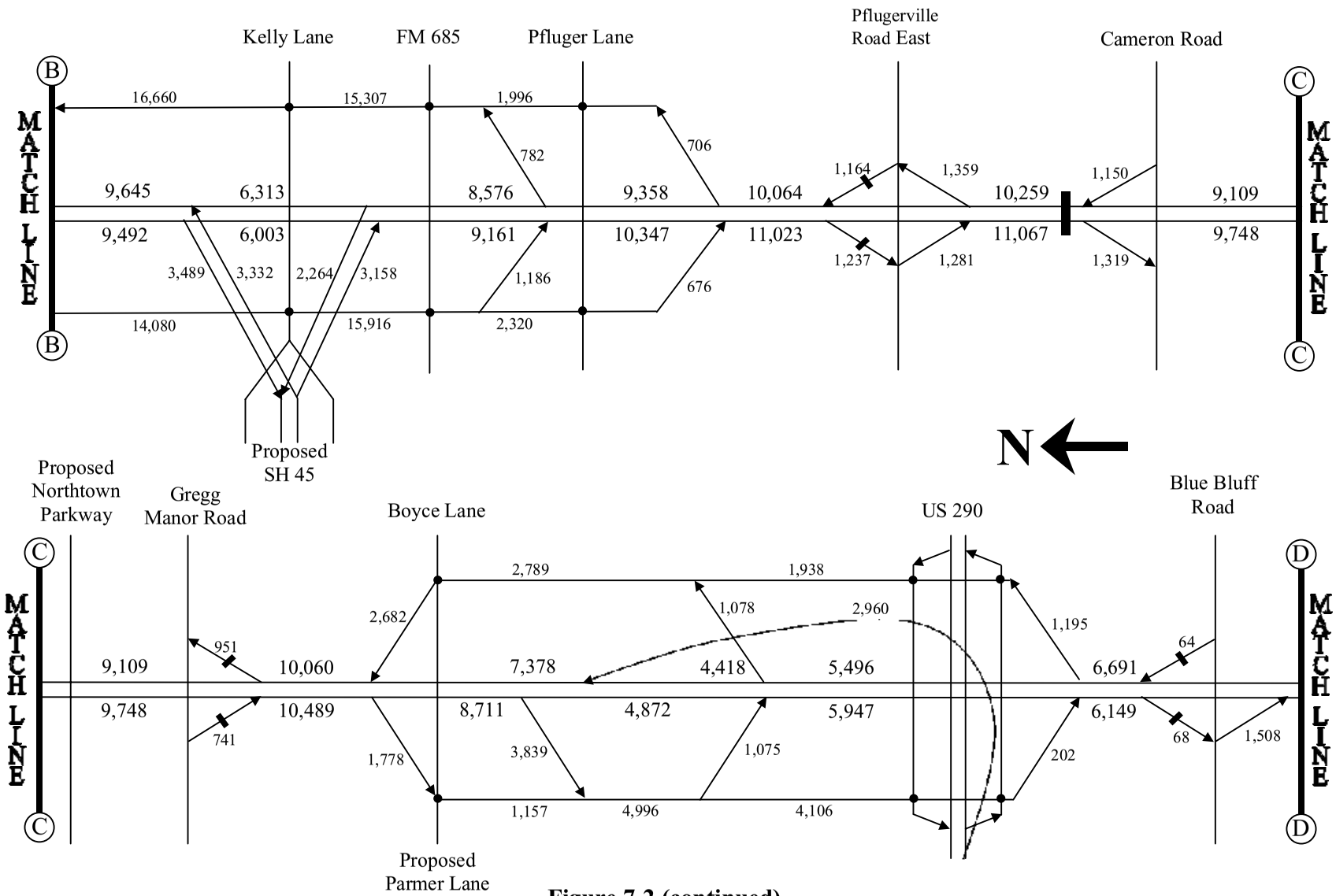


Figure 7-2 (continued)
SH 130 Element
2015 Average Weekday Traffic

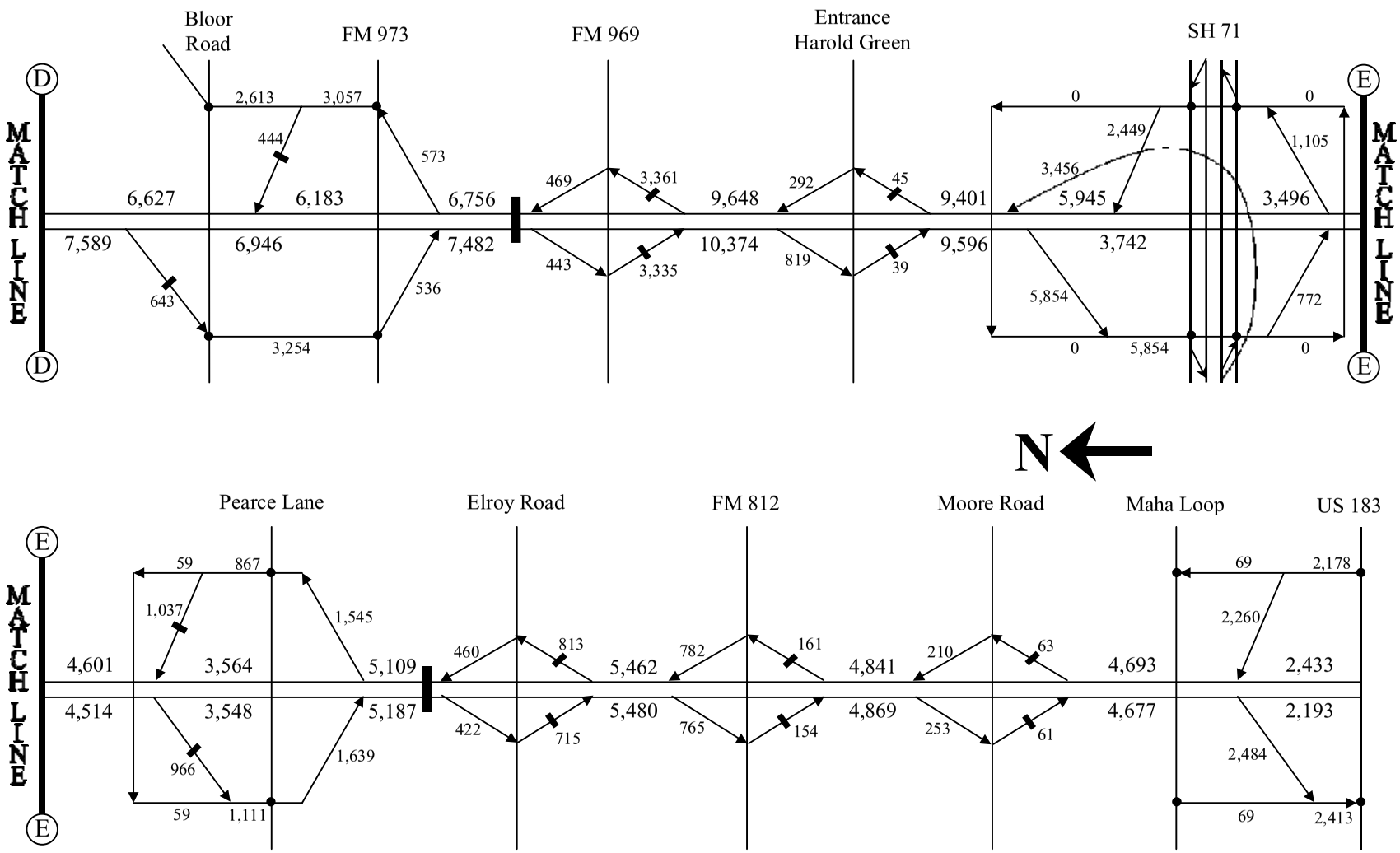


Figure 7-2 (continued)
SH 130 Element
2015 Average Weekday Traffic

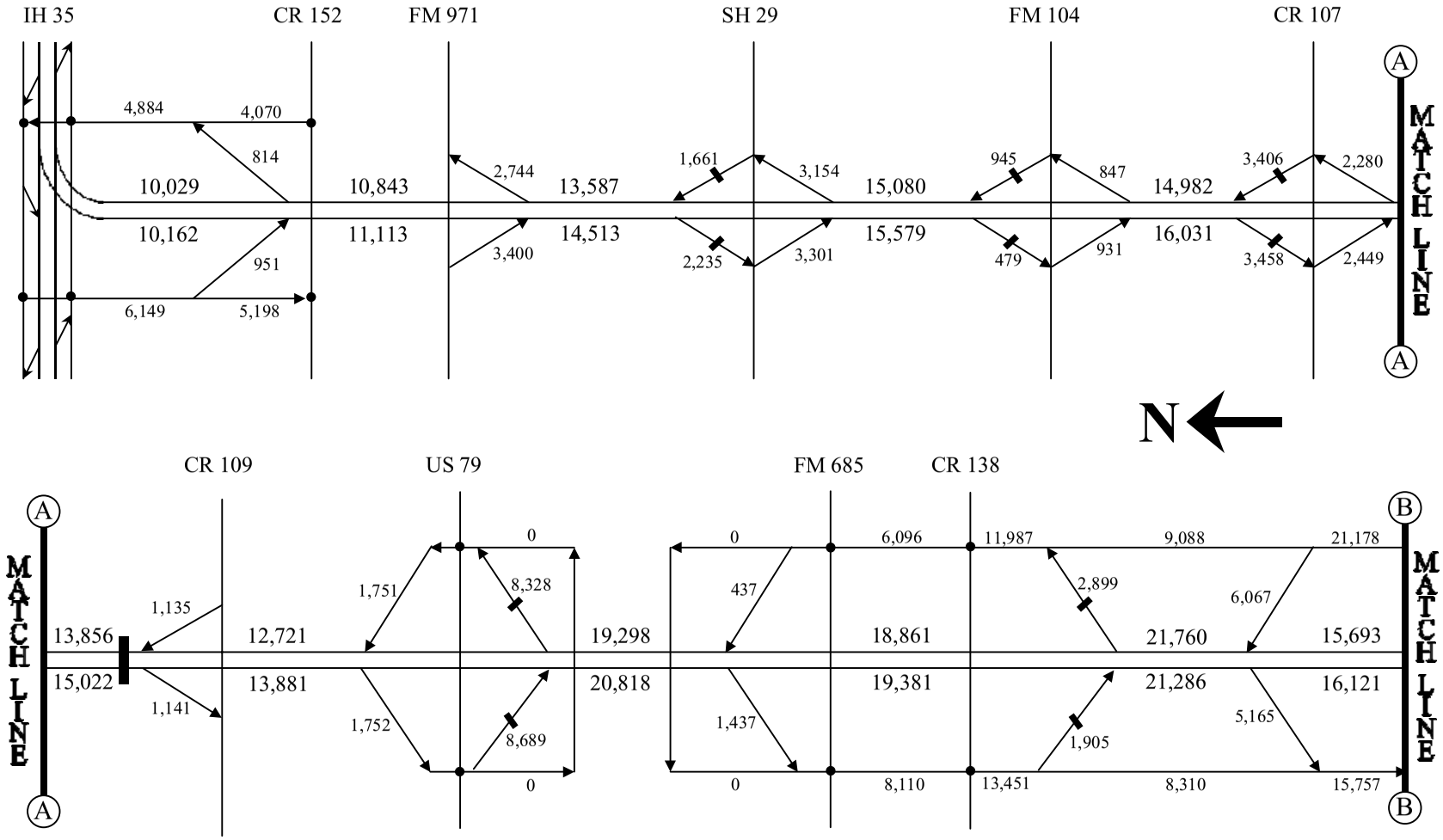


Figure 7-3
SH 130 Element
2025 Average Weekday Traffic

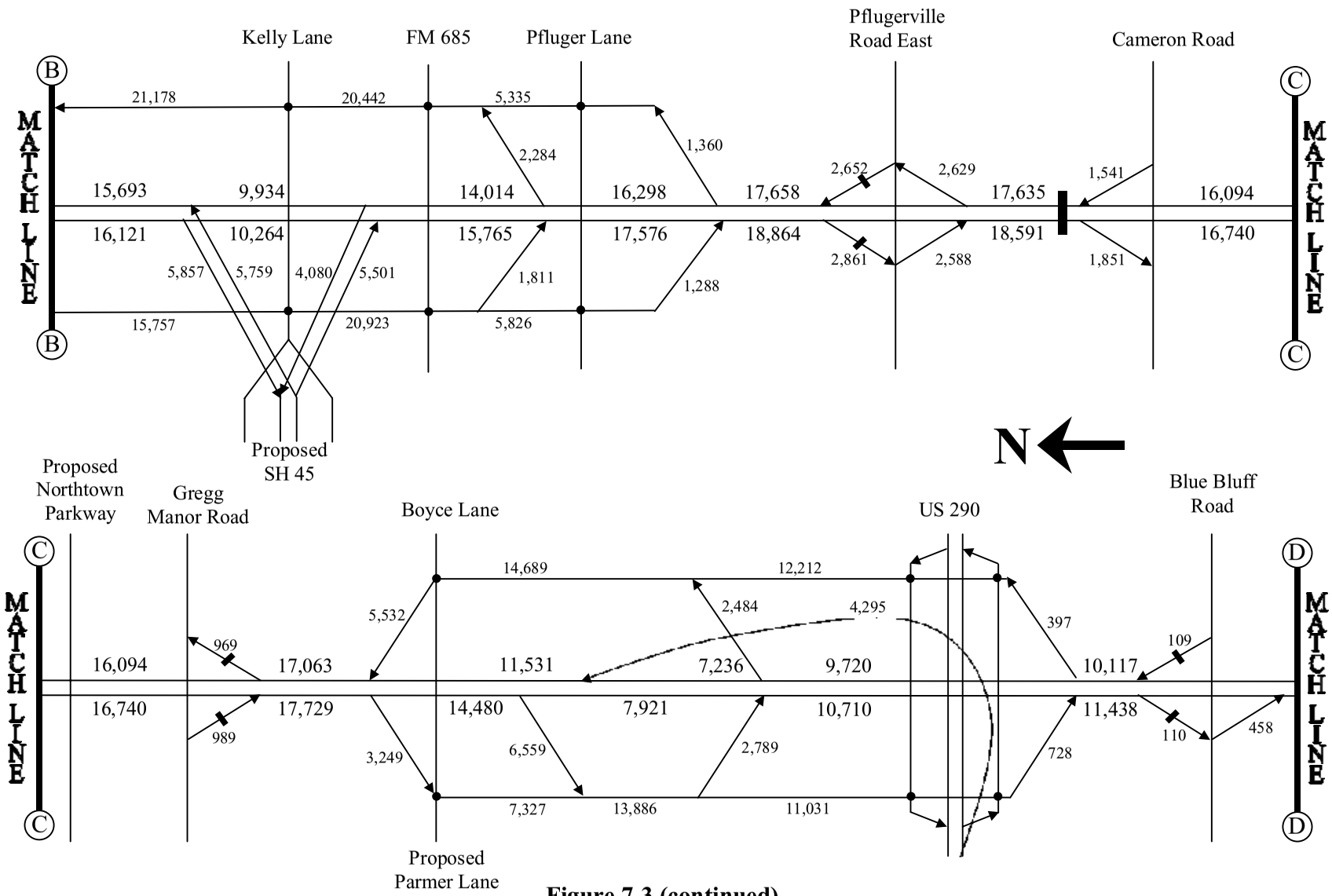


Figure 7-3 (continued)
SH 130 Element
2025 Average Weekday Traffic

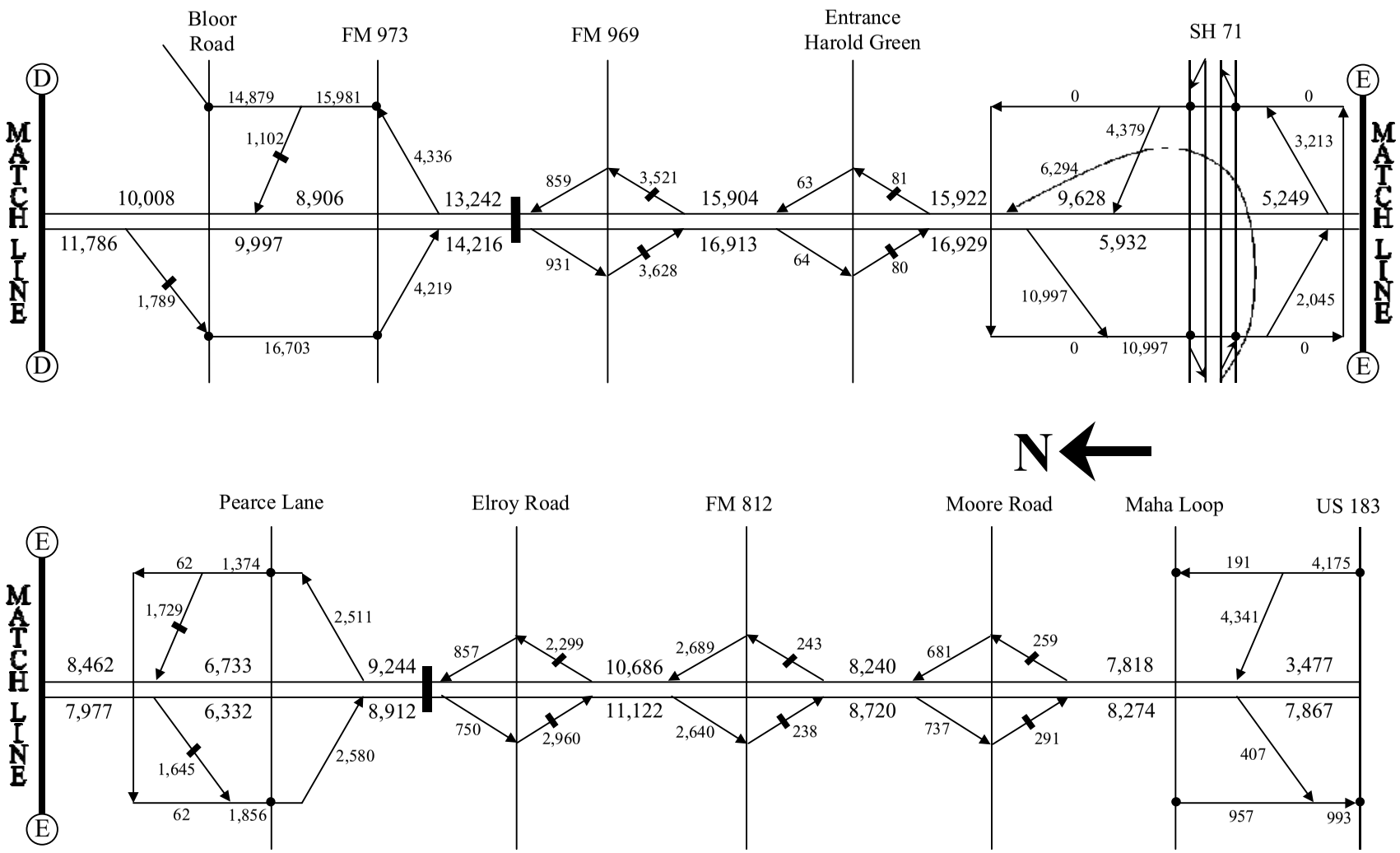


Figure 7-3 (continued)
SH 130 Element
2025 Average Weekday Traffic

Tying in to the SH 130 element at the US 183/SH 45 South junction (at milepost 49.0) is the planned SH 45 South, a turnpike or freeway project (modeled in this study as a turnpike) to be financed and built independently of the 2002 Project. SH 45 South will extend southwestward from the US 183/SH 130 junction, intersecting IH 35 south of Austin in September 2010 and later connecting with the Loop 1/MoPac Expressway in southwestern Travis County in 2025. In September 2010 the SH 130 element and SH 45 South will form a 56-mile circumferential route around the east side of the Austin metropolitan area, enabling motorists to bypass the most congested sections of IH 35.

As mentioned previously, TxDOT has committed that the initial section of SH 45 South between SH 130 and IH 35 will be open to traffic in September 2010, connecting with the south end of Segment 4 of the SH 130 element that will have been open by December 2007. SH 45 South will then be extended westward to Loop 1 and will open in September 2025.

7.3 Toll Collection Structure

As shown in Figure 7-1, the line diagram depicts the SH 130 element with its interchanges, frontage roads and recommended toll plan. Tolls are to be collected utilizing the basic barrier/ramp method of collection. Electronic transponder users will be detected at each of the barrier and ramp toll locations and will have their prepaid accounts debited by the appropriate tolls. This system of toll collection has been utilized on the Dallas North Tollway since 1988.

The barrier/ramp toll system for the SH 130 element has been designed so that there will be no toll-free use of the project (i.e., a *closed* system). Under the barrier/ramp system of toll collection, each of the four SH 130 segments will each have a single mainline barrier, which together with the associated ramp plazas, will maintain the integrity of the closed barrier/ ramp system. The mainline barriers will be designed with express transponder lanes (at highway speed) through the middle of the plazas that are physically separated from the adjoining cash lanes. They will be located roughly halfway between the principal interchanges at IH 35, SH 45 element, US 290, SH 71 and the US 183/SH 45 South junction.

The concept of the plan is to provide for free flowing traffic (i.e., no ramp plazas) at the principal interchanges. In addition, the mainline barriers will be located on segments without adjacent frontage roads, thereby minimizing the toll-free competition by preventing motorists from bypassing the barriers on the frontage roads.

7.4 Toll Rates

Given the barrier/ramp toll collection plan described in Section 7.3, the toll plan was further developed to establish the toll rates, the classification of tolls for autos and trucks, toll discounts for transponder users, and a plan for periodic toll increases.

With regard to the toll rates, for purposes of toll uniformity, the plan includes identical tolls at each of the four mainline barriers on the SH 130 element. Table 7-3 shows the mainline auto tolls through 2042 on the basis that the initial auto tolls will be established at the $1.50 level

upon the opening of SH 130 in 2007, and then raised incrementally in 2015 and then every 10 years thereafter:

Table 7-3
SH 130 Element Mainline Barrier Auto Tolls and Per-Mile Rates
with Periodic Increases through 2035

Seg-ment	Limits	Miles	Auto Toll				Per-mile Rate			
			2007-2014	2015-2024	2025-2034	2035-2042	2007-2014	2015-2024	2025-2034	2035-2042
1	IH 35/SH 195 to SH 45 Tpk.	18.2	$1.50	$2.25	$3.00	$3.50	8.2¢	12.4¢	16.5¢	19.2¢
2	SH 45 Tpk. to US 290	9.9	1.50	2.25	3.00	3.50	15.2	22.7	30.3	35.4
3	US 290 to SH 71	11.4	1.50	2.25	3.00	3.50	13.2	19.7	26.3	30.7
4	SH 71 to US 183/SH 45 S jct.	9.5	1.50	2.25	3.00	3.50	15.8	23.7	31.6	36.8
Total		49.0	6.00	9.00	12.00	14.00	12.2	18.4	24.5	29.6

Note that, while identical tolls will be collected at each mainline barrier, the per-mile rates fluctuate within each segment due to their varying lengths, again for reasons of toll uniformity.

For vehicles with more than two axles, it is recommended that the tolls be established in even multiples of the two axle base rate:

Table 7-4
SH 130 Turnpike
Vehicle Classification and Toll Multiples

No of Axles	Toll Multiple
2	1.0
3	2.0
4	3.0
5	4.0
6	5.0

Mathematically, this is referred to as the *N minus 1* toll formula, under which the toll and revenue expectations are tied to the lane treadle, as follows:

$$\text{Toll} = (\text{Number of Axles minus 1}) \times (\text{Two-Axle Toll})$$
$$\text{Revenue Expectation} = (\text{Treadle Count minus Traffic Volume}) \times (\text{Two-Axle Toll})$$

The *N minus 1* toll structure provides the following attributes to the users and the toll agency, and ultimately to the bondholders:

- *Toll simplicity.* Truck tolls can be established in even multiples of the auto toll, thereby simplifying coin handling for toll collectors and for drivers who do not pay toll electronically.

- *Toll equitability.* Truck tolls, relative to the auto toll, are more equitable than the straight per-axle rate, in terms of trucks paying their fair share.

- *Plaza capacity.* Simplified toll collection can result in improved toll plaza capacity, thereby benefiting the user; but also, due to increased throughput in the toll lanes, ultimately reducing the expenses and costs associated with toll collection.

- *Revenue accountability.* Expected revenues are tied to the lane treadle through the simple *N minus 1* formulation, thereby providing the same axle-related accountability as the straight per-axle rate.

- *Revenue productivity.* Compared with the straight per-axle rate, the *N minus 1* toll structure normally produces higher revenues, the amount depending on the relative number of trucks in the traffic mix.

Under the *N minus 1* toll formula, the five-axle truck, the predominant long-distance truck on the SH 130 element, will pay four times the auto rate. The weighted average for all trucks (including two-axle/four tire trucks that will pay the two-axle rate) was determined for revenue-estimating purposes to be 3.1.

All of the ramp tolls indicated in Table 7-2 (with the "T" designation) will be established uniformly and initially at 50 cents (when the mainline barrier tolls are $1.50), and will be increased roughly in parallel with the barrier tolls, as follows:

Table 7-5
SH 130 Turnpike Ramp and Barrier Tolls

Years	Ramp Tolls	Barrier Tolls
2007-2014	$ .50	$1.50
2015-2024	.75	2.25
2025-2034	1.00	3.00
2035-2042	1.25	3.50

The 133 percent increase in mainline tolls between 2007 and 2035 (a period of 28 years) is equivalent to an average annual escalation rate of 3.1 percent. The annual inflation rate assumed

in the CAMPO models was 3.0 percent, which means that toll escalation would be running only slightly ahead of the inflation rate. The traffic forecasts reflect this phenomenon; that is, a toll of $3.50 in 2035 is roughly equivalent to a toll of $1.50 in 2007 in terms of traffic impact.

The preceding barrier and ramp tolls represent the amounts, in quarter increments, for motorists paying their tolls in cash. Transponder users throughout the 2002 Project system will be afforded a 10 percent discount. This privilege will apply to vehicles of all toll classifications that subscribe to the transponder program.

7.5 Baseline Traffic and Revenue Forecasts

The baseline traffic and revenue forecasts for the SH 130 element were produced through the use of the CAMPO model described in Chapter 3 of the report, using the socioeconomic forecasts from Chapter 4, the roadway network summarized in Chapter 5, and the specifics for the SH 130 element (phasing, interchanges, frontage roads, toll structure and rates) described heretofore in Chapter 7.

7.5.1 Traffic Forecasts

Tables 7-6 and 7-7 summarize the traffic forecasts for the SH 130 element in terms of average weekday traffic. They include provision for both *ramp-up* and toll evasion and leakage, as defined in Section 7.5.4 of the report in connection with the corresponding revenue forecast.

Table 7-6 lists the traffic forecast in a matrix for each of the model years (2007, 2010, 2015, 2020 and 2025) and for each of the toll collection points (as shown in Table 7-2).

Table 7-7 lists the traffic forecast in a different matrix, by SH 130 element segment (as defined in Table 7-1) and for each year through 2042. The forecasts for the intermediate years between model years (2007, 2010, 2015, 2020 and 2025) were calculated by interpolation, while those beyond 2025 were extrapolated based on a tapering annual rate of growth declining to 2.0 percent by 2042. The traffic reductions in 2016, 2026 and 2036 reflect the impact of the toll increases (see Table 7-5). These reductions reflect the adjustment from the forecasts initially developed on a calendar year basis to those stated on a fiscal (bond) year basis, with the fiscal year beginning September 1 and ending August 31. Accordingly, for example, the toll increase in September 2015 affects the traffic forecast in fiscal year 2016 (the fiscal year ending August 2016).

Table 7-6
SH 130 Element
Traffic Forecast for Model Years

Crossroad	Type	Average Weekday Traffic				
		2007	2010	2015	2020	2025
SH 29	Ramp	789	853	1,323	2,303	3,616
CR 104	Ramp	149	292	2,155	830	1,324
CR 107	Ramp	622	3,268	3,401	5,826	6,366
N of CR 118	**Mainline**	**6,469**	**11,979**	**15,683**	**22,836**	**27,893**
US 79	Ramp	4,734	7,721	10,694	13,765	15,812
CR 138	Ramp	851	1,551	2,753	3,609	4,465
Pflugerville Rd E.	Ramp	566	1,380	2,190	3,650	5,120
N of Cameron Rd	**Mainline**	**7,557**	**15,348**	**20,534**	**30,293**	**34,996**
Gregg Manor Rd	Ramp	609	1,140	1,543	2,675	1,819
Blue Bluff Rd	Ramp	53	105	116	190	204
Bloor Rd	Ramp	91	247	586	926	1,661
FM 973	Ramp	86	176	406	681	1,024
N of FM 969	**Mainline**	**3,883**	**11,284**	**13,708**	**18,242**	**26,525**
FM 969	Ramp	1,668	4,265	6,106	10,641	6,637
Harold Green	Ramp	45	157	77	153	150
Pearce Lane	Ramp	-	946	1,828	3,815	3,132
N of Elroy Rd	**Mainline**	**-**	**9,360**	**9,920**	**14,467**	**17,538**
Elroy Rd	Ramp	-	1,389	1,396	4,078	4,882
FM 812	Ramp	-	574	286	423	447
Moore Rd	Ramp	-	59	108	187	511
TOTAL		28,171	72,096	94,813	139,590	164,122

Table 7-7
SH 130 Element
Traffic Forecast, Annually through 2042

Fiscal Year	Average Weekday Toll Transactions by Segment					Traffic Growth
	1	2	3	4	Total	
	IH 35 - US 79	US 79 - US 290	US 290 - SH 71	SH 71 - US 183 N	IH 35 - US 183 N	
2008	10,159	18,162	8,740	5,100	42,161	
2009	12,982	23,282	12,602	8,990	57,856	37.2%
2010	14,656	26,356	14,743	10,302	66,058	14.2
2011	19,136	31,929	19,112	14,430	84,607	28.1
2012	21,534	36,257	21,723	16,290	95,804	13.2
2013	23,599	40,052	24,015	17,903	105,569	10.2
2014	24,999	42,725	25,635	19,012	112,371	6.4
2015	26,399	45,398	27,255	20,121	119,173	6.1
2016	23,821	40,042	22,434	14,575	100,873	-15.4
2017	25,500	43,146	24,348	15,958	108,953	8.0
2018	27,179	46,251	26,262	17,341	117,032	7.4
2019	28,858	49,355	28,176	18,724	125,112	6.9
2020	30,536	52,459	30,090	20,107	133,192	6.5
2021	33,508	57,367	32,956	24,803	148,634	11.6
2022	35,792	61,868	35,786	27,246	160,692	8.1
2023	38,077	66,368	38,617	29,689	172,751	7.5
2024	40,361	70,869	41,447	32,133	184,809	7.0
2025	42,645	75,369	44,277	34,576	196,867	6.5
2026	40,611	64,565	37,677	27,654	170,507	-13.4
2027	42,497	67,707	39,648	29,182	179,035	5.0
2028	44,382	70,847	41,617	30,709	187,555	4.8
2029	46,258	73,968	43,573	32,225	196,023	4.5
2030	48,116	77,055	45,504	33,720	204,395	4.3
2031	49,948	80,093	47,400	35,185	212,626	4.0
2032	51,745	83,066	49,248	36,610	220,670	3.8
2033	53,498	85,958	51,037	37,985	228,478	3.5
2034	55,199	88,751	52,755	39,298	236,004	3.3
2035	56,838	91,430	54,390	40,542	243,200	3.0
2036	54,290	87,354	51,987	38,764	232,395	-4.4
2037	55,675	89,587	53,321	39,761	238,344	2.6
2038	57,046	91,793	54,633	40,740	244,212	2.5
2039	58,422	94,007	55,951	41,723	250,104	2.4
2040	59,802	96,228	57,273	42,709	256,012	2.4
2041	61,185	98,453	58,597	43,696	261,931	2.3
2042	62,569	100,680	59,923	44,685	267,857	2.3

Plans for the SH 130 element contemplate a four-lane turnpike having two twelve-foot lanes in each direction separated by a wide grass median as shown in Figure B-2 of the Engineering Report describing the 2002 Project. However, to reduce initial construction expense, the TTA may initially construct a four-lane turnpike having two twelve-foot lanes in each direction separated by a continuous concrete median barrier. This alternative undivided turnpike section is illustrated in Figure B-3 of the Engineering Report. URS has been advised by the TTA that the undivided cross-section option could comprise up to one-half of the total length of the SH 130 element of the 2002 Project. TTA has committed to construct initially all points of ingress and egress, cross-thoroughfare grade separations, intersections, and direct turnpike-to-freeway connections as depicted in the Engineering Report in conformance with the time schedule of Section 6.1 of this report. URS has evaluated the potential impact of the interim undivided cross-section option on its traffic and revenue forecasts published in this report. The functional operation of the SH 130 element under the undivided cross section would be no different than its operation with the wide median.

7.5.2 Traffic Distribution/Cost per Mile

Table 7-3 (on page 7-11) lists the per-mile auto toll rate for the SH 130 element for both full-length (49-mile) trips and for each of the four segments (ranging from 9.5 miles to 18.2 miles) that make up the full project. Each of the SH 130 element segments is defined as having a single mainline toll barrier and a corresponding system of toll ramps. During its first eight years of operation (September 2007 through August 2014), the average full-length per-mile auto cash toll will be 12.2 cents (as shown in the table).

In addition to full-length and segment tolls shown in Table 7-3, some drivers will use SH 130 locally on much shorter trips, paying only ramp tolls, while others will pay a combination of barrier and ramp tolls depending on their entry/exit locations. Their per-mile rates will depend on the specific toll associated with their individual trips (distance traveled on SH 130). Table 7-8 is a representative distribution of the 2010 auto trips in cost-per-mile increments of 5 cents:

Table 7-8
SH 130 Element
2010 Cost-Per-Mile Distribution of Auto Trips

Cost Per Mile (cents)	Average Weekday Traffic	
	No. of Trips	Percent
<5	168	0.3%
5-10	6,698	11.2
10-15	26,817	45.1
15-20	12,937	21.7
20-25	4,612	7.8
25-30	2,551	4.3
30-35	2,130	3.6
35-40	1,157	1.9
40-45	921	1.5
45-50	878	1.5
50-55	169	0.3
55-60	0	0.0
60-65	24	0.0
65-70	0	0.0
70-75	0	0.0
75-80	0	0.0
80-85	39	0.1
85-90	36	0.1
90-95	106	0.2
>95	255	0.4
Total	59,498	100.0

Note that 45 percent of the trips are in the 10-15 cents-per-mile range, and that 78 percent of the trips are in the 5-20 cents-per-mile range. This latter range includes the 8.2-15.8 cents-per-mile range in connection with the per-mile segment tolls from Table 7-3 (on page 7-13).

7.5.3 Screenline Analysis

Traffic volumes across a representative screenline in the SH 130 element corridor - the Colorado River - was discussed on pages 2-1 and 2-2. The Colorado River screenline in Table 2-2 best illustrates the historical traffic levels in the SH 130 element corridor.

For the purpose of the SH 130 element screenline analysis, four screenlines were selected, corresponding to the location and latitude of the four SH 130 mainline toll barriers (within each of the four SH 130 segments). Figure 7-4 on page 7-21 shows the locations of the four screenlines. Note that all four screenlines extend from IH 35 eastward (i.e., bounded on the western edge by IH 35), as representative of the SH 130 corridor.

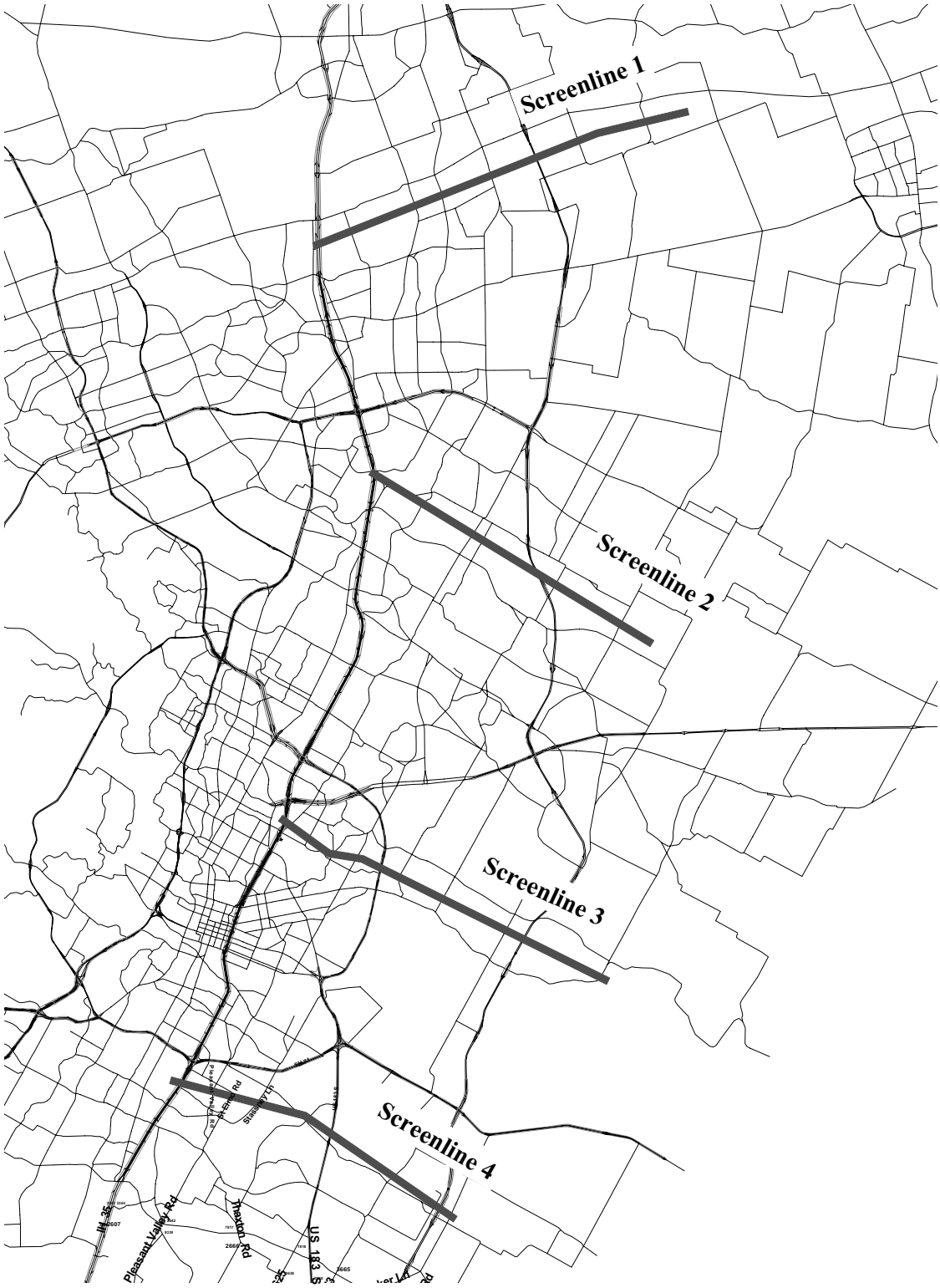
Using the CAMPO model developed for the 2002 Project (as explained in Chapter 3), the five model years (2007, 2010, 2015, 2020 and 2025) were selected to illustrate the results of the screenline analysis. These results are shown below in Table 7-9. Since IH 35, US 183 and SH 130 are projected in the aggregate to carry the majority of the future traffic, and inasmuch as the other less-traveled routes vary from screenline to screenline, we have combined the other routes for illustrative purposes in Table 7-9. Traffic on individual routes for each screenline is shown in Figures 7-5 through 7-8.

Table 7-9
SH 130 Element
Screenline Analysis

Screen-line	Year	Average Weekday Traffic					Percent SH 130
		IH 35	US 183	SH 130	Other	Total	
1	2007	90,056	(A)	12,466	19,587	122,109	10%
	2010	100,376	(A)	15,022	25,646	141,044	11
	2015	111,899	(A)	16,288	30,360	158,547	10
	2020	117,412	(A)	23,686	39,319	180,417	13
	2025	125,030	(A)	28,878	52,041	205,949	14
2	2007	105,601	(A)	14,560	70,168	190,329	8
	2010	114,762	(A)	19,245	79,341	213,348	9
	2015	127,696	(A)	21,326	99,547	248,569	9
	2020	135,391	(A)	31,418	116,302	283,111	11
	2025	141,131	(A)	36,226	154,905	332,262	11
3(B)	2007	199,824	70,691	9,382	60,408	340,305	3
	2010	200,620	74,664	14,150	64,668	354,102	4
	2015	201,373	88,158	14,238	62,299	366,068	4
	2020	207,947	102,028	18,918	74,451	403,344	5
	2025	202,648	102,450	27,458	80,291	412,847	7
4	2007	155,571	26,994	0	21,765	204,330	0
	2010	159,513	23,730	11,738	23,282	218,263	5
	2015	160,982	37,289	10,302	35,805	244,378	4
	2020	168,709	46,955	15,004	41,961	272,629	6
	2025	171,528	46,615	18,156	56,411	292,710	6

(A) US 183 is west of IH 35 at screenlines 1 and 2, and, therefore, not within the SH 130 corridor as defined above.
(B) This screenline, at the latitude of SH 130 toll barrier between FM 973 and FM 969, approximates the Colorado River screenline in Table 2-2.

Figure 7-4
SH 130 Element
Screenline Analysis Locations



	IH 35	CR 115	FM 1460	Arterial A	CR 110	SH 130	CR 100	FM 1660	
Model Year 2007	90,056	3,816	10,432		3,643	12,466	294	1,402	
	74%	3%	9%	0%	3%	10%	0%	1%	**Total: 122,109**
Model Year 2010	100,376	4,065	15,522		4,841	15,022	348	870	
	71%	3%	11%	0%	3%	11%	0%	1%	**Total: 141,044**
Model Year 2015	111,899	7,132	6,334	6,615	8,492	16,288	727	1,060	
	71%	4%	4%	4%	5%	10%	0%	1%	**Total: 158,547**
Model Year 2020	117,412	7,744	10,491	10,022	7,887	23,686	1,888	1,287	
	65%	4%	6%	6%	4%	13%	1%	1%	**Total: 180,417**
Model Year 2025	125,030	8,511	15,225	10,864	12,860	28,878	3,048	1,533	
	61%	4%	7%	5%	6%	14%	1%	1%	**Total: 205,949**

Figure 7-5
SH 130 Element
Screenline 1 Volumes

See Figure 7-2 for screenline locations.

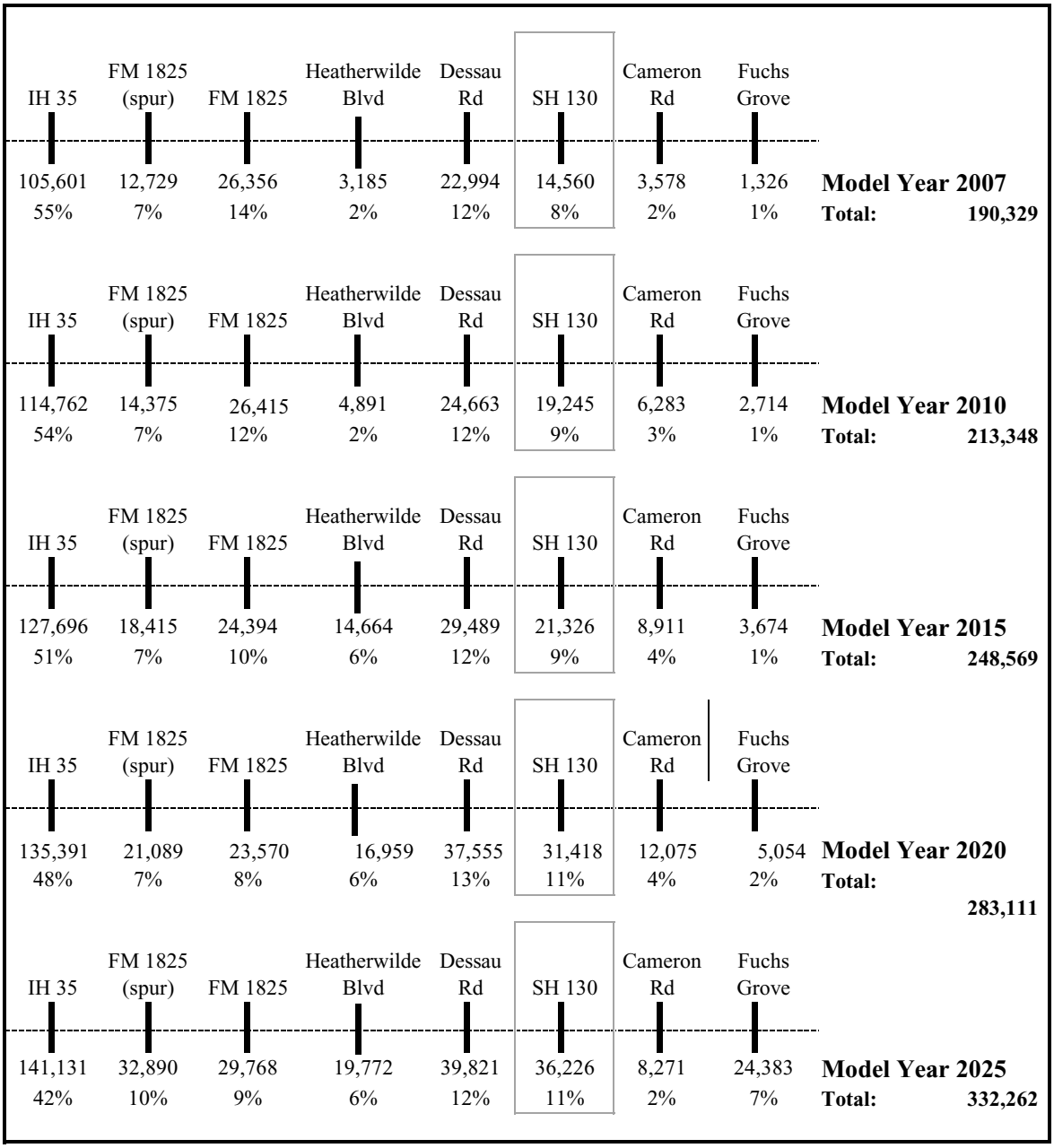


Figure 7-6
SH 130 Element
Screenline 2 Volumes

See Figure 7-2 for screenline locations.

	IH 35	Cameron Rd	Berkman Dr/Manor Rd	Springdale Rd	US 183	Johnny Morris Rd	FM 3177	FM 973	SH 130	FM 969	
Model Year 2007	199,824	25,647	5,311	4,177	70,691	287	13,994	2,722	9,382	8,270	
	59%	8%	2%	1%	21%	0%	4%	1%	3%	2%	**Total: 340,305**
Model Year 2010	200,620	26,157	6,246	4,640	74,664	372	14,334	3,367	14,150	9,552	
	57%	7%	2%	1%	21%	0%	4%	1%	4%	3%	**Total: 354,102**
Model Year 2015	201,373	26,179	6,304	5,229	88,158	568	8,653	8,410	14,238	6,956	
	55%	7%	2%	1%	24%	0%	2%	2%	4%	2%	**Total: 366,068**
Model Year 2020	207,947	27,539	6,959	6,000	102,028	707	12,511	8,763	18,918	11,972	
	52%	7%	2%	1%	25%	0%	3%	2%	5%	3%	**Total: 403,344**
Model Year 2025	202,648	11,061	11,114	5,627	102,450	4,495	13,065	30,187	27,458	4,742	
	49%	3%	3%	1%	25%	1%	3%	7%	7%	1%	**Total: 412,847**

Figure 7-7
SH 130 Element
Screenline 3 Volumes

See Figure 7-2 for screenline locations.

