

TEXAS DEPARTMENT OF TRANSPORTATION I-635 MANAGED LANES PROJECT DISCLOSURE OF FINANCIAL INFORMATION

Disclosure of Financial Information: Pursuant to the authority granted under Texas Transportation Code, Chapter 223, the Texas Department of Transportation (TxDOT) has solicited proposals and recommended selection of a proposer for award of a comprehensive development agreement (CDA) for the design, development, construction, financing, maintenance, and operation of the I-635 managed lanes project along I-635 from east of Luna Road to Greenville Avenue and on I-35E from south of the Loop 12/I-35E split to south of Valwood Parkway, including the reconstruction of existing facilities, construction of frontage roads and the addition of managed lanes. Pursuant to the CDA, only the new managed lanes will be tolled. On February 26, 2009, in Minute Order 111703, the Texas Transportation Commission determined that the proposal submitted by LBJ Infrastructure Group (formerly LBJ Development Partners) provides the apparent best value to TxDOT and authorized TxDOT to commence and complete negotiations necessary to finalize the CDA.

The CDA will be for a term of 52 years, including the construction and operations periods, and will provide the developer with a lease of the facilities. TxDOT owns and will continue to own the Project.

Pursuant to Transportation Code, Chapter 371, subchapter D, TxDOT is publishing financial information regarding the Project and providing notice of a public hearing that will be held regarding the financial disclosure.

Project Financing. The total amount of debt that has been and will be assumed to acquire, design, construct, operate, and maintain the Project is projected to be \$1.6 billion. Under the developer's plan of finance, the debt will be repaid through toll revenues generated from the operation of the managed lanes in the Project. The debt will be repaid over a 41 year term from the completion of construction. The projected amount of the interest that will be paid on the debt is \$861 million (2009 \$), or \$2.4 Billion over the CDA Term.

Duration of Tolling. The Project will continue to be tolled after the debt is repaid.

Method for Setting Toll Rates. The Regional Transportation Council has established a managed lane policy for setting toll rates for managed lanes in the region, which provides for fixed schedule pricing during the first six months and dynamic pricing thereafter. Pursuant to the managed lane policy, the CDA authorizes the developer to set tolls for an initial 180-day period no greater than the maximum toll rate described below. After that initial period, the toll rates will be based on user demand, as described below. The toll rate will be established to maintain a minimum average managed lanes speed of 50 mph.

Competing Facilities. TxDOT has the right to build any facilities at any time. TxDOT will not be required to compensate the developer if TxDOT builds any facilities outside the right of way of the Project or if it builds any other mode of transportation (such as rail) within the right of way of the Project. If TxDOT builds additional limited access main lanes within the right of way of the Project (such as on an elevated structure above or in a tunnel below the Project) that increase the developer's revenues, the developer will be required to compensate TxDOT for the increase in

revenues, net of increases in operating and maintenance costs; if such additional main lanes decrease the developer's revenues, TxDOT will be required to compensate the developer for loss of revenues due to the additional main lanes, net of savings in operating and maintenance costs. Currently, no such additional main lanes are planned.

Termination for Convenience. TxDOT has the right to terminate the CDA at any time without cause. If TxDOT elects to use this right, TxDOT must compensate the developer. The compensation will equal the lesser of (a) a formula amount or (b) the amount of reasonable, documented demobilization costs plus the greater of (i) the fair market value of the developer's interest at the time or (ii) the amount of outstanding bona fide debt plus the amount of lender charges and premiums for prepayment of such debt. The formula amount is (1) the amount necessary to prepay the outstanding bona fide debt, including lender charges and premiums for prepayment of such debt, plus (2) an amount that provides the equity investors with a pre-established base rate of return over the remaining term of the CDA (had it not been terminated), plus (3) an amount that provides the equity investors with a pre-established additional rate of return over the term of the CDA (had it not been terminated) but subject to a cap equal to three times the toll revenues projected to be collected over the remaining term, plus (4) the amount of reasonable, documented demobilization costs. The fair market value of the developer's interest will be determined by an independent appraiser, subject to appeal if TxDOT or the developer disagree.

Toll Rates. Based on demand projections it is estimated that the initial toll rates charged will be as follows:

Price per Mile	2015 (today's \$)
High	0.53
Low	0.09

It is estimated that the toll rates charged at the end of the term will be as follows:

Price per Mile	2061 (today's \$)
High	2.36
Low	0.38

Methodology for increasing toll rates: The CDA specifies an initial maximum toll rate of \$0.75 /mile. This maximum toll rate cannot be exceeded during the first 180 days after traffic operations commence on the managed lanes. After the first 180 days, dynamic pricing goes into effect, as required by the RTC managed lane policy, which means that after the first 180 days:

- If demand is low, such as during off-peak hours, a lower toll rate will be charged
- If demand is high, such as during peak commute times, a higher toll rate will apply as described below.

During dynamic pricing, the toll rate will be subject to increase or decrease in not less than five minute intervals depending on average traffic flows or average speeds. The CDA specifies during dynamic pricing a maximum toll rate of \$0.75 /mile (in January 1,

2010 dollars) adjusted annually based on changes in the Consumer Price Index. This maximum toll rate may only be exceeded as prescribed in the CDA if certain traffic performance measures set forth in the CDA cannot be met.

Concession Payments. No concession payments are anticipated.

Public Hearing. TxDOT will hold a public hearing concerning this disclosure of financial information for the Project on May 7, 2009 at 5:00 p.m. at W.T. White High School located at 4505 Ridgeside Drive, Dallas, TX, 75244. An Open House will be held from 5 p.m. to 7 p.m. with a formal public hearing presentation that will begin promptly at 7 p.m. Questions and comments concerning the financial information will be accepted by TxDOT at the public hearing. Questions and comments may also be submitted to the department by U.S. mail addressed to Mr. Gary Moonshower, P.E., Texas Department of Transportation, P.O. Box 133067, Dallas, Texas 75313-3067; or e-mail as set forth on the Project web page. Email comments will be accepted until 5 p.m., May 12, 2009 and other written comments should be postmarked by May 12, 2009. Copies of the CDA will be made available for viewing at the public hearing and at TxDOT's Dallas District office located at 4777 East Highway 80, Mesquite, Texas, 75150 and can be accessed on TxDOT's website at www.txdot.gov (<http://www.txdot.gov>) Keyword: LBJ-635 CDA. Copies of the CDA also may be purchased from TxDOT's Dallas District office at the cost of reproduction. TxDOT will consider all properly submitted questions and comments and will prepare a summary and analysis of the comments received. The summary and analysis will be posted on TxDOT's website and made available upon request. Persons interested in attending this meeting who have special communication or accommodation needs are encouraged to contact the TxDOT Dallas District Public Information Office at (214) 320-4480 at least two working days prior to the meeting. Because the public meeting will be conducted in English, any request for language interpreters or other special communication needs should be made at least two working days prior to the meeting. TxDOT will make every reasonable effort to accommodate these needs.