



Texas Department of Transportation

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February 19, 2008

Mr. Jack Bennett
U.S. Department of Transportation
Office of the Assistant Secretary for Transportation Policy
P-20, Room 10305 E
400 7th Street SW
Washington, DC 20590

Re: Submission of Request for Allocation of Private Activity Bonds—North Tarrant Express Project

Dear Mr. Bennett:

The Texas Department of Transportation (“TxDOT”) is pleased to submit the enclosed request for an allocation of \$58,091,000 of private activity bonds (“PABs”) available for qualified transportation facilities under Internal Revenue Code Section 142(m) for the North Tarrant Express Project (“Project”). This application is TxDOT’s third under its Comprehensive Development Agreement (“CDA”) Program, and follows the PABs application for the IH 635 Managed Lanes Project. TxDOT’s CDA Program provides for the competitive procurement of a private developer to design, finance, construct and operate the Project and collect tolls from users of the Project.

The Project is of vital significance to the Dallas-Fort Worth metropolitan region which has experienced rapid growth in population and job opportunities. Completion of the Project will provide considerable congestion relief in North Tarrant County, which is one of the more rapidly growing areas in the region.

As described in the application, TxDOT intends to award a CDA for the design, construction, financing, operation and maintenance of an initial Segment of the Project (a “concession CDA”), and a CDA that includes preliminary design activities (a “second CDA”) and potentially design, construction, financing, operation and maintenance for the other Project segments, to a private developer following the receipt and evaluation of proposals. The developer will have the right to levy tolls within preset parameters which will be pledged to repayment of the private activity bonds.

As with the IH 635 Managed Lanes Project, TxDOT is acting as the initial applicant for the allocation, with the winning proposer the ultimate borrower of the bond proceeds. This application requests the allocation of PABs for the financing of development of Segment 1 of the Project only. As such, project information relating to project costs in this application only addresses Segment 1. These project costs are based on estimates prepared by TxDOT and its advisors. The plan of finance is based on these estimated costs, as well as the latest available traffic and revenue information and assumptions about the structure of the financing that will be presented by the proposers in their finance plans.

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We look forward to meeting with you to discuss the application and answer any questions you may have. Please feel free to contact Barney Allison, 213-612-7847, with any questions you may have prior to our meeting.

Sincerely,

A handwritten signature in blue ink that reads "James M. Bass". The signature is written in a cursive style with a large initial "J" and "B".

James Bass
Chief Financial Officer

**APPLICATION FOR ALLOCATION OF PRIVATE ACTIVITY BOND LIMIT UNDER
INTERNAL REVENUE CODE SECTION 142(a)(15)**

**TEXAS DEPARTMENT OF TRANSPORTATION
NORTH TARRANT EXPRESS**

Amount Requested: \$58,091,000

Proposed Date of Bond Issue: January 1st, 2009

Date of Inducement by Bond Issuer: The Texas Transportation Commission, as the governing body of the Texas Department of Transportation (“TxDOT”) has authorized the Chief Financial Officer for TxDOT to express the intent to issue tax exempt bonds for the North Tarrant Express (the “Project”). The filing of this application is intended to be an expression of intent to issue bonds for federal tax purposes.

Draft of Bond Counsel Opinion Letter: TxDOT anticipates that bond counsel will be prepared to deliver the standard final tax and validity opinion at the time of the closing of the bond issue. TxDOT’s bond counsel has provided a form of such opinion which is attached as Attachment A.

Financing Team: Issuer: Texas Transportation Commission or other public agency or corporation that is a qualified “conduit” issuer for federal tax purposes, and is authorized under Texas law to issue the PABs.

Underwriter: to be determined

Bond Counsel: to be determined

Financial Advisor: Goldman Sachs, KPMG

Borrower: As discussed more fully below in connection with describing the Project and the Project Schedule, TxDOT intends to award a concession comprehensive development agreement (a “concession CDA”) regarding the design, construction, financing, operation and maintenance of an initial Segment of the Project, and a second CDA that includes preliminary design activities (a “second CDA”) and potentially design, construction, financing, operation and maintenance for the other Project segments, to a private developer following the receipt and evaluation of proposals. See Attachment B for a description of the developer teams that have submitted their qualifications and been invited to submit proposals (the “shortlisted teams”).

Borrower Information: The ultimate borrower will be one of the shortlisted teams described in Attachment B. In the request for proposals, proposers will be required to describe, among other matters, the legal and financial structure of the borrowing entity.

During the first phase of the procurement process TxDOT has assessed and confirmed the adequacy of the experience of the shortlisted consortia members in developing projects similar to the Project.

Project Description: The Project will improve and expand six distinct segments along more than 36 miles of IH 820, IH 35W, and SH-183 in North Tarrant County, in the vicinity of Fort Worth, TX. The Project will include reconstruction and new construction of general purpose lanes, construction of managed toll lanes, reconstruction and new construction of frontage roads, installation of necessary tolling infrastructure, establishment of tolling operations and maintenance and operation for all of the above. The concession CDA will be for those segments of the Project that are ready for immediate development through a concession (the "Concession Facility"). At this time it is anticipated that the Concession Facility will consist of only Segment 1. The second CDA will provide for preliminary design activities relating to the remaining segments of the Project. NTTA will act as the exclusive O&M Contractor for certain mandatory toll collection and enforcement services for the Project. Municipalities located adjacent to the corridor include the Cities of Fort Worth, North Richland Hills, Richland Hills, Hurst, Bedford, Euless and Haltom City. The Project will be developed as part of TxDOT's Comprehensive Development Agreement Program; this program involves a competitive procurement process to select a qualified private developer for the award of a CDA to design, construct, finance, operate and maintain transportation projects. See Attachment C for a more complete description of the Project. This application requests the allocation of PABs to assist the financing of development of the Concession Facility of the Project, as such, information in this application which addresses financial viability only discusses Segment 1.

Project Schedule/Major Milestones: See Attachment D

Finance Plan: See Attachment E

Description of Title 23 Funding: TxDOT anticipates assisting the developer by accessing credit assistance under the Federal TIFIA Program (Title 23, Section 601 et seq.) and other potential sources of funding which are subject to federal requirements and availability. In addition, TxDOT has spent approximately \$8 million of federal grant funds as of January 2008, including Surface Transportation Program funds, in connection with the construction and acquisition of right of way for the Project.

Under penalty of perjury, the undersigned declares that I have examined this document and, to the best of my knowledge and belief, the document contains all the relevant facts relating to the document, and such facts are true, correct and complete.

Executed this 19th day of February, 2008.

TEXAS DEPARTMENT OF TRANSPORTATION

By: 

James Bass

Its: Chief Financial Officer