	IH 35	Pleasant Valley/St. Elmo Rd.	Stassney Ln	McKinney Falls Pkwy	US 183	FM 973	Ross Rd	SH 130	Blocker Ln	
Model Year 2007	155,571	11,538	-	2,657	26,994	6,615	955	-	-	
	76%	6%	0%	1%	13%	3%	0%	0%	0%	**Total: 204,330**
Model Year 2010	159,513	12,420	-	3,324	23,730	6,820	718	11,738	-	
	73%	6%	0%	2%	11%	3%	0%	5%	0%	**Total: 218,263**
Model Year 2015	160,982	20,322	-	4,362	37,289	5,613	218	10,302	5,290	
	66%	8%	0%	2%	15%	2%	0%	4%	2%	**Total: 244,378**
Model Year 2020	168,709	20,463	-	4,640	46,955	7,704	364	15,004	8,790	
	62%	8%	0%	2%	17%	3%	0%	6%	3%	**Total: 272,629**
Model Year 2025	171,528	15,719	10,617	3,659	46,615	15,490	372	18,156	10,554	
	59%	5%	4%	1%	16%	5%	0%	6%	4%	**Total: 292,710**

Figure 7-8
SH 130 Element
Screenline 4 Volumes

See Figure 7-2 for screenline locations.

The volumes for SH 130 in Table 7-9 in the years 2015, 2020 and 2025 correspond approximately to the mainline plaza volumes posted in Table 7-6 (on page 7-16), since the screenlines were established at those latitudes. The Table 7-9 volumes are slightly higher because the Table 7-6 volumes were reduced for toll evasion and revenue "leakage." The volumes for 2007 and 2010, however, do not correspond to the respective volumes in Table 7-6, because the Table 7-6 volumes also have been reduced considerably for *ramp-up*, while the Table 7-9 volumes have not been so reduced. (Refer to the *ramp-up* factors on page 7-27.) *Ramp-up* is not a factor in 2015, 2020 and 2025.

The principal observations regarding the screenline analysis indicate that IH 35 traffic (shown in Table 7-9 as the combined mainline and service road volumes) will continue to increase and be the highest in the defined SH 130 element corridor, but in percentage terms will decline relative to SH 130. Correspondingly, SH 130 traffic will increase appreciably in relative terms, as vacant land to the east of IH 35 is developed and IH 35 becomes more congested over time. Also of significance is that SH 130 traffic will start out in 2007 with only 3-10 percent of the corridor traffic (even less when *ramp-up* is accounted for), depending on the screenline, and increase to only 6-14 percent by 2025. These are modest forecasts considering the superior service to be provided by SH 130.

7.5.4 Revenue Forecasts

Using the average weekday traffic forecasts from the model outputs in Section 7.5.1 of the report, along with the screenline checks in Section 7.5.2, the revenue forecast for the SH 130 element was developed on the basis of the toll collection plan in Sections 7.3 and 7.4 and the following criteria:

1. Transponder users (electronic toll collection) will be given a 10 percent toll discount regardless of trip frequency.

2. The transponder market share for autos will start out at 40 percent in 2007, increasing to 60 percent by 2025. The truck percentages will increase from 30 percent to 50 percent during the same period.

3. The traffic mix for trucks (for revenue-estimation purposes) will be such that the aggregate toll multiplier for trucks as characterized by the CAMPO model will remain steady at 3.1. Under the *N minus 1* toll structure, the five-axle-truck toll will be 4.0 times the two-axle (auto) rate, so the 3.1 multiplier reflects a significant volume of smaller trucks in the traffic mix.

4. SH 130 element traffic will *ramp-up* as follows, on the basis of recent experience of new toll road projects that were opened to traffic in the 1990s:

Calendar Year	Fiscal Year	Ratio to Raw Model Output
2007	2008	0.54
2008	2009	0.65
2009	2010	0.78
2010	2011	0.83
2011	2012	0.92
2012	2013	0.97
2013	2014	1.00

5. The average weekday traffic volumes from the model have been annualized conservatively using a factor of 320. This factor was selected on the basis of actual data compiled from four locations — two non-toll facilities in the Austin area and two suburban toll projects in Florida:

Facility	Factor
IH 35 north of Town Lake Bridge, Austin	341
US 183 south of SH 71, Austin	325
Seminole Expressway, Orlando area	323
Veterans Expressway, Tampa area	331

6. The SH 130 element will be efficiently maintained and operated, but even under the most efficient operation, there will be some toll evasion and revenue "leakage" that have been deducted from the model-produced traffic and revenue forecasts (after *ramp-up*). While "leakage" (such as non-readable transponders) is not truly evasion, it still has a negative effect on revenues. The following consolidated evasion-leakage factors were used to develop the SH 130 element revenues:

Toll Plaza Type	Transponder or Cash	Evasion, Leakage
Mainline plazas	Transponder	2.5%
	Cash	5.0
Unattended ramp plazas *	Transponder	2.5
	Cash	15.0

* For the purposes of the revenue forecast, URS has assumed that none of the SH 130 ramps would be staffed at any time during the day, even though TxDOT is considering a partial staffing plan that would have the effect of increasing the revenue forecast.

On this basis, the revenue forecast for the SH 130 element was developed as summarized in Table 7-10. The forecast is stated on a fiscal year basis, as carried over from Table 7-7.

Table 7-10
SH 130 Element
Toll Revenue Forecast

Fiscal Year	Annual Toll Revenue (000) by Segment					Revenue Growth
	1	2	3	4	Total	
	IH 35 - US 79	US 79 - US 290	US 290 - SH 71	SH 71 - US 183 N	IH 35 US 183 N	
2008	$ 5,053	$ 6,839	$ 4,123	$ 2,470	$ 18,485	
2009	6,468	8,817	5,861	4,397	25,543	38.2%
2010	7,314	10,032	6,856	5,074	29,275	14.6
2011	9,082	12,529	8,825	7,065	37,502	28.1
2012	10,249	14,215	10,045	7,943	42,452	13.2
2013	11,261	15,690	11,118	8,698	46,767	10.2
2014	11,955	16,725	11,881	9,207	49,769	6.4
2015	12,650	17,761	12,643	9,717	52,771	6.0
2016	15,956	22,571	14,427	10,114	63,068	19.5
2017	17,159	24,393	15,701	10,990	68,242	8.2
2018	18,362	26,214	16,974	11,866	73,417	7.6
2019	19,566	28,036	18,248	12,741	78,591	7.0
2020	20,769	29,857	19,522	13,617	83,766	6.6
2021	22,968	32,753	20,274	15,880	91,874	9.7
2022	24,632	35,224	22,083	17,245	99,184	8.0
2023	26,296	37,695	23,892	18,611	106,493	7.4
2024	27,959	40,165	25,701	19,976	113,802	6.9
2025	29,623	42,636	27,510	21,342	121,111	6.4
2026	35,700	47,957	33,516	23,471	140,643	16.1
2027	37,358	50,291	35,269	24,768	147,687	5.0
2028	39,015	52,623	37,021	26,064	154,722	4.8
2029	40,664	54,941	38,761	27,350	161,715	4.5
2030	42,297	57,234	40,479	28,619	168,629	4.3
2031	43,907	59,491	42,165	29,863	175,426	4.0
2032	45,487	61,699	43,809	31,072	182,068	3.8
2033	47,028	63,847	45,400	32,239	188,515	3.5
2034	48,524	65,922	46,928	33,354	194,728	3.3
2035	50,041	68,027	48,477	34,484	201,030	3.2
2036	54,753	74,440	53,056	37,746	219,996	9.4
2037	56,150	76,344	54,417	38,717	225,628	2.6
2038	57,533	78,223	55,757	39,671	231,184	2.5
2039	58,921	80,110	57,102	40,628	236,761	2.4
2040	60,312	82,003	58,451	41,587	242,354	2.4
2041	61,707	83,899	59,803	42,549	247,958	2.3
2042	63,103	85,797	61,156	43,511	253,567	2.3

7. Table 7-11, below, shows revenue by mode for the SH 130 portion of the 2002 Project. Truck volumes are approximately nine to ten percent of the revenue traffic on SH 130. Since trucks pay a higher toll rate, their percentage of the total revenue is higher. For percentage of revenue from trucks varies within a range of 24.2 percent to 28.9 percent of total revenues. It should be noted that trucks are defined within the CAMPO model to include both 2-axle, 6-tire trucks, and all trucks having 3 or more axles. The percentage of revenue derived from trucks is generally reduced over time. This is due primarily to the increased sensitivity of truck trips to increased toll levels. For this reason, the truck-related revenue decreases noticeably both in 2015 and 2025, when planned toll increases would be implemented.

Table 7-11
SH 130 Transaction and Revenue Percentages by Vehicle Type

Vehicle Type	Year				
	2007	2010	2015	2020	2025
Auto Transactions	90%	89.4%	90.6%	90.2%	91.3%
Truck Transactions	10.0	10.6	9.4	9.8	8.7
Total	100.0	100.0	100.0	100.0	100.0
Auto Revenue	72.4	71.1	74.3	72.9	75.8
Truck Revenue	27.6	28.9	25.7	27.1	24.2
Total	100.0%	100.0%	100.0%	100.0%	100.0%

As stated in Section 7.4, the traffic and revenue forecasts for the SH 130 element are based on the *N minus 1* toll structure for trucks. A supplemental analysis was conducted to estimate the impact of reducing truck tolls by assessing them on a straight per-axle rate instead of *N minus 1*. While this would increase the truck usage of SH 130, the average truck toll would be reduced to the extent that the impact on total SH 130 revenue would be only slightly positive. Accordingly, since SH 130 will relieve traffic on IH 35, before the SH 130 element is opened TxDOT and URS will reconsider the issue of truck tolls to maximize the benefit of the 2002 Project to the region.

8 REVENUE FORECAST FOR THE 2002 PROJECT

The revenue forecasts for the 2002 Project, developed for the Northwestern Austin Area elements in Chapter 6 and the SH 130 element in Chapter 7, have been combined here in Chapter 8 for the full 2002 Project.

8.1 Summary of Forecasting Assumptions

Following is the list of assumptions upon which the revenue forecasts for the 2002 Project were based:

1. The 2002 Project will be open to traffic at the times set out in section 6.1 and 7.1.

2. Interchange direct ramps between the 2002 Project components will be open to traffic at the time set out in sections 6.1 and 7.1. During the latter period, such ramps will replace some indirect connections provided initially via the elements' frontage roads.

3. US 183A will be financed and constructed as a toll facility or freeway and will be open to traffic in September 2011.

4. SH 45 South from SH 130 to IH 35 will be financed and constructed as a toll facility or freeway and will be open to traffic in September 2010, and IH 35 to Loop 1 in September 2025.

5. The toll collection plans and rates for the 2002 Project described in Sections 6.3, 6.4, 7.3, 7.4, and 7.5 of the report, will be implemented as proposed. This includes a toll discount of 10 percent for transponder users (electronic toll collection), the *N minus 1* toll structure for multi-axle vehicles, and periodic toll increases through 2035.

6. Transponder market shares for the 2002 Project will occur as forecast in Sections 6.5 and 7.5 of the report.

7. The traffic mix for trucks will vary for the 2002 Project, such that the toll multiplier (for revenue-estimation purposes) for trucks of 3+ axles will remain steady at 3.1 for the SH 130 element and at 2.5 for the Northwest Austin Area elements.

8. The socioeconomic growth discussed in Chapter 4 of the report will occur as forecast.

9. The highway network improvements discussed in Chapter 5 of the report will be constructed as planned.

10. Inflation will continue at 3.0 percent annually (compounded) during the forecast period through 2042.

11. 2002 Project traffic during the early years of operation will *ramp-up* as formulated in Sections 6.5 and 7.5 of the report.

12. The 2002 Project will be efficiently maintained and operated, but even under the most efficient operation, there will be some toll evasion and revenue "leakage" that have been deducted from the model-produced traffic and revenue forecasts (after ramp-up) — discussed in Sections 6.5 and 7.5 of the report.

13. Motor fuel will remain in adequate supply during the forecast period, and motor fuel prices (i.e., the average price for regular gasoline) in the foreseeable future will not increase above the 1980 peak, which, if adjusted for inflation, in current dollars would not be more than 2.50 per gallon.

14. Federal and state fuel tax increases will not increase to the extent that, together with fuel price increases, pump prices exceed 2.50 per gallon.

15. No radical change in travel modes, which would drastically curtail motor vehicle use, is expected during the forecast period.

16. In the long term, generally normal economic conditions will prevail in Texas and the United States, and there will not occur a major depression, national emergency or prolonged fuel shortage.

As for the projections themselves, while they are stated year-by-year, they are intended to show the trends that may reasonably be anticipated on the basis of the above assumptions.

8.2 Total Toll Revenue Forecast

On the basis of the above assumptions, the revenue forecasts for the 2002 Project have been combined in Table 8-1.

Table 8-1
2002 Project Revenue Forecast

Fiscal Year Ending Aug. 31	Toll Revenue (000)			Fiscal Year ending Aug. 31	Toll Revenue (000)		
	Northwest Austin Area Elements	SH 130 Element	Total		Northwest Austin Area Elements	SH 130 Element	Total
				2026	$ 92,295	$ 140,643	$232,939
				2027	94,967	147,687	242,654
2008	$ 16,511	$ 18,485	$ 34,996	2028	97,639	154,722	252,361
2009	24,111	25,543	49,654	2029	100,310	161,715	262,026
2010	30,418	29,275	59,693	2030	102,982	168,629	271,611
2011	34,665	37,502	72,166	2031	105,654	175,426	281,080
2012	37,757	42,452	80,208	2032	108,325	182,068	290,393
2013	39,024	46,767	85,791	2033	110,997	188,515	299,512
2014	40,292	49,769	90,060	2034	113,669	194,728	308,396
2015	41,559	52,771	94,330	2035	116,340	201,030	317,370
2016	54,274	63,068	117,342	2036	136,754	219,996	356,750
2017	55,811	68,242	124,053	2037	139,820	225,628	365,448
2018	57,348	73,417	130,764	2038	142,886	231,184	374,070
2019	58,885	78,591	137,476	2039	145,952	236,761	382,713
2020	60,421	83,766	144,187	2040	149,018	242,354	391,372
2021	62,890	91,874	154,764	2041	152,084	247,958	400,042
2022	65,668	99,184	164,852	2042	155,150	253,567	408,717
2023	68,447	106,493	174,940				
2024	71,226	113,802	185,028				
2025	74,004	121,111	195,116				

It is our opinion that the revenue projections are reasonable and that they have been prepared in accordance with accepted practice for investment-grade studies. However, given the uncertainties within the current international and economic climate, the consultant team considers it necessary to state that they are based on the following caveats:

1. This report presents the results of our consideration of the information available to us as of the date hereof and the application of our experience and professional judgment to that information. It is not a guarantee of any future events or trends.

2. The traffic and revenue forecasts will be subject to future economic and social conditions and demographic developments that cannot be predicted with certainty.

3. The projections contained in this report, while presented with numerical specificity, are based on a number of estimates and assumptions which, though considered reasonable to us, are inherently subject to significant economic and competitive uncertainties and con-

tingencies, many of which will be beyond our control and that of the Authority. In many instances, a broad range of alternative assumptions could be considered reasonable. Changes in the assumptions used could result in material differences in projected outcomes, as described in Chapter 9.

4. If, for any reason, any of these conditions should change due to changes in the economy or competitive environment, or other factors, the consultant team's opinions or estimates may require amendment or further adjustments.

8.3 Service Center Revenue Analysis

The Texas Turnpike Authority (TTA) as part of the overall development of the Central Texas Turnpike 2002 Project has put together a program for violation enforcement. This program, supported by the legislative authority to collect tolls and fees as part of the violation identification process is expected to generate revenues which will be part of the dedicated gross revenue stream for the Authority. The TTA has evaluated the likely operation of the Violation Enforcement System (VES) and the potential revenue that would be derived from the program. As part of this report, we have reviewed the assumptions and methodologies prepared by the TTA, made several modifications to the analysis, and with these changes have determined that they are reasonable for the basis of determining future VES revenues.

The revenue analysis for the both the Northwest elements and SH 130 assume that there will be certain transactions for which revenue will not be captured. This will be a combination of technical difficulties in the equipment, user ignorance of the system (and ending up in the wrong lane) and willful intent not to pay tolls. The VES will act as both a deterrent to willful evasion as well as a means for equipment malfunctions to be corrected.

The VES is expected to collect revenues in three major areas:

- first, for those violations where there were either equipment problems or the user of an active account did not have their transponder in place, it would collect the toll that should have been collected at the time of the transaction;

- second, for those users who do not have the correct payment at the time of the transaction, but can be identified via video afterward, the user will be identified and sent a letter, whereupon the payment of the toll will also include an administrative fee, at this time assumed to be $10 (this is the toll collection equivalent to a parking ticket); and

- third, when the administrative letter of the violation is ignored by the user, a citation will be issued; the citation and fee is assumed to be $100 (plus court costs whose revenues do not go into the VES revenue stream), plus the toll costs.

The toll industry does not release accurate statistics regarding how such VES programs performed, but there is reasonable information to derive how it will likely perform. Consider 100 measured toll violations. It is expected that about 40% will be unable to be identified

through the VES process, thus only 60 of the 100 are enforceable. Of the 60 violations, it is estimated that "one time violations" will account for about 60% (the proposed VES policies allow one violation every 30 days be forgiven). Thus only 40% of the 60 violations, (or 24% of the original 100 violations) will be sent violation notices.

It is expected that 45% of those receiving the violation notice will be tag customers otherwise unidentified (for example, a customer with a new license plate not on file), and will just have the toll collected from the transaction. That is, 45% of the 24% receiving notices (10.8% of all violations) will pay the toll. It is expected that 15% of those receiving notices (15% times 24%, or 3.6% of all violations) will pay the $10 administrative fee plus the toll. Lastly it is expected that 40% of those receiving the violation notice will ignore the letter.

Of those ignoring the letter (40% of the 24% who received the letter, or 9.6% of all violations), it is estimated that 80% will be mailed citations. Of those 80%, it is expected that 10% will ultimately pay the $100 citation fee and toll.

In summary, it is expected that:

10.8% of all violations will pay the toll,
3.6 % of all violations will pay the $10 administrative fee plus the toll, and
0.8% of all violations will pay the $100 citation plus the toll.

As shown in Table 8-2, we have estimated based upon the total violations the following revenues to be derived from the violation enforcement system. Also shown in Table 8-2 are revenues to be received from interest earned by TTA from the customer-paid transponder deposit subscription held by TTA. The TTA will require a deposit of $35 for all tags in service, and interest on these tag deposits is estimated to be 3% per year over the course of the project. Using information of frequency of future users and likely number of users in the system, we have estimated the number of tags for which deposits will be held, and added this amount to the violation revenues. We have capped the maximum number of tags available in the region to be one million, assuming saturation of tag usage.

Table 8-2
Customer Service Center Revenue Forecast

Fiscal Year	Revenue			Total Service Revenues	Interest Earned On Tag Deposit	Total CSC Revenues
	Toll	Toll + $10 fee	Toll + $100 Citation			
2008	$ 190,000	$ 700,000	$ 1,390,000	$ 2,280,000	$ 80,000	$ 2,360,000
2009	260,000	990,000	1,960,000	3,210,000	160,000	3,370,000
2010	320,000	1,250,000	2,470,000	4,040,000	230,000	4,270,000
2011	370,000	1,420,000	2,800,000	4,590,000	340,000	4,930,000
2012	390,000	1,490,000	2,930,000	4,810,000	440,000	5,250,000
2013	420,000	1,560,000	3,080,000	5,060,000	550,000	5,610,000
2014	410,000	1,540,000	3,040,000	4,990,000	650,000	5,640,000
2015	420,000	1,550,000	3,050,000	5,020,000	760,000	5,780,000
2016	520,000	1,480,000	2,820,000	4,820,000	800,000	5,620,000
2017	550,000	1,550,000	2,960,000	5,060,000	860,000	5,920,000
2018	610,000	1,700,000	3,240,000	5,550,000	900,000	6,450,000
2019	640,000	1,770,000	3,380,000	5,790,000	960,000	6,750,000
2020	700,000	1,920,000	3,670,000	6,290,000	1,000,000	7,290,000
2021	760,000	2,090,000	3,980,000	6,830,000	1,050,000	7,880,000
2022	760,000	2,110,000	4,020,000	6,890,000	1,050,000	7,940,000
2023	770,000	2,120,000	4,030,000	6,920,000	1,050,000	7,970,000
2024	770,000	2,110,000	4,010,000	6,890,000	1,050,000	7,940,000
2025	770,000	2,120,000	4,030,000	6,920,000	1,050,000	7,970,000
2026	900,000	1,990,000	3,670,000	6,560,000	1,050,000	7,610,000
2027	930,000	2,060,000	3,820,000	6,810,000	1,050,000	7,860,000
2028	970,000	2,140,000	3,960,000	7,070,000	1,050,000	8,120,000
2029	1,010,000	2,220,000	4,100,000	7,330,000	1,050,000	8,380,000
2030	1,050,000	2,300,000	4,240,000	7,590,000	1,050,000	8,640,000
2031	1,090,000	2,370,000	4,380,000	7,840,000	1,050,000	8,890,000
2032	1,120,000	2,450,000	4,520,000	8,090,000	1,050,000	9,140,000
2033	1,160,000	2,520,000	4,650,000	8,330,000	1,050,000	9,380,000
2034	1,190,000	2,600,000	4,790,000	8,580,000	1,050,000	9,630,000
2035	1,230,000	2,670,000	4,920,000	8,820,000	1,050,000	9,870,000
2036	1,380,000	2,640,000	4,750,000	8,770,000	1,050,000	9,820,000
2037	1,410,000	2,700,000	4,860,000	8,970,000	1,050,000	10,020,000
2038	1,450,000	2,760,000	4,980,000	9,190,000	1,050,000	10,240,000
2039	1,480,000	2,820,000	5,090,000	9,390,000	1,050,000	10,440,000
2040	1,510,000	2,890,000	5,210,000	9,610,000	1,050,000	10,660,000
2041	1,550,000	2,950,000	5,320,000	9,820,000	1,050,000	10,870,000
2042	1,580,000	3,010,000	5,430,000	10,020,000	1,050,000	11,070,000

9 SENSITIVITY ANALYSES

As stated in Chapter 8 in connection with the 2002 Project revenue forecast and the assumptions upon which they were based, in many instances, a broad range of alternative assumptions could be considered reasonable, which could result in material differences in the forecasts. This section of the report considers the sensitivity of the 2002 Project traffic and revenue forecasts to reasonable changes in the highway network, socioeconomic growth, toll diversion coefficients (willingness to pay toll), inflation rates, and traffic/toll elasticity.

9.1 Overview of Analyses

On the basis of discussions with TTA, the consultant team and the peer review consultant, ten sensitivity analyses were conducted to test the impacts on the 2002 Project:

- Network sensitivities (two tests)
- Socioeconomic sensitivities (three tests)
- Toll diversion coefficient sensitivities (two tests)
- Sensitivity to inflation rates (two tests)
- Traffic/toll elasticity and rate sensitivity (testing a range of toll levels above and below the rates selected for the 2002 Project revenue forecast)

All sensitivity analyses were conducted for the year 2015.

9.2 Network Sensitivities

Two network sensitivity tests were conducted: one with a "truncated" network (i.e., other turnpike projects removed) and one that assumed early completion of roadways competitive to the 2002 Project elements.

9.2.1 Truncated Network

For this test, two turnpike projects that are not part of the 2002 Project were removed from the 2015 network: US 183A in the Northwest Austin area and the eastern portion of SH 45 South. The removal of US 183A affects principally Loop 1, SH 45, and the northern sections of SH 130. The removal of eastern portion of SH 45 South will affect primarily the southern section of the SH 130 element. The results are as follows:

	NW Elements	SH 130 Element	Total 2002 Project
Revenue Difference from Base Case	+3%	+4%	+4%

The removal of US 183A in the northern portion of the study area will divert traffic to existing US 183, Parmer Lane, and a parallel section IH 35. Additional congestion on existing US 183

and IH 35 will then cause traffic to choose more attractive turnpike routings such as SH 45 North, Loop 1, and northern segments of SH 130.

In contrast, the removal of SH 45 South will generate a minor *loss* of revenue for the southernmost section of SH 130, which will offset a portion of the revenue gain in the northern sections. It should be noted that even with SH 45 South removed, the majority of longer-distance trips are still able to access SH 130 south of downtown Austin. Access to SH 130 would be provided via US 183 using SH 21 to connect back to IH 35. In addition, travelers will also be able to access SH 130 south of the downtown Austin via SH 71.

9.2.2 Early Completion of Competitive Roadways

For this test, selected roadways programmed for 2020 and 2025 that provide a competitive advantage versus the 2002 Project were advanced to 2015. Changes to major facilities that were advanced include extension of Anderson Mill Road and Howard Lane; upgrading US 183 South; addition of IH 35 HOV lanes, collector-distributor roads, and express lanes; and FM 973 widening. The effects on revenue are as follows.

	NW Elements	SH 130 Element	Total 2002 Project
Revenue Difference from Base Case	-2%	-5%	-4%

9.3 Socioeconomic Sensitivities

Three socioeconomic sensitivity tests regarding population and employment growth were conducted: one with a regional growth rate reduction, one with growth reduction in the Northwest Austin element study area only, and one with growth reduction in the SH 130 study area only.

9.3.1 Regional Growth Reduction

For this test, it was assumed that 2010 regional land use would be delayed to 2015, which has the effect of reducing the regional population growth rate from 2.6 percent annually to 1.7 percent during the period 2000-2015. During the same period the regional growth in employment would be reduced from 2.5 percent to 1.3 percent compounded annually. The effects on 2015 revenue are as follows.

	NW Elements	SH 130 Element	Total 2002 Project
Revenue Difference from Base Case	-18%	-20%	-19%

9.3.2 Northwest Area Growth Reduction

For this test, it was assumed that the Northwest Austin study area growth would be delayed by five years and the remainder of the metropolitan area would develop as forecast in the base case. This would have the effect of reducing population growth in the study area from an average of 2.6 percent to 1.7 percent annually during the period 2000-2015. Similarly, the growth in study area employment would be reduced from 2.3 percent to 1.6 percent compounded annually. Results are shown in the table below.

	NW Elements	SH 130 Element	Total 2002 Project
Revenue Difference from Base Case	-8%	-1%	-4%

9.3.3 SH 130 Corridor Growth Reduction

This sensitivity test assumed that only the SH 130 corridor would be affected by the delayed socioeconomic growth. Under this scenario, the annual growth rate for population in the corridor is reduced from 3.2 percent to 2.1 percent per year during the period 2000-2015. Similarly, the employment growth rate in the corridor is reduced from 4.3 percent to 2.5 percent. The effects on the 2015 revenue are as shown below.

	NW Elements	SH 130 Element	Total 2002 Project
Revenue Difference from Base Case	-12%	-19%	-16%

The reduction in revenue for SH 130, at 19 percent, just below the value for 20 percent reduction for test 9.3.1. The level of reduction essentially confirms that a significant level of development is anticipated for the corridor served by SH 130. Although the test for reducing growth in the SH 130 corridor is similar in its approach to the test conducted for the Northwest Elements under 9.3.2, it should be noted that the corridor defined for SH 130 includes approximately 340 travel analysis zones and therefore, is much larger than the corridor defined for the Northwest Elements. Due to its size, the SH 130 corridor also encompasses a portion of the region serving the Northwest Elements and the delayed socioeconomic growth significantly impacts the revenue for this project as well.

9.4 Toll Diversion Coefficient Sensitivities

Two toll diversion coefficient sensitivity tests were conducted, one using the Northwest elements' toll coefficients to forecast traffic and revenue for the SH 130 element, and one using toll coefficients halfway between the SH 130 coefficients and the coefficients that resulted from the stated preference survey.

9.4.1 Use of Northwest Elements Toll Coefficients for SH 130 Element

As explained earlier in the report, the toll coefficients from the stated preference survey were adjusted to make the 2002 Project elements less sensitive to the introduction and variation of tolls in the modeling process, less so for the Northwest elements than for the SH 130 element. For this test the coefficients for the Northwest elements were used to test their impact on the SH 130 element. The results are as shown below.

	NW Elements	SH 130 Element	Total 2002 Project
Revenue Difference from Base Case	N/A	-13%	-7%

9.4.2 Use of Toll Coefficients for the 2002 Project Halfway Between the SH 130 Coefficients and Those from the Stated Preference Survey

In this case, the cost coefficients in the toll diversion curves were changed to a point midway between the values used for the SH 130 element and the values found in the RSG report. This has the effect of reducing the value of time for the motorist and therefore reducing the probability of using the turnpike system. The impacts on revenue are shown in the following table.

	NW Elements	SH 130 Element	Total 2002 Project
Revenue Difference from Base Case	-9%	-22%	-16%

9.5 Sensitivity to Inflation Rates

An inflation rate of 3.0% per year was assumed in all traffic models, based on a review of historic rates of inflation over the past 10-year and 20-year periods. The rate of inflation is needed in the forecast models to properly reflect (discount) the future value of the tolls relative to other Consumer Price Indices. Rates of 2.5% and 2.0% were used to test the sensitivity of the model to inflation rates. Results are as follows:

	Inflation Rate	NW Elements	SH 130 Element	Total 2002 Project
Revenue Difference from Base Case	2.5%	-2%	-5%	-4%
	2.0%	-4%	-10%	-7%

9.6 Traffic/Toll Elasticity and Rate Sensitivity

Using the toll coefficients developed for the base case revenue forecast in Chapter 8 of the report, a range of toll levels, above and below the base case, were tested.

With regard to traffic/toll elasticity, the model outputs for the 2002 Project reflect the impact of the planned periodic toll increases, as muted by the impact of inflation on these higher tolls over time. As a check on the reasonableness of the model outputs, however, tests were conducted on all three 2002 Project elements to compare the model outputs with elasticity expectations. By choosing one model year, in this case, 2015, traffic/toll elasticity was tested by eliminating the effect of inflation.

Elasticity, as used herein, is the relationship between changes in traffic brought about by varying the toll:

$$\boldsymbol{e} = (\text{percent change in volume*}) \div (\text{percent change in toll**})$$

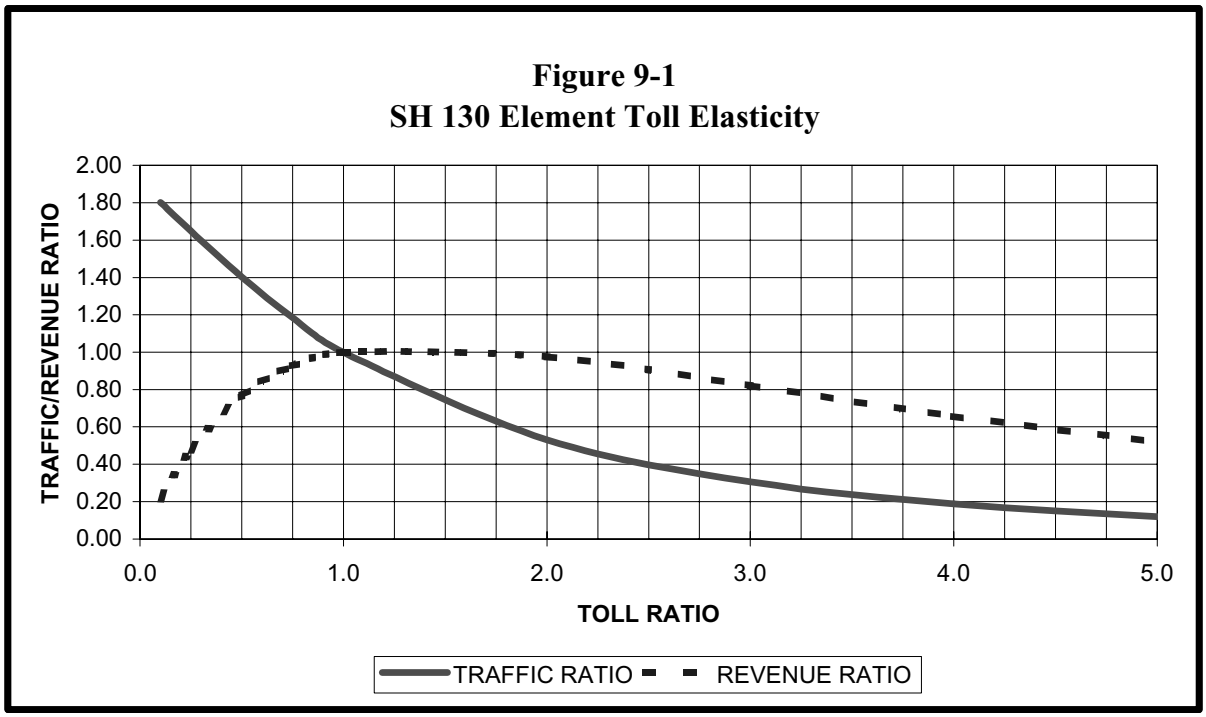
* relative to the volume at the lower toll
** relative to the lower toll

In other words, the factor *e* represents the relative decrease in traffic corresponding to a given increase in toll. The higher the factor, which is a negative figure, the more apt the facility will lose traffic due to increased tolls, which can be due to diversions to competing facilities, switches in travel modes and consolidation of trips. Values less than –0.1 for toll facilities are relatively inelastic; values from –0.1 to –0.25 are considered to be in lower range of moderate elasticity; values from –0.26 to –0.4 are considered to be moderately elastic, but in the upper range; and values higher than –0.4 are relatively elastic and, therefore, quite sensitive to tolls.

The impact of traffic/toll elasticity on revenues, however, shows that, within the range of moderate toll increases, the revenue benefit is positive. While turnpike element volumes will decrease with higher tolls, the combined effect of lower volumes at higher tolls usually mean an increase in revenue.

The model outputs for the SH 130 element indicate a greater sensitivity to changes in the toll level than that of the Northwest Austin Area elements. This is attributed to (1) the lower income levels in the SH 130 element corridor; (2) a less saturated network to the east of Austin, as contrasted with a more congested network in the northwest area; and (3) more route alternatives in the SH 130 element corridor than in the Loop 1 and SH 45 element corridors.

Figure 9-1 shows the elasticity curves for the year 2015 derived for the SH 130 element from the model outputs. The "toll ratio" refers to the multiple of the toll that was tested (i.e., a toll ratio of 2 equals two times the SH 130 base toll of $2.25, or $4.50). Similarly, the "traffic ratio" and "revenue ratio" represent the ratio of the toll sensitivity runs' traffic or revenue to that produced in the 2015 base case forecast.



These curves represent the aggregate impacts on two-axle and multi-axle vehicles combined. The elasticities, as defined in Section 9.1 of the report, range from –0.44 for two-axle vehicles to –0.71 for multi-axle vehicles, with a weighted average of –0.47. All are within the range of expectation. (For example, the elasticity factors, empirically derived from data provided by the North Texas Tollway Authority for the Dallas North Tollway, indicated factors ranging from –0.2 for two-axle vehicles and –0.6 for multi-axle vehicles.)

As expected, as tolls are increased, traffic can be expected to decrease; but revenues will increase, reaching a peak just slightly over the $52.8 million estimated in Table 7-10 for 2015, at a toll level between one and two times the base toll. It should be noted that the "base" toll rates used to generate this curve already include the scheduled toll increase for the year 2015. The flatness of the revenue curve results from the competing aspects for the toll diversion for autos and trucks. While further toll increases in the auto rates would still increase overall revenue, additional increases in the truck rates in the year 2015, beyond the scheduled increase, would not generate additional revenue. Therefore, if additional revenue is required from SH 130, this analysis indicates that only increases in the auto toll rates would be a viable approach. For years beyond 2015, as the effects of inflation gradually devalue the existing tolls, it would be possible again to raise truck toll rates.

Figure 9-2 and 9-3 show the elasticity curves for the year 2015 for the SH 45 and Loop 1 elements, respectively, as derived from the model outputs. As seen from these graphs, the Northwest Austin Area elements are less elastic to tolls than SH 130. SH 45 revenue will peak at three times the base toll of $1.00 per barrier, or $3.00, producing about 1.5 times the base revenue. Loop 1 revenue will peak at about four times the base toll of $1.00, or $4.00, producing nearly twice the revenue as the base toll.

Figure 9-2
SH 45 Element Toll Elasticity

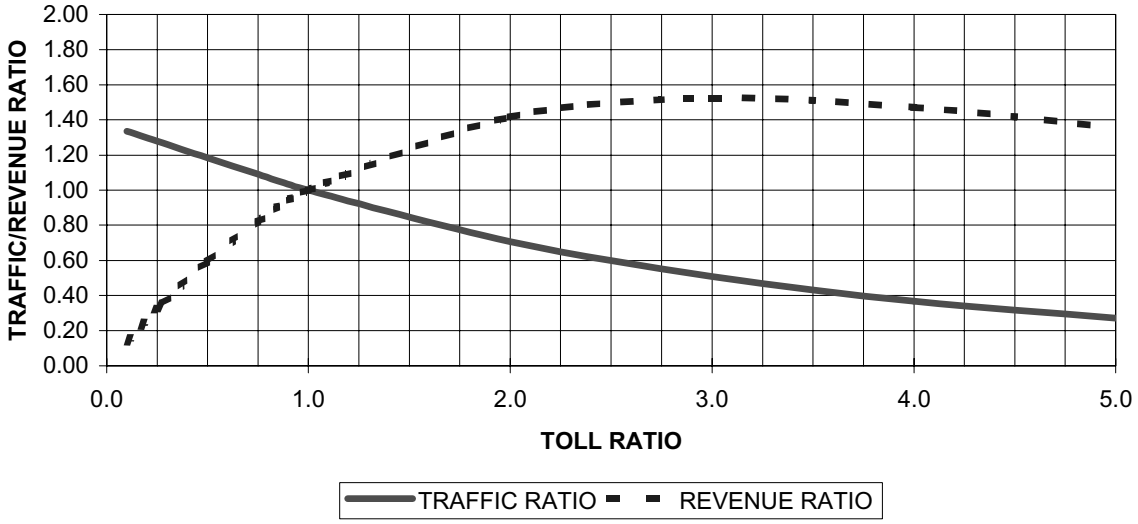
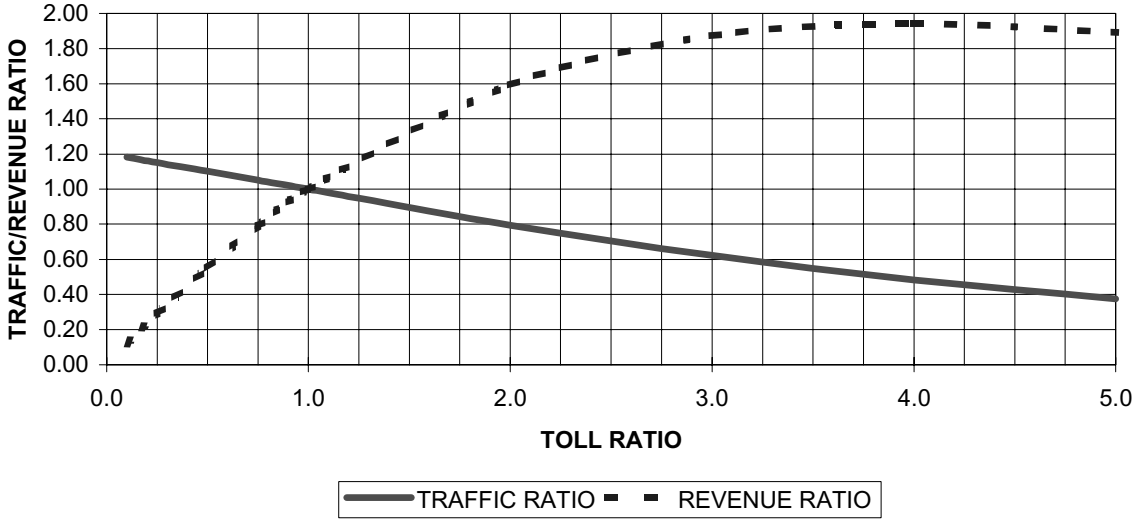


Figure 9-3
Loop 1 Element Toll Elasticity



10 DUE DILIGENCE REVIEW

The combination of Vollmer Associates and URS Corporation on the 2002 Project have provided extensive internal "due diligence". The internal review undertaken at every stage of the traffic and revenue forecasting process provides a step-by-step peer review that is both comprehensive and detailed. Examples of several elements of the process and how the review was handled by the two firms are as follows.

Socioeconomics. Vollmer Associates hired a national firm with local Austin experience to review the previous CAMPO forecasts of economic growth, and to determine where these future conditions were adequately addressed and modify areas as appropriate. URS reviewed the results of the socioeconomic forecast, for the region as a whole, for the SH 130 corridor and for the Northwest elements. Vollmer independently reviewed the forecasts and then incorporated the URS evaluation into the overall review, which was subsequently given to the socioeconomic sub-consultant. Land use was reviewed on an aggregate basis, for selected sub-areas, and down to the level of traffic zones along all the turnpike corridors.

Existing traffic patterns. The consultant team independently compiled available statistics and created a final network of traffic counts throughout the metropolitan area. Areas where additional traffic counts were necessary were identified and jointly evaluated to create a joint program of new traffic counts. Comparison of travel times for roadways in the project corridors were performed jointly. Locations for origin-destination surveys were evaluated and the two firms jointly agreed on appropriate wording on the surveys, using the same sub-consultants for survey implementation.

Highway Network. The two firms undertook a detailed review of existing highway network. A sub-consultant was retained to review local regional and statewide plans and interview appropriate representatives to assess likelihood of project completion. A thorough review was made by both teams of potential improvements of individual highways over the next 25 years, virtually highway link by highway link. The two firms reviewed each other's assumptions and discussed appropriate ways to proceed jointly.

Traffic Model. Joint development of the traffic model was undertaken using existing CAMPO model as well as updates by Parsons Brinckerhoff as the bases for the work. Individual reviews of critical assumptions by both firms fed into the modeling processes. There was joint agreement on final development of the model, from trip generation through trip distribution, modal splits, and trip assignment.

Toll Diversion. Development of Stated Preference surveys was initiated by URS who hired of a specialized sub-consultant to undertake surveys. Vollmer reviewed methodology to collect data, the process to distribute questionnaires, and wording of questions used in the survey. URS incorporated survey results into the toll diversion process. Vollmer provides historical data of its toll road clients for comparison. URS performed preliminary sensitivity tests with varied toll levels and time savings and reviewed the results with Vollmer. URS developed key relationship such a value of time and wage rates that became the basis for joint work.

Application parameters. The two firms spent time coordinating toll rates and discounts for the 2002 Project. A joint review of perceived inflation rates and the effects of periodic toll increases became an element of the modeling processes. Historical records of other toll facilities throughout the country from the records of both firms became the basis for projecting ETC rates, evasion rates and ramp-up analyses.

Sensitivity. The two firms have jointly developed a formal sensitivity process and presented the results concurrently within the report.

Results. While each consultant ran the traffic model for their individual projects, Vollmer has reviewed URS' results and provided evaluation of the traffic and revenue output; URS has reviewed Vollmer's results and provided its evaluation of output. This report is a final collaboration of the both firms in terms of format, writing, and content.

APPENDIX G

SUMMARY OF CERTAIN PROVISIONS OF THE SECURED LOAN AGREEMENT

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APPENDIX G

SUMMARY OF CERTAIN PROVISIONS OF THE SECURED LOAN AGREEMENT

The following statements summarize certain provisions of the Master Secured Loan Agreement, dated as of July 15, 2002 (the "Secured Loan Agreement") by and between the Commission and the USDOT, acting by and through the Federal Highway Administrator (the "Lender"). These statements do not purport to be comprehensive or definitive and are qualified in their entirety by reference to the Secured Loan Agreement. Copies of the Secured Loan Agreement are available for examination at the offices of the Commission. Capitalized terms used in this summary but not otherwise defined shall have the meanings given to such terms in "APPENDIX B – SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Definitions."

Definitions

"Act" means the Transportation Infrastructure Finance and Innovation Act ("TIFIA") of 1998, § 1501 et seq. of Public Law 105-178 (as amended by the TEA Restoration Act, Public Law 105-206), codified as 23 U.S.C. § 181, et seq.

"Bankruptcy-Related Event" means the Commission shall (A) apply for or consent to the appointment of a receiver, trustee, liquidator or custodian or the like of the Commission or the Project, or (B) become unable to pay its debts generally as they become due, or (C) be adjudicated a bankrupt or insolvent, or (D) commence a voluntary case under the U.S. Bankruptcy Code or file a voluntary petition or answer seeking reorganization, an arrangement with creditors or an order for relief or seeking to take advantage of any insolvency law or admit the material allegations of a petition filed against the Commission in any state or federal bankruptcy, reorganization or insolvency proceeding or take corporate action for the purpose of effecting any of the foregoing.

"Development Default" shall have the meaning set forth in "Commission Covenants" below.

"Effective Date" means July 25, 2002, the date of execution of the Secured Loan Agreement.

"Eligible Project Costs" means amounts in the Project Budget for the 2002 Project, substantially all of which are paid by or for the account of the Commission in connection with the 2002 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 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 assigned to such term in "Events of Default and Remedies" below.

"Final Maturity Date" means July 15, 2042 or 35 years after the date of Substantial Completion, whichever is earlier, with respect to the 2002 TIFIA Bond.

"Flow of Funds" means the Flow of Funds established under the Indenture (see "SOURCES OF PAYMENT AND SECURITY FOR THE OBLIGATIONS – Flow of Funds") for the transfers and the order of priority in which Revenues shall be transferred from the Revenue Fund.

"Government" means the U.S. and its departments and agencies.

"Investment Grade Rating" means a rating category of BBB minus, Baa3, or higher, assigned by a Rating Agency to the Commission's Project obligations offered into the capital markets.

"Loan Amortization Schedule" means the Loan Amortization Schedule attached to the 2002 TIFIA Bond delivered pursuant to the provisions of "Repayment" below and set forth under the caption "Loan Amortization Schedule" below, as adjusted from time to time in accordance with the provisions of the Secured Loan Agreement.

"Outstanding Secured Loan Balance" means the aggregate principal amount drawn by the Commission and then outstanding with respect to the Secured Loan, as determined in accordance with the provisions set forth under "Outstanding Secured Loan Balance" below.

"Payment Date" means each interest and principal payment date as set forth in the Loan Amortization Schedule. In the event that such date falls on a weekend or holiday, the payment date is the immediately succeeding business day.

"Project" means the Central Texas Turnpike System and, as it relates to the Secured Loan, the 2002 Project.

"Project Budget" means the budget for the 2002 Project and for other components of the Project, as amended from time to time with the approval of the Lender. The Project Budget for the 2002 Project in the aggregate amount of $3,615,527,262.91 is attached to the Secured Loan Agreement showing a summary of all Eligible Project Costs and the estimated sources and uses of funds for the 2002 Project.

"Rating Agency" means Standard & Poor's Ratings, Moody's Investors Service, Fitch or another national bond rating agency approved by the Lender.

"Regional Mobility Authority" means a regional mobility authority as defined in Chapter 361, Texas Transportation Code.

"Regional Tollway Authority" means a regional tollway authority as defined in Chapter 366, Texas Transportation Code.

"Related Documents" mean agreements, instruments and other documents that are required in connection with or material to the Secured Loan or the Project, such as the Indenture, the Traffic and Revenue Report and the financial plan described in the Secured Loan Agreement.

"Secretary" means the Secretary of the USDOT.

"Secured Loan" means the secured loan from the Lender to the Borrower under the Secured Loan Agreement, pursuant to the Act, in a principal amount not to exceed $916,760,000 to be used to pay Eligible Project Costs.

"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 under the Secured Loan Agreement.

"State" means the State of Texas.

"Subordinate Lien Debt Service Fund" means the Subordinate Lien Debt Service Fund created under the Indenture and set forth in "SOURCES OF PAYMENT AND SECURITY FOR THE OBLIGATIONS – Funds and Accounts–Subordinate Lien Debt Service Fund."

"Substantial Completion" means, with respect to the 2002 Project, the date on which the Commission certifies under the Indenture that the 2002 Project has been partially open to traffic to the extent that the portions of the 2002 Project open to traffic were projected to produce 80% of the Revenues of the 2002 Project in the Traffic and Revenue Report issued at the time of the issuance of Obligations to finance the 2002 Project.

"Supplemental Loan Agreement" means a supplemental loan agreement between the Lender and the Commission pursuant to which the Lender may loan to the Commission an additional secured loan.

"Trust Agreement" means the Indenture, as supplemented by the First Supplemental Indenture, and further amended and supplemented in accordance with the terms thereof and the Secured Loan Agreement.

"Uncontrollable Force" means any cause beyond the control of the Commission, including but not limited to: (1) a tornado, 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 Commission 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 Commission and the Commission 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 Commission.

Secured Loan Amount, Term and Interest Rate

Secured Loan Amount. The principal amount of the Secured Loan shall not exceed $916,760,000. It is expected that the proceeds of the 2002 TIFIA Bond evidencing the entire Secured Loan will be disbursed pursuant to the Secured Loan Agreement for the 2002 Project. The Commission may, however, apply for additional credit assistance for the Project and if approved by the Lender such additional credit assistance may be secured by one or more Supplemental Loan Agreements or a separate secured loan agreement. 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 33% of reasonably anticipated Eligible Project Costs for the 2002 Project.

Term. The term of the Secured Loan for the 2002 TIFIA Bond shall extend from the Effective Date to the Final Maturity Date or to such earlier or later date as all amounts due or to become due to the Lender under the Secured Loan Agreement have been paid.

Interest Rate. The interest rate with respect to the Secured Loan shall be 5.51% for the 2002 TIFIA Bond. Interest will be computed on the Outstanding Secured Loan Balance (as well as on any past due interest to the extent authorized by Texas 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. Notwithstanding any other provision of the Secured Loan Agreement to the contrary, the maximum net effective interest rate on the Secured Loan shall never exceed 15% as provided by Chapter 1204, Texas Government Code, as amended.

Disbursement Conditions

Disbursement Generally. Secured Loan proceeds of the 2002 TIFIA Bond shall be disbursed solely to the Trustee for deposit in the Construction Fund established under the Indenture (see "SOURCES OF PAYMENT AND SECURITY FOR THE OBLIGATIONS – Funds and Accounts") to pay directly to the Commission for, or to reimburse the Commission for its prior payment of, Eligible Project Costs incurred in connection with the 2002 Project. Such disbursements shall be made pursuant to requisitions submitted by the Commission to, and approved by, the Lender, all in accordance with the Secured Loan Agreement, provided, however, that any disbursement by the Lender of the 2002 TIFIA Loan to pay or reimburse the Commission for Eligible Project Costs, including any disbursement to repay the Series 2002 Second Tier BANS shall be made no later than one year after the date of Substantial Completion of the 2002 Project. In no event shall disbursements be made more than once each month, nor shall at the time of any disbursement the sum of all prior disbursements of Secured Loan proceeds and the disbursement then to be made exceed the cumulative disbursements through the end of the then-current year set forth in an Anticipated Secured Loan Disbursement Schedule attached to the Secured Loan Agreement (see "Anticipated Secured Loan Disbursement Schedule" below), as the same may be amended from time to time pursuant to the Secured Loan Agreement.

Rejection. A disbursement request may be rejected by the Lender if it is: (1) submitted without signature; (2) submitted under signature of a person other than an authorized representative of the Commission; or (3) submitted after prior disbursement of all proceeds of the Secured Loan. If a disbursement request exceeds the balance of the Secured Loan proceeds remaining to be disbursed, the request will be treated as if submitted in the amount of the balance so remaining, and the Lender will so notify the Commission.

Withholding. The Lender shall be entitled to immediately withhold approval of all pending and subsequent requests for the disbursement of Secured Loan proceeds if:

(i) the Commission fails to pay any principal or interest on the Secured Loan when the same is due and payable;

(ii) the Commission applies Secured 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 Secured Loan Agreement;

(iii) the Commission 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 Secured Loan Agreement; or

(iv) an Event of Default as described under "Events of Default and Remedies" below, shall have occurred and be continuing.

Furthermore, if the Commission:

(i) fails to construct the Project in a manner consistent with plans, specifications, engineering reports or facilities plans previously submitted to and approved by the Lender, or with good engineering practices, where such failure prevents or materially impairs the Project from fulfilling its intended purpose, or prevents or materially impairs the ability of the Lender to monitor compliance by the Commission with applicable federal or local law pertaining to the Project, or with the terms and conditions of the Secured Loan Agreement;

(ii) fails to observe or comply with any applicable federal or local law, or any term or condition of the Secured Loan Agreement; or

(iii) fails to deliver documentation evidencing Eligible Project Costs claimed for disbursement at the times and in the manner specified by the Secured Loan Agreement;

and such failure continues for a period of more than thirty (30) days following written notice from the Lender to the Commission, the Lender shall be entitled to withhold, from any requests for the disbursement of Secured Loan proceeds received after such thirty (30) day period has expired, and until such failure is cured or corrected, an amount determined by the Lender (in its sole discretion) to be adequate for the cure or correction of such failure, which amount shall be stated in such notice; provided, that if the nature of the failure is such that it cannot reasonably be cured or corrected within such thirty (30) day period, the Lender shall not withhold any disbursement by reason of such failure if the Commission commences cure or correction within such thirty (30) day period and thereafter diligently completes such cure or correction within a further reasonable time period.

The foregoing notwithstanding, if, as of the date of such notice from the Lender, the balance of the Secured Loan proceeds remaining to be disbursed is less than the amount determined by the Lender to be adequate for the cure or correction of such failure, the Lender may immediately withhold all further disbursement of Secured Loan proceeds until such failure is cured or corrected within the time period specified by the preceding paragraph.

Outstanding Secured Loan Balance

(a) The Outstanding Secured Loan Balance for the 2002 TIFIA Bond will be recalculated by the Lender as of each date on which a disbursement of Secured Loan proceeds is made pursuant to the provisions of "Disbursement Conditions – Disbursement Generally" above and as of each Payment Date on which principal with respect to the Secured Loan is paid by the Commission and as of each date on which principal with respect to the Secured Loan is prepaid by the Commission in accordance with the provisions under "Prepayment" below.

(b) No principal shall be due and payable on the Secured Loan relating to the 2002 Project prior to August 15, 2010, subject to the remedies set forth in "Events of Default and Remedies below. Assuming that (i) the full $916,760,000 principal amount of the Secured Loan is disbursed on or before August 15, 2008, (ii) no prepayments of principal are made and (iii) all scheduled payments are timely made, the Outstanding Secured Loan Balance on and after August 15, 2008, shall be as set forth on the Loan Amortization Schedule originally delivered with the 2002 TIFIA Bond (see "Loan Amortization Schedule" below). No disbursements of Secured Loan proceeds shall be made on or after August 15, 2008, and should any proceeds remain undisbursed on said date, the principal amount of the Secured Loan shall be reduced accordingly by the amount of such undisbursed proceeds.

(c) Any Lender's recalculation of the Outstanding Secured Loan Balance shall be deemed conclusive absent manifest error. Upon any recalculation of the Outstanding Secured Loan Balance, the Lender shall make applicable revisions to the Loan Amortization Schedule and provide the Commission with a copy of such Schedule as revised. Revisions to the Loan Amortization Schedule as a result of disbursements of Secured Loan proceeds other than as anticipated shall be made such that amortization of principal and interest over the life of the Secured Loan is in the same proportion, to the extent reasonably practicable, after any such revision as such amortization was prior to such revisions. Revisions to the Loan Amortization Schedule as a result of partial prepayments of principal of the Secured Loan shall be made by applying such prepayments in the inverse order of maturity, such that the latest principal installment or installments of the pre-existing Loan Amortization Schedule are thereby satisfied in whole or in part. The Loan Amortization Schedule may be revised without regard to such reasonable proportionality or application in inverse order of maturity, as applicable, if and to the extent so agreed in writing by the Lender and the Commission.

Security and Priority

Pursuant to the Indenture, the Commission has pledged and assigned to the Trustee and granted to the Trustee a security interest in the Revenues and the Trust Estate, subject to the security interest therein pledged for the security and payment of the First Tier Obligations and the Second Tier Obligations, for the equal and proportionate benefit of all Subordinate Lien Obligations, except as otherwise permitted by

or provided for in the Indenture which apply to the Secured Loan and are described therein. See "APPENDIX B – SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Events of Default and Remedies – Secured Loan Default Remedy", which describes the circumstances under which the Secured Loan will be deemed to be and will automatically become a First Tier Obligation under the Indenture. Pursuant to the Indenture, the Commission has also entered into a Rate Covenant for the benefit of the Secured Owners (including the Lender) (see "SOURCES OF PAYMENT AND SECURITY FOR THE OBLIGATIONS – Rate Covenant") and the Commission and the Trustee have created a Revenue Fund and a Subordinate Lien Debt Service Fund and established a required Flow of Funds for deposits of Revenues into the Revenue Fund and for transfers from the Revenue Fund into the funds created by the Indenture and the order of priority in which the transfers are to be made. See "SOURCES OF PAYMENT AND SECURITY FOR THE OBLIGATIONS – Funds and Accounts."

The Commission reaffirms its pledge of the Revenues and the Trust Estate made under the Indenture to the Lender, subject to the security interest therein pledged for the security and payment of the First Tier Obligations and the Second Tier Obligations, pursuant to the terms of the Indenture. See "SOURCES OF PAYMENT AND SECURITY FOR THE OBLIGATIONS – Sources of Payment." The pledge of Revenues to secure the Secured Loan shall be valid and binding from and after the Effective Date, and the items 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 Commission irrespective of whether such parties have notice thereof. The Commission also reaffirms its Rate Covenant made under the Indenture for the benefit of the Lender and agrees to provide the coverages required by the Rate Covenant in the manner and to the extent set forth in the Indenture and to comply with the requirements of the Indenture where necessary or appropriate to satisfy the Rate Covenant in the manner and to the extent set forth in the Indenture. see "SOURCES OF PAYMENT AND SECURITY FOR THE OBLIGATIONS – Rate Covenant."

The Subordinate Lien Debt Service Fund shall be held by the Trustee in accordance with the Indenture. The moneys in the Subordinate Lien Debt Service Fund shall be held by the Trustee in trust and applied as provided in the Secured Loan Agreement, and shall be subject to a lien and charge in favor of the Secured Owners of the Subordinate Lien Obligations, including the Lender, and for the further security of the Lender until paid out as provided in the Secured Loan Agreement. See "SOURCES OF PAYMENT AND SECURITY FOR THE OBLIGATIONS – Funds and Accounts – Subordinate Lien Debt Service Fund."

Subject to the provisions under "Repayment" below, the Commission agrees to repay the Secured Loan by making payments through the Trustee from the Subordinate Lien Debt Service Fund to the Servicer in the amounts and on each of the dates set forth in the Loan Amortization Schedule sufficient to pay (a) all interest which will become due and payable on the Secured 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.

The Commission shall not use the Revenues to make any payments or satisfy any obligations other than in accordance with the provisions of this "Security and Priority" caption and the Indenture and shall not apply any portion of the Revenues in contravention of the Indenture.

Subject to the provisions of the Indenture, including specifically the provisions of "SOURCES OF PAYMENT AND SECURITY FOR THE OBLIGATIONS – Funds and Accounts – Subordinate Lien Debt Service Fund", if on any date on which interest on or principal of the Secured Loan is due and payable the total of the moneys held to the credit of the Subordinate Lien Debt Service Fund shall not be sufficient for paying such interest or principal, the Trustee shall withdraw any funds then on deposit to the credit of the funds and in the order of priority established in "SOURCES OF PAYMENT AND SECURITY FOR THE OBLIGATIONS – Funds and Accounts – Subordinate Lien Debt Service Fund" and deposit to the Subordinate Lien Debt Service Fund the amount necessary to cure such insufficiency (or the entire balance of such funds in the Revenue Fund if less than the required amount).

Repayment

The Indenture provides that the Trustee will pay from the Subordinate Lien Debt Service Fund on each Payment Date, interest accrued and unpaid on the Outstanding Secured Loan Balance from the Effective Date or the preceding Payment Date through which interest shall have been paid or duly provided for, and thereafter, the Trustee shall make Secured Loan payments on each Payment Date from the Subordinate Lien Debt Service Fund as set forth in the Loan Amortization Schedule (see "Loan Amortization Schedule" below); provided, however, that in the event that any portion of the Secured Loan has not been disbursed pursuant to the provisions of "Disbursement Conditions" above as of August 15, 2010 or that any portion of the principal amount of the Secured Loan is prepaid in accordance with the provisions of "Prepayment" below, the Trustee shall make Secured Loan payments from the Subordinate Lien Debt Service Fund in accordance with the Loan Amortization Schedule, as revised pursuant to the provisions of "Outstanding Secured Loan Balance" above to reflect such reduced principal amount of the Secured Loan or prepayments. See "SOURCES OF PAYMENT AND SECURITY FOR THE OBLIGATIONS – Funds and Accounts – Subordinate Lien Debt Service Fund."

As evidence of the Commission's obligation to repay the Secured Loan, the Commission shall issue and deliver to the Lender, on or prior to the Effective Date, the 2002 TIFIA Bond substantially in the form provided for in the Secured Loan Agreement having a maximum principal amount of $916,760,000 and bearing interest at the rate set forth in "Secured Loan Amount, Term and Interest Rate – Interest Rate" above. The Lender is authorized pursuant to the Secured Loan Agreement to enter on such 2002 TIFIA Bond the amount of each disbursement made under the Secured Loan Agreement and to amend the Loan Amortization Schedule from time to time to comply with the terms of repayment established in the Secured Loan Agreement. Absent manifest error, the Lender's determination of such matters as set forth on the 2002 TIFIA Bond and the Loan Amortization Schedule shall be conclusive evidence thereof.

In the event that either (i) the date of Substantial Completion of the 2002 Project occurs later than December 15, 2007, or (ii) Revenues collected in the first year of operation of the 2002 Project are less than the Projected Revenues forecast in the Traffic and Revenue Study, then the Commission at its sole option may elect to repay the TIFIA Bond in accordance with the Alternative Loan Amortization Schedule attached to the Loan Amortization Schedule which provides for an alternative Secured Loan repayment schedule with payments beginning August 15, 2012. See "Loan Amortization Schedule" below.

Prepayment

The Commission may prepay the Secured Loan in whole or in part (and, if in part, the principal installments and amounts thereof to be prepaid shall be determined by the Commission; provided, however, that such prepayments shall be in principal amounts of $1,000,000 or any integral multiple thereof), at any time or from time to time, without penalty or premium, by paying to the Lender such principal amount of the Secured Loan 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 Secured Loan shall be made on such date and in such principal amount as shall be specified by the Commission in a written notice delivered to 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.

Notice having been given as stated in the preceding paragraph, the principal amount of the Secured Loan stated in such notice or the whole thereof, as the case may be, shall become due and payable on the prepayment date stated in such notice, together with interest accrued and unpaid to the prepayment date on the principal amount then being prepaid; and the amount of principal and interest then due and payable shall be paid (i) in case the entire unpaid balance of the principal of the 2002 TIFIA Bond is to be prepaid, upon presentation and surrender of such 2002 TIFIA Bond evidencing the obligation to repay such Secured Loan to the Commission or its representative at the principal office of Lender, and (ii) in case only part of the unpaid balance of principal of such 2002 TIFIA Bond is to be prepaid, the Lender may

make a notation on the 2002 TIFIA Bond indicating the amount of principal and interest on such 2002 TIFIA Bond then being prepaid. All such partial prepayments of principal shall be applied to future installments due on such 2002 TIFIA Bond in accordance with subparagraph (c) under "Outstanding Secured Loan Balance" above, and the Lender shall, and is hereby authorized by the Commission to, make the appropriate notations thereof on such 2002 TIFIA Bond and to revise the Loan Amortization Schedule in accordance with the provisions of this paragraph. Absent manifest error such Lender notations and revisions shall be conclusive. If said moneys shall not have been so paid on the prepayment date, such principal amount of such 2002 TIFIA Bond shall continue to bear interest until payment thereof at the rate provided for in "Secured Loan Amount, Term and Interest Rate–Interest Rate" above.

Notwithstanding the other provisions of this section ("Prepayment") and under "Outstanding Secured Loan Balance" above, as long as the Lender owns the Secured Loan, the Borrower agrees that (i) during the period that interest continues to accrue on the Secured Loan it will use all Remaining Revenues to pay interest on the Secured Loan and (ii) after the period described in (i) it will use the percentage of the Remaining Revenues equal to the TIFIA Obligation Proportion to prepay principal as provided under "Outstanding Secured Loan Balance" above. At the time the Borrower submits its annual report for a Fiscal Year to the Texas Comptroller of Public Accounts, it will furnish a letter to the Lender setting forth the Annual Requirement, the Remaining Revenues and the TIFIA Obligation Proportion for such Fiscal Year. At the same time the letter is sent, the Borrower shall pay to the Lender the prepayment, if any, due for such Fiscal Year.

For the purposes of this section ("Prepayment") the following terms shall have the following meanings:

"Annual Requirement" means for any Fiscal Year the sum of (i) the Annual Debt Service on all Outstanding Obligations (as defined in the Trust Agreement), plus (ii) the amounts required to be deposited in the First Tier Debt Service Reserve Fund, the Second Tier Debt Service Reserve Fund, any Subordinate Lien Debt Service Reserve Fund, the Rate Stabilization Fund and the Rebate Fund, plus (iii) the Operating Expenses, the Maintenance Expenses and the amount set forth in the Annual Capital Budget for such Fiscal Year, plus (iv) the accumulated amount of Operating Expenses, Maintenance Expenses and unusual or extraordinary maintenance expenses shown as major/periodic toll equipment maintenance and roadway and building maintenance in the 2002 Project Report, as provided for in Section 515 of the Trust Agreement, paid by the Borrower and not reimbursed from Revenues.

"Fiscal Year" means the Fiscal Year of the Borrower as defined in the Trust Agreement.

"Remaining Revenues" means the Revenues received by the Borrower in a Fiscal Year that are in excess of the Annual Requirement for such Fiscal Year.

"TIFIA Obligation Proportion" means the ratio that the outstanding balance of the Secured Loan bears to the Outstanding Obligations, including the Secured Loan.

Deferred Repayment

If, at any time during the 10 years after the date of Substantial Completion of the 2002 Project, the 2002 Project is unable to generate sufficient revenues to pay the scheduled repayments of principal and interest on the Secured Loan, the Secretary may, subject to the Commission providing reasonable assurances of repayment, and upon other criteria as may be established by the Secretary, allow the Commission to add unpaid principal and interest to the outstanding balance of the Secured Loan, to the extent permitted by State law and approved by the State Attorney General.

Any payment deferred under this "Deferred Repayment" caption shall (i) accrue or continue to accrue interest in accordance with the Secured Loan Agreement until fully repaid and (ii) be scheduled to be amortized over the remaining term of the Secured Loan beginning not later than 10 years after the date of Substantial Completion of the 2002 Project.

Nothing in this "Deferred Repayment" caption shall be construed to mean that the Secretary is granting in advance to the Commission an approval to defer repayment of any principal and interest outstanding on the Secured Loan.

Compliance with Laws

The Commission agrees and shall require its contractors and subcontractors to abide by all applicable federal and state laws. The Commission 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. Under the unlikely event that an unknown environmental permit is required after construction has begun, the Commission shall take immediate steps to acquire that state and/or federal permit. The Project has been included in the metropolitan transportation improvement program for the Capital Area Metropolitan Planning Organization (CAMPO) and in the state transportation plan and the approved state transportation improvement program as required by Section 182(a)(1) of the Act.

Representations and Warranties of Commission

The Commission represents and warrants, among other things, that as of the Effective Date:

(a) 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 Commission after reasonable inquiry and investigation, threatened against or affecting the Commission or the assets, properties or operations of the Commission which are likely to be determined adversely to the Commission or its interests, and which if so determined could have a material adverse effect upon the consummation of the transactions contemplated by or the fulfillment or compliance with the terms and conditions of or the validity or enforceability of the Secured Loan Agreement or the 2002 TIFIA Bond or upon the financial condition, assets, properties or operations of the Commission. The Commission 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 might have consequences that would be likely to materially and adversely affect the consummation of the transactions contemplated by the Secured Loan Agreement or the financial conditions, assets, properties or operations of the Commission or its properties.

(b) The Indenture and the provisions of "Security and Priority" above establish the valid pledge of and lien on the Revenues which it purports to create; such pledge and lien are in full force and effect; and the Commission is not in breach of any covenants set forth in the Indenture or in the Secured Loan Agreement, including the provisions of "Security and Priority" above and the provisions of "Commission Covenants" below.

(c) The Commission 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.).

(d) The Project has been included in the metropolitan transportation improvement program for the Capital Area Metropolitan Planning Organization (CAMPO) and in the state transportation plan and the approved state transportation improvement program as required by Section 182(a)(l) of the Act.

(e) All outstanding or proposed First Tier Obligations and Second Tier Obligations having a lien status senior to the Secured Loan have received Investment Grade Ratings from at least one nationally-recognized statistical rating organization, all to the extent provided in written evidence of such ratings provided to the Lender on or before the Effective Date, and to the knowledge of the Commission, no such rating has been reduced, withdrawn or suspended.

(f) The Eligible 2002 Project elements included or reasonably anticipated on the Effective Date are included in the STIP and the amount of the Secured Loan will be less than or equal to 33% of reasonably anticipated Eligible Project Costs.

Commission Covenants

The Commission covenants and agrees, among other things, that:

(a) The Commission shall not issue additional Obligations or incur other indebtedness secured by a lien on all or any portion of the Revenues that is on a parity with or prior to the lien securing the Secured Loan without meeting the tests for the issuance of Obligations established by the Indenture.

(b) The Commission 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 and singular the rights in and to the Revenues and other moneys, securities, funds and accounts, if any, hereby pledged or assigned, or intended so to be pledged or assigned, or which the Commission may become bound to pledge or assign, and the Revenues and 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 prior to, or of equal rank with, the pledge created by the Indenture and the Secured Loan Agreement, other than as permitted by such documents, and all corporate action on the part of the Commission to that end has been duly and validly taken. The Secured Loan Agreement and the Indenture are and will be valid and legally enforceable obligations of the Commission in accordance with their terms. The Commission shall at all times, to the extent permitted by law, defend, preserve and protect the pledge of the Revenues and other moneys, securities, funds and accounts, if any, pledged under the Secured Loan Agreement and under the Indenture and all the rights of the Lender under the Secured Loan Agreement and under the Indenture against all claims and demands of all persons whomsoever.

(c) The Commission shall use the proceeds of the Secured Loan only to pay, or to reimburse the Commission for, Eligible Project Costs.

(d) If (1) the Commission fails to reasonably prosecute the work relating to the Project or (2) the Commission fails to complete the Project in accordance with the construction schedule (as the same may be amended from time to time) provided to the Lender or (3) Series 2002 Bonds are not issued by (or an alternative source of funding is not available to Commission by) March 1, 2005 in an amount sufficient to complete the Project, unless in all such cases the Commission demonstrates to the Lender's reasonable satisfaction that it is proceeding with the construction of the Project with due diligence toward Substantial Completion by the date specified in the construction schedule (as the same may be encoded from time to time) (a "Development Default"), then the Lender may (i) suspend the disbursement of Secured Loan proceeds under the Secured Loan Agreement, (ii) pursue such other remedies as provided in "Events of Default and Remedies" below. If so requested in connection with a Development Default, the Commission shall immediately repay any unexpended Secured Loan proceeds previously disbursed to Commission. Notwithstanding the foregoing, if any such Development Default is solely the result of Uncontrollable Force and the Commission 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 this paragraph and of the caption "Events of Default and Remedies" below.

(e) The Commission shall maintain operation of the Project and shall operate 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.

(f) The Commission shall at all times maintain with responsible insurers, to the extent available from responsible insurers at reasonable rates, or through a program of self-insurance (or a combination thereof), 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.

(g) The Commission shall, within 5 Business Days after the Commission learns of the occurrence, give the Lender notice of any of the following events, setting forth details of such event:

i) Events of Defaults - any Event of Default or any event which, given notice or the passage of time or both, would constitute an Event of Default by the Commission;

ii) Litigation - the filing of any actual litigation, suit or action, or the delivery to the Commission of any written claim, which could reasonably be expected to have a material adverse effect upon the Project or its revenues and expenses, or upon the Commission or its performance under the Secured Loan Agreement or under the 2002 TIFIA Bond; and

iii) Other Adverse Events - the occurrence of any other event or condition which could reasonably be expected to have a material and adverse effect upon the Project or its revenues or expenses or upon the Commission or its performance under the Secured Loan Agreement or under the 2002 TIFIA Bond.

(h) Within 30 days after an event specified in paragraph (d) of "Commission Covenants" above, the Commission shall provide a statement of an authorized representative of the Commission setting forth the actions the Commission proposes to take with respect thereto.

(i) So long as the Secured Loan is outstanding, the Commission shall not, without the prior written consent of the Lender, either (1) extinguish the lien of the Indenture or (2) amend the Indenture or any Related Document in a manner that would adversely affect the Lender in connection with the Secured Loan or impair the security of the Secured Loan.

(j) The covenants of the Commission set forth in the Indenture shall inure to the benefit of the Lender with the same force and effect as if set forth in the Secured Loan Agreement and the Secured Loan was secured and the 2002 TIFIA Bond was issued under the Indenture.

(k) The Commission shall use its good faith efforts to 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 Revenues to the Trustee for the benefit of the holders of the First Tier Obligations, the Second Tier Obligations and the Subordinate Lien Obligations, except pursuant to the Indenture unless provision is made for the payment of its outstanding debt, including the Secured Loan. See "APPENDIX B – SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Reservation of Right to Transfer System."

(l) The Commission reserves the right pursuant to the Indenture to transfer all or any part of the Project to a Regional Mobility Authority, a Regional Tollway Authority or other governmental entity authorized by law to own and operate toll facilities upon satisfaction of the conditions set forth in the Indenture, but so long as the Secured Loan is outstanding, only with the prior written consent of the Lender which the Lender will provide in its sole discretion subject to such additional terms and conditions as the Lender may require. See "APPENDIX B – SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Reservation of Right to Transfer System" and "SOURCES OF PAYMENT AND SECURITY FOR THE OBLIGATIONS – Additional Covenants of the Commission–Reservation of Right to Transfer System."

(m) The Commission agrees specifically to abide by the Rate Covenant contained in the Indenture, agrees to certify to the Lender in its annual financial plan, as described in the Secured Loan Agreement, each year that it is in compliance with the Rate Covenant, and further agrees that it will not issue First Tier Obligations, Second Tier Obligations or Subordinate Lien Obligations without first satisfying the tests for the issuance of Short-Term Indebtedness and Long-Term Indebtedness set forth in the Indenture and first providing the Lender with written notice. The Commission agrees not to amend the Rate Covenant or the tests for the issuance of First Tier Obligations, Second Tier Obligations or Subordinate Lien Obligations contained in the Indenture without the prior written consent of the Lender. See "SOURCES OF PAYMENT AND SECURITY FOR THE OBLIGATIONS – Rate Covenant" and "– Additional Obligations."

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 2002 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 Commission. The Lender shall provide at least sixty (60) days notice to the Commission of any intention to sell or offer the Secured Loan. The Lender and the Commission agree that for so long as any First Tier Obligations remain outstanding under the Indenture, the provisions of the Indenture which provide that the Secured Loan will be deemed to be and will automatically become a First Tier Obligation upon the Event of Default described in (f) of "APPENDIX B – SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Events of Default and Remedies – Events of Default" shall be of no force or effect following the sale or offering of the Secured Loan. See "SOURCES OF PAYMENT AND SECURITY FOR THE OBLIGATIONS – Default and Remedies – Secured Loan Default Remedy."

Nothing in this "Sale of Secured Loan" caption 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.

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 Commission and the Trustee the Outstanding Secured Loan Balance and the Loan Amortization Schedule.

Events of Default and Remedies

An Event of Default shall exist under the Secured Loan Agreement: (i) if a default shall occur with respect to the payment of debt service on any indebtedness of Commission or with respect to the performance of any obligation of Commission under the Indenture, but an Event of Default shall not be deemed to be in existence or to be continuing under this clause (i) if such breach is not a payment default and (A) Commission is in good faith contesting the existence of such breach or (B) such breach is remedied within 30 days or receipt of written notice thereof, provided, however, that if it is not possible to correct such breach within such 30-day period, it shall not constitute an Event of Default if corrective action is instituted by the Commission within such period and diligently pursued until such breach is corrected; or (ii) if Commission shall fail to make a Secured Loan repayment, or any portion thereof, when due under the Secured Loan Agreement; or (iii) if Commission shall default in any obligation under the Secured Loan Agreement or the Indenture; or (iv) if any of the representations, warranties or certifications of Commission made or delivered in connection with the Secured Loan Agreement shall prove to be false or misleading in any material respect; or (v) if Commission fails to comply with the covenants and agreements set forth in the Secured Loan Agreement (including any Development Default, but not including any payment default) and such failure continues for a period of 30 days after written notice thereof from the Lender to the Commission; provided, however, that if it is not possible to correct such failure within such 30-day period, it shall not constitute an Event of Default if corrective action is

instituted by the Commission within such 30-day period and diligently pursued until such failure is corrected; or (vi) if Commission shall fail to maintain its existence as a public instrumentality of the State without making provision for the payment of its outstanding debt including the Secured Loan; or (vii) if a Bankruptcy-Related Event shall occur; or (viii) the Project shall be abandoned or operation of the Project shall cease.

Pursuant to the Indenture, upon the occurrence of an Event of Default described in (f) of "APPENDIX B – SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Events of Default and Remedies – Events of Default," the Secured Loan will be deemed to be and will automatically become, as of the date of the Event of Default described in (f) of "APPENDIX B – SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Events of Default and Remedies – Events of Default", subject to the provisions of "SOURCES OF PAYMENT AND SECURITY FOR THE OBLIGATIONS – Default and Remedies – Secured Loan Default Remedy", a First Tier Obligation for all purposes of the Indenture, including particularly the provisions set forth in "APPENDIX B – SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Events of Default and Remedies", and the Lender will be deemed the Secured Owner of such First Tier Obligation under the Indenture.

Whenever any Event of Default under the Secured Loan Agreement shall have occurred and be continuing, subject to certain rights of the Bond Insurer under the Indenture, Lender may take whatever action at law or in equity as may appear necessary or desirable to collect the amounts payable by Commission under the Secured Loan Agreement, then due and thereafter to become due, or to enforce performance and observance of any obligation, agreement or covenant of Commission under the Secured Loan Agreement, including the termination of the Secured Loan.

Whenever any Event of Default under the Secured Loan Agreement shall have occurred and be continuing, Lender may suspend or debar the Commission from further participation in any Government program administered by the Lender and to notify other departments and agencies of such default.

No action taken pursuant to the provisions of this caption shall relieve the Commission from its obligations pursuant to the Secured Loan Agreement, all of which shall survive any such action.

Termination

The Secured Loan Agreement shall terminate upon payment in full by the Commission of the Secured Loan, provided, however, that the reporting and record keeping requirements of the Secured Loan Agreement and the indemnification provisions of the Secured Loan Agreement shall survive the termination of the Secured Loan Agreement for three (3) years after the final payment of the Secured Loan.

Loan Amortization Schedule

Initial Principal Amount: $ 916,760,000.00 **Closing Date:** July 25, 2002 **Interest Rate:** 5.510%

Date	Beginning Balance	Disbursements	Loan Repayment	Interest Paid	Interest Accrued	Repayment of Accrued Interest	Principal Repayment	Ending Balance
2/15/05	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
8/15/05	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
2/15/06	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
8/15/06	$ -	$ 16,760,000.00	$ -	$ -	$ 201,775.93	$ -	$ -	$ 16,961,775.93
2/15/07	$ 16,961,775.93	$ -	$ -	$ -	$ 471,137.72	$ -	$ -	$ 17,432,913.65
8/15/07	$ 17,432,913.65	$ 150,000,000.00	$ -	$ -	$ 2,174,616.96	$ -	$ -	$ 169,607,530.61
2/15/08	$ 169,607,530.61	$ -	$ -	$ -	$ 4,698,221.28	$ -	$ -	$ 174,305,751.89
8/15/08	$ 174,305,751.89	$ 750,000,000.00	$ -	$ -	$ 13,244,120.06	$ -	$ -	$ 937,549,871.95
2/15/09	$ 937,549,871.95	$ -	$ -	$ -	$ 26,041,796.22	$ -	$ -	$ 963,591,668.17
8/15/09	$ 963,591,668.17	$ -	$ -	$ -	$ 26,328,756.34	$ -	$ -	$ 989,920,424.52
2/15/10	$ 989,920,424.52	$ -	$ 13,575,464.06	$ 13,575,464.06	$ 13,920,999.59	$ -	$ -	$ 1,003,841,424.11
8/15/10	$ 1,003,841,424.11	$ -	$ 5,261,284.79	$ 5,261,284.79	$ 22,167,238.25	$ -	$ -	$ 1,026,008,662.36
2/15/11	$ 1,026,008,662.36	$ -	$ 20,141,964.06	$ 20,141,964.06	$ 8,356,902.30	$ -	$ -	$ 1,034,365,564.66
8/15/11	$ 1,034,365,564.66	$ -	$ 10,529,157.39	$ 10,529,157.39	$ 17,733,393.88	$ -	$ -	$ 1,052,098,958.53
2/15/12	$ 1,052,098,958.53	$ -	$ 21,472,964.06	$ 21,472,964.06	$ 7,670,752.01	$ -	$ -	$ 1,059,769,710.54
8/15/12	$ 1,059,769,710.54	$ -	$ 10,837,830.33	$ 10,837,830.33	$ 18,199,280.63	$ -	$ -	$ 1,077,968,991.18
2/15/13	$ 1,077,968,991.18	$ -	$ 22,804,464.06	$ 22,804,464.06	$ 7,137,675.17	$ -	$ -	$ 1,085,106,666.35
8/15/13	$ 1,085,106,666.35	$ -	$ 11,553,513.21	$ 11,553,513.21	$ 18,095,465.67	$ -	$ -	$ 1,103,202,132.03
2/15/14	$ 1,103,202,132.03	$ -	$ 23,698,964.06	$ 23,698,964.06	$ 6,944,061.96	$ -	$ -	$ 1,110,146,193.98
8/15/14	$ 1,110,146,193.98	$ -	$ 12,009,285.10	$ 12,009,285.10	$ 18,323,862.86	$ -	$ -	$ 1,128,470,056.85
2/15/15	$ 1,128,470,056.85	$ -	$ 24,648,964.06	$ 24,648,964.06	$ 6,695,914.91	$ -	$ -	$ 1,135,165,971.76
8/15/15	$ 1,135,165,971.76	$ -	$ 12,507,771.28	$ 12,507,771.28	$ 18,509,006.13	$ -	$ -	$ 1,153,674,977.88
2/15/16	$ 1,153,674,977.88	$ -	$ 29,407,464.06	$ 29,407,464.06	$ 2,549,963.25	$ -	$ -	$ 1,156,224,941.14
8/15/16	$ 1,156,224,941.14	$ -	$ 14,626,220.23	$ 14,626,220.23	$ 17,053,711.34	$ -	$ -	$ 1,173,278,652.48
2/15/17	$ 1,173,278,652.48	$ -	$ 30,947,964.06	$ 30,947,964.06	$ 1,641,538.11	$ -	$ -	$ 1,174,920,190.59
8/15/17	$ 1,174,920,190.59	$ -	$ 15,420,558.83	$ 15,420,558.83	$ 16,682,445.43	$ -	$ -	$ 1,191,602,636.02
2/15/18	$ 1,191,602,636.02	$ -	$ 32,603,464.06	$ 32,603,464.06	$ 495,013.11	$ -	$ -	$ 1,192,097,649.12
8/15/18	$ 1,192,097,649.12	$ -	$ 16,305,254.57	$ 16,305,254.57	$ 16,267,099.03	$ -	$ -	$ 1,208,364,748.15
2/15/19	$ 1,208,364,748.15	$ -	$ 33,564,068.94	$ 33,564,068.94	$ -	$ -	$ -	$ 1,208,364,748.15
8/15/19	$ 1,208,364,748.15	$ -	$ 17,679,488.29	$ 17,679,488.29	$ 15,337,340.39	$ -	$ -	$ 1,223,702,088.55
2/15/20	$ 1,223,702,088.55	$ -	$ 33,897,216.54	$ 33,897,216.54	$ -	$ -	$ -	$ 1,223,702,088.55
8/15/20	$ 1,223,702,088.55	$ -	$ 19,895,465.00	$ 19,895,465.00	$ 13,633,303.53	$ -	$ -	$ 1,237,335,392.08
2/15/21	$ 1,237,335,392.08	$ -	$ 34,368,770.24	$ 34,368,770.24	$ -	$ -	$ -	$ 1,237,335,392.08
8/15/21	$ 1,237,335,392.08	$ -	$ 23,200,237.54	$ 23,200,237.54	$ 10,608,172.32	$ -	$ -	$ 1,247,943,564.40
2/15/22	$ 1,247,943,564.40	$ -	$ 34,663,427.49	$ 34,663,427.49	$ -	$ -	$ -	$ 1,247,943,564.40
8/15/22	$ 1,247,943,564.40	$ -	$ 26,052,266.62	$ 26,052,266.62	$ 8,045,996.29	$ -	$ -	$ 1,255,989,560.69
2/15/23	$ 1,255,989,560.69	$ -	$ 34,886,916.61	$ 34,886,916.61	$ -	$ -	$ -	$ 1,255,989,560.69
8/15/23	$ 1,255,989,560.69	$ -	$ 28,948,678.10	$ 28,948,678.10	$ 5,369,430.09	$ -	$ -	$ 1,261,358,990.78
2/15/24	$ 1,261,358,990.78	$ -	$ 34,940,333.31	$ 34,940,333.31	$ -	$ -	$ -	$ 1,261,358,990.78
8/15/24	$ 1,261,358,990.78	$ -	$ 31,966,590.57	$ 31,966,590.57	$ 2,593,956.51	$ -	$ -	$ 1,263,952,947.29
2/15/25	$ 1,263,952,947.29	$ -	$ 35,108,111.13	$ 35,108,111.13	$ -	$ -	$ -	$ 1,263,952,947.29
8/15/25	$ 1,263,952,947.29	$ -	$ 34,919,975.36	$ 34,535,696.27	$ -	$ -	$ 384,279.09	$ 1,263,568,668.19
2/15/26	$ 1,263,568,668.19	$ -	$ 35,097,437.22	$ 35,097,437.22	$ -	$ -	$ -	$ 1,263,568,668.19
8/15/26	$ 1,263,568,668.19	$ -	$ 46,566,401.55	$ 34,525,196.40	$ -	$ -	$ 12,041,205.15	$ 1,251,527,463.04
2/15/27	$ 1,251,527,463.04	$ -	$ 34,762,975.43	$ 34,762,975.43	$ -	$ -	$ -	$ 1,251,527,463.04
8/15/27	$ 1,251,527,463.04	$ -	$ 50,537,858.66	$ 34,196,187.79	$ -	$ -	$ 16,341,670.88	$ 1,235,185,792.16
2/15/28	$ 1,235,185,792.16	$ -	$ 34,215,321.41	$ 34,215,321.41	$ -	$ -	$ -	$ 1,235,185,792.16
8/15/28	$ 1,235,185,792.16	$ -	$ 54,759,676.01	$ 33,843,415.74	$ -	$ -	$ 20,916,260.27	$ 1,214,269,531.89
2/15/29	$ 1,214,269,531.89	$ -	$ 33,728,082.80	$ 33,728,082.80	$ -	$ -	$ -	$ 1,214,269,531.89
8/15/29	$ 1,214,269,531.89	$ -	$ 58,937,980.61	$ 33,178,168.41	$ -	$ -	$ 25,759,812.20	$ 1,188,509,719.69
2/15/30	$ 1,188,509,719.69	$ -	$ 33,012,566.96	$ 33,012,566.96	$ -	$ -	$ -	$ 1,188,509,719.69
8/15/30	$ 1,188,509,719.69	$ -	$ 63,348,827.06	$ 32,474,318.59	$ -	$ -	$ 30,874,508.47	$ 1,157,635,211.22
2/15/31	$ 1,157,635,211.22	$ -	$ 32,154,983.08	$ 32,154,983.08	$ -	$ -	$ -	$ 1,157,635,211.22
8/15/31	$ 1,157,635,211.22	$ -	$ 67,888,399.35	$ 31,630,717.05	$ -	$ -	$ 36,257,682.29	$ 1,121,377,528.93
2/15/32	$ 1,121,377,528.93	$ -	$ 31,062,770.33	$ 31,062,770.33	$ -	$ -	$ -	$ 1,121,377,528.93
8/15/32	$ 1,121,377,528.93	$ -	$ 72,636,959.86	$ 30,725,131.52	$ -	$ -	$ 41,911,828.35	$ 1,079,465,700.58
2/15/33	$ 1,079,465,700.58	$ -	$ 29,983,712.49	$ 29,983,712.49	$ -	$ -	$ -	$ 1,079,465,700.58
8/15/33	$ 1,079,465,700.58	$ -	$ 77,329,109.33	$ 29,494,847.61	$ -	$ -	$ 47,834,261.72	$ 1,031,631,438.86
2/15/34	$ 1,031,631,438.86	$ -	$ 28,655,047.07	$ 28,655,047.07	$ -	$ -	$ -	$ 1,031,631,438.86
8/15/34	$ 1,031,631,438.86	$ -	$ 82,230,999.16	$ 28,187,845.21	$ -	$ -	$ 54,043,153.95	$ 977,588,284.91
2/15/35	$ 977,588,284.91	$ -	$ 27,153,920.73	$ 27,153,920.73	$ -	$ -	$ -	$ 977,588,284.91
8/15/35	$ 977,588,284.91	$ -	$ 87,353,445.35	$ 26,711,193.77	$ -	$ -	$ 60,642,251.59	$ 916,946,033.33
2/15/36	$ 916,946,033.33	$ -	$ 25,399,906.19	$ 25,399,906.19	$ -	$ -	$ -	$ 916,946,033.33
8/15/36	$ 916,946,033.33	$ -	$ 102,308,999.33	$ 25,123,820.25	$ -	$ -	$ 77,185,179.08	$ 839,760,854.25
2/15/37	$ 839,760,854.25	$ -	$ 23,325,565.60	$ 23,325,565.60	$ -	$ -	$ -	$ 839,760,854.25
8/15/37	$ 839,760,854.25	$ -	$ 107,979,236.50	$ 22,945,257.47	$ -	$ -	$ 85,033,979.03	$ 754,726,875.22
2/15/38	$ 754,726,875.22	$ -	$ 20,963,624.53	$ 20,963,624.53	$ -	$ -	$ -	$ 754,726,875.22
8/15/38	$ 754,726,875.22	$ -	$ 113,944,583.13	$ 20,621,826.30	$ -	$ -	$ 93,322,756.83	$ 661,404,118.39
2/15/39	$ 661,404,118.39	$ -	$ 18,371,450.72	$ 18,371,450.72	$ -	$ -	$ -	$ 661,404,118.39
8/15/39	$ 661,404,118.39	$ -	$ 153,148,098.99	$ 18,071,916.20	$ -	$ -	$ 135,076,182.79	$ 526,327,935.60
2/15/40	$ 526,327,935.60	$ -	$ 14,579,571.43	$ 14,579,571.43	$ -	$ -	$ -	$ 526,327,935.60
8/15/40	$ 526,327,935.60	$ -	$ 160,608,859.13	$ 14,421,097.82	$ -	$ -	$ 146,187,761.30	$ 380,140,174.30
2/15/41	$ 380,140,174.30	$ -	$ 10,558,940.12	$ 10,558,940.12	$ -	$ -	$ -	$ 380,140,174.30
8/15/41	$ 380,140,174.30	$ -	$ 168,317,949.12	$ 10,386,783.49	$ -	$ -	$ 157,931,165.63	$ 222,209,008.66
2/15/42	$ 222,209,008.66	$ -	$ 6,172,174.83	$ 6,172,174.83	$ -	$ -	$ -	$ 222,209,008.66
7/15/42	$ 222,209,008.66	$ -	$ 227,240,672.93	$ 5,031,664.26	$ -	$ -	$ 222,209,008.66	$ -
		$ 916,760,000.00	$ 2,886,780,205.00	$ 1,622,827,257.71	$ 347,192,947.29	$ -	$ 1,263,952,947.29	

210,374.00

Semiannual P&I
Semiannual Compounding
Interest calculated based upon actual days over actual days

Alternate Loan Amortization Schedule

Initial Principal Amount: $ 916,760,000.00 **Closing Date:** July 25, 2002 **Interest Rate:** 5.510%

Date	Beginning Balance	Disbursements	Loan Repayment	Interest Paid	Interest Accrued	Repayment of Accrued Interest	Principal Repayment	Ending Balance
2/15/05	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
8/15/05	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
2/15/06	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
8/15/06	$ -	$ 16,760,000.00	$ -	$ -	$ 201,775.93	$ -	$ -	$ 16,961,775.93
2/15/07	$ 16,961,775.93	$ -	$ -	$ -	$ 471,137.72	$ -	$ -	$ 17,432,913.65
8/15/07	$ 17,432,913.65	$ 150,000,000.00	$ -	$ -	$ 2,174,616.96	$ -	$ -	$ 169,607,530.61
2/15/08	$ 169,607,530.61	$ -	$ -	$ -	$ 4,698,221.28	$ -	$ -	$ 174,305,751.89
8/15/08	$ 174,305,751.89	$ 750,000,000.00	$ -	$ -	$ 13,244,120.06	$ -	$ -	$ 937,549,871.95
2/15/09	$ 937,549,871.95	$ -	$ -	$ -	$ 26,041,796.22	$ -	$ -	$ 963,591,668.17
8/15/09	$ 963,591,668.17	$ -	$ -	$ -	$ 26,328,756.34	$ -	$ -	$ 989,920,424.52
2/15/10	$ 989,920,424.52	$ -	$ -	$ -	$ 27,496,463.65	$ -	$ -	$ 1,017,416,888.17
8/15/10	$ 1,017,416,888.17	$ -	$ -	$ -	$ 27,799,453.06	$ -	$ -	$ 1,045,216,341.23
2/15/11	$ 1,045,216,341.23	$ -	$ -	$ -	$ 29,032,387.27	$ -	$ -	$ 1,074,248,728.50
8/15/11	$ 1,074,248,728.50	$ -	$ -	$ -	$ 29,352,301.35	$ -	$ -	$ 1,103,601,029.85
2/15/12	$ 1,103,601,029.85	$ -	$ 21,472,964.06	$ 21,472,964.06	$ 9,097,387.53	$ -	$ -	$ 1,112,698,417.38
8/15/12	$ 1,112,698,417.38	$ -	$ 13,021,917.18	$ 13,021,917.18	$ 17,465,411.42	$ -	$ -	$ 1,130,163,828.80
2/15/13	$ 1,130,163,828.80	$ -	$ 22,804,464.06	$ 22,804,464.06	$ 8,587,461.86	$ -	$ -	$ 1,138,751,290.67
8/15/13	$ 1,138,751,290.67	$ -	$ 13,813,144.46	$ 13,813,144.46	$ 17,301,596.63	$ -	$ -	$ 1,156,052,887.30
2/15/14	$ 1,156,052,887.30	$ -	$ 23,698,964.06	$ 23,698,964.06	$ 8,412,067.70	$ -	$ -	$ 1,164,464,955.00
8/15/14	$ 1,164,464,955.00	$ -	$ 14,316,826.28	$ 14,316,826.28	$ 17,500,503.70	$ -	$ -	$ 1,181,965,458.71
2/15/15	$ 1,181,965,458.71	$ -	$ 24,648,964.06	$ 24,648,964.06	$ 8,181,826.64	$ -	$ -	$ 1,190,147,285.35
8/15/15	$ 1,190,147,285.35	$ -	$ 14,865,917.18	$ 14,865,917.18	$ 17,653,145.53	$ -	$ -	$ 1,207,800,430.88
2/15/16	$ 1,207,800,430.88	$ -	$ 29,407,464.06	$ 29,407,464.06	$ 4,049,267.88	$ -	$ -	$ 1,211,849,698.76
8/15/16	$ 1,211,849,698.76	$ -	$ 17,546,962.64	$ 17,546,962.64	$ 15,657,056.89	$ -	$ -	$ 1,227,506,755.65
2/15/17	$ 1,227,506,755.65	$ -	$ 30,947,964.06	$ 30,947,964.06	$ 3,147,801.67	$ -	$ -	$ 1,230,654,557.32
8/15/17	$ 1,230,654,557.32	$ -	$ 18,450,099.00	$ 18,450,099.00	$ 15,175,766.66	$ -	$ -	$ 1,245,830,323.98
2/15/18	$ 1,245,830,323.98	$ -	$ 32,603,464.06	$ 32,603,464.06	$ 2,001,265.14	$ -	$ -	$ 1,247,831,589.12
8/15/18	$ 1,247,831,589.12	$ -	$ 19,447,326.28	$ 19,447,326.28	$ 14,647,877.07	$ -	$ -	$ 1,262,479,466.19
2/15/19	$ 1,262,479,466.19	$ -	$ 34,144,464.06	$ 34,144,464.06	$ 922,719.01	$ -	$ -	$ 1,263,402,185.20
8/15/19	$ 1,263,402,185.20	$ -	$ 20,350,871.73	$ 20,350,871.73	$ 14,169,775.76	$ -	$ -	$ 1,277,571,960.96
2/15/20	$ 1,277,571,960.96	$ -	$ 35,389,441.45	$ 35,389,441.45	$ -	$ -	$ -	$ 1,277,571,960.96
8/15/20	$ 1,277,571,960.96	$ -	$ 21,767,712.52	$ 21,767,712.52	$ 13,237,061.08	$ -	$ -	$ 1,290,809,022.04
2/15/21	$ 1,290,809,022.04	$ -	$ 35,854,077.23	$ 35,854,077.23	$ -	$ -	$ -	$ 1,290,809,022.04
8/15/21	$ 1,290,809,022.04	$ -	$ 25,284,894.92	$ 25,284,894.92	$ 9,984,604.96	$ -	$ -	$ 1,300,793,627.00
2/15/22	$ 1,300,793,627.00	$ -	$ 36,131,413.99	$ 36,131,413.99	$ -	$ -	$ -	$ 1,300,793,627.00
8/15/22	$ 1,300,793,627.00	$ -	$ 28,353,012.70	$ 28,353,012.70	$ 7,189,302.15	$ -	$ -	$ 1,307,982,929.15
2/15/23	$ 1,307,982,929.15	$ -	$ 36,331,107.20	$ 36,331,107.20	$ -	$ -	$ -	$ 1,307,982,929.15
8/15/23	$ 1,307,982,929.15	$ -	$ 31,471,501.31	$ 31,471,501.31	$ 4,267,250.88	$ -	$ -	$ 1,312,250,180.03
2/15/24	$ 1,312,250,180.03	$ -	$ 36,350,047.06	$ 36,350,047.06	$ -	$ -	$ -	$ 1,312,250,180.03
8/15/24	$ 1,312,250,180.03	$ -	$ 34,721,197.82	$ 34,721,197.82	$ 1,233,740.04	$ -	$ -	$ 1,313,483,920.07
2/15/25	$ 1,313,483,920.07	$ -	$ 36,483,905.14	$ 36,483,905.14	$ -	$ -	$ -	$ 1,313,483,920.07
8/15/25	$ 1,313,483,920.07	$ -	$ 37,906,783.56	$ 35,889,058.86	$ -	$ -	$ 2,017,724.70	$ 1,311,466,195.37
2/15/26	$ 1,311,466,195.37	$ -	$ 36,427,859.93	$ 36,427,859.93	$ -	$ -	$ -	$ 1,311,466,195.37
8/15/26	$ 1,311,466,195.37	$ -	$ 50,471,363.49	$ 35,833,927.43	$ -	$ -	$ 14,637,436.06	$ 1,296,828,759.31
2/15/27	$ 1,296,828,759.31	$ -	$ 36,021,284.09	$ 36,021,284.09	$ -	$ -	$ -	$ 1,296,828,759.31
8/15/27	$ 1,296,828,759.31	$ -	$ 54,712,030.24	$ 35,433,980.55	$ -	$ -	$ 19,278,049.70	$ 1,277,550,709.61
2/15/28	$ 1,277,550,709.61	$ -	$ 35,388,852.77	$ 35,388,852.77	$ -	$ -	$ -	$ 1,277,550,709.61
8/15/28	$ 1,277,550,709.61	$ -	$ 59,215,370.65	$ 35,004,191.33	$ -	$ -	$ 24,211,179.33	$ 1,253,339,530.29
2/15/29	$ 1,253,339,530.29	$ -	$ 34,813,308.20	$ 34,813,308.20	$ -	$ -	$ -	$ 1,253,339,530.29
8/15/29	$ 1,253,339,530.29	$ -	$ 63,678,642.50	$ 34,245,699.92	$ -	$ -	$ 29,432,942.58	$ 1,223,906,587.71
2/15/30	$ 1,223,906,587.71	$ -	$ 33,995,765.89	$ 33,995,765.89	$ -	$ -	$ -	$ 1,223,906,587.71
8/15/30	$ 1,223,906,587.71	$ -	$ 68,386,184.81	$ 33,441,487.10	$ -	$ -	$ 34,944,697.71	$ 1,188,961,889.99
2/15/31	$ 1,188,961,889.99	$ -	$ 33,025,126.65	$ 33,025,126.65	$ -	$ -	$ -	$ 1,188,961,889.99
8/15/31	$ 1,188,961,889.99	$ -	$ 73,232,278.60	$ 32,486,673.49	$ -	$ -	$ 40,745,605.10	$ 1,148,216,284.89
2/15/32	$ 1,148,216,284.89	$ -	$ 31,806,218.53	$ 31,806,218.53	$ -	$ -	$ -	$ 1,148,216,284.89
8/15/32	$ 1,148,216,284.89	$ -	$ 78,298,027.07	$ 31,460,498.77	$ -	$ -	$ 46,837,528.31	$ 1,101,378,756.58
2/15/33	$ 1,101,378,756.58	$ -	$ 30,592,379.14	$ 30,592,379.14	$ -	$ -	$ -	$ 1,101,378,756.58
8/15/33	$ 1,101,378,756.58	$ -	$ 83,312,642.29	$ 30,093,590.35	$ -	$ -	$ 53,219,051.94	$ 1,048,159,704.64
2/15/34	$ 1,048,159,704.64	$ -	$ 29,114,143.42	$ 29,114,143.42	$ -	$ -	$ -	$ 1,048,159,704.64
8/15/34	$ 1,048,159,704.64	$ -	$ 88,547,014.36	$ 28,639,456.30	$ -	$ -	$ 59,907,558.06	$ 988,252,146.58
2/15/35	$ 988,252,146.58	$ -	$ 27,450,124.83	$ 27,450,124.83	$ -	$ -	$ -	$ 988,252,146.58
8/15/35	$ 988,252,146.58	$ -	$ 94,017,854.09	$ 27,002,568.45	$ -	$ -	$ 67,015,285.65	$ 921,236,860.93
2/15/36	$ 921,236,860.93	$ -	$ 25,518,764.46	$ 25,518,764.46	$ -	$ -	$ -	$ 921,236,860.93
8/15/36	$ 921,236,860.93	$ -	$ 110,099,028.92	$ 25,241,386.58	$ -	$ -	$ 84,857,642.34	$ 836,379,218.59
2/15/37	$ 836,379,218.59	$ -	$ 23,231,635.81	$ 23,231,635.81	$ -	$ -	$ -	$ 836,379,218.59
8/15/37	$ 836,379,218.59	$ -	$ 116,168,076.98	$ 22,852,859.14	$ -	$ -	$ 93,315,217.84	$ 743,064,000.75
2/15/38	$ 743,064,000.75	$ -	$ 20,639,671.41	$ 20,639,671.41	$ -	$ -	$ -	$ 743,064,000.75
8/15/38	$ 743,064,000.75	$ -	$ 122,549,076.20	$ 20,303,155.03	$ -	$ -	$ 102,245,921.17	$ 640,818,079.58
2/15/39	$ 640,818,079.58	$ -	$ 17,799,643.89	$ 17,799,643.89	$ -	$ -	$ -	$ 640,818,079.58
8/15/39	$ 640,818,079.58	$ -	$ 162,185,902.13	$ 17,509,432.30	$ -	$ -	$ 144,676,469.83	$ 496,141,609.75
2/15/40	$ 496,141,609.75	$ -	$ 13,743,393.71	$ 13,743,393.71	$ -	$ -	$ -	$ 496,141,609.75
8/15/40	$ 496,141,609.75	$ -	$ 170,096,932.99	$ 13,594,008.99	$ -	$ -	$ 156,502,924.00	$ 339,638,685.75
2/15/41	$ 339,638,685.75	$ -	$ 9,433,953.02	$ 9,433,953.02	$ -	$ -	$ -	$ 339,638,685.75
8/15/41	$ 339,638,685.75	$ -	$ 178,280,788.45	$ 9,280,138.57	$ -	$ -	$ 169,000,649.89	$ 170,638,035.86
2/15/42	$ 170,638,035.86	$ -	$ 4,739,716.88	$ 4,739,716.88	$ -	$ -	$ -	$ 170,638,035.86
7/15/42	$ 170,638,035.86	$ -	$ 174,501,935.50	$ 3,863,899.63	$ -	$ -	$ 170,638,035.86	$ -
		$ 916,760,000.00	$ 2,939,081,864.04	$ 1,625,597,943.97	$ 396,723,920.07	$ -	$ 1,313,483,920.07	

Semiannual P&I
Semiannual Compounding
Interest calculated based upon actual days over actual days

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APPENDIX H

SUMMARY OF CERTAIN PROVISIONS OF THE EXCLUSIVE DEVELOPMENT AGREEMENT AND THE CAPITAL MAINTENANCE AGREEMENT

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APPENDIX H

SUMMARY OF CERTAIN PROVISIONS OF THE EXCLUSIVE DEVELOPMENT AGREEMENT AND THE CAPITAL MAINTENANCE AGREEMENT

Set forth below are summaries of certain provisions of the Exclusive Development Agreement, as amended, and the Capital Maintenance Agreement. These summaries are qualified in their entirety by reference to the Exclusive Development Agreement and the Capital Maintenance Agreement, respectively, copies of which may be obtained from the Commission. All capitalized terms used in the summary of the Exclusive Development Agreement and not otherwise defined therein will have the meanings assigned them in the Exclusive Development Agreement, and all capitalized terms used in the summary of the Capital Maintenance Agreement and not otherwise defined therein will have the meanings assigned to them in the Capital Maintenance Agreement.

Defined Terms

Additional Properties means any real property (which term is inclusive of all permanent estates and interests in real property), improvements and fixtures outside of the Schematic ROW, that will be acquired in connection with the Project, including (a) the Mitigation Site, Maintenance Site and rest area sites, (b) the Developer-Designated ROW, and (c) any additional real property outside of the Schematic ROW that must be acquired due to a Commission-Directed Change, including any air space, surface rights and subsurface rights within such additional real property area that the Commission directs Developer to acquire for the Project. The term specifically excludes (y) New Utility Property Interests and (z) any temporary easements or other temporary real property interests that Developer may deem necessary or advisable to acquire, at its own cost and expense, for work space, contractor lay-down areas, material storage areas, or other convenience of Developer.

Adjust means to perform an Adjustment.

Adjustment means each reinstallation in a new location, adjustment, reconstruction, adjustment-to-grade, restoration, provision of temporary services as required, maintenance, support and protection-in-place (whether permanent or temporary), removal, and/or abandonment (in accordance with proper procedures) of existing Utilities necessary to permit construction of the Project and accommodate construction of the Ultimate Design; provided, however, that the term "Adjustment" will not refer to any of the Development Work associated with facilities owned by any railroad, whether or not shown on the Utility Strip Maps and/or Utility Summary.

Alternative No. 4 means designing and constructing Segments 1, 2, 3 and 4 using a divided roadbed, as further described in the Exclusive Development Agreement.

Alternative No. 5 means designing constructing Segment 6 using a four lane barrier-divided facility, as further described in the Exclusive Development Agreement.

Basic Configuration means the following elements defining the Project as set forth in the Schematic Design plans:

(a) the mainline horizontal and mainline vertical alignments for the Ultimate Design,[1]

(b) the number of lanes, excluding auxiliary and climbing lanes for the Interim Design,

(c) the general location of the toll plazas,

(d) the general location of ramps, and

[1] In determining whether a material change in Basic Configuration to the mainline alignment (item (a) of the Basic Configuration definition) has occurred, the following standards will apply: no material change in Basic Configuration will be deemed to have occurred as the result of any horizontal alignment or vertical alignment shift unless it causes any component of the project defined by the Ultimate Design (excluding private property access roads, drainage facilities and utility Adjustments) to be located outside of the Schematic ROW, or requires a Supplemental EIS to be issued.

(e) the general location of interchanges and the type of interchanges.

Betterment means, with respect to any Utility being Adjusted, any upgrading of such facility in the course of such Adjustment that is not attributable to the construction of the Project and is made solely for the benefit of and at the election of the Utility Owner; provided, however, that the following will not be considered Betterments: (a) any upgrading which is required by the Project; (b) replacement devices or materials that are of equivalent standards although not identical; (c) replacement of devices or materials no longer regularly manufactured with the next highest grade or size; (d) any upgrading required by applicable Law; (c) replacement devices or materials which are used for reasons of economy (e.g., non-stocked items may be uneconomical to purchase); or (d) any upgrading required by the Utility Owner's written "standards" meeting the requirements described in the Exclusive Development Agreement.

For fiber optic Utilities, extension of an Adjustment to the nearest splice boxes will not be considered a Betterment if required by the Utility Owner in order to maintain its written telephony standards.

In case of a dispute as to whether or not a particular upgrade to a Utility qualifies as a Betterment, the Commission and Developer will apply the guidance and policies set forth in the TxDOT Utility Manual; provided, however, that for purposes of said Manual, any upgrading required by the Utility Owner's written "standards" meeting the requirements described in the Exclusive Development Agreement will be deemed to be of direct benefit to the highway project.

Notwithstanding the foregoing, (a) any component of an Adjustment which is established as a betterment in the applicable Utility Adjustment Agreement will be deemed a "Betterment" for purposes of this Agreement, and (b) in case of any discrepancy between the definition of "Betterment" set forth in the Exclusive Development Agreement and the definition of betterment set forth in a particular Utility Adjustment Agreement, the term "Betterment" has the meaning set forth in such Utility Adjustment Agreement for all Adjustments to which such Utility Adjustment Agreement applies.

Bond or Bonds means any bond or bonds issued to fund the costs of development, design, construction, operation, repair and maintenance of the Project, except where specifically used in the context of Proposal Bond, Performance Bond and Payment Bond.

Bond Trustee means Bank One, National Association, its legal successor, or any other commercial bank or trust company duly organized and existing under the laws of any state or the United States, which is authorized under the laws of the State to exercise corporate trust powers and is subject to examination by federal authority, appointed pursuant to the Project Finance Documents as its successor or its successors.

Change in Law means the enactment, adoption, modification, repeal or other change in any Law that occurs after the Proposal Date, including any change in the judicial or administrative interpretation of any Law, or adoption of any new Law, which is materially inconsistent with Laws in effect on the Proposal Date, but excluding any such change in or new Law which was passed or adopted but not yet effective as of the Proposal Date.

Cost Differential means the following:

For any Unidentified Utility for which Developer is claiming an increase in the Development Price, the "Cost Differential" will be the incremental increase in the "Basic Costs" described below for such Utility that is directly attributable to the lacking or inaccurate information that was included in the Existing Utility Information.

For any Unidentified Utility for which the Commission is claiming a decrease in the Development Price, the "Cost Differential" will be the incremental decrease in the Basic Costs for such Utility that is directly attributable to the lacking or inaccurate information that was included in the Existing Utility Information.

For any Utility shown on the Existing Utility Information which does not actually exist (based on the results of Developer's investigations pursuant to Scope of Work Section 5.15.1), the "Cost Differential" will be the Parties' reasonable estimate of the Basic Costs which Developer would have incurred in Adjusting such Utility based on the Existing Utility Information.

For purposes of this definition, the "Basic Costs" for the Adjustment of any Utility means the costs for the following, whether incurred by Developer directly or reimbursed by Developer to a Utility Owner:

(i) design and construction of such Adjustment, plus

(ii) acquisition of New Utility Property Interests or compensation to the Utility Owner for relinquishment of Existing Utility Property Interests within the Final ROW required for such Adjustment.

For purposes of paragraphs (a) and (b) above, any incremental increase or decrease in Basic Costs will be determined by comparing (i) the Parties' reasonable estimate of the actual Basic Costs which Developer will incur in Adjusting such Utility, based on Developer's final determination of its location, ownership, type and other characteristics made pursuant to the Exclusive Development Agreement (referred to in this definition as the "Final Utility Information") and in accordance with the final Adjustment design developed and approved pursuant to the Exclusive Development Agreement (provided, however, that for any Unidentified Utility which is not in fact Adjusted, the amount of such estimate will be zero), with (ii) the parties' reasonable estimate of the Basic Costs which Developer would have incurred in Adjusting such Utility, based on the Existing Utility Information (provided, however, that for any Unidentified Utility not shown at all on the Existing Utility Information, or for which no Adjustment would have been necessary based on the Existing Utility Information, the amount of such estimate will be zero). The estimates used for the foregoing comparisons will comply with the requirements of the Exclusive Development Agreement. If the parties are unable to agree upon a reasonable estimate of the actual Basic Costs which Developer will incur in Adjusting a Utility based on the Final Utility Information and final Adjustment design, then the amount of such actual Basic Costs will be based on time and materials records pursuant to the Exclusive Development Agreement.

The calculation of the Cost Differential with respect to a particular facility will be subject to all limitations on Change Orders set forth in the Exclusive Development Agreement, in addition to the following:

(i) If any Unidentified Utility is not indicated accurately (or at all) by Developer in the Preliminary (30%) Design Submittal, then the calculation of the Basic Costs estimated to be incurred by Developer based on the Final Utility Information will exclude any costs that could have been avoided had such Utility been accurately identified in such submittal.

(ii) All estimates of Basic Costs (A) will exclude acceleration costs and any other delay or disruption damages, and (B) will be made in accordance with the Exclusive Development Agreement (including mark-ups not to exceed the amounts specified in Section 14.7 of the Exclusive Development Agreement).

(iii) The costs for comparable items will be determined on the same basis for each estimate prepared for a particular Utility, whether based on the Existing Utility Information or on the Final Utility Information.

(iv) The Basic Costs and Cost Differential will be calculated on a facility-by-facility basis, individually for each Utility facility, regardless of whether such facility is addressed together with other facilities in a single Utility Adjustment Agreement.

Critical Path means each critical path on the Project Schedule, which ends on the Completion Deadline or the deadline for Final Acceptance, as applicable (i.e. the term will apply only following consumption of all available float in the schedule for Substantial Completion or Final Acceptance, as applicable). The lower case term "critical path" means the activities and durations associated with the longest path(s) through the Project Schedule.

Developer means Lone Star Infrastructure, a joint venture, together with its partners, members, employees, agents, officers, directors, shareholders, representatives, consultants, successors and assigns.

Developer-Designated ROW means any permanent interest in real property (which term is inclusive of all estates and interests in real property), improvements and fixtures outside of the Schematic ROW that Developer determines is necessary or advisable to be acquired for the Project and which acquisition is approved by the Commission to be acquired at Developer's cost and expense, excluding any

New Utility Property Interests. The term specifically includes any easements required for drainage for the project defined by the ultimate design. The term specifically includes any air space, surface rights and subsurface rights within the Developer-Designated ROW. The term specifically excludes any temporary easements or other temporary real property interests that Developer may deem necessary or advisable to acquire, at its own cost and expense, for excessive work space, contractor lay-down areas, material storage areas, or other convenience of Developer.

Developer Group means (i) Developer, (ii) partners, joint venturers and/or members in or with Developer, (iii) Subcontractors (including Suppliers), (iv) any other persons performing any of the Development Work, (v) any other persons for whom Developer may be legally or contractually responsible, and (vi) the employees, agents, officers, directors, shareholders, representatives, consultants, successors, assigns and invitees of any of the foregoing.

Development Work means all of the work required to be furnished and provided by Developer under the Contract Documents, including all administrative, design, engineering, real property acquisition and occupant relocation, support services, Utility Adjustment Work to be furnished or provided by Developer, reimbursement of Utility Owners for Utility Adjustment Work furnished or provided by such Utility Owners or their contractors and consultants, procurement, professional, manufacturing, supply, installation, construction, supervision, management, testing, verification, labor, materials, equipment, maintenance, documentation and other duties and services to be furnished and provided by Developer as required by the Contract Documents, including all efforts necessary or appropriate to achieve Final Acceptance of each Segment except for those efforts which such Contract Documents expressly specify will be performed by persons other than members of the Developer Group.

Deviations means any change, deviation, modification or alteration from the requirements of the Contract Documents, applicable Law and the Governmental Approvals.

Differing Site Condition means: (1) subsurface or latent conditions encountered at the actual boring holes identified in the geotechnical reports included in Appendix C of Exhibit C, which differ materially from those conditions indicated in the geotechnical reports for such boring holes; or (2) physical conditions of an unusual nature, differing materially from those ordinarily encountered in the area and generally recognized as inherent in the type of work provided for in the Agreement. The term will specifically exclude all such conditions of which Developer had actual or constructive knowledge as of the Proposal Due Date. The foregoing definition specifically excludes (a) discovery of karst features; (b) changes in surface topography; (c) variations in subsurface moisture content; (d) Utility facilities; (e) Hazardous Materials, including contaminated groundwater; and (f) any conditions which constitute or are caused by a Force Majeure Event.

Early Adjustment Work means all efforts and costs necessary in order to complete any early Adjustments designated in the Exclusive Development Agreement, including coordination, design, design review, permitting, construction, inspection, maintenance of records, and work necessary for relinquishment of Existing Utility Property Interests, acquisition of New Utility Property Interests and preparation of Utility Joint Use Agreements. The Early Adjustment Work is not part of the Development Work, unless and until added to the Development Work pursuant to the Exclusive Development Agreement.

Effective Date means June 19, 2002.

Engineering News Record Construction Cost Index means the "Construction Cost Index" published by Engineering News-Record, Two Penn Plaza, 9th Floor, New York, NY 10121.

Environmental Law means any Law that regulates or governs the use, generation, manufacture, storage, handling, treatment, recycling, transportation, or disposal of Hazardous Material or pollution or protection of human health, safety, and the environment, including: (1) the Comprehensive Environmental Response, Compensation and Liability Act (42 U.S.C. §§ 9601, et seq.); (2) the Hazardous Materials Transportation Act (49 U.S.C. §§ 1801, et seq.); (3) the Resource Conservation and Recovery Act (42 U.S.C. §§ 6901, et seq.); (4) the Toxic Substances Control Act (15 U.S.C. §§ 2601, et seq.); (5) the Clean Water Act (33 U.S.C. §§ 1251, et seq.); (6) the Clean Air Act (42 U.S.C. §§ 7401, et seq.); (7) the Emergency Planning and Community Right-to-Know Act (42 U.S.C. §§ 11001, et seq.); (8) the Oil

Pollution Act (33 U.S.C. §§ 2701, et. seq.); (9) the Texas Health and Safety Code, including Chapter 382 (the Clean Air Act), Chapter 383 (the Clean Air Financing Act), Chapter 361 (the Texas Solid Waste Disposal Act), Chapter 362 (the Solid Waste Resource Recovery Financing Act), Chapter 363 (the Municipal Solid Waste Act), Chapter 364 (the County Solid Waste Control Act), Chapter 370 (the Texas Toxic Chemical Release Reporting Act), Chapter 371 (the Texas Used Oil Collection, Management, and Recycling Act), Chapter 401 (the Texas Radioactive Materials and Other Sources of Radiation Act), Chapter 402 (the Texas Low-Level Radioactive Waste Disposal Authority Act), Chapter 502 (the Texas Hazard Communication Act), Chapter 505 (the Texas Manufacturing Facility Community Right-To-Know-Act), Chapter 506 (the Texas Public Employer Community Right-To-Know-Act), and Chapter 507 (the Texas Nonmanufacturing Facilities Community Right-To-Know-Act); (10) the Texas Natural Resources Code, including Chapter 40 (the Texas Oil Spill Prevention and Response Act of 1991); (11) the Texas Water Code; (12) the Texas Parks and Wildlife Code; (13) the Texas Agriculture Code, including Chapter 76 (Pesticide and Herbicide Regulation) and Chapter 125 (the Agricultural Hazard Communication Act); (14) the Texas Asbestos Health Protection Act (Article 4477-3a, Texas Civil Statutes); (15) the Surface Coal Mining and Reclamation Act (Article 5920-11, Texas Civil Statutes); and (16) any other analogous state, local or municipal statutes, all as amended, enacted or as they may be amended or enacted from time to time. The term "Environmental Law" shall not include the Occupational Safety and Health Act (29 U.S.C. Section 651, et seq.).

Existing Utility Information means the Utility Summary and the Utility Strip Maps, collectively.

Existing Utility Property Interest means any right, title or interest in real property (e.g., a fee or an easement) claimed by a Utility Owner as the source of its right to maintain an existing Utility in such real property, which is compensable in eminent domain.

Final Payment means payment by the Commission of the final installment of the Development Price, as modified in accordance with the terms of this Agreement.

Final ROW means the Schematic ROW and the Additional Properties, but excluding therefrom any portion of the Schematic ROW eliminated from the Project by a Change Order.

Force Majeure Event means any of the events listed in clause (a) through (j) below, subject to the exclusions listed in clauses (i) through (viii) below, which materially and adversely affects Developer's obligations, provided such events are beyond the control of members of the Developer Group and are not due to an act, omission, negligence, recklessness, willful misconduct, breach of contract or Law of any member of the Developer Group, and further provided that such events (or the effects of such events) could not have been avoided by the exercise of caution, due diligence, or reasonable efforts by Developer: (a) any earthquake, tornado, hurricane or other natural disaster; (b) any epidemic, blockade, rebellion, war, riot, act of sabotage or civil commotion; (c) the discovery at, near or on the Final ROW (excluding Developer-Designated ROW) of any archaeological, paleontological or cultural resources provided that the existence of such resources or substances was not disclosed in, or ascertainable from, the RFP Documents, was not otherwise known to Developer prior to the Proposal Date and would not have become known to Developer by undertaking reasonable investigation prior to the Proposal Date, and excluding any risks of delays arising from such discovery allocated to Developer in Section 14.10.1 of this Agreement; (d) the discovery at, near or on the Final ROW of any species listed as threatened or endangered under the federal or State endangered species act (regardless of whether the species is listed as threatened or endangered as of the Proposal Date), and excluding any risks of delays arising from such discovery allocated to Developer in Section 14.10.2 of this Agreement; (e) the discovery of a New Utility; (f) any Change in Law, which (1) requires a material modification of the Project design, (2) requires Developer to obtain a new major State or federal environmental approval not previously required for the Project, (3) results in an increase in Developer's costs of at least $500,000, or (4) specifically targets the Project or Developer; (g) any spill of Hazardous Material by a third party who is not a member of the Developer Group which occurs after the Proposal Date and is required to be reported to a Governmental Entity and which renders use of the roadway or construction area unsafe absent assessment, containment and/or remediation; (h) Issuance of a temporary restraining order or other form of injunction by a court that prohibits prosecution of a material portion of the Development Work, except to the extent arising out of, related to or caused by, the delay, act, omission, negligence, willful misconduct, recklessness or

breach of contract or Law by any member of the Developer Group; (i) the suspension, termination, interruption, denial or failure to obtain or non-renewal of any Commission-Provided Approval, except to the extent that such suspension, termination, interruption, denial or failure to obtain or non-renewal arises from any modification in the Final Design from the original design concept included in the FEIS; and (j) imposition of temporary no-work restrictions resulting from the discovery within the Site of any karst features requiring investigation under Section 4.3.5.2 of the Scope of Work, excluding any risks of delays arising from such discovery allocated to Developer in Section 14.10.2 of this Agreement.

The term "Force Majeure Event" is limited to the matters listed above and specifically excludes from its definition the following matters which might otherwise be considered a force majeure event:(i) any fire or other physical destruction or damage, or delays to the Project which occur by action of the elements, including lightning, explosion, drought, rain, flood, snow, storm, except as specified in clause (a) above; (ii) except as provided in clause (b) above, malicious or other acts intended to cause loss or damage or other similar occurrence, including vandalism or theft; (iii) any strike, labor dispute, work slowdown, work stoppage, secondary boycott, walkout or other similar occurrence; (iv) the suspension, termination, interruption, denial, failure to obtain, non-renewal or change in any requirements of any Governmental Approval, except for any such matter falling within the scope of clause (f), (h) or (i) above; (v) any increased costs or delays related to any Utility Adjustment Work or railroad work or failure to obtain any approval, work or other action from a Utility Owner or railroad, except to the extent directly due to any of the matters listed in clause (a) through (i) above; (vi) the presence at, near or on the Site, as of the Effective Date, of any Hazardous Material, including substances disclosed in the Reference Documents as well as any substances contained in any structure required to be demolished in whole or in part or relocated as part of the Development Work; (vii) any Change in Law which has the effect of modifying a Utility Owner's required specifications, standards of practice and/or construction methods for the Utility Adjustment Work to be furnished or performed by Developer (or reimbursed by Developer), which occurs after the Proposal Date but prior to the date on which the applicable Utility Adjustment Agreement is signed by the Utility Owner; and (viii) any matters not caused by the Commission or beyond the control of the Commission and not listed in clause (a) through (j) above.

Governmental Approval means any permit, license, consent, authorization, waiver, variance or other approval, guidance, mitigation agreement, or memoranda of agreement/understanding, and any amendment or modification of any of them provided by Governmental Entities including State or federal regulatory agencies, agents, or employees, which authorize Development Work, but excluding any such approvals given by or required from any Governmental Entity in its capacity as a Utility Owner or railroad owner.

Governmental Entity means any federal, State or local government and any political subdivision or any governmental, quasi-governmental, judicial, public or statutory instrumentality, administrative agency, authority, body or entity other than the Commission.

Hazardous Materials means (i) any chemical, material or substance at any time defined as or included in the definition of "hazardous substances", "hazardous wastes", "hazardous materials", "extremely hazardous waste", "acutely hazardous waste", "radioactive waste", "bio-hazardous waste", "pollutant", "toxic pollutant", "contaminant", "restricted hazardous waste", "infectious waste", "toxic substance", or any other term or expression intended to define, list or classify substances by reason of properties harmful to health, safety or the indoor or outdoor environment (including harmful properties such as ignitability, corrosivity, reactivity, carcinogenicity, toxicity, reproductive toxicity, "TCLP" toxicity" or "EP toxicity" or words of similar import under any applicable Environmental Laws); (ii) any oil, petroleum, petroleum fraction or petroleum derived substance; (iii) any drilling fluids, produced waters and other wastes associated with the exploration, development or production of crude oil, natural gas or geothermal resources; (iv) any flammable substances or explosives; (v) any radioactive materials; (vi) any asbestos-containing materials; (vii) urea formaldehyde foam insulation; (viii) electrical equipment which contains any oil or dielectric fluid containing polychlorinated biphenyls; (ix) pesticides; and (x) any other chemical, material or substance, exposure to which is prohibited, limited or regulated by any Governmental Entity or which may or could pose a hazard to the health and safety of the owners, operators, users or any persons in the vicinity of the Project or to the indoor or outdoor environment.

Hazardous Materials Management means sampling, stock-piling, storage, backfilling in place, asphalt batching, recycling, treatment, clean-up, remediation, transportation and/or off-site disposal of Hazardous Materials, whichever is the most cost-effective approach authorized under applicable Law.

Indemnified Parties means the Commission, TXDOT, the State and their respective successors, assigns, officeholders, officers, directors, agents, representatives, consultants and employees (including the Program Manager).

Indenture means the indenture of trust or similar trust and security agreement entered into between the Commission and the Bond Trustee pursuant to which the Bonds are issued, and any authorized amendment or supplement thereto.

Interim Design means the design shown on the roadway schematic set forth in the Exclusive Development Agreement or the interim facility constructed by Developer in accordance with such design, as applicable.

Key personnel means those individuals and Developer personnel identified as such in the Exclusive Development Agreement.

Law or Laws means any statute, law, regulation, ordinance, rule, judgment, order, decree, permit, concession, grant, franchise, license, agreement, directive, guideline, policy requirement or other governmental restriction or any similar form of decision of or determination by, or any interpretation or administration of any of the foregoing by, any Governmental Entity, which is applicable to the Project, the Final ROW, and/or the Development Work, whether now or hereafter in effect, including Environmental Laws.

Losses means any loss, damage (including personal injury, property damage and natural resource damages), injury, liability, cost, expense (including attorneys' fees and expenses (including those incurred in connection with the enforcement of any provision of this Agreement)), fee, charge, demand, investigation, proceeding, action, suit, claim, judgment, penalty, fine or third party claims.

Maintenance Site means any real property (which term is inclusive of all estates and interests in real property), improvements and fixtures outside of the Schematic ROW that will be acquired for use by the Commission to accommodate future maintenance activities pursuant to the Exclusive Development Agreement. The term specifically includes any air space, surface rights and subsurface rights within the Maintenance Site that the Commission directs Developer to acquire for the Project.

Mitigation Site means any real property (which term is inclusive of all estates and interests in real property), improvements and fixtures outside of the Schematic ROW that will be acquired to mitigate the Project's environmental effects pursuant to the requirements set forth in the Exclusive Development Agreement. The term specifically includes any air space, surface rights and subsurface rights within the Mitigation Site that the Commission directs Developer to acquire for the Project.

New Environmental Approval means (a) any Environmental Approval required for the Project, other than Commission-Provided Approvals, and (b) any revision, modification, or amendment to any Commission-Provided Approval.

New Utility means any Utility impacted by the Project (other than a Service Line) to the extent located within the Schematic ROW, which (a) commenced installation after the Proposal Date and (b) is not an Identified Utility; provided, however, that any Utility which meets both of the foregoing criteria but which is also an extension of an Identified Utility will be considered an Unidentified Utility rather than a New Utility.

If there is any discrepancy between the information provided by the Utility Strip Maps and the information provided by the Utility Summary (which together constitute the Existing Utility Information), only the more accurate information will be relevant for purposes of determining whether or not a Utility is a New Utility.

New Utility Property Interest means any permanent right, title or interest in real property outside of the Final ROW (e.g., a fee or an easement) that is acquired for a Utility being reinstalled in a new

location as a part of the Utility Adjustment Work. The term specifically excludes any statutory right of occupancy or permit granted by a Governmental Entity for occupancy of its real property by a Utility.

Nonconforming Work means Development Work that Developer, the DQAF, the CQAF, any Governmental Entity or the Commission determines does not conform to the requirements of the Contract Documents, the Governmental Approvals, applicable Law or the Design Documents.

NTP or Notice to Proceed means the written notice issued by the Commission to Developer authorizing Developer to proceed with the Development Work specified in the notice.

NTP2 Work means the elements of the remainder of the Development Work for Segments 1, 2, 3 and 4, as more particularly described in the Exclusive Development Agreement.

NTP3 Work means the elements of the Development Work for Segments 5 and 6 to be performed by Developer as more particularly described in the Exclusive Development Agreement.

NTP4 Work means the elements of the Development Work for Segment 6 to be performed by Developer as more particularly described in the Exclusive Development Agreement.

NTP5 Work means the elements of the Development Work for Segment 2 to be performed by Developer as more particularly described in the Exclusive Development Agreement.

Project Final Acceptance means the date of occurrence of Final Acceptance of the latest Segment for which an NTP is issued.

Project Finance Documents means those documents, including trust agreements, to be entered into by the Commission to secure or evidence the Bonds, the TIFIA loan and the other obligations to be issued or entered into for the purpose of financing the Project.

Proposal Date means March 4, 2002.

Reimbursable Hazardous Materials Costs means Developer's actual costs of performance of Hazardous Materials Management, determined in accordance with the Exclusive Development Agreement, with reduced mark-ups for profit and overhead on labor and materials.

ROW Strip Map means the diagrams shown in the Exclusive Development Agreement.

Schematic Design means the roadway schematic plans set forth in the Exclusive Development Agreement.

Schematic ROW means any real property (which term is inclusive of all estates and interests in real property), improvements and fixtures within the lines established by the Commission on the Schematic Design plans to delineate the outside limits of the Ultimate Design, as such limits may be adjusted from time to time in accordance with the Contract Documents. The term specifically includes all air space, surface rights, and subsurface rights within the limits of the Schematic ROW.

Segments 1-6 means each section of roadway that is designated as such in the Exclusive Development Agreement.

Service Line means a Utility line, the function of which is to directly connect the improvements on an individual property to another Utility line located off such property, which other Utility line connects more than one such individual line to a larger system.

Site means Schematic ROW, Additional Properties, New Utility Property Interests, and any temporary rights or interests that Developer may acquire at its own cost and expense in connection with the Project.

State means the State of Texas.

Systems Integrator means the developer that will design, supply, install, test and commission the toll collection system for the Project, including scanners, readers, loops, enforcement mechanisms and manual and automated cash collection systems.

Commission-Caused Delays means unavoidable delays arising from the following matters and no others, but only to the extent that they (i) materially adversely affect a Critical Path, (ii) are not mitigated or susceptible of handling by a work around, and (iii) are not due to an act, omission, negligence,

recklessness, willful misconduct, breach of contract or violation of Law of or by any member of the Developer Group: (a) Commission-Directed Changes; (b) failure or inability of the Commission to make Schematic ROW available on or before 300 Days following Commission approval of the condemnation packet in accordance with the Exclusive Development Agreement; (c) failure or inability of the Commission to provide responses to proposed schedules, plans, Design Documents, condemnation and acquisition packages, and other submittals and matters for which response is required, within the time periods (if any) indicated in the Contract Documents, or other failure of the Commission to act within a reasonable time period with respect to actions which it is required to take under the Exclusive Development Agreement, following delivery of written notice from Developer requesting such action in accordance with the terms and requirements of the Exclusive Development Agreement; (d) uncovering, removing and restoring Development Work pursuant to the Exclusive Development Agreement, if such Development Work exposed or examined is in conformance with the requirements of the Contract Documents, the Governmental Approvals and applicable Law, unless such conforming Development Work was performed or materials used without adequate notice to and opportunity for prior inspection by the Commission; and (e) failure or inability of the Commission to obtain a 404 general permit for the Project by January 31, 2003.

Any suspension of Development Work arising from litigation will not be considered a Commission-Caused Delay (although it may qualify as a Force Majeure Event under clause (h) of the definition of "Force Majeure Event") despite the fact that the Commission may specifically direct Developer to suspend the Development Work.

Commission-Directed Changes means any changes in the Scope of Work or terms and conditions of the Contract Documents (including changes in the standards applicable to the Development Work) that increase Developer's costs by more than $10,000, which the Commission has directed Developer to perform as described in the Exclusive Development Agreement.

Commission-Provided Approvals means the following: (a) the Final Environmental Impact Statement for the Project; (b) the Record of Decision for the Project; (c) Threatened and Endangered Species Consultation under Section 7 of the Endangered Species Act, 16 U.S.C. Section 1536(a)(2); (d) conditional individual permit for the placement of dredged and fill material into waters of the United States under Section 404 of the Clean Water Act (33 U.S.C. §1344) and certification that the actions permitted under the Section 404 permit are in compliance with State water quality requirements and other applicable State laws under Section 401 Water Quality Certification (33 U.S.C. §1341)(1986); (e) permits or approvals under Sections 9 and 10 of the Rivers and Harbors Act of 1899 (33 U.S.C. §401); Section 9 for the construction of bridges and causeways in a navigable water of the United States; Section 10 (33 U.S.C. §403) for construction, excavation, or deposition of materials in, over, or under, or any work which would affect the course, location, condition, or capacity of navigable waters; (f) approvals under the National Historic Preservation Act (16 U.S.C. §470(f)) and implementing regulations (36 C.F.R §§800, et seq.) to the extent the Commission has agreed to be responsible therefor under the Exclusive Development Agreement; and (g) the Programmatic Agreement, dated December 4, 1995.

TxDOT Standards means the Texas Department of Transportation Standard Specifications for Construction of Highways, Streets and Bridges, adopted by the Texas Department of Transportation on March 1, 1993, as modified, supplemented and/or superseded and replaced with the requirements referenced in the Exclusive Development Agreement.

Ultimate Design means the design marked "ultimate" on the roadway schematics set forth in the Exclusive Development Agreement.

Unidentified Utility means any Utility impacted by the Project (other than a Service Line), which is neither an Identified Utility nor a New Utility, including any Utility that would be a New Utility, but for the fact that it is an extension of an Identified Utility. For purposes of this definition, an "Identified Utility" means any Utility impacted by the Project to which any one or more of the following applies:

Its owner is accurately stated on the Existing Utility Information, and, as determined by the Commission, the location and extent of such Utility as shown on the Existing Utility Information (whether as existing or proposed) is a reasonable representation of the location and extent of such Utility,

given the quality level of investigation performed in developing the Existing Utility Information (as described in the Exclusive Development Agreement);

Its type (e.g., gas, water, electric) is accurately stated on the Existing Utility Information (differences in material, e.g., clay vs. plastic, will not be considered a difference in type), and, as determined by the Commission, the location and extent of such Utility as shown on the Existing Utility Information (whether as existing or proposed) is a reasonable representation of the location and extent of such Utility, given the quality level of investigation performed in developing the Existing Utility Information (as described in the Exclusive Development Agreement);

It is an overhead Utility existing as of the Proposal Date or which commenced installation prior to the Proposal Date;

A surface inspection of the area in which the Utility is located on the Proposal Date would have shown the Utility's existence or the likelihood of its existence by reason of above-ground facilities such as buildings, meters, manholes or markers; provided, however, that if Developer has not been granted access to the parcel on which a Utility is located prior to the Proposal Date, then for purposes of determining whether a surface inspection would have shown the Utility's existence or likelihood of its existence, such surface inspection will be deemed to have been made from the nearest parcel to which Developer has been granted access prior to the Proposal Date, or from the nearest public right of way, whichever is closer; or

It is located in the same trench as an Identified Utility, and is of the same type or ownership as the Identified Utility.

If a Utility falls within any of the categories listed in clauses (a) through (e) above, then it is an Identified Utility regardless of any discrepancy between (i) the information provided on the Existing Utility Information, and (ii) the actual characteristics of that Utility with respect to its size, its horizontal or vertical location, its ownership, its type, or any other characteristic. Without limiting the generality of the foregoing, if a Utility is shown on the Existing Utility Information as being on public right of way, and it is in fact located on private right of way, or vice versa, that discrepancy is of no relevance in determining whether or not that Utility is an Identified Utility.

If there is any discrepancy between the information provided by the Utility Strip Maps and the information provided by the Utility Summary (which together constitute the Existing Utility Information), only the more accurate information will be relevant for purposes of determining whether or not a Utility is an Identified Utility. Accordingly, if a Utility would be considered an Identified Utility based on the information provided in the Utility Summary but not based on the Utility Strip Maps, or vice versa, then such Utility will be considered an Identified Utility.

Utility(ies) or utility(ies) means (1) a public, private, cooperative, municipal and/or government line, facility or system used for the carriage, transmission and/or distribution of cable television, electric power, telephone, telegraph, water, gas, oil, petroleum products, steam, chemicals, hydrocarbons, telecommunications, sewage, storm water not connected with the drainage of the Project, and similar substances that directly or indirectly serve the public, and/or (2) a Private Pipeline. The term "Utility" or "utility" specifically excludes (a) storm water facilities providing drainage for the Final ROW, and (b) street lights and traffic signals. The necessary appurtenances to each utility facility will be considered part of such utility. Without limitation, any Service Line connecting directly to a utility will be considered an appurtenance to that utility, regardless of the ownership of such Service Line.

Utility Adjustment Agreement means an agreement between Developer and a Utility Owner which sets forth terms and conditions for one or more Utility Adjustments, as the same may be amended or supplemented from time to time and as more particularly described in the Exclusive Development Agreement of the Scope of Work. A document is a "Utility Adjustment Agreement" if it meets the foregoing definition, without regard to the title of the document. A reference in the Contract Documents to any Utility Adjustment Agreement will include, in addition to the Utility Adjustment Agreement, any Utility Adjustment Agreement Amendment executed by Developer and the Utility Owner with respect thereto, as well as any informal supplement or modification entered into between Developer and the Utility Owner as permitted by the Exclusive Development Agreement.

Utility Adjustment Work means (a) the work associated with Adjustment of Utilities as necessary to accommodate the Ultimate Design or permit construction of the improvements of the Project (except for Early Adjustments), and (b) any Betterments added to the Development Work pursuant to the Exclusive Development Agreement. The term includes all coordination, design, design review, permitting, construction, inspection, maintenance of records, relinquishment of Existing Utility Property Interests, preparation of Joint Use Agreements, and acquisition of New Utility Property Interests as necessary for the work described in the preceding sentence, whether provided by Developer or by the Utility Owners, and all other work described as "Utility Adjustment Work" in the Exclusive Development Agreement. Notwithstanding the foregoing, if any Early Adjustment is added to the Development Work in accordance with the Exclusive Development Agreement, then the "Utility Adjustment Work" will include all remaining work to be performed by either the Utility Owner or Developer in connection with such Early Adjustment.

Utility Enhancement means a Betterment or a Utility Owner Project.

Utility MOU means any non-binding agreement or memorandum of understanding between the Commission and a Utility Owner establishing a general framework for the Adjustment of such Utility Owner's Utilities as necessary for the Project.

Utility Owner means the owner or operator of any Utility (including both privately held and publicly held entities, cooperative utilities, and municipalities and other governmental agencies).

Utility Owner Project means the design and construction by or at the direction of a Utility Owner (or by Developer pursuant to the Exclusive Development Agreement) of a new Utility other than as part of a Utility Adjustment. Betterments are not Utility Owner Projects. Utility Owner Projects will be entirely the financial obligation of the Utility Owner.

Utility Strip Maps means the maps depicting existing Utilities identified by the Commission that are included in the Exclusive Development Agreement.

Utility Summary means the spreadsheet listing existing Utilities identified by the Commission, which is included in the Exclusive Development Agreement.

Contract Documents

The term "Contract Documents" means the Exclusive Development Agreement, including all exhibits, appendices, and the documents listed in (a) through (g), including all amendments to the foregoing, all Change Orders issued and the Maintenance Agreement (if applicable): (a) Change Orders and Agreement amendments; (b) Exclusive Development Agreement (including all exhibits and appendices, but excluding the TxDOT Standards, Developer Commitments and ATCs and Scope of Work); (c) Design Documents, with specifications contained therein having precedence over plans and excluding any Deviations contained therein which have not been approved in writing by the Commission specifically as a Deviation; (d) Scope of Work (Exhibit B to the Exclusive Development Agreement) and Developer Commitments and ATCs (Exhibit P to the Exclusive Development Agreement); (e) TxDOT Standards; (f) AASHTO Guidelines; and (g) the Proposal, to the extent that it meets or exceeds the requirements of the other Contract Documents. In other words, if the Proposal includes statements that can reasonably be interpreted as offers to provide higher quality items than otherwise required by the Contract Documents or to perform services in addition to those otherwise required, or otherwise contain terms which are more advantageous to the Commission than the requirements of the other Contract Documents, the Developer's obligations under the Exclusive Development Agreement will include compliance with all such statements, offers and terms.

For construction-related standards, specifications and requirements, the order of precedence will be: (a), (b), (c), (d), (e), (f) and (g).

For design standards and requirements, as well as other matters, the order of precedence will be: (a), (b), (d), (e), (f), (g).

Notwithstanding the foregoing, in the event of a conflict within a Contract Document or set of Contract Documents with the same order of priority (including within documents referenced therein), the Commission will have the right to determine, in its sole discretion, which provision applies. The

Developer will request the Commission's determination respecting the order of precedence among such provisions promptly upon becoming aware of any such conflict.

Obligations of the Developer

Design and Construction. The Developer has agreed to design the Project and to construct the Project as designed, in accordance with the standards and other requirements specified in the Exclusive Development Agreement, in a good and workmanlike manner. Except as otherwise specifically provided in the Exclusive Development Agreement or the Scope of Work, providing all materials, labor, services and efforts necessary to achieve Substantial Completion and Final Acceptance of each Segment of the Project on or before the deadlines set forth in the Exclusive Development Agreement will be the Developer's sole responsibility; and, subject only to the terms of the Exclusive Development Agreement described below under the caption "Change Orders," the cost of all such materials, labor, services and efforts (including all costs of start-up and testing) is included in the Development Price.

Developer Obligations. The Developer has agreed to furnish all design and other services, provide all materials, equipment and labor and undertake all efforts necessary or appropriate (excluding only those materials, equipment, labor, services and efforts which the Exclusive Development Agreement and/or the Scope of Work specify will be undertaken by other persons) to construct the Project in accordance with the requirements of the Contract Documents, the Project Schedule, all Governmental Approvals, the approved Design and Construction Quality Control/Quality Assurance Programs, the approved Safety and Health Plan, the approved construction documents and all other applicable safety, environmental and other requirements, taking into account the constraints affecting the Project, so as to achieve Substantial Completion and Final Acceptance of each Segment by the deadlines specified in the Exclusive Development Agreement, and otherwise to do in a timely manner everything required by and in accordance with the Contract Documents.

The Developer has agreed to obtain and pay the cost of obtaining all Governmental Approvals (except Commission-Provided Approvals) and any other third party approvals required in connection with the Project, subject only to the Developer's right to a Change Order if a Force Majeure Event or Commission-Directed Change occurs as specified in the Exclusive Development Agreement. Prior to beginning any construction activities in the field, the Developer has agreed to furnish the Commission with fully executed copies of all Governmental Approvals required as a matter of law for such construction activities and has agreed to provide written confirmation to the Commission that all conditions of such Governmental Approvals which are a legal prerequisite to commencement of such construction have been satisfied. In the event that any Governmental Approvals required to be obtained by the Developer must formally be issued in the Commission's name, the Developer has agreed to undertake all efforts to obtain such approvals subject to the Commission's reasonable cooperation with the Developer, including execution and delivery of appropriate applications and other documentation in form approved by the Commission.

The Developer has agreed to undertake and properly perform all actions required by and all actions necessary to maintain in full force and effect all Governmental Approvals at all times during performance of Development Work under the Contract Documents; provided that nothing in the Exclusive Development Agreement is intended to limit or abrogate the Commission's responsibilities to obtain Commission-Provided Approvals as specified in the Contract Documents.

The Developer has agreed to comply with, and ensure that all Subcontractors comply with, all requirements of all applicable Laws, including all Environmental Laws.

Effect of Reviews, Inspections, Tests and Approvals. In general, at all times before Project Final Acceptance, the Commission will have the right to reject any Development Work or materials, require changes and/or identify additional Development Work, all as necessary to achieve compliance with Exclusive Development Agreement requirements, as a condition to Project Final Acceptance. The Developer has agreed that it will not be relieved of obligations to perform the Development Work in accordance with the Contract Documents, or of any of its Warranty obligations, by reviews, tests, inspections or approvals performed by any persons, or by any failure of any person to take such action. During the Warranty period the Commission will have its rights as specified in the Exclusive Development Agreement. Following expiration of the Warranty period, the Commission will continue to

have all rights and remedies to which it is entitled as a matter of law, subject to the Exclusive Development Agreement. The Commission's rights as described in the Exclusive Development Agreement apply regardless of any previous reviews, inspections, tests or approvals conducted by any persons. Notwithstanding any design oversight, construction oversight, environmental oversight or other Project oversight activities by the Commission or any other persons, Developer will be solely responsible for the quality, safety and operability of the Project, as well as compliance with the requirements of the Contract Documents, the Governmental Approvals and applicable Law.

Notices to Proceed

The Exclusive Development Agreement provides for the Commission to authorize performance of certain limited Development Work relating to Segments 1, 2, 3 and 4 pursuant to the issuance of NTP1. The Development Work relating to eastbound to southbound and southbound to westbound direct connecting ramps at the State Highway 130/State Highway 45 North North Interchange is to be authorized by the issuance of NTP5. The remainder of the Development Work relating to Segments 1, 2, 3 and 4 is to be authorized by the issuance of NTP2, with the Completion Deadlines and the Acceptance Deadlines for such Segments tied to NTP2. The Development Work relating to Segments 5 and 6 is to be authorized by the issuance of NTP3 and NTP4. The Commission will specify in NTP4 whether it wishes to exercise its option to have Segment 6 include a two-lane facility (rather than the four lane barrier-divided facility described in Alternative No. 5).

First Notice to Proceed (NTP1). NTP1, authorizing critical right-of-way acquisition and limited design services for Segments 1 through 4, was issued on or about July 8, 2002. The Commission has no obligation to make any payments to Developer in excess of $30,000,000 until such time (if any) as NTP2 is issued.

Second Notice to Proceed (NTP2). NTP2, authorizing the remainder of the Development Work for Segments 1 through 4, is expected to be issued concurrently with issuance of the Bonds. In the event, NTP2 is not issued within 270 days from the Proposal Date, the Developer is entitled to escalation of the Development Price based on the ENR Construction Cost Index.

Third Notice to Proceed (NTP3). NTP3 authorizes design and right-of-way acquisition services for Segments 5 and 6. NTP3 must be issued within 730 days after issuance of NTP2 or the Commission loses its right to unilaterally issue NTP3 and NTP4.

Fourth Notice to Proceed (NTP4). NTP4, which authorizes the remainder of the Development Work for Segment 6, must be issued within 1095 days after issuance of NTP2 or the Commission loses its right to unilaterally issue NTP4.

Fifth Notice to Proceed (NTP5). NTP5, which authorizes direct connecting ramps at State Highway 45 North, must be issued within 180 days after issuance of NTP2 or the Commission loses its right to unilaterally issue NTP5.

Completion Deadlines

Completion Deadlines. Each deadline for Substantial Completion of a Segment, as it may be extended under the Exclusive Development Agreement as described below under the caption "Change Order," is referred to as the "Completion Deadline" for such Segment. The Completion Deadlines for the Project are as follows:

Developer will achieve Substantial Completion of Segment 1 within 1,541 Days after the start date set forth in NTP2.

Developer will achieve Substantial Completion of Segment 2 within 1,360 Days after the start date set forth in NTP2. Provided NTP5 has been issued, such deadline will apply to the NTP5 Work.

Developer will achieve Substantial Completion of Segment 3 within 1,633 Days after the start date set forth in NTP2.

Developer will achieve Substantial Completion of Segment 4 within 1,784 Days after the start date set forth in NTP2.

Developer will complete all NTP3 Work within 994 Days after the start date set forth in NTP3.

Developer will achieve Substantial Completion of Segment 6 within 1,238 Days after the start date set forth in NTP4.

Acceptance Deadlines. The Developer has agreed to achieve Final Acceptance of each Segment within 120 days after achieving Substantial Completion of the applicable Segment. Said deadlines, as they may be extended under the Exclusive Development Agreement as described below under the caption "Change Order," are referred to in the Exclusive Development Agreement as the "Acceptance Deadlines."

No Time Extensions. Except as otherwise specifically provided in the Exclusive Development Agreement, as described below under the caption "Change Order," the Commission will have no obligation to extend the Completion Deadlines and Acceptance Deadlines and the Developer has agreed to not be relieved of its obligation to achieve Substantial Completion of each Segment by the applicable Completion Deadline and Final Acceptance of each Segment by the applicable Acceptance Deadline, for any reason.

Right to Withhold Payment. In addition to all other rights and remedies available to the Commission, if the Developer fails to comply with certain schedule requirements of the Exclusive Development Agreement, the Commission may withhold payment to the Developer. All applications for payment will be held until such time as the Developer complies with the requirements of the Exclusive Development Agreement.

Acceptance of Project.

Substantial Completion. The Project will be accepted by Segments. Achievement of Substantial Completion of each Segment will be evidenced by written concurrence issued by the Commission.

For each Segment, Developer will provide written notice to the Commission no later than 425 Days prior to the date when all of the following will occur: (a) Developer has completed the Development Work, except for Punch List items, final cleanup and other items included in the requirements for Final Acceptance of the applicable Segment; (b) Developer has ensured that all Development Work relating to the Segment has been performed in accordance with the requirements of the Contract Documents, the Governmental Approvals and applicable Law; (c) the applicable Segment of the Turnpike may be operated without damage to the Project, the Final ROW or any other property adjacent or nearby the Final ROW, and without injury to any person; (d) the applicable Segment of the Turnpike, excluding the elements of the Turnpike that are to be installed by the Systems Integrator, (i) can be safely opened to public use , (ii) is fully signed and striped, and (iii) has all safety appurtenances installed; and (e) all remaining Punch List work for the Segment can be completed with no impact to traffic. If any lane closures are required to complete the Punch List items, Developer will be only entitled to close lanes between 8:00 p.m. and 6:00 a.m. and through traffic will be maintained at all times.

Substantial Completion of a Segment will be deemed to have occurred when: (a) the items set forth in (a) – (e) of the preceding paragraph have occurred for such Segment; (b) Developer has corrected any defects and deficiencies in the Development Work relating to such Segment to the satisfaction of the Commission, and the Commission has notified Developer in writing of its acceptance, or waiver pending Final Acceptance, of such corrections and the concurrence that Substantial Completion of the Segment has occurred; (c) Developer has received all applicable Governmental Approvals required for such Segment and to be obtained by Developer pursuant to this Agreement; (d) all Adjustments have been accepted by the applicable Utility Owners; and (e) a Punch List to be performed prior to Final Acceptance of the Segment has been mutually agreed to by the Commission and Developer.

Developer acknowledges and agrees that it is responsible for coordinating the performance of the Development Work with the work to be performed by the Systems Integrator and allowing such contractor(s) sufficient time in advance of the date projected for Substantial Completion to install such facilities so as to be able to open each Segment and the Project for revenue operations by such date.

Final Acceptance. Promptly after Substantial Completion of a Segment, Developer will perform all Development Work, if any, which was deferred in connection with the Substantial Completion, and will satisfy all of its other obligations under the Contract Documents, the Governmental Approvals and

applicable Law, including ensuring that all equipment, materials, facilities, improvements, structures and components have been properly adjusted and tested. Final Acceptance of a Segment will be deemed to have occurred when all of the following have occurred: (a) all requirements for Substantial Completion of the Segment will have been fully satisfied, as determined by the Commission; (b) the Commission will have received all Design Documents, As-Built Documents, Final ROW record maps, surveys, maintenance manuals, electronic files, test data and other deliverables relating to such Segment required under the Contract Documents; (c) all special tools, equipment, furnishings and supplies purchased and/or used by Developer solely for such Segment as provided in the Contract Documents will have been delivered to the Commission and all replacement spare parts will have been purchased and delivered to the Commission, free and clear of Liens; (d) all personnel, supplies, equipment, waste materials, rubbish and temporary facilities of each member of the Developer Group will have been removed from the Final ROW for such Segment, Developer will restore and repair all damage or injury arising from such removal to the satisfaction of the Commission, and the Final ROW will be in good working order and condition; (e) Developer will have delivered to the Commission a certification representing that there are no outstanding claims of Developer or claims, Liens or stop notices of any Subcontractor, laborer, Utility Owner or railroads with respect to the Development Work for such Segment, other than any previously submitted unresolved claims of Developer and any claims, Liens or stop notices of a Subcontractor, laborer, Utility Owner or railroad being contested by Developer (in which event the certification will include a list of all such matters with such detail as is requested by the Commission and, with respect to all Subcontractor, laborer, Utility Owner and railroad claims, Liens and stop notices, will include a representation by Developer that it is diligently and in good faith contesting such matters by appropriate legal proceedings which will operate to prevent the enforcement or collection of the same). For purposes of such certificate, the term "claim" will include all matters or facts which may give rise to a claim; (f) the Punch List items for the Segment will have been completed to the satisfaction of the Commission, all of Developer's other obligations under the Contract Documents, the Governmental Approvals and applicable Law, other than obligations which by their nature are required to be performed after Final Acceptance of the Segment, will have been satisfied in full or waived; (g) if the Commission has issued Maintenance NTP1 (as defined in the Maintenance Agreement) to the Maintenance Contractor, Maintenance Contractor has obtained and delivered the bonds and insurance required under Section 7 of the Maintenance Agreement; (h) Developer will have completed the items set forth in Section 9.2 of the Scope of Work; (i) Developer will have finalized and closed out all Governmental Approvals; and (j) the Commission has issued a certificate of Final Acceptance to Developer acknowledging the satisfaction of the conditions set forth in clauses (a)-(i) above.

The occurrence of Final Acceptance of any Segment will not relieve Developer of any of its continuing obligations under the Contract Documents, including Warranty obligations, or constitute any assumption of liability by the Commission.

Commencement of Construction

Conditions Precedent. The Developer has agreed to not commence construction of any portion of the Project prior to occurrence of all the following events, except with the prior written approval of the Commission, in its sole discretion: (a) the Commission has approved the Safety and Health Plan, the Hazardous Materials Management Plan, and the Construction QC/QAP; (b) all Governmental Approvals necessary for construction of the applicable portion of the Project have been obtained and all conditions of such Governmental Approvals which are a prerequisite to commencement of such construction have been performed; (c) all required insurance and bonds remain in full force and effect; (d) the Commission has acquired the real property upon which the construction will be conducted or the Commission or Developer has obtained approval to enter into physical possession of the property upon which work will be performed, including, where necessary, approval to enter by means of a right of entry; provided, however, that Developer will not refrain from commencing construction on any portion of the Project based on any failure to obtain physical possession of one or more properties required for construction elsewhere on the Project; (e) Developer has completed all required investigations to establish and confirm the existence and location of Utilities in such portion of the Project; (f) the Commission has issued the NTP for such portion of the Project; (g) except as otherwise provided in the Scope of Work regarding Early Start of Construction, the final Design Documents for the applicable portion of the Project have

been accepted by the Commission in accordance with the Scope of Work and have been through the Design QC/QAP process; and (h) Developer has met the requirements for start of construction in the Scope of Work.

Supervision and Construction Procedures

Responsibility. The Developer has agreed to be solely responsible for and have control over construction means, methods, techniques, sequences, procedures and Site safety and for coordinating all portions of the Development Work under the Contract Documents, subject, however, to all requirements contained in the Contract Documents.

Site Security. The Developer has agreed to provide appropriate security for the Site, and will take all reasonable precautions and provide protection to prevent damage, injury, or loss to the Development Work and materials and equipment to be incorporated therein, as well as all other property at or on the Site, whether owned by Developer, the Commission, or any other person.

Quality Assurance/Quality Control. The Developer is obligated to establish and maintain procedures acceptable to the Commission to assure the quality of the Development Work in its Design and Construction Quality Control/Quality Assurance Programs (QC/QAP). Developer has retained an independent Quality Assurance Firm that will report directly to the Commission, as well as to the Developer.

Inspection and Testing. The Developer will perform the inspection, sampling and testing necessary to comply with its obligations under the Contract Documents, in accordance with its approved Construction QC/QAP. At all points in performance of the Development Work at which specific inspections or approvals by the Commission are required by the Contract Documents, Developer will not proceed beyond that point until the Commission has completed such inspection or approval or waived its right in writing to inspect or approve. As part of the Commission's quality assurance oversight role as described in the Scope of Work, all materials and each part or detail of the Development Work will also be subject to inspection and testing by the Commission. When any Governmental Entity, Utility Owner or Railroad is to accept or pay for a portion of the cost of the Development Work, its respective representatives have the right to inspect the work. Such inspection does not make such person a party to the Exclusive Development Agreement nor will it change the rights of the parties.

At all times before Project Final Acceptance, the Developer will remove or uncover such portions of the finished construction Development Work as directed by the Commission. After examination by the Commission, the Developer will restore the Development Work to the standard required by the Contract Documents. If the Development Work exposed or examined is not in conformance with the requirements of the Contract Documents, then the cost of uncovering, removing and restoring the Development Work and of recovery of any delay to any Critical Path occasioned thereby will be at Developer's expense. Furthermore, any Development Work done or materials used without adequate notice to and opportunity for prior inspection by the Commission may be ordered uncovered, removed or restored at Developer's expense, even if the Development Work proves acceptable and in conformance after uncovering. Except with respect to Development Work done or materials used as described in the preceding sentence, if Development Work exposed or examined is in conformance with the requirements of the Contract Documents, then any delay in any Critical Path from uncovering, removing and restoring Development Work will be considered a Commission-Caused Delay, and Developer will be entitled to a Change Order for the cost of such efforts and recovery of any delay to any Critical Path occasioned thereby, subject to the limitations on Change Orders set forth in the Exclusive Development Agreement.

Correction of Nonconforming Work. Subject to the Commission's right to accept or reject Nonconforming Work, the Developer has agreed to remove and replace rejected Nonconforming Work so as to be acceptable to the Commission, at Developer's expense; and Developer will promptly take all action necessary to prevent similar deficiencies from occurring in the future. The fact that the Commission may not have discovered the Nonconforming Work does not constitute an acceptance of such Nonconforming Work. If Developer fails to correct (or to begin correction of) any Nonconforming Work within ten Days of receipt of notice from the Commission requesting correction, then the Commission may cause the Nonconforming Work to be remedied or removed and replaced and may

deduct the cost of doing so from any moneys due or to become due Developer and/or obtain reimbursement from Developer for such cost (plus interest thereon at the maximum rate allowable under applicable Law). The procedures for correction of Nonconforming Work set forth in the Construction QC/QAP must be consistent with the requirements of the Exclusive Development Agreement.

The Commission may, but is not obligated to, accept any Nonconforming Work without requiring it to be fully corrected. In such event, the Commission will be entitled to reimbursement of a portion of the Development Price equal to the greater of (a) the diminution in value of the Project attributable to the Nonconforming Work, including the present value of future maintenance and repair costs that the Commission anticipates may be required as a result of the nonconformity, and (b) the difference between the cost of performing the work in question in accordance with the Contract Documents and the actual cost of performing the Nonconforming Work. Such reimbursement by Developer must be made within ten (10) Days of the Commission's submittal to Developer of an invoice therefor and will accrue interest at the maximum rate allowable under applicable Law. Alternatively, the Commission may deduct the amount owing from any sum owed by the Commission to Developer pursuant to the Exclusive Development Agreement.

Right-of-Way Acquisition

Costs of Acquisitions. The Commission will be responsible for the purchase price for all parcels, exclusive of Existing Utility Property Interests, within the Schematic ROW, the Maintenance Site(s), the Mitigation Site(s) and the service center sites described in the Exclusive Development Agreement. The Developer will be responsible for all right of way engineering, administration, acquisition and related services for all such parcels, as described in the Exclusive Development Agreement, including all costs and expenses of negotiation and, if necessary, support services for condemnation proceedings described in the Scope of Work. If the Commission incurs any such costs and expenses on the Developer's behalf, the Commission may submit any invoices for such costs and expenses to the Developer, in which case the Developer will pay the invoices prior to delinquency. Notwithstanding the foregoing, the Commission will be responsible for the legal costs for the State Attorney General counsel or fees for private counsel retained as directed by the State Attorney General in connection with any condemnation actions, except with respect to legal fees and costs for any condemnation actions associated with the Developer-Designated ROW.

The Commission will pay the purchase price of any real property outside the Schematic ROW that must be acquired due to a Commission-Directed Change, subject to the Commission's reasonable determination that the property is necessary, as well as any other costs and expenses incurred by the Developer to acquire such real property, subject to the limitations in the Exclusive Development Agreement.

The Developer will be responsible for all costs and expenses of performing the right of way services described in the Exclusive Development Agreement in connection with acquiring all Developer-Designated ROW, Existing Utility Property Interests and New Utility Property Interests, including the purchase price, and all costs and expenses of right of way engineering, administration, acquisition and related services. The Developer will pay all costs and expenses of both the Developer and the Commission in connection therewith, whether the acquisition is by negotiation or condemnation, including the costs for State Attorney General counsel or fees for private counsel retained as directed by the State Attorney General for such purposes.

All costs and expenses for the acquisition of any temporary right or interest in real property that the Developer determines necessary or desirable for its convenience in constructing the Project, such as for work space, contractor laydown areas, materials storage areas or temporary utility relocation, or for any permanent interest in real property that the Developer may wish to acquire for its convenience which will not be part of the Final ROW or a New Utility Property Interest, will be the Developer's sole responsibility, to be undertaken at the Developer's sole cost and expense. The Commission will have no obligations or responsibilities with respect to the acquisition, maintenance or disposition of such rights or interests, and will not use its powers of eminent domain in connection therewith. The Developer will comply with all applicable Laws in acquiring and maintaining or disposing of any such property rights or

interests. The Developer will cause the documentation of any such property interest to contain the grantor's express acknowledgment that the Commission will have no liability with respect thereto.

If the Commission pays any costs and expenses on the Developer's behalf, the Developer will reimburse the Commission within ten Days of the Commission's submittal to the Developer of an invoice for such Commission costs and expenses. Alternatively, the Commission may deduct the amount of such costs and expenses from any sums owed by the Commission to the Developer pursuant to this Agreement.

Rights of Early Access. To the extent that the Developer has not been provided with access to portions of the Final ROW prior to the date set forth on the Project Schedule, the Developer will work around such Final ROW with the goals of minimizing delay to the completion of the Project. Except for delays caused by the type of event described in clause (b) of the definition of "Commission-Caused Delay" (that is, the failure of the Commission to make Schematic ROW available within 300 days of the Commission's approval of a condemnation package in accordance with the Exclusive Development Agreement), the Developer will not be entitled to any increase in the Development Price or time extension for delays caused by the failure or inability of the Commission to provide Final ROW. Where the Developer makes a written request for access or rights of entry for any Final ROW for which access has not yet been acquired, the Developer may, with the Commission's written consent, and subject to the provisions of the Exclusive Development Agreement, negotiate with property owners or occupants for early access or temporary use of land, provided there is no violation of applicable Law, including the Uniform Act. The Developer's negotiations with property owners or occupants for early rights-of-entry will occur only under such terms and conditions as are stipulated by the Commission, with the proviso that the Commission's consent may be withheld or withdrawn at any time, in the Commission's sole discretion. The Commission will not be bound by the terms and conditions agreed upon by the Developer and any property owner or occupant until such time as the Commission has expressly so indicated in writing (and, then, only to the extent expressly set forth therein).

Utilities

Subject to the Developer's entitlement to a Change Order for certain Unidentified Utilities, Early Adjustment Work and New Utilities, the Developer has agreed to be fully responsible for ascertaining the existence and exact location and size of all utility facilities affected by the Project. The Developer has agreed to be responsible for coordinating with all utility owners and ensuring that all impacted facilities are properly dealt with.

Adjustments. The Developer has agreed that (a) the Development Price (as it may be increased pursuant to the Exclusive Development Agreement) covers all of the Utility Adjustment Work and payments to Utilities which are Developer's responsibility pursuant to the Exclusive Development Agreement, (b) it is feasible to obtain and/or perform all necessary Utility Adjustments within the time deadlines of the Contract Documents, and (c) the Development Price includes contingencies deemed adequate by the Developer to cover the possibility that the Reference Documents do not accurately identify all Utilities impacted by the Project, taking into consideration the fact that the Developer is entitled to Change Orders only in specified situations. Except as permitted by the Exclusive Development Agreement, the Developer assumes all risk of increased costs and of delays to the Project Schedule associated with the Utility Adjustment Work, without regard to who (as between the Developer and the affected Utility Owner) is assigned the responsibility to perform such Utility Adjustment Work. Accordingly, subject to the limitations, restrictions and procedures regarding Change Orders set forth in the Exclusive Development Agreement, the Developer will be entitled to receive a Change Order for additional costs and delays associated with Utility Adjustment Work only as permitted by the Utility provisions of the Exclusive Development Agreement (described herein) or in circumstances for which such a Change Order is otherwise permitted under the other provisions of the Exclusive Development Agreement, such as for Commission-Directed Changes which increase the Utility Adjustment Work to be furnished, performed or paid for by the Developer. A deductive Change Order for reductions in the Utility Adjustment Work to be furnished, performed or paid for by the Developer will be issued only when permitted by the Utility provisions of the Exclusive Development Agreement (described herein) or in circumstances for which such a Change Order is otherwise permitted under the other provisions of the Exclusive Development Agreement, such as for Commission-Directed Changes which decrease the

Utility Adjustment Work to be furnished, performed or paid for by the Developer. Notwithstanding the foregoing, the Developer's entitlement to any Change Orders pursuant to the other provisions of the Exclusive Development Agreement relating to the Utility Adjustment Work will be subject to any applicable limitations and restrictions set forth in the Utility provisions of the Exclusive Development Agreement (described herein), and the Developer's entitlement to any Change Orders pursuant to the Utility provisions of the Exclusive Development Agreement (described herein) will be subject to the limitations, restrictions and procedures set forth elsewhere in the Exclusive Development Agreement.

Agreements with Utility Owners. Utility Adjustment Agreements entered into by the Developer (as the same may be amended, modified or supplemented) are not considered Contract Documents. The Developer will not be entitled to any increase in the Development Price or to any time extension on account of the terms of any Utility Adjustment Agreement or of any amendment, modification or supplement thereto. Any Utility MOU's entered into by the Commission with Utility Owners are not Contract Documents, although the Developer has certain obligations with respect to the Original Utility MOU's as described in the Exclusive Development Agreement. The Developer will not be entitled to any increase in the Development Price or to any time extension on account of the terms of any Original Utility MOU or of any Additional Utility MOU.

Avoiding Adjustments. The Developer is required to use its best efforts to minimize costs for which the Developer is entitled to compensation pursuant to the Exclusive Development Agreement. Generally, such efforts will require avoidance of an Unidentified Utility where feasible rather than its removal and/or reinstallation in a new location; however, the Developer may, upon the Commission's prior approval, remove and/or reinstall an Unidentified Utility in a new location even if avoidance is feasible, if the burden imposed on the Developer by such avoidance would be unreasonable in light of the benefits to the Commission and the Project which would result therefrom.

Early Adjustment Work. The Developer will be entitled to a time extension in the event that any Early Adjustment is not completed on or before the applicable deadline stated in the Exclusive Development Agreement, to the extent that such late completion delays the duration of a Critical Path thereby affecting the Developer's ability to meet the applicable Completion Deadline(s). At this time, no Early Adjustments have been identified.

Unidentified Utilities. Except as otherwise provided in the Exclusive Development Agreement with regard to New Utilities, the parties' entitlement to Change Orders on account of inaccuracies in the Existing Utility Information will be determined in accordance with the Exclusive Development Agreement with regard to Unidentified Utilities. The Developer will be entitled to an increase in the Development Price in connection with certain increases in the cost of the Development Work due to Unidentified Utilities within the Schematic ROW. Such increase will be determined on a facility-by-facility basis, and will apply for a particular Unidentified Utility facility only if the Cost Differential for that facility is greater than $50,000. The amount of the Development Price increase in any Change Order issued for each such Unidentified Utility facility will be equal to the Cost Differential for that facility, less $50,000. Notwithstanding the foregoing, the following aggregate caps apply to the total amount of such $50,000 "deductibles" that are the Developer's responsibility: (a) the Developer will be responsible for no more than $1,000,000 of such $50,000 deductibles for Utility Adjustment Work authorized by issuance of NTP2, and (b) the Developer will be responsible for no more than $750,000 of such $50,000 deductibles for Utility Adjustment Work authorized by issuance of NTP4. In determining whether either of the foregoing caps has been reached, Adjustments of Unidentified Utilities with Cost Differentials of less than $50,000 will not be counted. If either (or both) of the foregoing aggregate caps is reached, then the amount of the Development Price increase in any Change Order thereafter issued for Adjustment of any Unidentified Utility with a Cost Differential in excess of $50,000 authorized by the applicable notice will be equal to the Cost Differential for that facility. In no event will the Developer be entitled to a Change Order for increased costs due to Adjustments for Unidentified Utilities with a Cost Differential of $50,000 or less, regardless of whether either (or both) of the aggregate caps is reached. The $50,000 threshold and deduction described in this paragraph applies separately to each Utility facility. All Cost Differential calculations submitted by the Developer will be supported by detailed cost proposals and supporting documentation (for all estimates used in such calculations) meeting the requirements of the

Exclusive Development Agreement. The Commission has the right to require that any or all of the information submitted by the Developer in the EPDs be used in evaluating the cost proposals.

Except as otherwise provided in the Force Majeure provisions of the Exclusive Development Agreement with regard to New Utilities, no time extension will be allowed on account of any delays attributable to any inaccuracy(ies) in the Existing Utility Information.

The Commission will be entitled to a credit against the Development Price in connection with certain reductions in the cost of the Development Work due to certain differences between actual conditions within the Schematic ROW and the conditions shown in the Existing Utility Information, with respect to (a) Unidentified Utilities, and (b) any Utilities shown on the Existing Utility Information which do not actually exist (based on the results of the Developer's investigations pursuant to the Exclusive Development Agreement). Such credit will be determined on a facility-by-facility basis, and will apply for a particular facility only if the Cost Differential for that facility is greater than $50,000. The amount of the credit in any Change Order issued for each such Utility facility will be equal to the Cost Differential for that facility, less $50,000.

New Utilities. The Developer is entitled to a Change Order for delays to the Critical Path and increased costs associated with New Utilities. See "Force Majeure Events" below.

Delays by Utility Owners. The Developer is required to use best efforts to obtain the cooperation of each Utility Owner as necessary for the Project. The Developer has agreed to notify the Commission immediately if (a) the Developer reasonably believes that any Utility Owner would not undertake or permit a Utility Adjustment in a manner consistent with the timely completion of the Project, (b) the Developer becomes aware that a Utility Owner is not cooperating in a timely manner to provide the needed work or approvals, or (c) any other dispute arises between the Developer and any Utility Owner with respect to the Project, despite the Developer's diligent efforts to obtain such Utility Owner's cooperation or otherwise resolve such dispute. The notice may include a request that the Commission assist in resolving the dispute or in otherwise obtaining the Utility Owner's timely cooperation. The Developer must provide the Commission with such information regarding the Utility Owner's failure to cooperate and the effect of any resulting delay on the Project Schedule as is requested by the Commission. The Commission's obligation to assist the Developer is subject to the Developer's provision of evidence reasonably satisfactory to the Commission that the Adjustment is necessary, the time for completion of the Adjustment in the Project Schedule was, in its inception, a reasonable amount of time for completion of such Development Work, and that the Developer has made best efforts to obtain the Utility Owner's cooperation but has not been able to obtain such cooperation. Following the receipt of such evidence by the Commission, the Commission will take reasonable steps to obtain the cooperation of the Utility Owner or resolve the dispute as described in the Exclusive Development Agreement. Any assistance provided by the Commission will not relieve the Developer of its sole and primary responsibility for the satisfactory compliance with its obligations and timely completion of all Utility Adjustment Work.

Developer bears 100% of the risk of Critical Path delays caused by a Utility Owner's failure to timely comply with the requirements of a Utility Adjustment Agreement that has been executed by the Developer and such Utility Owner. The Developer bears 100% of the risk of each Utility Owner Delay during the 120-day period following the Commission's receipt of the evidence described above that is reasonably satisfactory to the Commission. The risk of any Utility Owner Delay after such 120-day period will be borne equally by each party, i.e. any affected Completion Deadline will be extended by one day for every two full days of delay to the Critical Path (attributable to delays occurring after expiration of the 120-day period) that is directly attributable to the Utility Owner Delay.

No Change Order for delay to the Critical Path will be allowable in connection with a Utility Owner Delay unless all of the following criteria are met: (a) the general requirements and conditions for Change Orders set forth in the Exclusive Development Agreement have been met, (b) the Developer has provided the evidence required by the Exclusive Development Agreement and such evidence is reasonably satisfactory to the Commission that the Developer has made best efforts to obtain the Utility Owner's cooperation but has been unable to obtain such cooperation, (c) if applicable, the Developer has provided a reasonable Adjustment plan to the Utility Owner, (d) the Developer or the Utility Owner has

obtained, or is in a position to timely obtain, all applicable approvals, authorizations, certifications, consents, exemptions, filings, leases, licenses, permits, registrations, opinions and/or rulings required by or with any person in order to design and construct such Adjustment, and (e) there exists no other circumstance which would delay the affected Adjustment even if the Utility Owner were cooperative.

Except as set forth in the Exclusive Development Agreement with respect to certain Utility Owner Delays, the Developer will not be entitled to extension of any Completion Deadline on account of any delays caused by a Utility Owner. The Developer will not be entitled to any increase of the Development Price or reimbursement of any additional costs that it may incur as a result of any delays caused by a Utility Owner, regardless of whether the Developer is entitled to an extension of any Completion Deadlines on account of such delays.

Restrictions and Limitations on Change Orders. The Developer will not be entitled to a Change Order for any costs or delays which it may incur that are attributable to (a) any errors, omissions, inaccuracies, inconsistencies or other defects in designs furnished by any Utility Owner, including any failure of such designs to comply with the requirements of the Exclusive Development Agreement, and/or (b) any defect in construction performed by any Utility Owner or other failure of such construction to comply with the requirements of the Exclusive Development Agreement. The Developer is not entitled to a Change Order for any costs or delays resulting from the performance of Incidental Utility Adjustment Work by the Developer or any Utility Owner (including with respect to Unidentified Utilities).

The Developer has agreed that any information with respect to Utilities provided in the Existing Utility Information or in any other materials included in the Reference Documents is for the Developer's reference only, has not been verified, and will not be relied upon by the Developer, except as expressly set forth in the Exclusive Development Agreement with respect to New Utilities and Unidentified Utilities. Accordingly, the Developer will not be entitled to any increase in the Development Price or to any time extension on account of any inaccuracies in the Reference Documents with respect to any Identified Utilities. Further, the Developer will not be entitled to any time extension on account of inaccuracies in the Reference Documents with respect to any Unidentified Utilities, and will not be entitled to any increase in the Development Price on account of such inaccuracies except to the extent that they are reflected in the calculation of the Cost Differential for Unidentified Utilities. Without limiting the generality of the foregoing, except as set forth in the preceding sentence, the Developer will not be entitled to any increase in the Development Price and/or time extension as a result of any of the following: (a) any increase in the extent or change in the character of the Utility Adjustment Work necessary to Adjust any Utility from that anticipated by the Developer; (b) any difference in the cost to Adjust a Utility from that anticipated by the Developer; (c) any inaccuracy in the information included in the Reference Documents as to the existence, location, ownership, type, and/or any other characteristic of any Utility; (d) any inaccuracy in the Reference Documents as to whether any Utility is located within privately owned property or public right of way; and/or (e) any inaccuracy in the Reference Documents as to the existence or nature of any rights or interests relating to the occupancy of any real property by any Utility.

Hazardous Materials Management

Procedures. If during the course of the Development Work, the Developer encounters material quantities of Hazardous Materials, the Developer will (a) promptly notify the Commission in writing and advise the Commission of any obligation to notify State or federal agencies under applicable Laws; and (b) take reasonable steps, including design modifications and/or construction techniques, to avoid excavation or dewatering in areas with Hazardous Materials. Where excavation or dewatering of Hazardous Materials is unavoidable, the Developer will utilize appropriately trained personnel and will select the most cost-effective approach to Hazardous Materials Management, unless otherwise directed by the Commission. The Developer's plan for Hazardous Materials Management will be subject to the prior written approval of the Commission. Wherever feasible and consistent with applicable Laws, contaminated soil and groundwater will not be disposed off-site. All Hazardous Materials will be managed in accordance with applicable Laws, Governmental Approvals, the Hazardous Materials Management Plan and the Safety and Health Plan. The Developer will afford the Commission the

opportunity to inspect sites containing Hazardous Materials before any action is taken which would inhibit the Commission's ability to ascertain the nature and extent of the contamination.

Compensation. Subject to the limitations and exceptions on Change Orders set forth in the Exclusive Development Agreement, the Developer will be entitled to a Change Order providing for additional compensation and/or a time extension with respect to costs and delays directly attributable to the discovery of Hazardous Materials within the Schematic ROW, Mitigation Site, drainage easements or any parcels added to the Site by a Commission-Directed Change or required due to a Force Majeure Event. The amount of additional compensation or extension of time in any Change Order allowed will be determined as set forth in the Exclusive Development Agreement. See the section entitled "Change Orders – Hazardous Materials Management" set forth below in this Appendix B. Entitlement to compensation or a time extension will be limited to costs of work performed pursuant to the Developer's Hazardous Material Management Plan for such Hazardous Materials as approved by the Commission, in writing. No compensation or time extension will be allowed with respect to (a) immaterial quantities of Hazardous Materials, (b) any Hazardous Materials that could have been avoided by reasonable design modifications or construction techniques, (c) any costs that could have been avoided, (d) Hazardous Materials on any other Additional Properties or New Utility Property Interests, or (e) any Hazardous Materials encountered during or in connection with the demolition of buildings, fixtures or other improvements on any parcels within the Site. Utilities (other than Service Lines) will not be considered "buildings, fixtures or other improvements" for purposes of this paragraph. To the extent that any proceeds of insurance are available to pay the cost of any Hazardous Materials Management, the Developer will rely on insurance to provide compensation, in lieu of requesting a Change Order.

Hazardous Materials Generator. As between the Developer and the Commission, the Commission will be considered the generator of Hazardous Materials on the Final ROW properties as of the Effective Date; provided, however, that the foregoing will not preclude or limit any rights or remedies that the Commission may have against third parties and/or prior owners, lessees, licensees and occupants of the Final ROW. The Developer will be considered the generator of any Hazardous Materials which result from (a) Release(s) of Hazardous Material attributable to the negligence, willful misconduct, or breach of applicable Law or contract by any member of the Developer Group; and (b) Release(s) of Hazardous Materials arranged to be brought onto the Final ROW or elsewhere by any member of the Developer Group regardless of the cause of the Release of Hazardous Materials.

Hazardous Materials Releases Caused by the Developer. Hazardous Materials Management costs, including assessment, containment, and remediation expenses, which result from (a) Release(s) of Hazardous Material attributable to the actions, omissions, negligence, willful misconduct, or breach of applicable Law or contract by any member of the Developer Group; or (b) Release(s) of Hazardous Materials arranged to be brought onto the Final ROW or elsewhere by any member of the Developer Group will not be compensable to the Developer, regardless of the cause of the Release of Hazardous Materials.

Developer will be solely responsible for: (a) compliance with all Laws applicable to Hazardous Materials brought onto the Site by any member of the Developer Group; (b) use, containment, storage, management, transport and disposal of all Hazardous Materials in accordance with this Agreement and all applicable Laws and Governmental Approvals; and (c) payment of all penalties, expenses (including attorneys' fees and costs), costs, suits, judgments, claims, actions, damages (including damages to natural resources, property or persons), delays and liability associated with, arising out of or related to such Hazardous Materials.

Environmental Approvals for Hazardous Materials Management. It is the responsibility of the Developer to obtain all Governmental Approvals relating to Hazardous Materials Management including federal and State surface water and groundwater discharge permits and permits for recycling or reuse of Hazardous Materials. The Developer will be solely responsible for compliance with such Governmental Approvals and applicable Laws, including those governing the preparation of waste profiles, waste manifests and bills of lading.

Environmental Compliance

The Developer will be responsible for performance of all environmental mitigation measures (which term will be deemed to include all requirements of the environmental Governmental Approvals, including Commission-Provided Approvals and similar Governmental Approvals, regardless of whether such requirements would be considered to fall within a strict definition of the term) for the Project (other than those which the Commission has expressly agreed to perform under the Contract Documents). The Development Price includes compensation for the Developer's performance of all such mitigation measures, except to the extent the Developer is entitled to a Change Order as described in this section.

The Commission's Responsibility for Approvals. The following Commission-Provided Approvals have not yet been obtained: Section 10 of the Rivers and Harbors Act of 1899 approvals. Commission staff will take the lead on obtaining these approvals. Any failure by the Commission to obtain the foregoing approvals by January 31, 2003 will be considered a Commission-Caused Delay, to the extent that it delays a Critical Path. Draft mitigation requirements and/or conditions for these approvals, as well as draft mitigation requirements anticipated under the approval for historic structures under Section 106 of the National Historic Preservation Act (NHPA), the individual permit under Section 404 of the Clean Water Act, and Section 401 certification, are set forth in the Exclusive Development Agreement and compliance therewith is included in the original Scope of work. In addition, the Commission has not yet obtained archeological clearances under Section 106 of NHPA for certain Schematic ROW parcels as indicated in the Exclusive Development Agreement. Subject to Developer's obligation to work around archeological, paleontological and cultural sites, failure of the TTA to obtain Section 106 archeological clearance within the times specified in the Exclusive Development Agreement will be considered a TTA-Caused Delay, to the extent that it delays a Critical Path. For certain Schematic ROW parcels, the date for clearance will be December 31st, 2002, and for the remaining parcels, the date for clearance will be 90 days after receipt of a valid Developer-provided right of entry permitting the Commission TTA to perform the necessary investigations. The Commission will be responsible for any Section 7 consultations and permits under Section 9 of the Rivers and Harbors Act of 1899 only to the extent that the Schematic Design of the Project included with the RFP requires such permits to be obtained.

All mitigation requirements contained in the final Commission-Provided Approvals will automatically be deemed included in the Scope of Work. Any change in the activities to be performed by the Developer as a result of an alteration in mitigation requirements from the original Scope of Work will be treated as a Commission-Directed Change, provided that the Developer complies with the notification and other requirements set forth in the Exclusive Development Agreement. (See the section entitled "Change Orders" set forth below in this Appendix B.) Notwithstanding the foregoing, in the event that the final Commission-Provided Approvals incorporate mitigation requirements addressing any modification in the Final Design from the original design concept included in the FEIS, such additional mitigation requirements will be the Developer's responsibility and will not be considered a Commission-Directed Change or Force Majeure Event.

The Developer will be responsible for obtaining any New Environmental Approvals required for the Project, including any 404 permits that may be required in connection with the Final Design. In the event any New Environmental Approval is necessitated by a Commission-Directed Change or Force Majeure Event, the Developer will be responsible for obtaining such New Environmental Approval and/or performing any additional mitigation requirements of such New Environmental Approval only if directed to do so by a Directive Letter or a Change Order. The Commission will cooperate with the Developer and support its efforts to obtain any such New Environmental Approval. Any Change Order covering a Commission-Directed Change or Force Majeure Event will include compensation to the Developer for additional costs incurred by the Developer to obtain the New Environmental Approval and to implement any changes in the Development Work (including performance of additional mitigation measures) resulting from such New Environmental Approvals, as well as any time extension necessitated by Commission-Directed Change or Force Majeure Event, subject to the conditions and limitations contained in the Exclusive Development Agreement. The Developer will be fully responsible for all mitigation requirements included in specific 404 permits obtained by the Developer, without entitlement to a Change Order.

Approvals to be obtained by the Developer. If it is necessary to obtain a New Environmental Approval for any reason other than a Force Majeure Event or a Commission-Directed Change, the Developer will be fully responsible, at its sole cost and expense, for obtaining the New Environmental Approval and any other environmental clearances that may be necessary, and for all requirements resulting therefrom, as well as for any litigation arising in connection therewith. If the New Environmental Approval is associated with a VE, the costs of obtaining and complying with the terms of the New Environmental Approval will be considered in determining the Development Price adjustment under the Exclusive Development Agreement.

Performance and Payment Security

Concurrently with the execution of Exclusive Development Agreement the Developer has provided to the Commission guarantees from Fluor Daniel's parent company. Such guarantees will be maintained in full force and effect throughout the duration of the Exclusive Development Agreement.

NTP1 Bonds. The Developer has provided the Commission with a $50,000,000 payment bond and a $50,000,000 performance bond that guarantee Developer's obligations through issuance of NTP2, including the provision of the NTP2 Payment Bond and NTP2 Performance Bond. The NTP1 bonds will be released upon receipt of the NTP2 bonds.

NTP2 Performance Bond. On or before the issuance by the Commission of NTP2, Developer will deliver to the Commission a performance bond in the amount of $250,000,000 and in the form provided in the Exclusive Development Agreement (the "NTP2 Performance Bond"). After Final Acceptance of each Segment, the Commission will provide a written release of the NTP2 Performance Bond with respect to such Segment, provided that, and upon such date after Final Acceptance of such Segment that, all of the following have occurred: (a) Developer is in compliance with the terms of the Contract Documents and is not in default thereunder; (b) no event has occurred that with the giving of notice or passage of time would constitute a default by Developer hereunder or under the Contract Documents; (c) the Commission has received the Warranty Bond (and, as applicable, rider adding such Segment thereto); and (d) if the Commission has issued Maintenance NTP1 (as defined and within the timeframe specified in the Maintenance Agreement), the Maintenance Contractor has delivered the payment and performance bonds required under the Maintenance Agreement.

NTP2 Payment Bond. On or before the issuance by the Commission of NTP2, Developer will deliver to the Commission a labor and material payment bond in the amount of $250,000,000 of the Development Price and in the form provided in the Exclusive Development Agreement (the "NTP2 Payment Bond"). The Commission will provide a written release of the NTP2 Payment Bond with respect to each Segment (a) one year after Final Acceptance of the Segment, provided that Developer has delivered to the Commission (i) evidence satisfactory to the Commission that all persons performing the Development Work on such Segment have been fully paid, (ii) unconditional waivers of claims in form and substance satisfactory to the Commission, executed by all of such persons, and (iii) the Warranty Bond (and, as applicable, rider adding such Segment thereto); or (b) expiration of the statutory period for Subcontractors to file a claim against the bond for Development Work on such Segment, provided that the Commission has received the Warranty Bond (and, as applicable, rider adding such Segment thereto).

Warranty Bond. After Final Acceptance of each Segment and subject to the requirements herein, Developer may obtain a release of the Performance and Payment Bonds for such Segment by providing a warranty bond which guarantees performance of the Development Work required to be performed during the Warranty period for each Segment and which also constitutes a payment bond guaranteeing payment to persons performing such Development Work ("Warranty Bond"). The Warranty Bond will be in the amount of $65,327,746.00 and in the form provided in the Exclusive Development Agreement. Initially, the Warranty Bond will apply to the first Segment to reach Final Acceptance. Upon Final Acceptance of each subsequent Segment, Developer may provide a rider to the Warranty Bond adding the remaining Development Work for such Segment to the scope of the Warranty Bond, provided that the penal sum will not change.

Any Bond provided in accordance with the Exclusive Development Agreement must be issued by a surety with an A.M. Best and Company rating level of A-minus (A-) or better, Class VIII or better, or as otherwise approved in writing by the Commission, in its sole discretion..

Risk of Loss

The Development Work includes maintenance of each Segment of the Project constructed by the Developer throughout the entire period from NTP2 until Substantial Completion thereof and maintenance of all other portions of the Project until Project Final Acceptance. The Developer, at no additional cost to the Commission, will maintain, rebuild, repair, restore or replace all Development Work, including Design Documents, construction documents, materials, equipment, supplies and maintenance equipment which are purchased for permanent installation in, or for use during construction of, each Segment of the Project that is injured or damaged prior to Substantial Completion of such Segment, regardless of who has title thereto under the Contract Documents and regardless of the cause of the damage or injury, except to the extent that (a) the Commission is responsible for such costs in accordance with the terms of the Exclusive Development Agreement, (b) control of such improvements has transferred to third parties in accordance with the Exclusive Development Agreement, or (c) Developer retains responsibility for loss and control of certain elements of the Project beyond Project Final Acceptance, such as the Mitigation Site(s). The Developer, at its cost, will also have sole responsibility during such periods for rebuilding, repairing and restoring all other property within the Final ROW whether owned by Developer, the Commission or any other person. If insurance proceeds with respect to any loss or damage are paid to the Commission, then the Commission will arrange for such proceeds to reimburse Developer as repair or replacement work is performed by Developer to the extent that the Commission has not previously paid for such repair or replacement work; provided, however, that release of such proceeds to Developer will not be a condition precedent to Developer's obligation to perform such replacement or repair work or indicate that such replacement or repair work has been approved and accepted by the Commission.

The Developer's Warranties

Warranty. The Developer warrants that for design Development Work: (a) all professional engineering services performed pursuant to the Contract Documents will conform to all professional engineering principles generally accepted as standards of the industry in the State at the time the services are performed; (b) the Project will be free of defects (including design errors, omissions, inconsistencies and other defects), and will be free of Deviations not previously approved by the Commission in accordance with the Contract Documents; (c) the Development Work will be fit for use for the intended function and will not require significant or unusual maintenance, including landslide/rock removal, drainage repair and mud removal due to erosion; (d) the Development Work will meet all of the requirements of the Contract Documents.

The Developer warrants for construction Development Work: (a) Items nos. 1-36 below will meet the applicable criteria set forth in the following table (provided that Developer will not be responsible for damage caused solely by third parties through no fault of Developer);

No.	Item	Criteria
1.	Embankment and cut slopes	No washouts, slumping, or similar failures greater than 100 square feet in plan area or greater than 6-inches in depth. Repairs will be made as specified in Section 3.2.6 of the Maintenance Agreement.
2.	Irrigation system	Fully operational and functional for intended purpose
3.	Roadside planting and establishment	In accordance with Section 3.9.10 of the Scope of Work.

No.	Item	Criteria
4.	Asphaltic concrete and concrete pavement	No displacement greater than 1/4-inch in a 10-foot length longitudinally and 1/2-inch in a 10-foot length transversely or defects greater than specified in Section 3.2.2 of the Maintenance Agreement. No ponded water on pavement surface longer than 10 minutes after a rainstorm. No scaling or spalling.
5.	Structure approach slabs	No displacement greater than 1/4-inch in a 10-foot length in any direction. No cracks wider than 1/8-inch. No vertical joint separations greater than 1/4-inch. No scaling or spalling.
6.	Structure foundations	No discernible movement of bridge or sign support foundations. No differential movement greater than 1/2-inch for toll plazas and other building structures.
7.	Retaining and noise/sound walls	No cracks wider than 1/16-inch. No differential movement greater than 1/2-inch in 20 feet. No discernible erosion of backfill through joints. Plumb within 3/4 inch per 10 feet of wall height.
8.	Surface finishes for concrete structures	No scaling, spalling, peeling, or similar distress for concrete surfaces.
9.	Joint sealants and fillers	No debonding, tearing, or splitting of joint sealants.
10.	Bearing devices	No discernible signs of distress.
11.	Bridge expansion joints	No discernible signs of distress.
12.	Galvanized coatings	No more than 1 percent failure associated with abrasions, scratches, or holidays in the coating.
13.	Painted coatings on steel elements	No discernible fading. No more than 1 percent failure associated with abrasions, scratches, or holidays in the coating film.
14.	Bridge deck	No cracks wider than 1/32-inch. No scaling or spalling of deck surface.
15.	Prestressed concrete bridge beams	No cracks wider than 1/64-inch. No scaling or spalling of surfaces.
16.	Riprap	No discernible distress. Joints in cast-in-place concrete riprap free of vegetation.
17.	Box culverts	No cracks wider than 1/16-inch. No silting greater than 10 percent of the clear height of the box culvert.

No.	Item	Criteria
18.	Storm sewers and sanitary sewers	No cracks wider than 1/16-inch. No differential movement greater than 0.05 percent of the inside diameter of the pipe, per foot of pipe length, in no case to exceed 15 percent of the inside diameter of the pipe. No silting greater than 1/5 of the inside diameter of the pipe.
19.	Manholes, vaults, and pull boxes	No cracks wider than 1/16-inch. No movement greater than 1/2-inch with respect to adjacent paved surfaces. No discernible erosion of backfill into manholes, vaults, or pull boxes.
20.	Inlets	No cracks wider than 1/16-inch. No movement greater than 1/2-inch with respect to adjacent paved surfaces. No discernible erosion of backfill into inlet.
21.	Ditches	No erosion greater than 100 square feet in plan area or greater than 6-inches in depth due to a storm up to the design-year event.
22.	Erosion control devices; water quality, retention, and detention facilities	Must be capable of maintaining a minimum of 80 percent of the design volume capacity of the particular device or facility.
23.	Concrete curb, gutter and combined curb and gutter	No displacement greater than 1/2-inch in a 10-foot length. No cracks wider than 1/8-inch. No vertical joint separations greater than 1/2-inch. No scaling or spalling of concrete surfaces.
24.	Driveways and turnouts	No displacement greater than 1/2-inch in a 10-foot length in any direction. No cracks wider than 1/8-inch. No vertical joint separations greater than 1/2-inch. No scaling or spalling.
25.	Sidewalks	No displacement greater than 1/2-inch in a 10-foot length in any direction. No cracks wider than 1/8-inch. No vertical joint separations greater than 1/2-inch. No scaling or spalling.
26.	Metal beam guard fence	Horizontal and vertical alignment of metal beam guard fence within 1-inch in a 25-foot length.
27.	Fences	Posts within 1/2-inch of plumb. No discernible loss of tension in fencing material.
28.	Pipe underdrains	Functional
29.	Roadway illumination	Functional
30.	Conduit and duct banks	No separations or blockages

No.	Item	Criteria
31.	Electrical services	Functional and code compliant
32.	Signs	No discernible fading of original colors. Reflectivity equal to or greater than 95 percent of the specified value for new signs.
33.	Delineator and object marker assemblies	Reflectivity equal to or greater than 95 percent of the specified value for new items.
34.	Pavement markings, symbols and raised pavement markers	Pavement markings, symbols, and raised pavement markers are in their specified locations. Reflectivity equal to or greater than 95 percent of the specified value for new items.
35.	Traffic signals and controllers	Functional with heads aligned, vertical clearances maintained and detectors operational.
36.	Toll plaza booths, tunnels, and buildings	All tunnels, roofing, windows, doors, and exterior cladding leak-free. All electrical, plumbing, mechanical, and environmental systems operational and adequate for their intended purpose.

(b) the Development Work will meet all of the requirements of the Contract Documents.

Warranty Term. The Warranties for each Segment of the Project will commence upon Substantial Completion of the Segment and will remain in effect until one year after the date of Final Acceptance of the Segment, except that an extended three-year warranty term and special warranty requirements will apply with respect to plant establishment and certain landscape elements for each Segment. The term of the warranty for all elements of the Development Work which will be owned by persons other than the Commission (such as Utility Owners) will commence as of the date of acceptance thereof by such persons and will end one year thereafter. If the Commission determines that any of the Development Work has not met the Warranty standards set forth in Exclusive Development Agreement at any time during the warranty period for such Development Work, then the Developer will correct such Development Work, even if the performance of the corrective work extends beyond the stated warranty period. The Warranties for repaired, replaced or corrected Development Work will extend beyond the original warranty period if necessary to provide at least a one-year Warranty period following acceptance by the Commission of the repair, replaced or corrected Development Work, but not to exceed three years after the date that Project Final Acceptance is achieved.

Commission Right to Repair or Replace. Within seven Days of receipt by the Developer of notice from the Commission specifying a failure of any of the Development Work to satisfy the Warranties, the Developer and the Commission will mutually agree when and how the Developer will remedy such violation; provided, however, that in case of an emergency requiring immediate curative action, the Developer will implement such action as it deems necessary and will immediately notify the Commission in writing of the emergency. The Developer and the Commission will promptly meet in order to agree on a remedy. If the Developer does not use its best efforts to effectuate such remedy within the agreed time, or if the Developer and the Commission fail to reach an agreement within the seven-Day period (or immediately, in the case of emergency conditions), then the Commission will have the right to perform or have a third party perform the necessary remedy. All costs of repairing, replacing or correcting Development Work pursuant to the Warranties, including additional testing and inspections, are included in the Development Price. The Developer will reimburse the Commission for all expenses, direct and indirect, incurred by the Commission as a result of such Warranty work, including any costs incurred by the Commission for independent quality assurance and/or quality control with respect to the

Warranty work, within ten Days after the Developer's receipt of invoices therefor (including, subject to certain limitations on consequential damages, any lost revenue arising from or relating to such repair, replacement or corrective work). The Developer has agreed to pay interest thereon from the date such costs are incurred by the Commission until payment is received by the Commission at the lesser of (i) 12% per annum or (ii) the maximum amount allowable under applicable Law. Alternatively, the Commission may, at its option, deduct such sums from any moneys due or to become due the Developer.

Subcontractor Warranties. Without in any way derogating the Warranties and the Developer's other obligations with respect to the Development Work, the Developer has agreed to obtain from all Subcontractors and cause to be extended to the Commission, for periods at least coterminous with the Warranties, appropriate representations, warranties, guarantees and obligations with respect to design, materials, workmanship, equipment, tools, supplies and other aspects of the Development Work furnished by such Subcontractors. All representations, warranties, guarantees and obligations of Subcontractors (a) will be written so as to survive all inspections, tests and approvals hereunder, and (b) will run directly to and be enforceable by the Developer, the Commission and/or their respective successors and assigns. The Developer has agreed to assign to the Commission all of the Developer's rights and interest in all extended warranties for periods exceeding the applicable Warranty period which are received by the Developer from any of its Subcontractors. To the extent that any Subcontractor warranty or guaranty would be voided by reason of the Developer's negligence in incorporating material or equipment into the work, the Developer will be responsible for correcting such defect. The foregoing provisions concerning Subcontractor warranties are intended to provide the Commission with an additional party and source in which to seek recourse if the Development Work fails to meet the requirements of the Contract Documents. In no event will the Subcontractor warranties be interpreted to modify, limit, discharge, release, negate or waive the Warranties or the Developer's obligations with respect to the Development Work, and the Developer will not be entitled to use the existence of Subcontractor warranties as a defense to the Developer's obligations under this Agreement and the other Contract Documents.

Warranty Does Not Constitute Limitation of Liability. The Warranties are in addition to all rights and remedies available under the Contract Documents or applicable Law or in equity, and will not limit Developer's liability or responsibility imposed by the Contract Documents or applicable Law or in equity with respect to the Development Work, including liability for design defects, latent construction defects, strict liability, breach, negligence, willful misconduct or fraud; provided, however, that upon expiration of the Warranties, the Developer will have no further liability to the Commission for patent construction defects, and further provided that any lawsuit by the Commission arising out of latent defects must be commenced within 10 years of Project Final Acceptance.

Compensation and Payment

Development Price. As full compensation for the Development Work and all other obligations to be performed by the Developer under the Contract Documents, the Commission has agreed to pay to the Developer a lump sum of $1,306,554,920.00. Such sum, as it may be adjusted from time to time to account for Change Orders, is referred to herein as the "Development Price." The Development Price will be paid in accordance with the Exclusive Development Agreement and may be changed only by a Change Order, a Value Engineering adjustment, or as a result of escalation or an Incentive Payment under the terms of the Exclusive Development Agreement.

Items Included in Development Price. The Developer has acknowledged and agreed that, subject only to the Developer's rights under the Change Order provisions (described *supra*), the Development Price includes (a) all designs, equipment, materials, labor, insurance and bond premiums, home office, Site and all other overhead, profit and services related to the Developer's performance of its obligations under the Contract Documents, including all Development Work, equipment, materials, labor and services provided by Subcontractors and all intellectual property rights necessary to perform the Development Work; (b) performance of each and every portion of the Development Work; (c) the cost of obtaining all Governmental Approvals and compliance with such Governmental Approvals and applicable Law; and (d) payment of any duties and other fees, costs and/or royalties imposed with respect to the Development Work and any equipment, materials, labor or services included therein.

Electronic Allowance. The Development Price includes an electronic communications allowance in the amount of $2,000,000, which will be used as directed by the Commission to pay costs of equipment, and services as provided in the Exclusive Development Agreement. The Commission will have the right, at any time, to reduce the Development Price by an amount equal to that portion of the electronic communications allowance that the Commission has determined it will not use. If funds remain available in the allowance following achievement of Project Final Acceptance, the Development Price will be reduced by an amount equal to such remaining allowance amount.

NTP 1 Work. The Exclusive Development Agreement provides for the Developer to perform certain work prior to issuance of the Bonds, including design and critical right-of-way acquisition for Segments 1 through 4. There is a cap of $30,000,000 on the amount payable to the Developer for such Work.

NTP2 Work. NTP2 authorizes the remainder of the Development Work for Segments 1 through 4 and is expected to be issued concurrently with issuance of the Bonds. The amount of funds available to pay for NPT1 and NTP2 Work is limited to $973,797,350.00. The Commission has no obligation to make any payments to Developer in excess of the $30,000,000 NTP1 payment cap until such time as NTP2 is issued.

NTP3 Work. NTP3 authorizes design and right-of-way acquisition services for Segments 5 and 6. NTP3 must be issued within 730 days after issuance of NTP2 or the Commission loses its right to unilaterally issue NTP3 and NTP4. The amount of funds available to pay for NTP3 Work is limited to $12,634,337.00. The Commission has no obligation to make any payments to Developer for NTP3 Work until such time (if any) as NTP3 is issued. If the Commission does not issue NTP3, the Development Price will be reduced by such amount.

NTP4 Work. NTP4, which authorizes the remainder of the Development Work for Segment 6, must be issued within 1095 days after issuance of NTP2 or the Commission loses its right to unilaterally issue NTP4. The amount of funds available to pay for NTP4 Work is limited to $307,599,006.00. The Commission has no obligation to make any payments to Developer for NTP4 Work until such time (if any) as NTP4 is issued. If the Commission does not issue NTP4, the Development Price will be reduced by such amount.

NTP5 Work. NTP5, which authorizes direct connectors at 45 South, is expected to be issued within 180 days after issuance of NTP2. The amount of funds available to pay for NTP5 Work is limited to $12,524,227.00. The Commission has no obligation to make any payments to Developer for NTP5 Work until such time (if any) as NTP5 is issued. If the Commission does not issue NTP5, the Development Price will be reduced by such amount.

Escalation of the Development Price. In the event NTP2 has not been issued by the Commission as of 270 Days after the Proposal Date, due to no fault of any member of the Developer Group, the Exclusive Development Agreement will remain in full force and effect, without any modification to the terms and conditions hereof, provided that the Developer will be entitled to an adjustment in the Development Price for the Development Work authorized by NTP2 (DP), based on the Engineering News Record Construction Cost Index, from a base date commencing as of the expiration of such 270 Day period. For each subsequent Notice to Proceed that is issued, the portion of the Development Price allocable to the Development Work authorized by issuance of such Notice to Proceed will be adjusted based on the ENR Construction Cost Index commencing as of 270 days after the Proposal Date and until the date of issuance of the applicable Notice to Proceed.

Mobilization. The Developer will be entitled to mobilization payments in accordance with the Exclusive Development Agreement. Payment for the cost of NTP2 mobilization will not exceed $60,000,000. Payment for such mobilization will be made as follows: (a) $ 15,000,000 will be paid with the first progress payment after the issuance by the Commission of NTP2; (b) $30,000,000 will be paid when at least 10% of the Development Price allocable to NTP2 Work (less mobilization) is earned; and (c) $15,000,000 will be paid when at least 25% of the Development Price allocable to NTP2 Work (less mobilization) is earned. The Developer acknowledges has agreed that the costs of mobilization for the NTP3 Work and the NTP5 Work are included in other mobilization payments and no additional

mobilization payments will be due or paid with respect to the NTP3 Work or the NTP5 Work. Payment for the cost of NTP4 mobilization will not exceed $5,000,000 and will be paid in three equal installments with the first three progress payments after issuance of NTP4.

Retainage. The Commission will withhold funds (the "Retainage") from each payment to be made to the Developer for the Development Work relating to each Segment until such time as Substantial Completion of such Segment is achieved, at which time the Commission will cease withholding Retainage from future payments. The Retainage will be an amount equal to 5% of the amount owing.

The Retainage for each Segment, subject to reduction after Substantial Completion as specified below, will be held by the Commission until 60 Days after Final Acceptance of such Segment. At such time, and provided that the Developer is not in breach or default, the Commission will release to the Developer all Retainage withheld in connection with such Segment Development Work other than amounts applied to the payment of Losses or which the Commission deems advisable, in its sole discretion, to retain to cover any existing or threatened claims, Liens and stop notices relating to the Project, including claims by Utility Owners and the Railroad, the cost of any uncompleted Development Work and/or the cost of repairing any Nonconforming Work for such Segment. Final payment of Retainage not applied to Losses will be made upon the Developer's showing, to the Commission's satisfaction, that all such matters have been resolved, including delivery to the Commission of a certification representing and warranting that there are no outstanding claims of the Developer or any claims, Liens or stop notices of any Subcontractor or laborer with respect to the Development Work pertaining to the applicable Segment.

The Commission agrees to release up to 50% of the Retainage withheld in connection with payments for the Development Work for each Segment 60 days after achievement of Substantial Completion of the applicable Segment, subject to the following terms and conditions. The amount to be released will be reduced by any amounts which the Commission deems advisable, in its sole discretion, to retain to cover, any uncompleted Development Work, including correction of Nonconforming Work, any Warranty work for which notice has been provided to the Developer, any Losses which the Commission anticipates may be payable and any existing or threatened claims, Liens or stop notices relating to the applicable Segment. In addition, no portion of the Retainage will be released unless and until (a) the Developer will have applied in writing for such release; and (b) such release will have been approved in writing by each surety and guarantor.

Prior to the release of Retainage by the Commission, such amounts will be held in the a construction fund and invested in the manner permitted by, and undertaken pursuant to, the Project Finance Documents. Upon the release of any Retainage, the Developer will additionally be entitled to and will be paid any interest income that has accrued upon the amounts of Retainage released to the Developer.

The Developer will have the right to substitute a letter of credit for all or any portion of the Retainage, provided that the letter of credit will (a) be a direct pay letter of credit payable immediately upon presentation by the Commission, issued by a financial institution approved by the Commission and the Bond Trustee in their sole discretion, (b) be in the amount of 100% of the required Retainage amount, (c) be in a form approved by the Commission and the Bond Trustee in their sole discretion, and (d) name the Commission and the Bond Trustee as joint payees.

Deductions. In addition to the deductions provided for above, the Commission may deduct from each payment to Developer the following: (a) any Commission or third party claims or Losses or any Liquidated Damages which have accrued as of the date of payment, except to the extent an insurance claim therefor has been accepted by the insurer without any reservation of rights to deny coverage; (b) any sums expended by the Commission in performing any of the Developer's obligations under the Exclusive Development Agreement which the Developer has failed to perform, with interest thereon from date on which the Commission expended such sums at the lesser of (i) 12% per annum or (ii) the maximum rate allowable under applicable Law; (c) any existing or threatened claims, Liens and stop notices of Subcontractors, laborers, Utility Owners and other third parties against the Developer or against the Commission as a result of the actions or failure to act by the Developer, relating to the Project; and (d)

any other sums which the Commission is entitled to recover from any member of the Developer Group under the terms of the Exclusive Development Agreement.

Taxes. The Developer is obligated to pay, prior to delinquency, any and all sales and use taxes, property taxes and other taxes, fees, charges or levies (not based on income) imposed by a Governmental Entity on the Developer which are related to the Development Work. The Developer has acknowledged that it is exempt from paying sales tax on expendable materials and equipment purchases within the State. If material and equipment purchases for the Development Work are not wholly used or expended on the Project, the Developer will be responsible for applicable sales taxes.

Final Payment. Final Payment for each Segment will be made as follows:

On or about the date of Final Acceptance of each Segment, the Developer will prepare and submit a proposed Final Draw Request to the Commission showing the proposed total amount due the Developer, including any amounts owing from Change Orders, for Development Work relating to such Segment. In addition to meeting all other requirements for invoices set forth in the Exclusive Development Agreement, the Final Draw Request will list all outstanding PCO Notices, stating the amount at issue associated with each such notice. The Final Draw Request will be accompanied by (a) evidence regarding the status of all existing or threatened claims, Liens and stop notices of Subcontractors, laborers, Utility Owners and railroads against the Developer or against the Commission, (b) consent of any guarantors and surety to Final Payment, (c) such other documentation as the Commission may reasonably require; and (d) the release described below, executed by the Developer. Prior applications and payments will be subject to correction in the Final Draw Request. PCO Notices filed concurrently with the Final Draw Request must be otherwise timely and meet all requirements under the Exclusive Development Agreement.

If the Final Draw Request shows no existing or threatened claims, Liens and stop notices of Subcontractor, laborers, Utility Owners or railroads against the Developer or against the Commission, and provided the Final Draw Request has been approved, the Commission, in exchange for an executed release meeting the requirements set forth below and otherwise satisfactory in form and content to the Commission, will pay the entire sum found due on the approved Final Draw Request, less the amount of the Developer Note and any Losses that have accrued as of the date of the Final Payment.

If the Final Draw Request lists any existing or threatened claims, Liens and stop notices of Subcontractors, laborers, Utility Owners or railroads against the Developer or against the Commission, or if any is thereafter filed, in addition to the amount of the Developer Note, the Commission may withhold from the payment of the amounts set forth on the approved Final Draw Request such amount as the Commission deems advisable to cover any amounts owing to the Commission by the Developer, including costs to complete or remediate uncompleted Development Work or Nonconforming Work, and the amount of any existing or threatened claims, Liens and stop notices of Subcontractors, laborers, Utility Owners and railroads against the Developer or against the Commission.

The executed release from the Developer will be from any and all claims arising from the Development Work, and will release and waive any claims against the Indemnified Parties, excluding only those matters identified in any PCO Notices listed as outstanding in the Final Draw Request. The release will be accompanied by an affidavit from the Developer certifying: (a) that all Development Work has been performed in strict accordance with the requirements of the Contract Documents; (b) that the Developer has resolved any claims made by Subcontractors, Utility Owners, the Railroad and others against Developer or the Project; (c) that the Developer has no reason to believe that any person has a valid claim against the Developer or the Project which has not been communicated in writing by the Developer to the Commission as of the date of the certificate; and (d) that all guarantees, Warranties and the NTP2 Payment Bond and the NTP2 Performance Bond are in full force and effect.

Said release and the affidavit will survive Final Payment.

All prior Draw Requests will be subject to correction in the Final Draw Request.

The Commission will review the Developer's proposed Final Draw Request, and changes or corrections will be forwarded to the Developer for correction within 15 Business Days. The Commission will pay any undisputed amounts, less any Losses that have accrued as of the date of the Final Payment,

within 30 Days after its approval of such amounts on the application for Final Payment, but not earlier than the date of Final Acceptance of the applicable Segment. If no changes or corrections are required, the Commission will accept the Final Draw Request and make such payment, less the principal amount of the Developer Note, within 30 Days after its acceptance thereof. All or a portion of the Final Payment may be made through issuance of the Developer Note or one or more endorsements thereto.

Incentive Payments. As an inducement to the Developer to achieve, for each Segment, Substantial Completion in advance of the original Completion Deadline, the Commission agrees to pay the Developer a bonus for early completion of the Project or any portion thereof which has attained Substantial Completion prior to the original Completion Deadline (the "Incentive Payment"), as follows:

If the Developer achieves Substantial Completion of a Segment in accordance with the Exclusive Development Agreement prior to the original Completion Deadline for such Segment, the Developer will be entitled to receive the following amounts up to an aggregate amount of $2,000,000 for all Incentive Payments payable for the Project.

(a) $10,000 for each Day after Substantial Completion for Segment 1 through the date of the original Completion Deadline for Segment 1.

(b) $7,500 for each Day after Substantial Completion for Segment 2 through the date of the original Completion Deadline for Segment 2.

(c) $7,500 for each Day after Substantial Completion for Segment 3 through the date of the original Completion Deadline for Segment 3.

(d) $10,000 for each Day after Substantial Completion for Segment 4 through the date of the original Completion Deadline for Segment 4.

(e) $5,000 for each Day after Substantial Completion for Segment 6 through the date of the original Completion Deadline for Segment 6.

Within 60 days after the end of each month during which Incentive Payments have accrued, the Commission will deliver to the Developer a check payable to the Developer in the amount owing; provided that the Commission will have the right to offset any amounts owing from the Developer to the Commission against amounts payable for Incentive Payments.

If the Completion Deadline for a Segment has been extended beyond the original deadline, and the Developer achieves Substantial Completion of such Segment prior to said extended Completion Deadline, the Developer will be entitled to receive an Incentive Payment for Substantial Completion prior to such extended deadline and after the original Completion Deadline for such Segment. The amount of such payment will be calculated as set forth above (replacing references to the "original Completion Deadline" with references to the "extended Completion Deadline") and will be subject to the other provisions of the Exclusive Development Agreement.

Developer Note. The Developer Note will be delivered by the Commission to the Developer in the form set forth in the Exclusive Development Agreement pursuant to the terms and provisions of the Project Finance Documents, and will represent payment of the final installments of the Development Price. The Commission will have the option to pay cash in lieu of delivering the Developer Note. Delivery of the Development Note by the TTA will be subject to the approval of (a) the State Attorney General pursuant to Chapter 1201 and 1202 of the Texas Government Code and (b) Bond counsel for consistency with the Project Finance Documents. The principal amount of the Developer Note will be an amount not to exceed $2,000,000 plus 50% of the dollar amount of each approved Change Order excluding Change Orders implementing material changes in the Basic Configuration directed by the Commission. In no event will the principal amount exceed $10,000,000 in the aggregate. If the Developer Note is increased as the result of a Change Order, the Developer will nevertheless be entitled to receive payments for the Development Work which is the subject of the Change Order as it is performed, subject to any Retainage requirements hereunder and subject to the requirement that the Developer accept the Developer Note for the final payments of the Development Price hereunder. The Developer Note will accrue interest from the date that is 30 Days after the date of the first approved Draw Request to be paid with the Developer Note. If the Developer Note involves multiple Draw Requests,

each Draw Request submitted following original issuance of the Developer Note will be accompanied by a blank endorsement to the Developer Note reflecting an increase in the principal balance thereof, executed by the Developer, with the date and amount left blank and including a signature block for the Commission. The Commission will date the endorsement as of 30 days after the date of the approved Draw Request, will fill in the approved amount and will deliver it to the Developer. Interest will accrue on the unpaid principal balance of the Developer Note at the rate of 6.5% per annum. Payments will be due and owing as specified in the Project Finance Documents.

The Developer Note will be secured by and payable from the Project revenues deposited in the First Tier Debt Service Fund established by and held under the Project Finance Documents. The Commission will execute and deliver such documents as may be required by applicable Law to perfect such security interest.

If the Developer is in default under the Agreement, the Commission will have the right to withhold all or a portion of the payment due with respect to the Developer Note; provided that the foregoing right to withhold payment will not apply to any bona fide purchaser for value who is not an affiliate of the Developer. An affiliate is (1) any person which directly or indirectly through one or more intermediaries controls, or is controlled by, or is under common control with, Developer, other than the entity responsible for Design QC/QA, Construction QC or Construction QA; and (2) any person for which 10% or more of the equity interest in such person is held directly or indirectly, beneficially or of record by Developer, other than the entity responsible for Design QC/QA, Construction QC or Construction QA or any affiliate of Developer under clause (1) of this definition. For purposes of this definition the term "control" means the possession, directly or indirectly, of the power to cause the direction of the management of a person, whether through voting securities, by contract, family relationship or otherwise.

Change Orders

The Developer has acknowledged and agreed that the Development Price constitutes full compensation for performance of all Development Work, subject only to those express exceptions specified in the Exclusive Development Agreement, and that the Commission is subject to constraints which limit its ability to increase the Development Price or to extend contractual deadlines for performance. The Developer unconditionally and irrevocably waives the right to any claim for a time extension or for any monetary compensation in addition to the Development Price and other compensation specified in the Exclusive Development Agreement for any reason whatever, except as expressly set forth in the Exclusive Development Agreement.

Requirements Relating to Change Orders. The term "Change Order" means a written amendment to the terms and conditions of the Contract Documents issued in accordance with the Exclusive Development Agreement. The Commission may issue unilateral Change Orders as specified in the Exclusive Development Agreement and may issue Change Orders relating to the electronic communications allowance described in the Exclusive Development Agreement. Change Orders may be requested by the Developer only pursuant to the Exclusive Development Agreement. Change Orders may be issued for the following purposes (or combination thereof): (a) to modify the Scope of Work; (b) to revise a Completion Deadline or an Acceptance Deadline; (c) to revise the Development Price; and (d) to revise other terms and conditions of the Contract Documents.

The Commission may, at any time, issue a letter to the Developer in the event of any desired change in the Development Work or in the event of any dispute regarding the Scope of Work to be performed by the Developer (a "Directive Letter"). The Directive Letter will describe the Development Work in question and will state the basis for determining compensation, if any. The Developer will proceed immediately with the Development Work as directed in the Directive Letter, pending the execution of a formal Change Order or, if the Directive Letter states that the Development Work is within the original Scope of Work, the Developer will proceed with the Development Work as directed, but will have the right to submit the question of entitlement to a Change Order and the amount of allowable additional compensation and time to dispute resolution in accordance with the Exclusive Development Agreement.

As a condition precedent to the Developer's entitlement to a price increase or time extension for work which the Developer believes is outside of the Scope of Work, the Developer will have received either a Directive Letter from the Commission stating that it is issued pursuant to the Exclusive Development Agreement or a Change Order for such item signed by the Commission. The Developer will not be entitled to additional compensation or time extension for any such work performed prior to receipt of a Directive Letter or Change Order, except to the extent that the Exclusive Development Agreement preserves the Developer's right to compensation for work performed following delivery of a Request for Partnering. The Developer acknowledges that it will be at risk if it elects to proceed with any such work, since the Commission may later decide not to provide direction with regard to such work.

In addition to provision of a PCO Notice and subsequent Change Order request pursuant to the Exclusive Development Agreement, receipt of a Directive Letter from the Commission will be a condition precedent to the Developer's right to make a Claim that a Commission-Directed Change has occurred. The fact that a Directive Letter was issued by the Commission will not be considered evidence that a Commission-Directed Change has occurred. The determination as to whether a Commission-Directed Change has occurred will be based on an analysis of the original requirements of the Contract Documents and a determination whether the Directive Letter constituted a change in those requirements. The foregoing requirements do not require that a Directive Letter be issued by the Commission in order for the Developer to have the right to receive compensation for Development Work within the original Scope of Work (such as certain types of Utility Adjustment Work) for which additional compensation is specifically allowed under this the Exclusive Development Agreement.

Options. Pursuant to the Exclusive Development Agreement, the Commission has an option to have the Development Work for Segments 1, 2, 3 and 4 not include Alternative No. 4. If the Commission had exercised such option, the Development Price would be decreased by $33,541,650.00 and the Completion Deadlines for Segments 1-4 would be adjusted downward by 60 days. The Commission has elected not to exercise the foregoing option. The Commission may, at its sole discretion, exercise its option to have the Development Work for Segment 6 include Alternative No. 5 by indicating its intent to exercise such option in NTP4. If the Commission exercises such option, the Development Price will be decreased by $61,760,980.00, plus escalation thereon calculated in accordance with Section 13.2.2.3, and the Completion Deadline for Segment 6 will be adjusted downward by 90 days. The Commission's issuance of an NTP with any options under the Exclusive Development Agreement will be a direction to the Developer to prepare a Change Order that will add the option work to the Scope of Work for the price deduction and schedule adjustment set forth in the Exclusive Development Agreement.

Early Issuance of NTPs. The Commission has scheduled issuance of NTP2 for 180 Days after issuance of NTP1. If NTP2 is issued less than 180 Days after issuance of NTP1, the Completion Deadlines for Segments 1 through 4 will be extended by the number of Days remaining in such 180 Day period (i.e. the difference between 180 Days and the number of Days that NTP2 is issued after NTP1). In no event will the Developer be entitled to an increase of the Development Price on account of such early issuance of NTP2.

The Commission has scheduled issuance of NTP3 for 730 Days after issuance of NTP2. If NTP3 is issued less than 550 Days after issuance of NTP2, the Completion Deadline for the NTP3 Work will be extended by the number of Days remaining in such 550 Day period (i.e. the difference between 550 Days and the number of Days that NTP3 is issued after NTP2). In no event will the Developer be entitled to an increase of the Development Price on account of such early issuance of NTP3.

The Commission has scheduled issuance of NTP4 for 1095 Days after issuance of NTP2. If NTP4 is issued less than 915 Days after issuance of NTP2, the Completion Deadline and Acceptance Deadline for Segment 6 will be extended by the number of Days remaining in such 915 Day period (i.e. the difference between 915 Days and the number of Days that NTP4 is issued after NTP2). In no event will the Developer be entitled to an increase of the Development Price on account of such early issuance of NTP4.

Developer-Initiated Change Orders. The Developer may request a Change Order to extend a Completion Deadline or an Acceptance Deadline only for delays directly attributable to (a) Commission-Caused Delays; (b) Force Majeure Events; (c) delays in completion of Early Adjustments, to the extent

specified in the Exclusive Development Agreement; (d) Utility Owner Delays, to the extent specified in the Exclusive Development Agreement, or (e) the Developer's inability to complete activities caused solely by the Systems Integrator as described in the Exclusive Development Agreement (subject in all cases to a requirement to show that the delay actually extended the duration of a Critical Path so as to delay Substantial Completion or Final Acceptance beyond the applicable deadline).

The Developer may request a Change Order to increase the Development Price, subject to strict compliance with the requirements of the Exclusive Development Agreement, only for increased costs of the Development Work as follows: (a) additional costs directly attributable to additional Development Work resulting from Commission-Directed Changes for which the Commission has not submitted a Change Order or a Request for Change Proposal; (b) additional costs directly attributable to Commission-Caused Delays; (c) additional costs directly attributable to Force Majeure Events, excluding costs which are compensable by the builder's risk or any other insurance required to be provided hereunder, and subject to the Exclusive Development Agreement; (d) additional costs of Hazardous Materials Management, to the extent specified in the Exclusive Development Agreement; (e) additional costs relating to Differing Site Conditions, to the extent specified in the Exclusive Development Agreement; and (f) additional costs with respect to Utility Adjustment Work, to the extent specified in the Exclusive Development Agreement.

The Exclusive Development Agreement includes claim notification procedures and deadlines. The Developer understands that it will be forever barred from recovering against the Commission unless it gives prompt written notice(s) and, thereafter, files a request for Change Order with the Commission and complies with the remaining requirements of the Exclusive Development Agreement.

Force Majeure Events. Subject to the limitations contained in, and upon the Developer's fulfillment of all applicable requirements of, the Exclusive Development Agreement, the Commission will issue Change Orders (a) to compensate the Developer for additional costs incurred arising directly from Force Majeure Events (excluding acceleration costs or delay and disruption damages other than for any Force Majeure Events which are included in the definition of Commission-Caused Delay), and (b) to extend the applicable Completion Deadline(s) and/or Acceptance Deadline(s) as the result of any delay in the Critical Path directly caused by a Force Majeure Event, to the extent that it is not possible to work around the problem. See "Definitions – Force Majeure Event" above.

Notwithstanding the foregoing, the Developer will be fully responsible for, and thus will not receive a Change Order with respect to, any delays of up to 120 Days per location or an aggregate amount of 360 days per Segment for all such delays, resulting from the need to work around locations impacted by the type of event described in clause (c) of the definition of "Force Majeure Event" (that is, the discovery of previously unknown archeological, paleontological or cultural resources on the Site).

The Developer will be fully responsible for, and thus will not receive a Change Order with respect to, any delays of up to 45 Days per feature or an aggregate amount of 135 days for all such delays, resulting from the need to cooperate and coordinate with the Commission and to work around locations impacted by the type of event described in clause (j) of the definition of "Force Majeure Event" (that is, imposition of temporary no-work restrictions resulting from the discovery within the Site of any karst features requiring investigation under the Exclusive Development Agreement).

Hazardous Materials Management. If compensation is payable to the Developer pursuant to the Exclusive Development Agreement with respect to Hazardous Materials Management (see the section entitled "*Hazardous Materials Management – Compensation*" above), the amount of the Change Order will either be a negotiated amount acceptable to the Parties, or an amount equal to 100% of the Reimbursable Hazardous Materials Costs for the work in question. The Developer will be deemed to have waived the right to collect from the Commission any and all costs incurred in connection with any Hazardous Materials Management if the Commission is not afforded the opportunity to inspect sites containing Hazardous Materials before any action is taken which would inhibit the Commission's ability to ascertain, based on a site inspection, the nature and extent of the Hazardous Materials.

If the Developer encounters Hazardous Materials for which the Developer is entitled to compensation, and Hazardous Materials Management of such Hazardous Materials results in delays to the

Critical Path ("Hazardous Materials Delay"), then the Developer will bear 100% of the risk of such Hazardous Materials Delay up to an amount of 30 days per location and up to an aggregate amount of 120 days for all locations in each Segment. If a Hazardous Materials Delay exceeds 30 days in any location, then the risk of such Hazardous Materials Delay in excess of 30 days for that location will be borne by the Commission. If aggregate Hazardous Materials Delays in any Segment exceed 120 days, then the risk of Hazardous Materials Delay in excess of 120 days for that Segment will be borne by the Commission. The foregoing will not preclude the Developer from obtaining a time extension with respect to any Hazardous Material that qualifies as a Force Majeure Event. Notwithstanding anything to the contrary, if the Developer is prohibited from working at a particular location on a Segment due to the discovery of Hazardous Materials for which the Developer is entitled to a Change Order during the last 12 months prior to the Completion Deadline for such Segment, then the Developer will be entitled to an extension of the applicable Completion Deadline for any Critical Path delays resulting from such discovery of Hazardous Materials.

Differing Site Conditions. No time extension will be available with respect to Differing Site Conditions, and no delay damages will be recovered. To the extent that additional costs are incurred in connection with the Project due to changes in the Developer's obligations relating to the Development Work resulting from the existence of Differing Site Conditions and which are not reimbursed by insurance proceeds, the Commission and the Developer will share the risk as follows:

The Developer will be fully responsible for, and thus will not receive a Change Order with respect to, the first $5,000,000 in aggregate additional costs; the Commission will be fully responsible for any additional costs incurred in excess of $5,000,000 directly attributable to changes in the Developer's obligations relating to the Development Work resulting from the existence of Differing Site Conditions, and a Change Order will be issued to compensate the Developer for such additional costs.

The Developer has agreed to assume all risks with respect to the need to work around locations impacted by Differing Site Conditions. The Developer will bear the burden of proving that a Differing Site Condition exists and that it could not reasonably have worked around the Differing Site Condition so as to avoid additional cost.

Change Orders for Utility Adjustment Work. See the section entitled "Utilities" set forth *infra* in this Appendix B.

Concurrence by Maintenance Contractor. Each Change Order form will be signed by the Maintenance Contractor as well as by the Developer, and will state whether a change order is also required under the Maintenance Agreement.

Limitations and Restrictions on Change Orders. The Developer has acknowledged and agreed that the Commission will bear responsibility only for limited matters involving delays and costs and the consequences resulting therefrom as set forth in the Exclusive Development Agreement. The Developer will bear responsibility for all other matters, including the following:(a) errors, omissions, inaccuracies, inconsistencies or other defects in the RFP Documents and any requests for Change Orders; (b) any design changes requested by the Commission as part of the process of overseeing and accepting the Design Documents for consistency with the requirements of the Contract Documents, the Governmental Approvals and/or applicable Law; (c) defective or incorrect schedules of Development Work or changes in the planned sequence of performance of the Development Work; (d) action or inaction of other contractors (except as specified in the Exclusive Development Agreement with respect to the System Integrator), Subcontractors or sub-subcontractors (including failure to organize and integrate their work with the Development Work); (e) subsurface moisture content and Site conditions (including geological, soil conditions, ground elevations and/or topography differing from those indicated in the RFP Documents), except to the extent that the Commission has agreed in the Exclusive Development Agreement to be responsible for any such conditions which constitute Differing Site Conditions; (f) untimely delivery of equipment or material, or unavailability or defectiveness or increases in costs of material, equipment or products specified by the Contract Documents, except to the extent resulting from a Force Majeure Event;(g) all costs covered by insurance proceeds received by or on behalf of the Developer; (h) correction of Nonconforming Work and review and acceptance thereof by the Commission, including rejected design submittals; (i) failure by any member of the Developer Group to

comply with the requirements of the Contract Documents, the Governmental Approvals and/or applicable Law; (j) any delay not on a Critical Path; (k) delays or costs arising out of, related to or caused by Adjacent Work; (l) delays in issuance of any Governmental Approval by any entity with jurisdiction over the subject matter of such Governmental Approval that is required to be obtained by the Developer, except to the extent resulting from a Force Majeure Event; (m) delays caused by untimely provision of access to Final ROW, except to the extent the Commission has agreed in the Exclusive Development Agreement to be responsible for any such delays which constitute Commission-Caused Delays; (n) delays from any other situations (other than Force Majeure Events) which, while not within one of the categories delineated above, were or should have been anticipated by the Developer because such situations are referred to elsewhere in this Agreement or arise out of the nature of the Development Work; and (o) all events beyond the control of the Commission for which the Commission has not expressly agreed to assume liability hereunder.

The Developer assumes responsibility for all such matters, and acknowledges and agrees that assumption by the Developer of responsibility for such costs and delays, and the consequences and costs resulting therefrom, is reasonable under the circumstances of this Agreement. The Developer expressly waives all rights to assert any and all claims based on any change in the development work, delay or acceleration, including any constructive change, delay, suspension or acceleration, for which developer failed to provide proper and timely notice or failed to provide a timely change order form as required by the Exclusive Development Agreement, and agrees that developer will be entitled to no change order, compensation, damages or time extensions whatsoever in connection with the work except to the extent that the contract documents expressly specify that developer is entitled to a change order, compensation, damages or a time extension.

Suspension of All or Part of Development Work

Suspension of Work for Convenience. The Commission may order the Developer in writing to suspend, delay, or interrupt all or any part of the Development Work for a period of time not to exceed 24 hours, as the Commission may determine to be appropriate for the convenience of the Commission. Any suspension for convenience in excess of 24 hours that results in a delay to the Critical Path will be considered a Commission-Directed Change.

Suspension for Other Reasons. The Commission has the authority to suspend the Development Work wholly or in part for such period as the Commission deems necessary because of the failure on the part of any member of the Developer Group to carry out orders given or to perform any requirements of the Contract Documents, the Governmental Approvals or applicable Law. The Developer will promptly comply with the written order of the Commission to suspend the Development Work wholly or in part. The suspended Development Work will be resumed when corrective action satisfactory to the Commission has been taken.

The Developer is not entitled to any increase in the Development Price or extension of any Completion Deadline or any Acceptance Deadline in connection with any suspension by the Commission, except to the extent that the suspension is for the Commission's convenience and is considered to be a Commission-Directed Change. In such event, the Developer may be entitled to compensation and/or a time extension in accordance with the Exclusive Development Agreement.

Termination for Convenience

The Commission may terminate the Exclusive Development Agreement and the performance of the Development Work by the Developer in whole or, from time to time, in part, in its sole discretion. Furthermore, the Commission has no obligation to issue any Notices to Proceed under the Exclusive Development Agreement, and unless and until the Notice to Proceed for a particular Segment is issued, The Commission's liability will be limited to payment owing under the Exclusive Development Agreement for Development Work under NTPs actually issued. The provisions of the Exclusive Development Agreement will apply with respect to calculation of compensation for termination for convenience of the Development Work.

The Developer has no right to terminate all or any portion of the Development Work for its convenience; however, the Developer has the right to unilaterally terminate its obligations under the

Exclusive Development Agreement if NTP2 has not been issued by the Commission on or before 635 Days after the Proposal Date, due to no fault of any member of the Developer Group.

Notice of Termination. The Commission has agreed to notify the Developer of its decision to terminate for convenience by delivering to the Developer a written notice of termination ("Notice of Termination") specifying the extent of termination and its effective date. Termination (or partial termination) of the Exclusive Development Agreement will not relieve or release any surety or guarantor of its obligation for any claims arising out of the Development Work performed as of the effective date of the termination (or thereafter in the case of a partial termination).

The Developer's Responsibilities After Receipt of Notice of Termination. After receipt of a Notice of Termination, and except as otherwise directed in writing by the Commission, the Developer will immediately proceed as follows, regardless of any delay in determining or adjusting any amounts due under the Exclusive Development Agreement: (a) stop Development Work as specified in the notice; (b) place no further Subcontracts or Utility Adjustment Agreements without the consent of the Commission;(c) terminate all Subcontracts and Utility Adjustment Agreements to the extent they relate to the Development Work terminated except to the extent that continuation of the Subcontract or Utility Adjustment Agreement is necessary in order to mitigate damages; (d) assign to the Commission or its designee, in the manner, at the times, and to the extent directed by the Commission, all of the Developer's right, title, and interest in the Subcontracts and Utility Adjustment Agreements so terminated, in which case the Commission will have the right, in its sole discretion, to settle or pay any or all claims arising out of the termination of such Subcontracts and Utility Adjustment Agreements; (e) settle all outstanding liabilities and claims arising out of such termination of Subcontracts and Utility Adjustment Agreements, with the approval or ratification of the Commission; (f) assign to the Commission or its designee, in the manner, at the times, and to the extent directed by the Commission, all of the Developer's right, title, and interest in any Utility Adjustment Agreements which relate to the terminated Development Work but which the Commission has directed the Developer not to terminate; (g) transfer title and deliver to the Commission or its designee, in the manner, at the times, and as and to the extent, if any, directed by the Commission, (i) the Development Work in process, completed Development Work, supplies and other material produced or acquired for the Development Work subject to the Notice of Termination for which payment has been made by the Commission, and (ii) the Design Documents, construction documents and all other completed or partially completed drawings (including Plans, elevations, sections, details and diagrams), specifications, records, samples, information and other property for which payment has been made by the Commission that would have been required to be furnished to the Commission if the Development Work had been completed; (h) complete performance in accordance with the Contract Documents of all Development Work not terminated; (i) take all action that may be necessary, or that the Commission may direct, for the protection and preservation of the Project, the Development Work and the equipment, machinery, materials and property related to the Project, the Development Work and the Contract Documents that is in the possession of the Developer and in which the Commission (or any Utility Owner) has or may acquire an interest; and (j) subject to the written approval of the Commission, use its best efforts to sell, in a manner, at the times, at the price or prices and to the extent directed or authorized by the Commission, any property of the types referred to in clause (g) (i); provided, however, that the Developer (i) is not required to extend credit to any purchaser, and (ii) may acquire the property under the conditions prescribed and at prices approved by the Commission. The proceeds of any transfer or disposition will be applied to reduce any payments to be made by the Commission under the Contract Documents or paid in any other manner directed by the Commission.

Default

Default of the Developer. The Developer will be in default under this Agreement upon the occurrence and continuance of any one or more of the following events or conditions, following notice and opportunity to cure (if applicable as specified in the section entitled "*Cure Period*" below): (a) the Developer fails either (i) to immediately begin any portion of the Development Work under the Contract Documents following issuance of an NTP therefor, or (ii) to prosecute the Development Work in accordance with the Project Schedule; or (b) the Developer fails to perform the Development Work with sufficient resources to assure Substantial Completion of any Segment by the Completion Deadline for such Segment and Final Acceptance of any Segment by the Acceptance Deadline for such Segment (i.e.

the Developer fails to provide and thereafter meet a Recovery Schedule pursuant to the Exclusive Development Agreement); or (c) the Developer fails to perform and complete the Development Work in accordance with the Contract Documents, the Governmental Approvals and applicable Law, or refuses to repair, remove and replace defective or rejected materials, Nonconforming Work or Development Work deemed unacceptable by the Commission; or (d) the Developer suspends, ceases, stops or abandons the Development Work or fails to continuously and diligently prosecute the Development Work, excluding any work stoppage (i) due to termination by the Commission, (ii) due to and during the continuance of a Force Majeure Event or suspension by the Commission pursuant to the Exclusive Development Agreement; or (iii) due to and during the continuance of any suspension of work under the Exclusive Development Agreement; or (e) the Developer fails to resume performance of Development Work which has been suspended or stopped, within a reasonable time after receipt of notice from the Commission to do so or after cessation of the event preventing performance; or (f) the Developer fails to maintain the insurance required under the Exclusive Development Agreement or fails to provide the NTP1 or NTP2 Performance Bond, or the NTP1 or NTP2 Payment Bond; or (g) the Developer breaches any other covenant, agreement, obligation, term or condition contained in the Contract Documents; or (h) the Developer assigns or transfers the Agreement or any right or interest herein, except as expressly permitted the Exclusive Development Agreement; or (i) the Developer fails to discharge or obtain a stay within 10 days of any final judgment(s) or order for the payment of money against it in excess of $100,000 in the aggregate arising out of the prosecution of the Development Work; provided, however, that the posting of a bond in the amount of 125% of such judgment or order will be deemed an effective stay; or (j) the Developer fails, absent a valid dispute, to make payment when due for labor, equipment or materials in accordance with its agreements with Subcontractors and applicable Law; or (k) any representation or warranty made by the Developer or any guarantor in the Contract Documents or any certificate, schedule, instrument, or other document delivered pursuant to the Contract Documents will have been false or misleading when made; or (l) the Developer or any guarantor is a party to fraud; or (m) any guarantor revokes or attempts to revoke its obligations under its guarantee or otherwise takes the position that such instrument is no longer in full force and effect; or (n) the Developer commences a voluntary case seeking liquidation, reorganization or other relief with respect to itself or its debts under any bankruptcy, insolvency or other similar Law now or hereafter in effect; seeks the appointment of a trustee, receiver, liquidator, custodian or other similar official of the Developer or any substantial part of the Developer's assets; files an answer admitting the material allegations of a petition filed against the Developer in any involuntary case commenced against the Developer; consents to any such relief or to the appointment of or taking possession by any such official in any voluntary case commenced against the Developer; makes an assignment for the benefit of creditors; fails, is unable, or admits in writing the inability generally to pay the Developer's debts as they become due; or takes any action to authorize any of the foregoing; or any of the foregoing acts or events will occur with respect to guarantor; or (o) an involuntary case is commenced against the Developer seeking liquidation, reorganization, dissolution, winding up, a composition or arrangement with creditors, a readjustment of debts or other relief with respect to the Developer or the Developer's debts under any bankruptcy, insolvency or other similar Law now or hereafter in effect; seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of the Developer or any substantial part of the Developer's assets; seeking the issuance of a writ of attachment, execution, or similar process; or seeking like relief, and such involuntary case will not be contested by the Developer in good faith or will remain undismissed and unstayed for a period of 60 Days; or any such involuntary case or cases will be commenced against guarantor (but not necessarily in the same proceeding or concurrently) and such case or cases will not be contested by guarantor in good faith or will remain undismissed and unstayed for a period of 60 Days; or (p) the Developer fails to submit to the Commission a Commission-approved Project Schedule as required under the Contract Documents.

Cure Period. The Developer and surety will be entitled to 15 Days' written notice and opportunity to cure any breach before declaring an Event of Default, provided that no such notice and opportunity to cure is required for any breach that by its nature cannot be cured. Failure to provide notice to surety will not preclude the Commission from exercising its remedies against the Developer. If a breach is capable of cure but, by its nature, cannot be cured within 15 Days, as determined by the Commission, such additional period of time will be allowed as may be reasonably necessary to cure the

breach so long as the Developer commences such cure within such 15-Day period and thereafter diligently prosecutes such cure to completion; provided, however, that in no event will such cure period exceed 60 Days in total. The Developer has agreed that the events described in clauses (k) through (o) above are not curable. Notwithstanding the foregoing, the Commission may, without notice and without awaiting lapse of the period to cure any default, in the event of existence of a condition on or affecting the Project which the Commission believes poses an immediate and imminent danger to public health or safety, rectify the dangerous condition at the Developer's cost, and so long as the Commission undertakes such action in good faith, even if under a mistaken belief in the occurrence of such default, such action will not expose the Commission to any liability to the Developer and will not entitle the Developer to any other remedy, it being acknowledged that the State has a paramount public interest in providing and maintaining safe public use of and access to the Project. The Commission's good faith determination of the existence of such danger will be deemed conclusive in the absence of clear and convincing evidence to the contrary.

Remedies. If any breach described above is not subject to cure or is not cured within the period (if any) specified in the Exclusive Development Agreement, the Commission may declare that an "Event of Default" has occurred. The declaration of an Event of Default will be in writing and delivered to the Developer with a copy to surety. If an Event of Default will occur, then the Developer will have the following obligations: (a) the Commission may terminate the Exclusive Development Agreement or a portion thereof, including the Developer's rights of entry upon, possession, control and operation of the Project; and/or (b) if requested by the Commission, the Developer will withdraw from the Final ROW and will remove such materials, equipment, tools and instruments used by, and any debris or waste materials generated by, any member of the Developer Group in the performance of the Development Work as the Commission may direct; and/or (c) the Developer will deliver to the Commission possession of any or all Design Documents, construction documents and all other completed or partially completed drawings (including Plans, elevations, sections, details and diagrams), specifications, records, information, schedules, samples, shop drawings, electronic files and other documents and facilities related to the Final ROW that the Commission deems necessary for completion of the Development Work; and/or (d) the Developer will assign to the Commission the Subcontracts requested by the Commission and the Developer will terminate, at its sole cost, those Subcontracts not assigned to the Commission; and/or (e) the Commission may deduct from any amounts payable by the Commission to the Developer such amounts payable by the Developer to the Commission, including Liquidated Damages or other damages payable to the Commission under the Contract Documents.

If an Event of Default occurs, then the Commission will have the following rights without further notice and without waiving or releasing the Developer from any obligations: (a) the Commission will have the right, but will not be obligated, to pay such amount and/or perform such act as may then be required; (b) the Commission may appropriate any or all materials and equipment on the Site as may be suitable and acceptable and may, subject to the rights of surety if the Commission elects to proceed against the Performance Bonds, enter into an agreement for the completion of this Agreement according to the terms and provisions thereof with another contractor or the surety, or use such other methods as may be required for the completion of this Agreement, including completion of the Development Work by the Commission; (c) if the Commission exercises any right to perform any obligations of the Developer, in the exercise of such right it may, but is not obligated to, among other things: (i) perform or attempt to perform, or caused to be performed, such work; (ii) spend such sums as the Commission deems necessary and reasonable to employ and pay such architects, engineers, consultants and contractors and obtain materials and equipment as may be required for the purpose of completing such work; (iii) execute all applications, certificates and other documents as may be required for completing the work; (iv) modify or terminate any contractual arrangements; (v) take any and all other actions which it may in its sole and absolute discretion consider necessary to complete the work; and (vi) prosecute and defend any action or proceeding incident to the Development Work; (d) all costs and charges incurred by the Commission, including without limitation any re-bid costs, throw away costs for unused portions of the Developer's design and increased financing costs due to delay of the Finance Closing Date, together with the cost of completing the Development Work, will be deducted from any monies due or that may become due the Developer. If such expense exceeds the sum that would be available from such monies,

then the Developer will be liable and will pay to the Commission the amount of such excess plus interest thereon at the lesser of (i) 12% per annum or (ii) the maximum rate allowable under applicable Law.

The rights and remedies of the Commission hereunder are in addition to any other rights and remedies provided by law or equity or provided under this Agreement or the NTP1 or NTP2 Performance Bonds, or NTP1 or NTP2 Payment Bonds, or any guarantees hereunder, and the exercise or beginning of the exercise by the Commission of any one or more of any of such rights or remedies will not preclude the simultaneous or later exercise by the Commission of any or all other such rights or remedies.

The Developer and surety will not be relieved of liability for continuing Liquidated Damages on account of a breach or default by the Developer hereunder or by the Commission's declaration of an Event of Default, or by actions taken by the Commission under the Exclusive Development Agreement. In the event that this Agreement is terminated for grounds, which are later determined not to justify a termination for default, such termination will be deemed to constitute a termination for convenience pursuant to the Exclusive Development Agreement.

Developer's Right to Stop Work for the Commission's Failure to Make Payments. In the event that the Developer fails to receive a payment in the amount approved by the Commission on the date specified for payment in the Exclusive Development Agreement, the Developer will promptly notify the Commission in writing. The Developer will have the right to suspend the Development Work if payment is not made within five Business Days after delivery of the notice of nonpayment, without limitation to any other recourse of the Developer. Any such suspension by the Developer based on a failure of the Commission to make payment will be considered a Commission-Caused Delay entitling the Developer to a Change Order hereunder. The Developer will not have the right to terminate the Agreement for default in the event of the Commission's failure to make payments owing hereunder, but the Developer will have the right to declare a termination for convenience under the Exclusive Development Agreement if such suspension for nonpayment continues for more than 365 days.

Except as described in the preceding paragraph or in the event NTP2 has not been issued by the Commission on or before 635 Days after the Proposal Date due to no fault of any member of the Developer Group, the Developer has no right to terminate the Exclusive Development Agreement.

Limitation on Recovery of Damages. The Developer's liability to the Commission for damages and Losses resulting from breach of the Exclusive Development Agreement, whether in contract, negligence or other tort, or any other theory of law, but excluding gross negligence or willful misconduct on the part of the Developer, will be limited to the sum of (a) all those costs reasonably incurred by the Commission or any party acting on the Commission's behalf in completing or correcting the Development Work or having the Development Work completed or corrected by another person, plus (b) the amount of $100,000,000 (which sum will specifically include any Liquidated Damages paid pursuant to the Exclusive Development Agreement, as well as any payments made to or for the benefit of the Indemnified Parties pursuant to the Exclusive Development Agreement).

A separate cap in the amount of $1,000,000 will apply for each Segment with respect to the Developer's liability to the Commission for consequential damages (defined as remote, speculative, or incidental damages which flow naturally and inevitably from a breach, such as toll revenue losses, loss of use, cost of capital, debt service, loss of profit on related contracts, claims of taxpayers or other indirect damage within the contemplation of the parties) arising prior to Final Acceptance of the Segment due to breach of the Agreement by the Developer (whether such claim arises in contract, negligence or other tort, or any other theory of law), provided that said cap will not limit liability for (a) damages to the extent covered by insurance, (b) increased costs of financing under the Exclusive Development Agreement, or (c) Liquidated Damages owing hereunder. Furthermore, with respect to any Segment, under no circumstances will either party be entitled to consequential damages arising out of breach of the Agreement by the other party after Final Acceptance of such Segment (whether such claim arises in contract, negligence or other tort, or any other theory of law), except to the extent covered by insurance; provided that this limitation will not affect the rights and remedies of the parties expressly set forth in the Contract Documents, such as the right to collect Liquidated Damages and the right to indemnity.

Liquidated Damages

Liquidated Damages for Delay. The Developer has agreed that if the Developer fails to complete the Development Work in accordance with the Contract Documents, the Commission will suffer substantial Losses. The Developer has agreed that it will be liable for all such Losses, subject only to the limitation in the Exclusive Development Agreement. The Developer and the Commission have agreed to liquidate damages with respect to certain types of losses and damages. The Developer has agreed that the Liquidated Damages are intended to compensate the Commission solely for the Developer's failure to meet the deadlines for completion of the Project which are set forth in the Exclusive Development Agreement, and will not excuse the Developer from liability for any other breach of Exclusive Development Agreement requirements, including any failure of the Development Work to conform to applicable requirements. The Developer will not be liable for actual damages in addition to the Liquidated Damages for the Developer's failure to meet the deadlines set forth in the Exclusive Development Agreement.

The Developer has agreed that because of the unique nature of the Project, the fact that it is an essential part of the Central Texas highway system, and the fact that inconvenience to the traveling public will be one of the significant impacts of any failure by Developer to achieve, for each Segment, Substantial Completion by the Completion Deadline and Final Acceptance by the Acceptance Deadline, it is impracticable and extremely difficult to ascertain and determine the actual Losses which would accrue to the Commission and the public if Developer fails to achieve Substantial Completion by the Completion Deadline and Final Acceptance by the Acceptance Deadline for each Segment. Therefore, the Developer will pay the Commission a liquidated amount (the "Liquidated Damages") as deemed compensation to the Commission for such Losses, in the following amounts: (a) $50,000 for each Day after the Segment 1 Completion Deadline and through the date of Substantial Completion for Segment 1, but not to exceed 365 Days; (b) $35,000 for each Day after the Segment 2 Completion Deadline and through the date of Substantial Completion for Segment 2, but not to exceed 365 Days; (c) $35,000 for each Day after the Segment 3 Completion Deadline and through the date of Substantial Completion for Segment 3, but not to exceed 365 Days; (d) $35,000 for each Day after the Segment 4 Completion Deadline and through the date of Substantial Completion for Segment 4, but not to exceed 365 Days; (e) $25,000 for each Day after the Segment 6 Completion Deadline and through the date of Substantial Completion for Segment 6, but not to exceed 365 Days; and (f) $8,000 per Day for each Day after the Acceptance Deadline and through the date of Final Acceptance for each Segment.

Developer understands and agrees that any Liquidated Damages payable in accordance with the Exclusive Development Agreement are in the nature of liquidated damages and not a penalty and that such sums are reasonable under the circumstances existing as of the Effective Date. Developer further acknowledges and agrees that Liquidated Damages may be owing as the result of a Delay Event, even though no Event of Default has occurred or been declared.

Liquidated Damages will be payable by the Developer to the Commission within ten Days after the Developer's receipt of an invoice therefor from the Commission. Interest on such amounts will accrue at the lesser of (i) 12% per annum or (ii) the maximum rate allowable under applicable Law following the expiration of such ten Day period. The Commission will have the right, in its sole discretion, to deduct any amount owed by the Developer to the Commission hereunder from any amounts owed by the Commission to the Developer, including any Retainage which may be payable by the Commission to the Developer.

Permitting or requiring the Developer to continue and finish the Development Work or any part thereof after the Completion Deadline or Acceptance Deadline for any Segment will not act as a waiver of the Commission's right to receive Liquidated Damages hereunder or any rights or remedies otherwise available to the Commission.

Liquidated Damages for Failure to Provide Key personnel. The Developer has acknowledged and agreed that the identity and availability of Key personnel is of utmost importance to the Commission. Therefore, if certain Key personnel are not available or do not dedicate 100% of their time to the prosecution and performance of the Development Work, the Developer agrees to pay the Commission a liquidated damages amount as follows as deemed compensation to the Commission for such Losses: (a)

Project Manger ($500,000); (b) Deputy Project Managers ($100,000); and (c) certain other Key personnel ($50,000). The Developer will not be liable for such liquidated damages if (x) the Developer removes or replaces such personnel at the direction of the Commission; (y) such individual is unavailable due to death, retirement, injury or no longer being employed by the applicable member of the Development Group (provided that moving to an affiliated company will not be considered grounds for avoiding liquidated damages), or (z) such individual is unavailable due to the Commission's failure to issue NTP2 within 270 days of the Proposal Date; provided, however, in each such case, the Developer will promptly propose to the Commission a replacement for such personnel, which individual will be subject to the Commission's review and written consent.

Indemnification

Indemnification by the Developer. Developer will release, defend, indemnify and hold each of the indemnified parties harmless from and against any and all losses arising out of, relating to or resulting from: (a) the breach or alleged breach of this Exclusive Development Agreement or any other contract documents by the Developer; (b) the failure or alleged failure by any member of the Developer Group to comply with any applicable laws or the Governmental Approvals; (c) any alleged patent or copyright infringement or other allegedly improper appropriation or use of trade secrets, patents, proprietary information, know-how, copyright rights or inventions in performance of the Development Work, or arising out of any use in connection with the project of methods, processes, designs, information, or other items furnished or communicated to the Commission or another indemnified party pursuant to the contract documents; provided that this indemnity will not apply to any infringement resulting from the Commission's failure to comply with specific written instructions regarding use provided to the Commission by Developer; (d) the acts, omissions, negligence, recklessness, willful misconduct, breach of contract or law by any member of the Developer Group; (e) any and all claims by any governmental entity claiming taxes based on gross receipts, purchases or sales, the use of any property or income of any member of the Developer Group with respect to any payment for the development work made to or earned by Developer or its subcontractors or any of their respective agents, officers or employees under the contract documents; (f) any and all stop notices and/or liens filed in connection with the development work, including all expenses and attorneys' fees and costs incurred in discharging any stop notice or lien; (g) any (i) release(s) of hazardous materials attributable to the acts, omissions, negligence, willful misconduct, recklessness or breach of contract or law by any member of the Developer Group; or (ii) the release of any hazardous materials caused to be present on the final row or elsewhere by any member of the Developer Group regardless of whether those are the persons who actually caused the release and regardless of the cause for the release; (h) the claim or assertion by any contractor of inconvenience, disruption, delay or loss caused by interference by any member of the Developer Group with or hindering the progress or completion of work being performed by other contractors relating to the project, any other project (including adjacent work), or failure of any member of the Developer Group to cooperate reasonably with other contractors in accordance with the requirements of the contract documents; (i) any claim, demand, suit, proceeding, investigation or cause of action brought against the Commission in connection with the design and construction of the project or other development work, including with respect to construction accidents; and (j) any claim, demand, suit, proceeding, investigation or cause of action brought against the Commission in connection with (i) Developer's performance of, or failure to perform its obligations under, any utility adjustment agreement, (ii) any claim for reimbursement for the cost of performing utility adjustment work made by a utility owner against the Commission, or (iii) any dispute as to whether work relating to a utility adjustment constitutes a betterment.

The Developer will release, defend, indemnify and hold each of the Indemnified Parties harmless from and against any and all losses resulting from errors, omissions, inconsistencies or other defects in the design or construction, regardless of whether such errors, omissions, inconsistencies or defects were also included in the schematic design or reference documents.

Restrictions on Indemnities. Subject to the releases and disclaimers in the Exclusive Development Agreement, the Developer's indemnity obligations will not extend to any Losses incurred by an Indemnified Party to the extent caused by: (a) the negligence, reckless or willful misconduct, bad faith or fraud of such Indemnified Party, or (b) any material defect inherent in prescriptive design or prescriptive construction specifications included in the Contract Documents, provided Developer

complied with such specifications and did not actually know, or would not reasonably have known, while exercising reasonable diligence, that it was deficient or, if the Developer actually knew of the deficiency, unsuccessfully sought the Commission's waiver of or approval of a Deviation from such standard; or (c) the Commission's material breach of any of its obligations under the Contract Documents.

Such indemnities will not be construed to effect any extension of statutes of limitations otherwise applicable to causes of action for breach of contract held by the Commission against the Developer.

Limitation on the Commission's Liability

In no event will the Commission be liable for injury, damage, or death sustained by reason of a defect or want of repair on or within the Site during the period the Developer has operation and control of the Site, nor will the Commission be liable for any injury, damage or death caused by the actions, omissions, negligence, willful misconduct, or breach of applicable Law or contract by any member of the Developer Group. The Developer expressly acknowledges and agrees that the Commission's rights in this Agreement to take any action with respect to the Project, including the right to review, comment on, disapprove and/or accept designs, plans, specifications, work plans, construction, installation, traffic management details, safety plan and the like, are discretionary in nature and exist solely for the benefit and protection of the Commission and do not create or impose upon the Commission any standard or duty of care toward Developer or any other person.

Dispute Resolution

All Disputes between the Developer and the Commission will be resolved as provided in the dispute resolution provisions of the Exclusive Development Agreement. The parties are required to attempt to resolve disputes informally through negotiation between representatives of each party. If a dispute is not resolved through this process, either party may elect to submit the dispute to non-binding mediation. Any party involved in a dispute that is not resolved through mediation may submit the dispute to binding arbitration in accordance with the procedures set forth in the Exclusive Development Agreement.

Insurance

The Developer has agreed to purchase and continuously maintain in full force and effect through Project Final Acceptance, or such longer time as may be specifically provided, the insurance coverages specified in the Exclusive Development Agreement. The insurance provided thereunder will be available for the Commission's and the Developer's benefit with respect to covered claims, but will not be interpreted to relieve the Developer of any obligations under the Exclusive Development Agreement. Accordingly, with respect to all matters for which the Developer is responsible under the Exclusive Development Agreement, the Developer has agreed to remain fully liable for all amounts in excess of the coverage provided. With respect to all matters for which the Commission is responsible under the Exclusive Development Agreement, the Commission has agreed to remain fully liable for all amounts in excess of the coverage provided. The Commission is responsible for any deductibles under the Delayed Opening Insurance. The Developer is fully responsible for all other deductibles.

All insurance required under the Exclusive Development Agreement will be procured from insurance or indemnity companies with an A.M. Best and Company rating level of A- or better, Class VIII or better, or as otherwise approved by the Commission and authorized or approved to do business in the State. The insurance provided by the Exclusive Development Agreement will name the Indemnified Parties, including the Bond Trustee, as additional insureds.

Insurance during NTP1 Period. The Developer has provided insurance in accordance with TxDOT Standards, which will remain in full force and effect until issuance of NTP2.

Commercial General Liability. The Developer has agreed to provide Commercial General Liability coverage (for bodily injury, property damage, personal injury and advertising injury) at the Developer's expense during the period starting on the date of the Second Notice to Proceed and ending on the date of Project Final Acceptance, using an ISO-1988 occurrence form (or equivalent), specifically including coverage for contractual liability, premises operations, independent contractors, products and completed operations, broad form property damage and hazards commonly referred to as "XCU," with

limits of $50,000,000 per occurrence and $50,000,000 annual aggregate; provided, however, that if the Warranties are applicable, such coverage will be maintained through the expiration of the Warranties. The policy will include products and completed operations extended coverage for five years after the date of Project Final Acceptance. The policy deductibles will be subject to the Commission approval. If Developer's Commercial General Liability insurance or other form with a general aggregate limit and products and completed operations aggregate limit is used, then the aggregate limits will apply separately to the Project, or the Developer may obtain separate insurance to provide the required limit which will not be subject to depletion because of claims arising out of any other project or activity of the Developer; any such excess insurance will be at least as broad as the Developer's primary insurance. The Developer will be the named insured. The Indemnified Parties will be additional insureds with respect to liability arising out of the acts or omissions of the Developer Group, whether occurring on or off of the Site. The required limits can be satisfied by a combination of a primary policy and an excess or umbrella policy.

Worker's Compensation and Employer's Liability. During the period commencing on the date of the Second Notice to Proceed and ending on the date of Project Final Acceptance, the Developer has agreed to provide Worker's Compensation insurance at the Developer's cost in conformance with the laws of the State, and Employer's Liability insurance (for bodily injury or disease) with limits of $5,000,000 per accident for all of its employees working on or about the Site. The Developer will be the named insured on these policies. The Worker's Compensation Policy will contain the following endorsements: (a) an endorsement extending the policy to cover the liability of the insureds under the Federal Employer's Liability Act; (b) a Voluntary Compensation Endorsement; (c) an Alternative Employer Endorsement; and (d) an endorsement extending coverage to All States Operations on an "if any" basis.

Business Automobile Liability. The Developer has agreed to provide Business Automobile Liability insurance commencing upon issuance of the Second Notice to Proceed and ending upon the date of Project Final Acceptance covering the ownership, maintenance or use of all owned, non-owned and hired vehicles used in the performance of the Development Work, including loading and unloading, with limits of not less than $50,000,000, combined single limit for bodily injury and property damage liability; provided, however, that if the Warranties are applicable, such coverage will be maintained through the expiration of the Warranties. The Developer will be the named insured. The Indemnified Parties will be additional insureds with respect to liability arising out of the acts or omissions of the Developer Group, whether occurring on or off of the Site. The required limits can be satisfied by a combination of a primary policy and an excess or umbrella policy. The policy deductibles will be subject to the Commission's approval.

Professional Liability. The Developer has agreed to provide professional liability coverage with limits not less than $10,000,000 per claim and aggregate. The professional liability coverage will protect against any negligent act, error or omission arising out of design or engineering activities with respect to the Project, including coverage for acts or omissions by any member of the Developer Group. The policy will have a retroactive date no later than the date on which the RFP was issued and will have a five-year extended reporting period from the date of Project Final Acceptance with respect to events that occurred but were not reported during the term of the policy. The coverage will include each of the Indemnified Parties, Developer and the Subcontractors (including design subconsultants) of any tier. The policy will not contain any provision or exclusion (including any so-called 'insured versus insured' exclusion or 'cross-liability' exclusion) the effect of which would be to prevent, bar, or otherwise preclude any insured or additional insured under the policy from making a claim which would otherwise be covered by such policy on the grounds that the claim is brought by an insured or additional insured against an insured or additional insured under the policy.

Builder's Risk. The Developer will procure and maintain builder's risk insurance for the Project as specified below. The insureds will be the Developer, all Subcontractors (excluding those solely responsible for design Development Work) of any tier, and each of the Indemnified Parties, as their interests may appear. The insurance will be maintained during the period starting on the date of commencement of construction and ending on the date of Project Final Acceptance; provided that the Developer will not be required to maintain property insurance for any Segment following Substantial Completion and transfer of control to the Commission.

The policy will be on a blanket builder's risk insurance policy on an "all risk" basis for the entire Project including: (1) coverage for any ensuing loss from faulty workmanship, Nonconforming Work materials, omission or deficiency in design or specifications; (2) coverage against damage or loss caused by earth movement, flood, fire, theft, vandalism and malicious mischief and machinery accidents and operational testing; (3) coverage for removal of debris, and insuring the buildings, structures, machinery, equipment, facilities, fixtures and all other properties constituting a part of the Project; (4) transit coverage, including ocean marine coverage (unless insured by the supplier), with sub-limits sufficient to insure the full replacement value of any key equipment item; and (5) coverage with sub-limits sufficient to insure the full replacement value of any property or equipment stored either on or off the Site. Such insurance will be on a form acceptable to the Commission and will have a limit equal to the probable maximum loss to replace the completed Project or $80,000,000, whichever is greater plus "soft cost expense cover" (including attorneys' fees and fees and other costs associated with such damage or loss and with any Governmental Approvals) and will include earthquake insurance with an $80,000,000 minimum annual aggregate limit and flood insurance with an $80,000,000 minimum annual aggregate limit. There will be no coinsurance penalty provision in any such policy. Deductibles or self-insured retentions will be subject to the Commission's approval.

Delayed Opening Insurance. The Developer will procure and maintain Delayed Opening Insurance protecting the interests of the Commission and the Bond Trustee, as their interests may appear, against debt service (net of any net revenues or other recoveries) up to the maximum amounts set forth in (a) – (e) below for delays in opening a Segment for full revenue service beyond the original Completion Deadline (for such Segment) for which a Change Order extending the Completion Deadline was issued, except for such delays that were within the Commission's control. The policy will have a waiting time of 45 days and a limit of liability of 365 days of debt service coverage for each Segment and a maximum aggregate limit of liability of $50,000,000 for all Segments, following the end of the waiting period up to the following amounts: (a) $55,200 per day for delays in opening Segment 1; (b) $71,700 per day for delays in opening Segment 2; (c) $78,900 per day for delays in opening Segment 3; (d) $38,500 per day for delays in opening Segment 4; and (e) $48,200 per day for delays in opening Segment 6.

Delayed Opening Insurance will not be maintained with respect to any Segment after opening of such Segment for full revenue service.

Railroad Protective. The Developer will provide any coverage as may be required by the Railroad as a condition of the Railroad's consent for entry onto railroad facilities or property. Said policy will be effective during the period any Development Work is being performed within 50 feet of any railroad right of way.

Valuable Papers. The Developer will provide valuable papers insurance with a limit of not less than $200,000 each loss. Such insurance will assure the restoration of any plans, drawings, computations, field notes, or other similar data relating to the Development Work and/or the Project the event of loss or destruction until all such items and data are turned over to the Commission.

*Changes in Coverage. T*he Commission has agreed to notify the Developer in writing of any changes in the requirements applicable to insurance required to be provided by the Developer. Pursuant to a Change Order, any additional cost from such change has agreed to be paid by the Commission and any reduction in cost will reduce the Development Price.

Commercial Unavailability of Coverage. If, in the future, through no fault of Developer, any of the coverages required in the Exclusive Development Agreement (or any of the required terms of such coverages, including policy limits) become unavailable as determined under a commercial reasonableness standard, the Commission will work with the Developer to find commercially reasonable alternatives to the required coverages that are acceptable to the Commission.

No Recourse. There will be no recourse against the Commission for payment of premiums or other amounts with respect to the insurance required to be provided by the Developer under the Exclusive Development Agreement, except for deductibles payable by the Commission as specified in the Exclusive Development Agreement.

If the Developer fails to provide insurance as required in the Exclusive Development Agreement, the Commission or its assignees will have the right but not the obligation, to purchase such insurance. In such event, the Development Price will be reduced by the amount paid for such insurance.

Miscellaneous

Amendments. The Contract Documents may be amended only by a written instrument duly executed by the Parties or their respective successors or assigns. No oral agreement or implied covenant will be held to vary the terms hereof, any statute, Law or custom to the contrary notwithstanding. If any provisions of the Contract Documents are rendered obsolete or ineffective in serving their purpose by Change in Law, passage of time, financing requirements or other future events or circumstances, the parties have agreed to negotiate in good faith appropriate amendments to or replacements of such provisions in order to restore and carry out the original purposes thereof to the extent practicable; provided, however, that neither party is obligated to agree to any amendment or replacement which would reduce its rights or enlarge its responsibilities under the Contract Documents in any material respect.

Waiver. No waiver by any party of any right or remedy under the Contract Documents will be deemed to be a waiver of any other or subsequent right or remedy under the Contract Documents. The consent by one party to any act by the other party requiring such consent will not be deemed to render unnecessary the obtaining of consent to any subsequent act for which consent is required, regardless of whether similar to the act for which consent is given.

Independent Contractor. The relationship of the Developer to the Commission will be one of an independent contractor, not an agent, partner, representative, joint venturer or employee. Officials, employees, partners, Subcontractors and agents of the Developer will in no event be considered employees, contractors, agents, partners or representatives of the Commission. Notwithstanding the foregoing, persons performing professional services under this Agreement will owe a fiduciary duty to the Commission to comply with all applicable requirements of the Contract Documents in performance of such services.

Assignment. Subject to the limitations in the Exclusive Development Agreement, the Contract Documents will be binding upon and will inure to the benefit of the Parties hereto and their respective legal representatives, successors and permitted assigns, and wherever a reference in any Contract Document to any of the Parties thereto, such reference also will be deemed to include, wherever applicable, a reference to the legal representatives, successors and permitted assigns of such Party, as if in every case so expressed.

The Developer may not, without the prior written consent of the Commission (in its sole discretion), voluntarily or involuntarily assign, convey, transfer, pledge, mortgage or otherwise encumber its rights or interests under the Contract Documents. No partner, joint venturer, member or shareholder of the Developer may assign, convey, transfer, pledge, mortgage or otherwise encumber its ownership interest in Developer without the prior written consent of the Commission, in its sole discretion.

The Commission may transfer and assign its interests in the Project, this Agreement and any other Contract Document (a) to any other public agency or public entity as permitted by Law, provided that the successor or assignee has assumed all of the Commission's obligations, duties and liabilities under the Contract Document then in effect, and has provided Developer with reasonable assurance of its legal and financial authority to honor and perform the same; (b) to the Bond Trustee as security for the performance of the Commission's obligations to the Bond Trustee; (c) to any other person with the prior written approval of the Developer and the Bond Trustee. In the event of an assignment to the Bond Trustee, the term "the Commission" as used in this Agreement will be deemed to mean the Bond Trustee as assignee of the Commission, and as such assignee the Bond Trustee will have all rights accorded to the Commission. Any Bond Trustee may, in connection with any default under any financing document, assign any rights assigned to it hereunder to any person.

No Gift or Dedication. Nothing contained in the Exclusive Development Agreement will be deemed to be a gift or dedication of any portion of the Project, Final ROW or Development Work to the general public, or be deemed to create any rights to be held by the general public in the Project, Final ROW or Development Work except as expressly set forth herein. Other than as provided by Law, the

Developer has agreed not to directly or indirectly, give, offer or promise anything of value to any present or former state employee that might reasonably tend to influence them in the discharge of their official duties or is offered with the intent to influence official conduct, for or because of any official act performed or to be performed by such employee. The phrase "anything of value", as used herein means any item of value, including invitations or tickets to sporting events, social gatherings, outings or parties, or the provision of meals or lodging, or the use of vehicles of any kind, and any other item or thing of monetary value.

Survival. All covenants, agreements, representations and warranties made in or pursuant to the Contract Documents will be deemed continuing and made at and as of the date of each such document and at and as of all other applicable times during the course of the Project. All covenants, agreements, representations and warranties made in or pursuant to the Contract Documents will survive the expiration or earlier termination thereof and will not be waived by the execution and delivery of the Contract Documents, by completion of construction, by any investigation by the Commission or by any other event except a specific written waiver by the Party against whom waiver is asserted.

Limitation on Third Party Beneficiaries. Nothing contained in the Contract Documents is intended or will be construed as creating or conferring any rights, benefits or remedies upon, or creating any obligations of the parties toward any person or entity not a party hereto, except to the extent that specific provisions (such as the warranty and indemnity provisions) identify third parties and state that they are entitled to benefits hereunder.

Governing Law. The Exclusive Development Agreement will be construed under and will be governed in accordance with the laws of the State of Texas.

Further Assurances. Each party will promptly execute and deliver to other all such instruments and other documents and assurances as are reasonably requested by the other Party to further evidence the obligations of the Parties hereunder.

Severability. If any term or provision of the Contract Documents, the deletion of which would not adversely affect the receipt of any material benefit by either party hereunder, will be held by a court of competent jurisdiction to be invalid or unenforceable, the remainder of the Contract Documents will not be affected thereby and each other term and provision of the Contract Documents will be valid and enforceable to the fullest extent permitted by Law. If any clause or provision of the Contract Documents that is found to be illegal, invalid or unenforceable, the parties agree that they will in good faith (a) promptly meet and negotiate a substitute therefor which will, to the greatest extent legally permissible, effect the original intent of the Parties; and (b) if necessary or desirable, apply to the court which declared such invalidity for a judicial construction of the invalidated portion to guide the negotiations.

Approvals and Consents. In all cases where approvals or consents are required to be provided under the Contract Documents by the Commission, the Developer or other parties thereto, such approvals or consents will not be withheld unreasonably except in cases where a different standard (such as sole discretion) is specified. In cases where sole discretion is specified, the decision will not be subject to dispute resolution under the Exclusive Development Agreement.

Entire Agreement. The Contract Documents and, if the maintenance option is exercised, the Maintenance Agreement constitute the entire and exclusive agreement between the Parties (including the limited liability company related to the Developer that executed the Maintenance Agreement) relating to the specific matters covered herein and therein. All prior or contemporaneous oral or written agreements, understandings, representations and/or practices relative to the foregoing are hereby superseded, revoked and rendered ineffective for any purpose.

CAPITAL MAINTENANCE AGREEMENT

The Capital Maintenance Agreement obligates the Maintenance Contractor to provide to the Commission certain capital maintenance, repair, upkeep and renovation services in connection with State Highway 130 constructed under the Exclusive Development Agreement. Pursuant to the Capital Maintenance Agreement, the Commission will pay the Maintenance Contractor a fixed price over the initial term and each renewal term, subject to adjustment described in this caption below under "Compensation".

The Maintenance Contractor's Obligations.

The Capital Maintenance Agreement provides that the Maintenance Contractor shall provide all maintenance services, which includes (i) the maintenance and repair of all embankment and cut slopes, drainage facilities, pavement, shoulders, bridges, bridge approach slabs, sound walls, retaining walls; (ii) capital asset management services and traffic control and operations; and (iii) such other items as set forth in and as more particularly described in the Capital Maintenance Agreement (hereinafter referred to under this "Capital Maintenance Agreement" caption as "Maintenance Services"), for Segment 1, Segment 2, Segment 3, Segment 4 and Segment 6 of State Highway 130 commencing one year after Final Acceptance of each such Segment. One year after the date that Final Acceptance of a Segment of State Highway 130 is achieved in accordance with the Exclusive Development Agreement, such Segment will be automatically included in the scope of the Maintenance Services, unless the Capital Maintenance Agreement is otherwise terminated at the sole and exclusive option of the Commission as provided for in the Capital Maintenance Agreement. The scope of the Maintenance Services specifically excludes Segment 5 of State Highway 130.

The Maintenance Contractor is required under the terms of the Capital Maintenance Agreement to prepare, for the approval of the Commission, a Maintenance Services quality control plan which outlines both: (1) the transition of the responsibility to the Maintenance Contractor for the design, construction, maintenance and repair associated with the Maintenance Services; and (2) allows for the oversight of the same by the Commission.

The Maintenance Contractor is required to provide all personnel, labor, materials, supplies, parts, equipment, public and employee safety devices, components, tools, and utilities required to undertake and complete the Maintenance Services regardless of whether the Maintenance Services are considered to constitute ordinary, preventive or replacement maintenance. The Commission has reserved the right, which may be exercised in its sole discretion, to perform some or all of the Maintenance Services with its own personnel, and/or to enter into special contracts with the Department or others therefore and, in such case, to negotiate a reduction in the price in connection with the deletion of such Maintenance Services from the Maintenance Contractor's obligations under the Capital Maintenance Agreement.

It is the intent of the Capital Maintenance Agreement that Maintenance Contractor perform all duties traditionally performed by the Commission or the Department in maintaining the embankment and cut slopes, drainage facilities, pavement, shoulders, bridges, bridge approach slabs, sound walls and retaining walls of State Highway 130. The traditional duties include but are not exclusive of repairing eroded slopes, cleaning catch basins and drainage ditches, patching pot holes, crack sealing, applying seal coats, milling and overlays. Maintenance Services do not include the maintenance of pavement markings, except for replacements arising out of, related to or necessitated by the performance of Maintenance Services by Maintenance Contractor. The Maintenance Services include replacement of bridges in the event of total failure, subject to Maintenance Contractor's right to a change order for certain third party damage or occurrence of certain force majeure events described in the Capital Maintenance Agreement.

Except as set forth in the Capital Maintenance Agreement, the Commission will retain the responsibility for maintaining all other items on State Highway 130.

Term.

On or before 270 days after Final Acceptance of the first Segment of State Highway 130 to be constructed in accordance with the Exclusive Development Agreement, the Commission shall either issue Maintenance NTP1 to Maintenance Contractor or terminate the Capital Maintenance Agreement. Failure by the Commission to issue Maintenance NTP1 on or before such date will be deemed a termination under the Capital Maintenance Agreement. If the Commission elects (or is deemed to elect) to terminate the Capital Maintenance Agreement, neither party will have any further rights or obligations under the Capital Maintenance Agreement. Under the Capital Maintenance Agreement, "Maintenance NTP1" means a written communication issued by the Commission to Maintenance Contractor authorizing Maintenance Contractor to proceed with the Maintenance Services for the initial maintenance term and establishing the date of commencement of the initial maintenance term.

The initial maintenance term of the Capital Maintenance Agreement will commence one year after Final Acceptance of the first Segment of State Highway 130 to be constructed and will expire on the August 31st that occurs a minimum of one year after Final Acceptance of the last Segment of State Highway 130 to be constructed, all in accordance with the Exclusive Development Agreement, unless terminated earlier at the Commission's discretion pursuant to the terms of the Capital Maintenance Agreement. The Capital Maintenance Agreement provides for the option of an additional second maintenance term of 5 years and an additional third maintenance term equal to 10 years less the duration of the initial maintenance term, both at the sole discretion of the Commission. The maximum term of the Capital Maintenance Agreement, including both extensions thereof, is 15 years. The Maintenance Contractor does not have the right to unilaterally terminate the Capital Maintenance Agreement.

Compensation.

The Commission has agreed to pay the Maintenance Contractor, and the Maintenance Contractor has agreed to accept from the Commission, in full consideration for the performance by the Maintenance Contractor of its duties and obligations under the Capital Maintenance Agreement fixed amounts for each segment for each year of the applicable maintenance term, as specified in the Capital Maintenance Agreement.

The Maintenance Contractor's compensation will be subject to additions and deductions as described below for (1) changes in economic indices, (2) costs of payment and performance bonds and insurance, and (3) change orders requested by either the Commission or the Maintenance Contractor.

Adjustments for Changes in Economic Indices.

The price for the Maintenance Services during the applicable maintenance term will be adjusted to account for increases or decreases in the costs of labor and materials. These adjustments will be based on the Engineering News Record Construction Cost Index, and made as specified in the price adjustment provisions of the Capital Maintenance Agreement.

Payment and Performance Security for the Maintenance Services.

The Maintenance Contractor is required under the terms of the Capital Maintenance Agreement to provide to the Commission, and to maintain at all times in full force and effect, payment and performance bonds in a form specifically provided in the Capital Maintenance Agreement, in amounts equal to 75% of the aggregate sum of the annual Maintenance Price for all Segments for all years of the applicable maintenance term. The Commission is responsible for reimbursing the costs of such bonds. In addition, the Maintenance Contractor has provided to the Commission guarantees from each equity member of the Maintenance Contractor and from Fluor Corporation that guarantee the performance of the Maintenance Services and also guarantee payment to any persons performing work for the Maintenance Contractor under the Capital Maintenance Agreement.

Other Provisions.

Among other things, the Capital Maintenance Agreement sets forth certain specific requirements pertaining to the following: management and administration of the Maintenance Services thereunder; attainment of disadvantaged business enterprise goals; use of subcontractors; change orders; permits and other governmental approvals; indemnification and releases; termination for convenience; insurance; certain warranties; hazardous materials; liquidated damages; and the procedure and remedies in the event of a default.

APPENDIX I

THE FEDERAL-AID HIGHWAY PROGRAM

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THE FEDERAL-AID HIGHWAY PROGRAM

General

As shown in Table 4, Reimbursements from Federal Funds, in the Official Statement, federal transportation funds administered by the Federal Highway Administration under the Federal-Aid Highway Program represents a large percentage of the overall receipts of the State Highway Fund. Set forth herein is an overview of the Federal-Aid Highway Program

Certain Program features or requirements are explained or further defined where they appear below but are introduced here for reference:

The Federal-Aid Highway Program (sometimes referred to herein as the "Program"): The Federal-Aid Highway Program is a broad term that encompasses most of the federal programs providing highway funds to the states. Distribution of assistance from the Program is subject to periodic authorization and annual appropriation by the United States Congress.

The Federal Highway Administration (the "FHWA"): The FHWA is a Unit of the United States Department of Transportation. The FHWA administers the Program.

The Federal Highway Trust Fund (sometimes referred to herein as the "HTF"): The HTF is a dedicated federal fund with revenues dedicated for reimbursement of expenditures by the states for costs of eligible transportation projects, including highway projects.

Authorization: Authorization is the process by which Congress authorizes the expenditure of federal revenues on federal programs. For the Program, authorization historically has been, and continues to be, provided on a multi-year basis. This, together with the availability of HTF revenues and future HTF collections, permits states more certainty in planning long-term highway projects.

Apportionment: For each Federal Fiscal Year ("FFY"), the FHWA apportions the authorized funding among the states according to formulas that are established in authorizing statutes. The distribution of federal funds that do not have a statutory formula is called "allocation" rather than "apportionment."

Obligation Authority: "Obligation" is the commitment of the federal government to pay, through reimbursements to a state, its share of the eligible expenditures on an approved project. The amount of such federal revenues that a state can obligate in a given FFY is called its "Obligation Authority."

Advance Construction: The Advance Construction procedure allows states to commence eligible projects without first having to obligate the federal government's share of expenditures. Thus, states may begin a project before amassing all of the Obligation Authority needed to cover the federal government's share.

Partial conversion of Advance Construction: Under partial conversion of Advance Construction, in a given year a state may convert Advance Construction to Obligation Authority and thus be eligible for reimbursement for a portion of the federal share of an Advance Construction project in that or in a subsequent FFY. This removes any requirement for the state to wait for reimbursements until the full amount of Obligation Authority needed for the entire project is available.

These features of the Program work in a complementary fashion to provide a regular flow of federal reimbursements over the years to state highway programs. The participation of the State in such reimbursements, is discussed in the Official Statement "FUNDING OF COMMISSION OBLIGATIONS - Federal Funds."

IT SHOULD BE NOTED THAT THE TERMS AND CONDITIONS OF PARTICIPATION IN THE PROGRAM AS DESCRIBED HEREIN ARE SUBJECT TO CHANGE AT THE DISCRETION OF CONGRESS, AND THERE CAN BE NO ASSURANCE THAT THE LAWS AND REGULATIONS NOW GOVERNING THE PROGRAM WILL NOT BE CHANGED IN THE FUTURE IN A MANNER THAT MAY ADVERSELY AFFECT THE ABILITY OF THE STATE TO RECEIVE ADEQUATE FEDERAL TRANSPORTATION FUNDS.

Federal Highway Trust Fund

Funding. The FHWA administers payments to states under the Program through the HTF. Funded by collection of federally imposed motor vehicle user fees, primarily fuel taxes, the HTF is dedicated revenues held for reimbursement of the states' cost of transportation projects, including highway projects. The HTF presently contains the Highway Account and a Mass Transit Account. The Highway Account receives approximately 84% of gasoline tax revenues and 88% of diesel fuel tax revenues, with the remaining share of such revenues deposited in the Mass Transit Account. Using revenues in the Highway Account of the HTF, the FHWA reimburses states for expenditures related to approved highway projects. The FHWA distributes these revenues to states based on apportionment and allocation rules prescribed by federal law.

Current law requires that the cash balance of the Highway Account of the HTF, plus projected revenues for the next two years, must suffice to repay all unpaid authorizations before any additional apportionments of revenues can be made from the HTF. As a result, and unlike most federal programs, the flow of federal funding to states for highway projects does not depend on timely appropriation of revenues by Congress.

Federal gasoline excise taxes are the largest revenue source for the HTF. The majority of these tax revenues, including 15.45 cents per gallon out of the current 18.4 cents per gallon tax, go to the Highway Account. The following table shows annual and projected HTF collections in the Highway Account for the period FFY 1982 to FFY 2003.

Payments Into the Highway Account of the Highway Trust Fund
1992-2003[1]

1992	$15,663,687.000	1996	$22,033,866,000	2000	$30,347,117,000
1993	16,046,324,000	1997	20,509,321,000	2001	30,735,000,000[2]
1994	16,250,471,000	1998	23,140,934,000	2002	31,732,000,000[2]
1995	18,828,893,000	1999	33,821,392,000	2003	32,728,000,000[2]

(1) Excludes interest on balances.
(2) Average annual collections projected by the FHWA Office of Highway Policy Information.

The HTF Surplus. Since 1956, the Highway Account of the HTF has accumulated a surplus of revenues because more revenues have been generated for the account through collections and interest income than have been distributed to states under the Program. The balance of the HTF at the end of FFY 2001 was $27.8 billion. Of that $27.8 billion, $20.4 billion was credited to the Highway Account and $7.4 billion was credited to the Mass Transit Account. HTF is required under current federal law to maintain a positive balance to ensure that prior commitments for federal revenues can be met.

Reauthorization of HTF Collections. Collections of HTF taxes ("HTF collections"), like the Program itself, must periodically be reauthorized by Congress. Historically, the HTF and its constituent taxes have been authorized to operate for limited periods of time. Originally, the HTF was authorized through June, 1972. It was reauthorized several times and the Intermodal Surface Transportation Efficiency Act of 1991 ("ISTEA") reauthorized the Program through September 30, 1997 and

reauthorized the HTF and most of the user taxes that flow into it through September 30, 1999. TEA 21 further extends HTF collections to FFY 2005.

History

The modern Federal-Aid Highway Program originated in the Federal-Aid Highway Act of 1956.[1] The Program initially was established as a pay-as-you-go system, meaning that costs of constructing and maintaining the system were to be borne primarily by its users, who would pay a federally-imposed tax on motor fuels. Federal user fees were to provide 90% of the cost of construction, with the remainder paid for by the states.

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(1) The Federal-Aid Highway Act of 1956 was one of a long series of authorizing statutes for the Program. Extensions of the act were passed in 1958, 1959, 1960, 1961, 1962, 1964, 1966, 1968, 1970, 1973, 1974, and 1976; in each case the statute was known simply as the Federal-Aid Highway Act. The 1965 Highway Beautification Act made minor additions and changes to the program, as did the Highway Safety Act of 1973. The 1978 Surface Transportation Act and the Federal-Aid Highway Act of 1981 were also primarily extensions of existing authority.

The 1982 Surface Transportation Assistance Act ("STAA") made notable changes to the Program, and began the modern multi-year (i.e., four or more years) authorizing process. STAA also guaranteed each state a minimum 85% return on the money paid in by highway users of the state. Such "equity provisions" have continued in all subsequent authorizing legislation to date, and operate to compensate so-called "donor states," whose historic highway funding levels have been below their collections for the HTF.

In 1991, ISTEA broadened the focus of the Program, changed its structure significantly and created several new funding categories. ISTEA also gave state and local governments far greater flexibility in determining their transportation infrastructure priorities, whether transit or highways, and for the first time allowed significant flexibility to redirect federal revenues among programs. ISTEA also authorized innovative approaches to federal aid highway funding, including the use of private sector funding sources for transportation improvements. Innovative financing procedures were authorized and encouraged, and states were authorized to augment federal revenues with alternate sources of revenues.

Special Federal Provisions Relating to Advance Construction. The National Highway System Designation Act of 1995 (the "NHS Act") fulfilled an ISTEA mandate by designating the National Highway System to include the Interstate System as well as other roads important to the nation's economy, defense, and mobility. The NHS Act made several changes affecting the financing of federal aid highway projects, including Advance Construction procedures:

- Standard federal highway financing practices require states to have sufficient Obligation Authority before they begin a highway project. If a state has many projects or a particularly large project, they may be unable to provide enough Obligation Authority to get federal approval to begin specific projects. To avoid delays in projects that are eligible for federal funding, the FHWA may approve Advance Construction for a project if the state can provide 100% of the costs up- front.

- Under Advance Construction procedures prior to the NHS Act, only when a state had amassed sufficient Obligation Authority to cover the federal share of a project's total costs could it convert the project from Advance Construction to Obligation Authority and be reimbursed for the federal share. The NHS Act removed the requirement that states must amass Obligation Authority equal to the full federal share before reimbursement could occur. Partial conversion now allows a state to be reimbursed for a portion of the federal share of the project's total costs as Obligation Authority becomes available each year and costs are expended.

Special Federal Provisions Relating to Debt-Financed Projects. The NHS Act also made several changes affecting the payments to states for debt financing. Section 311 of the NHS Act significantly expanded the eligibility of bond, notes and other debt instruments financing costs for federal-aid reimbursement. This change to the Program was codified into permanent highway law as an amendment to Section 122 of Title 23 of the United States Code. Under section 122, various debt-related costs are eligible for reimbursement, including principal and interest payments, issuance costs, insurance, and other costs incidental to a financing.

TEA 21. On June 9, 1998, TEA 21 was signed into law and extended the authorization of the Program through FFY 2003. TEA 21 authorizes approximately $217 billion in funding for the Program and the nation's mass transit programs. TEA 21 provides average annual authorizations of approximately $28.5 billion to the states for highway construction through FFY 2003. In a major change to federal budget rules, highway and transit programs are now guaranteed a minimum level of spending under TEA21. Prior to enactment of TEA 21, funding for surface transportation projects was one item among many on a list of priorities for federal program spending in the budget. Under the new budget rules, highway guaranteed amounts are keyed to the actual HTF Highway Account receipts and can only be used to support projects eligible under federal highway programs. Mass transit funding is guaranteed at a selected fiscal amount over the TEA 21 period and can be used only to support projects eligible under transit programs. In addition, TEA 21 increases equity protections by assuring each state at least a 90.5% return on its collections for the HTF, which are reauthorized through FFY 2005.

Operations

The present Program continues to reimburse a large percentage of state expenditures for approved highway projects. The financial assurance provided by the Program is unusual among federal programs in that:

- The Program is based on dedicated revenues, from a user-tax source, deposited in a dedicated trust fund (the HTF):
- The budget and contract authority of the FHWA is established by a multi-year authorization act rather than annually through appropriation acts; and
- Contract authority is not at risk during the annual appropriations process (as budget authority is in most other federal programs).

The process for reimbursing state expenditures may be summarized in three steps: authorization, obligation and program implementation. The first step, authorization, is the most critical step in establishing overall spending authority for federal highway funding. Authorizing legislation extends the life of the Program and the collections that fund the HTF, sets Program objectives and provides formulas for determining the distribution or apportionment of available resources among the states. The existence of the dedicated revenues in the Highway Account of the HTF and the existence of multi-year contract authorizations are designed to help to make available a predictable and uninterrupted flow of reimbursements to the states. The risk of contract authority lapsing between authorizing acts is minimal since sufficient unobligated balances generally exist that cover gaps in coverage between multi-year reauthorization acts.

The second step, obligation, is the process through which states make use of, or "obligate," the contract authority that has been apportioned or allocated to them in the authorization process. Congress typically limits the amount of Obligation Authority that states may use annually. To whatever extent that a state's Obligation Authority is set below its authorization, the unobligated balance for that state is increased. These unobligated balances provide available funds, from which the FHWA allows states to draw, when there is a lapse period between authorization acts. But under current law the unobligated balances do not otherwise entitle the states to additional funds.

The third step, program implementation, leads to actual receipt of federal funds by states. Program implementation methods vary state-by-state. States are permitted to make use of Advance Construction and partial conversion of Advance Construction in order to obligate varying amounts of federal funds to an eligible project from FFY to FFY, depending on how much of the state's Obligation Authority is available from the Program and is desired for such use by the state.

Step 1: Authorization

The first step, and the most crucial in financing the Program, is the multi-year, authorizing legislation. Such highway authorization acts:

- Establish the taxes that fund the HTF and extend their life (reauthorization);
- Establish the specific programs and procedures through which states receive federal financial assistance for their highway programs; and
- Set upper limits on funding for specific programs and for the overall Program.

Multi-year Authorization Acts. As noted earlier, the modern Program periodically has been reauthorized on a multi-year basis by authorization acts, through which Congress influences the level of federal involvement in state highway program activities. Annual appropriations acts then establish any limits on the amount of federal funds that the FHWA may obligate to states in a given year.

Budget and Contract Authority. All federal programs require budget and contract authority before revenues may be committed and spent. Normally this authority is provided through a two-step process, with authorizing legislation describing the purposes for a specific program and setting a proposed level of spending, and appropriations acts providing the budget authority or legal ability to spend federal revenues. Appropriations are often for a lower amount than that set by authorizations. The Program combines these two steps, with authorizing legislation providing the United States Secretary of Transportation with contract authority or the legal ability to enter into binding contracts with state transportation departments ("DOTs") and other bodies specified in the Program.

Contract authority provides states with assurance about the level of future federal revenues that will be available. This, in turn, makes it easier and more cost- effective to plan and execute multi-year construction projects. As a result of contract authority and the collection of user taxes into the dedicated HTF, the formal appropriation by Congress of revenues on an annual basis generally has been noncontroversial. Constraints arising from the annual appropriation process are described in Step 2 below.

Lapsing of Authorization. All federal programs must be authorized through enacted legislation that defines the programs and establishes maximum funding levels, and for most programs annual appropriations acts are necessary in order to create budget authority. Indeed, for most federal domestic discretionary programs, a lapsed authorization may have little or no effect on a program, so long as revenues are appropriated. For the Program, the consequences of lapsed authorization caused when Congress fails to enact reauthorization legislation are somewhat different. While Congress may pass interim legislation, the existence of contract authority and a dedicated revenue stream means that the FHWA usually can continue to provide Obligation Authority by administrative action.

Though recent federal surface transportation legislation has authorized the Federal- Aid Highway Act for four to six years at a time, there occasionally have been periods in which the previous authorizing legislation had expired and the future legislation had yet to be enacted. In such circumstances, Congress and/or the FHWA have found ways to avoid disruptions to state highway programs and. more importantly, have been able to maintain the flow of federal revenues to states in each instance. Two mechanisms in particular have kept revenues flowing:

- Access to Unobligated Balance: The 1987 Surface Transportation and Uniform Relocation Assistance Act expired on September 30, 1991 and ISTEA was not enacted until December 18, 1991. The FHWA was able to act administratively to keep federal aid funding flowing because states could use their unobligated balances to provide Obligation Authority.

- Short-Term Authorization: ISTEA expired on September 30, 1997 and until passage of TEA 21 on May 22, 1998, no new long-term authorization legislation was enacted. Despite the lack of long-term authorizing legislation, states were provided an upper limit on Obligation Authority through passage of an appropriations act plus access to their unobligated balances. On November 13, 1997 Congress passed the Surface Transportation Extension Act of 1997 ("STEA"), which provided a six-month authorization for highway funding and established a limit on the amount of new Obligation Authority states can use at funding levels equal to about a quarter of FFY 1997 authorization levels.

From October 1, 1997, the expiration of ISTEA, to November 13, 1997, the passage of the STEA authorization, the FHWA was able to manage through use of the large unobligated balances (unused contract authority) in the Program. Since most states have unobligated balances of at least half their normal annual Obligation Authority levels and an authorization act need not be in place for the FHWA to give states new Obligation Authority, states were able to spend down prior unfunded federal apportionments (contract authority) with newly allocated Obligation Authority. The lack of an enacted authorization act during this period did not pose a threat to the continued flow of revenues, because dedicated highway user fees continued to flow into the HTF. (See Step 2, below, for further explanation of Obligation Authority and unobligated balances.)

Annual Distributions. For most components of the Program, the authorization acts set the distribution of spending authority among states. The primary methods used to distribute authorized federal highway revenues are "apportionment" and "allocation":

- Apportionments. The contract authority created by authorization acts such as ISTEA or TEA 21 is distributed annually among the 50 states, the District of Columbia, and Puerto Rico using a process called apportionment of revenues. Apportionments indicate the maximum amount of contract authority that each state can expend for eligible projects in specific programs. For each FFY, the FHWA has responsibility for apportioning authorized funding for the various programs among the states according to formulas established in the authorizing statute. Annual apportionments are generally made on the first day of the federal fiscal year, which is October 1.

- Allocations. While most highway revenues are distributed to states through apportionments, some funding categories do not contain legislatively mandated apportionment formulas. Distribution of revenues where there are no statutory formulas is called "allocation" or "discretionary allocation". In most cases, allocated federal funding is divided among states using criteria determined administratively by the federal Department of Transportation or as provided in a statute, often through competitive grant procedures.

Apportionment formulas have been designed historically to ensure distribution of federal revenues among states according to program needs, but are also increasingly intended to provide states a share of total HTF expenditures relatively close to their payments into the HTF. In addition to the apportionment formulas described above, ISTEA included equity provisions designed to help states achieve a better ratio of payments from the HTF to payments into the HTF and to assure that no state would suffer a dramatic decline from one year to the next in its federal aid apportionment.

Since FFY 1991, each annual aggregate apportionment has exceeded $15 billion. (Source: The FHWA, Highway Statistics, Table FA-4.) The FHWA estimates that Highway Account income over the six-year period FFY 1998-2003 will be $178.1 billion; combined with the opening balance tinder TEA 21 of $8 billion, this would yield resources of $186.1 billion for the Program. Presently, TEA 21 authorizes an annual average of approximately $28 billion for FFY 1998 through FFY 2003.

Availability of Federal Highway Revenues. Federal aid highway revenues are available to states for use for more than one year. Their availability does not terminate at the end of the FFY, as is the case with many other federal programs. Consequently, when new apportionments or allocations are made, the amounts are added to a state's unused apportionments and allocations from the previous FFY. Should a state fail to obligate (commit to spend) a year's apportionments and allocations within the period of availability specified for a given program, however, the authority to obligate any remaining amount lapses-that is, it is no longer available.

Matching Requirements. With a few exceptions, the federal government does not pay for the entire cost of construction or improvement of federal aid highways. Federal reimbursements are typically matched with state and/or local government revenues to account for the necessary dollars to complete the project. The maximum federal share is specified in the legislation authorizing the program. Most projects have an 80% federal share while Interstate Construction and Maintenance projects typically have been funded with a 90% federal share.

Step 2: Obligation

The second step of the federal aid funding process occurs when revenues that have been authorized by legislation, and either apportioned or allocated to individual states, are obligated for a specific purpose. As noted in the previous section, Congress uses annual appropriations acts to control actual, annual obligation of funds in the HTF. Appropriations acts limit the amount of federal money that actually will be obligated and thus ultimately spent, and these annual amounts may be less than the authorized amount. This ceiling on the amount of contract authority that states may use is called the "annual obligation limit".

Obligation is the commitment of the federal government to pay, through reimbursement to a state, the federal government's 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. From the federal perspective, obligations made are the outlays the federal government has committed to make from the HTF in the future. Because of the close relationship between obligations and outlays. Congress and the FHWA play a strong role in determining how much federal funding can be obligated by individual states through two primary processes:

- Appropriations acts; and
- Distribution of Obligation Authority.

Appropriations Acts. Congressional appropriations committees use the amount of federal aid highway revenues that states can obligate in a given year, called "Obligation Authority", as a means of balancing the annual level of highway spending with other federal budgetary priorities. This is accomplished through the establishment of an annual obligation limitation in the annual Department of Transportation and Related Agency Appropriations Act. The annual obligation limitation can be less than the level of funding authorized for the same year.

Obligation Authority Limitation. The obligation limitation is the amount of authorized funding that Congress allows states collectively to obligate in an individual year. The process of determining the annual obligation limitation begins when Congress establishes annual domestic discretionary spending caps-the amount of federal dollars that can be spent on all domestic, non-entitlement programs in a given

year. To ensure that the domestic discretionary spending caps do not prevent the use of available Highway Trust Fund revenues, a "firewall" provision was inserted in the Budget Enforcement Act to increase or decrease highway spending each year such that it aligns with Highway Trust Fund receipts. This mechanism is also known as guaranteed funding. Congress then establishes the amount of highway funding that can be obligated in the given year. This level often is below the authorized annual level, and serves as a limit on the total obligations in that particular year.

The "Firewall" provision is a key component of the guaranteed funding concept in TEA-21. Receipts for the Highway Account of the HTF are used solely for the federal highway program. Annual highway authorization levels have been based on then-current estimates of gas and related tax receipts through FY 2003. To ensure full utilization of actual receipts the law created a new mechanism, Revenue Aligned Budget Authority ("RABA") to annually adjust the original authorizations to reflect updated revenue estimates throughout TEA-21's life. Under RABA the budget authority and obligation limitations are increased or decreased to reflect these changes in revenues.

RABA is calculated according to a formula specified in TEA-21. The calculation has two parts: one part looks ahead to the coming year and the other looks back at the year just ended. The look-back calculation compares the actual taxes deposited in the Highway Account of the Highway Trust Fund to the estimated tax receipts used to calculate that year's RABA. The look-ahead calculation compares the latest estimate for the fiscal year to the estimate made at the time TEA-21 was enacted.

Distribution of Obligation Authority. Once Congress establishes an overall obligation limitation, the FHWA distributes Obligation Authority to states proportionately to each state's share of apportioned and allocated revenues. The actual ratio of Obligation Authority to apportionments and allocations may vary from state to state because some federal aid programs are exempt from the obligation limitation. Once each state's Obligation Authority is set, states then submit requests to the FHWA to obligate revenues representing the federal share of specific projects throughout the years. (A further description of this process is included in Step 3.) As a state obligates revenues, its balance of Obligation Authority is commensurately reduced, although additional Obligation Authority may be received (e.g., via re-allocation from other states).

A state's Obligation Authority (unlike its apportionments and allocations of authorized funding) must be used before the end of the FFY for which it is made available; if not, it will be distributed to other states. The FHWA closely monitors each state's plans for use of Obligation Authority. In mid-summer, the FHWA collects any Obligation Authority from states that do not plan to obligate all of their available Obligation Authority before the end of the FFY, and redistributes it to other states that can obligate the revenues. This reallocation of Obligation Authority is known as the August redistribution.

Unobligated Balances. Because congressional authorization of federal aid highway revenues represents a commitment to make all authorized revenues available to states for highway purposes, any shortfall between the limit on Obligation Authority created through the annual appropriations process and the amount of contract authority apportioned and allocated to states does not disappear. Instead, the difference between obligation limitations and authorization levels creates what are known as "unobligated balances."

Although most federal aid apportionments lapse after four years, this rarely happens with apportioned highway revenues because old apportionments are always spent before new apportionments. That is, when a state receives new apportionments and Obligation Authority at the beginning of an FFY, obligations are first made against remaining prior year apportionments plus allocation until these are depleted. The net effect of this process, in conjunction with the year-to-year establishment of obligation limitations, has been that states have amassed considerable unobligated balances.

As explained in Step 1, above, unobligated balances permit the Program to continue to fund state highway projects during periods in which Congress fails to enact a reauthorization law before the

expiration of the previous authorization period. In such periods, the unobligated balances allow states to continue to fund their programs for several months, or even longer, after an authorization act has expired.

Step 3: Program Implementation

The third and final step in the overall federal aid highway funding process-program implementation-occurs after authorized revenues have been distributed to states, and after states have had the opportunity to obligate those revenues. Once federal aid highway revenues have been authorized and obligated, states must have developed highway programs that describe, at a project-by-project level, exactly how federal reimbursements will be earned. The process of developing and implementing states highway programs has three broad stages:

- Budgeting;
- Planning and programming; and
- Fiscal management and reimbursement.

Each stage helps to ensure that states develop programs that match funding availability, and that the FHWA is able to distribute federal reimbursements to states in a timely manner.

Budgeting. Budgetary information about availability of funding is crucial to the development of state highway programs. Projected state and federal funding levels are used to budget transportation needs. Consequently, state transportation budget officials track the availability of funding and develop forecasts of future state and federal revenues. States must estimate the availability of short and long-term state and federal funding in order to plan their highway programs. They use this information as a guide during long- range planning, and as a strict constraint on short-term programming.

Planning and Programming. The budget process-particularly the identification of available funding-provides the context for transportation planning and programming. The long-range planning process provides a big-picture perspective of anticipated project needs regionally across the state. Transportation Improvement Programs follow on from long-range plans and provide a detailed outline of projects that are proposed for implementation in a time frame of two to six years.

As a condition for receiving federal reimbursements for transportation programs, states must develop comprehensive transportation plans that are based on anticipated long-term state and federal funding levels for Program categories. States and urban areas must satisfy these federal requirements in order to remain eligible for federal reimbursements, and specific projects are not eligible unless they are either directly identified in a long-range plan or consistent with policies and objectives identified in long-range plans. ISTEA required states to develop long-range transportation plans that identify long-range state policies, objectives, and goals, while using realistic projections of available future state and federal funding.

ISTEA also required that short-term planning and programming must be conducted at least every two years through the development of a State Transportation Improvement Plan ("STIP"). Among other requirements, each STIP must include, for each project, the estimated project cost and amount of federal revenues proposed to be obligated during each year.

Fiscal Management and Federal Transportation Funds. Once budgeting, planning and programming are complete, projects move into a fiscal management phase. This fiscal management process is the third element of the implementation step in the overall federal highway funding process. A state-led fiscal management system-conducted in accordance with FHWA requirements-is used to determine exactly how much federal funding will be received for each project, to obtain final FHWA authorization before projects are implemented, and to ensure timely federal reimbursement of state expenditures on contractor costs. In the State, these activities are coordinated by the Department.

States must follow federal fiscal management procedures as they implement projects that have passed through the approval and programming processes. These fiscal management procedures ensure that the FHWA and states are able to manage the process efficiently, from project authorization to actual payment of Federal Transportation Funds to the state.

In the traditional approach, a state simply obligates the full federal share of available funding at the beginning of the project, concurrent with project authorization. The first step in the fiscal management process begins when a state requests authorization to use federal funding on a project. The project sponsor submits plans, specifications and estimates ("PS&Es") for a project to the FHWA division office, and requests that the FHWA approve the use of federal funding for the appropriate federal share of the project. The project must be in the STIP and the PS&Es must identify the category of federal funding that will be used.

The FHWA evaluates the PS&Es to ensure that the project is eligible for federal funding and meets a variety of federal requirements (e.g., design standards). Provided that all requirements are satisfied, the FHWA authorizes federal participation in the project, and obligates the federal share of project costs. By obligating the revenues, the FHWA makes a commitment to reimburse the state for the federal share of eligible project costs. It sets aside the appropriate amount of that state's Obligation Authority, and also sets aside an equivalent amount of apportioned revenues by program (or programs). Accordingly, the state must have sufficient Obligation Authority to cover the level of federal participation it is requesting.

Once authorization for a project has been obtained, the state advertises the project and receives bids. Based on actual costs identified in bids, the state awards the contract to the lowest qualified bidder and submits a request to the FHWA asking for any necessary adjustments to federal obligations for the project. If approved, the amounts agreed to are included in a project agreement that identifies the revenues that will be used by the state (formally applied against the state's resources), and the amount that will be reimbursed by the federal government.

Construction begins, and contractors submit bills to the state as work is completed. A state pays its contractor's bills with cash from the state treasury; the state bills the FHWA electronically for the federal share of completed work for which payment has been made; and the FHWA makes payment to the state via electronic transfer. This FHWA reimbursement to the state liquidates its obligation for the federal share of the costs incurred to that point. As project work continues and state expenditures are reported to the FHWA, federal reimbursements are made, generally on a weekly basis. In the State, reimbursement requests are submitted weekly and reimbursements are made by wire transfer on the same day. The State's system and management in general are highly automated, leading to a routine, weekly flow of Federal Transportation Funds based on actual spending on approved projects.

Innovative variations on this fiscal management approach include Advance Construction and partial conversion of Advance Construction. These variations complement one another to provide a state with additional flexibility in managing its Obligation Authority and cash.

The Advance Construction approach for authorizing projects allows states to finance projects that are eligible for federal aid without obligating the federal share of costs at the outset of the project. This allows states to begin a project before amassing all of the Obligation Authority needed to cover the federal share of that project. As with the traditional approach, the state submits PS&Es to the FHWA and requests project authorization. Under Advance Construction, however, the FHWA is asked to authorize the project without obligating federal revenues. As a result, the state will cover the entire cost of the project and later may request the obligation of revenues, when sufficient Obligation Authority is available and is desired by the state. Further, the state may then take credit for state expenditures, made from project approval to that date, as a basis for earning reimbursements.

Once the FHWA authorizes an Advance Construction project for federal assistance, the state follows the same procedure to advertise a project, to award the contract, and to reconcile the level of state and federal funding required. The state may request that the FHWA convert its Advance Construction amount to an obligation at any time, provided the state has sufficient Obligation Authority. This conversion of Advance Construction to Obligation Authority must occur in order for the state to be reimbursed for the federal share of the project. The state can convert Advance Construction to Obligation Authority long after state expenditures are made.

Under partial conversion of Advance Construction, moreover, a state follows the steps to apply for Advance Construction but converts, obligates, and receives reimbursement for only a portion of its funding of an Advance Construction project in a given year. This removes any requirement to wait until the full amount of Obligation Authority is available. The state can thus obligate varying amounts for the project's eligible cost in each year, depending on how much of the state's Obligation Authority is available and desired by the state. States are required to use a detailed accounting system to track project expenditures and reimbursements. In addition, a federal system tracks reimbursement payments to states.

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APPENDIX J

FORM OF BOND INSURANCE POLICIES

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Ambac

Financial Guaranty Insurance Policy

Ambac Assurance Corporation
One State Street Plaza, 15th Floor
New York, New York 10004
Telephone: (212) 668-0340

Obligor:

Policy Number:

Obligations:

Premium:

Ambac Assurance Corporation ("Ambac"), a Wisconsin stock insurance corporation, in consideration of the payment of the premium and subject to the terms of this Policy, hereby agrees to pay to The Bank of New York, as trustee, or its successor (the "Insurance Trustee"), for the benefit of the Holders, that portion of the principal of and interest on the above-referenced Obligations (the "Obligations") which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Obligor.

Ambac will make such payments to the Insurance Trustee within one (1) business day following receipt of notification to Ambac of Nonpayment. Upon a Holder's presentation and surrender to the Insurance Trustee of such unpaid Obligations or relevant coupons uncancelled and in bearer form and free of any adverse claim, the Insurance Trustee will disburse to the Holder the amount of principal and interest which is then Due for Payment but is unpaid. Upon such disbursement, Ambac shall become the owner of the surrendered Obligations and/or coupons and shall be fully subrogated to all of the Holder's rights of payment thereon.

In cases where the Obligations are issued in registered form, the Insurance Trustee shall disburse principal to a Holder only upon presentation and surrender to the Insurance Trustee of the unpaid Obligations, free and clear of any adverse claim, together with an instrument of assignment, in form satisfactory to Ambac and the Insurance Trustee, duly executed by the Holder or such Holder's duly authorized representative, so as to permit ownership of such Obligation to be registered in the name of Ambac or its nominee. The Insurance Trustee shall disburse interest to a Holder of a registered Obligation only upon presentation to the Insurance Trustee of proof that the claimant is the person entitled to the payment of interest on the Obligation and delivery to the Insurance Trustee of an instrument of assignment, in form satisfactory to Ambac and the Insurance Trustee, duly executed by the Holder or such Holder's duly authorized representative, transferring to Ambac all rights under such Obligation to receive the interest in respect of which the insurance disbursement was made. Ambac shall be subrogated to all of the Holders' rights to payment on registered Obligations to the extent of any insurance disbursements so made.

In the event that a trustee or paying agent for the Obligations has notice that any payment of principal of or interest on an Obligation which has become Due for Payment and which is made to a Holder by or on behalf of the Obligor has been deemed a preferential transfer and therefore recoverable from the Holder's trustee in the United States Bankruptcy Code in accordance with a final, nonappealable order of a court of competent jurisdiction, such Holder will be entitled to payment from Ambac to the extent of such recovery if sufficient funds are not otherwise available.

As used herein, the term "Holder" means any person other than (i) the Obligor or (ii) any person whose obligations constitute the underlying security or source of payment of the Obligations who, at the time of Nonpayment, is the owner of an Obligation or of a coupon relating to an Obligation. As used herein, "Due for Payment", when referring to the principal of Obligations, is when the scheduled maturity date or mandatory redemption date for the application of a required sinking fund installment has been reached and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by application of required sinking fund installments), acceleration or other advancement of maturity and, when referring to interest on the Obligations, is when the scheduled date for payment of interest has been reached. As used herein, "Nonpayment" means the failure of the Obligor to have provided sufficient funds to the trustee or paying agent for payment in full of all principal of and interest on the Obligations which are Due for Payment.

This Policy is noncancelable. The premium on this Policy is not refundable for any reason, including payment of the Obligations prior to maturity. This Policy does not insure against loss of any prepayment or other accelerated payment which at any time may become due in respect of any Obligation, other than at the sole option of Ambac, nor against any risk other than Nonpayment.

In witness whereof, Ambac has caused this Policy to be affixed with a facsimile of its corporate seal and to be signed by its duly authorized officers in facsimile to become effective as its original seal and signatures and binding upon Ambac by virtue of the countersignature of its duly authorized representative.

President

SEAL

Secretary

Effective Date:

Authorized Representative

THE BANK OF NEW YORK acknowledges that it has agreed to perform the duties of Insurance Trustee under this Policy.

Form No.: PB-0012 (1/01)

Authorized Officer of Insurance Trustee

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APPENDIX K

FORMS OF BOND COUNSEL OPINIONS

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[PROPOSED BOND COUNSEL OPINION]

TEXAS TURNPIKE AUTHORITY
CENTRAL TEXAS TURNPIKE SYSTEM
FIRST TIER REVENUE BONDS, SERIES 2002-A
DATED AUGUST 15, 2002
$1,149,993,781.80

AS BOND COUNSEL for the Texas Transportation Commission (the "Commission") the governing body of the Texas Department of Transportation (the "Department"), we have examined into 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 minute order of the Commission authorizing the issuance of such Bonds (the "Authorizing Minute Order") and the Indenture of Trust dated as of July 15, 2002, (the "Base Indenture") between the Commission and Bank One, National Association (the "Trustee"). Terms used herein and not otherwise defined shall have the meaning given in the Indenture.

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 Commission, the executed Base Indenture, as supplemented by the First Supplemental Indenture of Trust dated as of July 15, 2002, the Second Supplemental Indenture of Trust dated as of August 1, 2002, the Third Supplemental Indenture of Trust dated as of August 1, 2002, and the Fourth Supplemental Indenture of Trust dated as of August 1, 2002 (collectively, the "Indenture") 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 Commission and the Department upon which certificates and documents we rely as to certain matters stated below. We have also examined one of the executed Bonds which we found to be in proper form and duly executed.

BASED ON SAID EXAMINATION, IT IS OUR OPINION that the Commission is the governing body of the Department, an agency of the State of Texas, created and operating under the Constitution and laws of the State of Texas and is authorized to issue the Bonds under Chapter 361, Texas Transportation Code, as amended (the "Turnpike Act") and Chapter 1371, Texas Government Code. It is further our opinion that the Bonds have been duly authorized; that all conditions precedent to the delivery of the Bonds have been fulfilled; 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 (i) the Bonds are First Tier Obligations; (ii) the covenants and agreements in the Indenture, constitute valid and binding

obligations of the Commission, and the Bonds constitute valid and legally binding obligations of the Commission which, together with the Texas Turnpike Authority Central Texas Turnpike System Revenue Bonds, Series 2002-B (Weekly Rate Demand Bonds) (the "Series 2002-B Bonds") and the Texas Turnpike Authority Central Texas Turnpike System First Tier Revenue Note (the "2002 Note") being issued simultaneously with the issuance of the Bonds, are secured equally and ratably, on a parity, by a first lien on, pledge of and security interest in the Trust Estate established by the Indenture, and are payable as to principal and interest solely from the sources provided therein, including the Revenues of the Central Texas Turnpike System (the "System"); and (iii) the Indenture 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 COMMISSION has reserved the right, subject to the restrictions stated in the Indenture, to issue Additional First Tier Obligations which also may be secured by the Indenture on a parity with the Bonds, the Series 2002-B Bonds and the 2002 Note. The Commission also has reserved the right to amend the Indenture in the manner provided therein; and under some (but not all) circumstances amendments thereto must be approved by the Secured Owners of a majority of all Outstanding Obligations secured by the Indenture.

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 Indenture.

IT IS FURTHER OUR OPINION THAT, (a) except as discussed below, under existing statutes, judicial decisions, regulations, and published rulings of the Internal Revenue Service, interest on the Bonds is excludable from the gross income of the owners thereof for federal income tax purposes, and (b) assuming compliance with the below mentioned representations and covenants, the Bonds are not "specified private activity bonds" and that, accordingly, interest on the Bonds will not be included as an individual or corporate alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986, as amended (the "Code"). In expressing the aforementioned opinions, we have relied on, and assume compliance by the Commission with, certain representations and covenants regarding the use and investment of the proceeds of the Bonds. We call your attention to the fact that failure by the Commission to comply with such representations and covenants may cause the interest on the Bonds to become includable in gross income retroactively to the date of issuance of the Bonds.

WE CALL YOUR ATTENTION TO THE FACT THAT the interest on tax-exempt obligations, such as the Bonds, is (a) included in a corporation's alternative minimum taxable income for purposes of determining the alternative minimum tax imposed on corporations by section 55 of the Code; (b) subject to the branch profits tax imposed on foreign corporations by section 884 of the Code; and (c) included in the passive investment income of an S corporation and subject to the tax imposed by section 1375 of the Code.

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 issued with respect to the payments due for the principal of and interest on the Bonds, nor as to any such insurance policies issued in the future.

OUR ENGAGEMENT in connection with the issuance of the Bonds is as Bond Counsel for the Commission, and, in that capacity, we have been engaged by the Commission for the sole 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 from federal income tax purposes, and for no other reason or purpose. 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. We have not been requested to investigate or verify, and have not investigated or verified, any information, records, data, or other material relating to the System, or the financial condition or capabilities of the Commission or the System, 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 and have relied solely on certificates and reports executed or furnished by the Commission and its engineers and consultants with respect to the System and the estimated future revenues and operating expenses of the System.

Respectfully,

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[PROPOSED BOND COUNSEL OPINION]

TEXAS TURNPIKE AUTHORITY
CENTRAL TEXAS TURNPIKE SYSTEM
FIRST TIER REVENUE BONDS, SERIES 2002-B
(WEEKLY RATE DEMAND BONDS)
DATED AUGUST 15, 2002
$150,000,000

AS BOND COUNSEL for the Texas Transportation Commission (the "Commission") the governing body of the Texas Department of Transportation (the "Department"), we have examined into 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 minute order of the Commission authorizing the issuance of such Bonds (the "Authorizing Minute Order") and the Indenture of Trust dated as of July 15, 2002, (the "Base Indenture") between the Commission and Bank One, National Association (the "Trustee"). Terms used herein and not otherwise defined shall have the meaning given in the Indenture.

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 Commission, the executed Base Indenture, as supplemented by the First Supplemental Indenture of Trust dated as of July 15, 2002, the Second Supplemental Indenture of Trust dated as of August 1, 2002, the Third Supplemental Indenture of Trust dated as of August 1, 2002, and the Fourth Supplemental Indenture of Trust dated as of August 1, 2002 (collectively, the "Indenture") 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 Commission and the Department upon which certificates and documents we rely as to certain matters stated below. We have also examined one of the executed Bonds which we found to be in proper form and duly executed.

BASED ON SAID EXAMINATION, IT IS OUR OPINION that the Commission is the governing body of the Department, an agency of the State of Texas, created and operating under the Constitution and laws of the State of Texas and is authorized to issue the Bonds under Chapter 361, Texas Transportation Code, as amended (the "Turnpike Act") and Chapter 1371, Texas Government Code. It is further our opinion that the Bonds have been duly authorized; that all conditions precedent to the delivery of the Bonds have been fulfilled; 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 (i) the Bonds are First

Tier Obligations; (ii) the covenants and agreements in the Indenture, constitute valid and binding obligations of the Commission, and the Bonds constitute valid and legally binding obligations of the Commission which, together with the Texas Turnpike Authority Central Texas Turnpike System Revenue Bonds, Series 2002-A (the "Series 2002-A Bonds") and the Texas Turnpike Authority Central Texas Turnpike System First Tier Revenue Note (the "2002 Note") being issued simultaneously with the issuance of the Bonds, are secured equally and ratably, on a parity, by a first lien on, pledge of and security interest in the Trust Estate established by the Indenture, and are payable as to principal and interest solely from the sources provided therein, including the Revenues of the Central Texas Turnpike System (the "System"); and (iii) the Indenture 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 COMMISSION has reserved the right, subject to the restrictions stated in the Indenture, to issue Additional First Tier Obligations which also may be secured by the Indenture on a parity with the Bonds, the Series 2002-A Bonds and the 2002 Note. The Commission also has reserved the right to amend the Indenture in the manner provided therein; and under some (but not all) circumstances amendments thereto must be approved by the Secured Owners of a majority of all Outstanding Obligations secured by the Indenture.

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 Indenture.

IT IS FURTHER OUR OPINION THAT, (a) except as discussed below, under existing statutes, judicial decisions, regulations, and published rulings of the Internal Revenue Service, interest on the Bonds is excludable from the gross income of the owners thereof for federal income tax purposes, and (b) assuming compliance with the below mentioned representations and covenants, the Bonds are not "specified private activity bonds" and that, accordingly, interest on the Bonds will not be included as an individual or corporate alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986, as amended (the "Code"). In expressing the aforementioned opinions, we have relied on, and assume compliance by the Commission with, certain representations and covenants regarding the use and investment of the proceeds of the Bonds. We call your attention to the fact that failure by the Commission to comply with such representations and covenants may cause the interest on the Bonds to become includable in gross income retroactively to the date of issuance of the Bonds.

WE CALL YOUR ATTENTION TO THE FACT THAT the interest on tax-exempt obligations, such as the Bonds, is (a) included in a corporation's alternative minimum taxable income for purposes of determining the alternative minimum tax imposed on corporations by section 55 of the Code; (b) subject to the branch profits tax imposed on foreign corporations by section 884 of the Code; and (c) included in the passive investment income of an S corporation and subject to the tax imposed by section 1375 of the Code.

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 issued with respect to the payments due for the principal of and interest on the Bonds, nor as to any such insurance policies issued in the future.

OUR ENGAGEMENT in connection with the issuance of the Bonds is as Bond Counsel for the Commission, and, in that capacity, we have been engaged by the Commission for the sole 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 from federal income tax purposes, and for no other reason or purpose. 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. We have not been requested to investigate or verify, and have not investigated or verified, any information, records, data, or other material relating to the System, or the financial condition or capabilities of the Commission or the System, 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 and have relied solely on certificates and reports executed or furnished by the Commission and its engineers and consultants with respect to the System and the estimated future revenues and operating expenses of the System.

Respectfully,

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[PROPOSED BOND COUNSEL OPINION]

TEXAS TURNPIKE AUTHORITY
CENTRAL TEXAS TURNPIKE SYSTEM
SECOND TIER BOND ANTICIPATION NOTES, SERIES 2002
DATED AUGUST 15, 2002
$900,000,000

AS BOND COUNSEL for the Texas Transportation Commission (the "Commission"), the governing body of the Texas Department of Transportation (the "Department"), we have examined into 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 minute order of the Commission authorizing the issuance of such Notes (the "Authorizing Minute Order"), the Indenture of Trust dated as of July 15, 2002, (the "Base Indenture") between the Commission and Bank One, National Association (the "Trustee") and the Fourth Supplemental Indenture of Trust dated as of August 1, 2002, between the Commission and the Trustee supplementing the Base Indenture with respect to the Notes (the "Fourth Supplemental Indenture"). Terms used herein and not otherwise defined shall have the meaning given in the Indenture.

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 Commission, the executed Base Indenture, as supplemented by the First Supplemental Indenture of Trust dated as of July 15, 2002, the Second Supplemental Indenture of Trust dated as of August 1, 2002, the Third Supplemental Indenture of Trust dated as of August 1, 2002, and the Fourth Supplemental Indenture (collectively, the "Indenture") 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 Commission and the Department upon which certificates and documents we rely as to certain matters stated below. We have also examined one of the executed Notes which we found to be in proper form and duly executed.

BASED ON SAID EXAMINATION, IT IS OUR OPINION that the Commission is the governing body of the Department, an agency of the State of Texas, created and operating under the Constitution and laws of the State of Texas and is authorized to issue the Notes under Chapter 361, Texas Transportation Code, as amended (the "Turnpike Act") and Chapter 1371, Texas Government Code. It is further our opinion that the Notes have been duly authorized; that all conditions precedent to the delivery of the Notes have been fulfilled; 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 (i) the Notes are Second Tier Obligations; (ii) the covenants and agreements in the Indenture, constitute valid and binding obligations of the Commission, and the Notes constitute valid and legally binding obligations of the Commission which are secured equally and ratably, on a parity, by a lien on, pledge of and security interest in the Trust Estate established by the Indenture, and are payable as to principal and interest solely from the sources provided therein, including the Revenues of the Central Texas Turnpike System (the "System") and from the proceeds of Obligations issued to retire the Notes; provided, however, that the lien on, pledge of and security interest in the Trust Estate is junior and subordinate to that established for the benefit of the First Tier Obligations; and (iii) the Indenture 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 COMMISSION has reserved the right, subject to the restrictions stated in the Indenture, to issue Additional Second Tier Obligations which also may be secured by the Indenture on a parity with the Notes. The Commission also has reserved the right to amend the Indenture in the manner provided therein; and under some (but not all) circumstances amendments thereto must be approved by the Secured Owners of a majority of all Outstanding Obligations secured by the Indenture.

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 Indenture.

IT IS FURTHER OUR OPINION THAT, (a) except as discussed below, under existing statutes, judicial decisions, regulations, and published rulings of the Internal Revenue Service, interest on the Notes is excludable from the gross income of the owners thereof for federal income tax purposes, and (b) assuming compliance with the below mentioned representations and covenants, the Notes are not "specified private activity bonds" and that, accordingly, interest on the Notes will not be included as an individual or corporate alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986, as amended (the "Code"). In expressing the aforementioned opinions, we have relied on, and assume compliance by the Commission with, certain representations and covenants regarding the use and investment of the proceeds of the Notes. We call your attention to the fact that failure by the Commission to comply with such representations and covenants may cause the interest on the Notes to become includable in gross income retroactively to the date of issuance of the Notes.

WE CALL YOUR ATTENTION TO THE FACT THAT the interest on tax-exempt obligations, such as the Notes, is (a) included in a corporation's alternative minimum taxable income for purposes of determining the alternative minimum tax imposed on corporations by section 55 of the Code; (b) subject to the branch profits tax imposed on foreign corporations by section 884 of the Code; and (c) included in the passive investment income of an S corporation and subject to the tax imposed by section 1375 of the Code.

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 issued with respect to the payments due for the principal of and interest on the Notes, nor as to any such insurance policies issued in the future.

OUR ENGAGEMENT in connection with the issuance of the Notes is as Bond Counsel for the Commission, and, in that capacity, we have been engaged by the Commission for the sole 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, and with respect to the exclusion from gross income of the interest on the Bonds from federal income tax purposes, and for no other reason or purpose. 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. We have not been requested to investigate or verify, and have not investigated or verified, any information, records, data, or other material relating to the System, or the financial condition or capabilities of the Commission or the System, 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 and have relied solely on certificates and reports executed or furnished by the Commission and its engineers and consultants with respect to the System and the estimated future revenues and operating expenses of the System.

Respectfully,

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