

VOLUNTARY FILING

Dated: January 27, 2014



**GRAND PARKWAY TRANSPORTATION
CORPORATION
GRAND PARKWAY SYSTEM**



NOT AN OFFER TO SELL/BUY SECURITIES

The information filed as part of this voluntary disclosure filing does not constitute an offer to sell or buy securities or the solicitation of an offer to sell or buy securities and should not be relied upon to provide specific offering information in connection with any issuance, sale, resale, or remarketing of bonds, notes, or other municipal obligations.

NEW ISSUE - BOOK-ENTRY ONLY

RATING: See "RATING" herein

In the opinion of McCall, Parkhurst & Horton L.L.P., Bond Counsel to the Corporation, interest on the Notes (as defined herein) will be excludable from gross income for federal income tax purposes under statutes, regulations, published rulings and court decisions existing on the date hereof, subject to the matters discussed under "TAX MATTERS" herein, including the alternative minimum tax on corporations.



\$733,130,000*
GRAND PARKWAY TRANSPORTATION
CORPORATION
GRAND PARKWAY SYSTEM
SUBORDINATE TIER TOLL REVENUE
REFUNDING BOND ANTICIPATION NOTES,
SERIES 2014A



Dated Date: Date of Delivery

Due: December 15, 2016

The Grand Parkway Transportation Corporation (the "Corporation") is issuing its Grand Parkway System Subordinate Tier Toll Revenue Refunding Bond Anticipation Notes, Series 2014A (the "Notes"), as fully registered obligations of the Corporation, a public, non-profit Texas corporation created by the Texas Transportation Commission (the "Commission"), the governing body of the Texas Department of Transportation ("TxDOT"), and organized and existing pursuant to Subchapters A through C of Chapter 431, Texas Transportation Code, as amended, and the Business Organizations Code related to non-profit corporations, including Chapter 22 thereof (collectively, the "Enabling Acts").

The Corporation is authorized to act on behalf of the Commission for the public purpose of developing, financing, refinancing, designing, constructing, reconstructing, expanding, operating or maintaining some or all of the segments of State Highway 99 (Grand Parkway) (the "Grand Parkway Project"). The Notes are issued for the purpose of providing funds to (i) refund a portion of the Corporation's outstanding Subordinate Tier Toll Revenue Tender Bonds, Series 2013C (TELA Supported - Interim Construction Financing), as further described in "PLAN OF FINANCE" herein (the "Refunded Bonds"), (ii) pay capitalized interest on the Notes and (iii) pay costs of issuance, all as more fully described herein. See "PLAN OF FINANCE."

Interest on the Notes will accrue at the interest rate specified on page (ii) hereof, calculated on the basis of a 360-day year composed of twelve 30-day months, from their date of delivery and will be payable semiannually on April 1 and October 1 of each year and upon maturity of the Notes, commencing April 1, 2014. Principal of, premium, if any, and interest on the Notes will be payable by U.S. Bank National Association, as trustee (the "Trustee"), under a Trust Agreement dated as of August 1, 2013 (the "Master Trust Agreement"), as amended and supplemented, including by the Fourth Supplemental Trust Agreement, dated as of February 1, 2014 (the "Fourth Supplemental Agreement," and collectively, with the Master Trust Agreement, the "Trust Agreement"), each between the Corporation and the Trustee, to The Depository Trust Company, New York, New York ("DTC"), which will make distribution of the amounts so paid to the beneficial owners thereof. See "THE NOTES — Book-Entry-Only System." The Notes will be registered in the nominee name of DTC, which will act as securities depository for the Notes pursuant to its book-entry-only system described herein. No physical delivery of the Notes will be made to the beneficial owners thereof.

The Notes are authorized by and issued pursuant to (i) the laws of the State of Texas, particularly the Enabling Acts, Chapters 1207 and 1371, Texas Government Code, as amended, and Section 228.053, Texas Transportation Code, as amended, and (ii) resolutions adopted by the Board of Directors of the Corporation on November 20, 2013 and December 13, 2013. The Notes are payable solely from, and secured solely by the collateral described herein. See "SECURITY AND SOURCES OF PAYMENT FOR THE NOTES."

The Corporation and TxDOT have entered into a Toll Equity Loan Agreement, dated as of July 17, 2013, as amended (the "TELA"), whereby, under certain circumstances, provides support for eligible costs of the System (as defined herein) through advances by TxDOT from the State Highway Fund or other available funds in accordance with the terms of the TELA. If at any time toll revenues and certain fund balances under the Trust Agreement are insufficient to pay certain expenses, the Trustee may submit requests for advances for the payment of certain expenses, including debt service on the TELA Bonds (as defined herein), within the exposure limitations and other provisions of the TELA. **The Notes are NOT entitled to the benefit of the TELA and are NOT TELA Bonds; however, the Notes are also payable from a pledge of the proceeds of any Subordinate Tier TELA Obligations (as defined herein) when and if issued to refund the Notes in the future.** See "TOLL EQUITY LOAN AGREEMENT" and "APPENDIX D — TOLL EQUITY LOAN AGREEMENT."

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

The Notes are further described in this Official Statement. See page (ii) for additional information relating to the Notes, including provisions relating to maturities, interest rates and yields. This cover page and page (ii) contain information for quick reference only. Such pages do not contain a complete summary of the Notes. Potential investors must read the entire Official Statement to obtain information essential to making an informed investment decision. Investment in the Notes is subject to certain investment considerations. See "RISK FACTORS."

The Notes are offered for delivery when, as, and if issued and received by the Underwriters and subject to the approval of the Attorney General of the State of Texas and McCall, Parkhurst & Horton L.L.P., Austin, Texas, Bond Counsel to the Corporation. Certain legal matters will also be passed upon for the Corporation by McCall, Parkhurst & Horton L.L.P., Austin, Texas, Disclosure Counsel to the Corporation, and for the Underwriters by Winstead PC, Austin, Texas, Counsel to the Underwriters. It is expected that delivery of the Notes will be made through DTC on or about February 13, 2014.

GOLDMAN, SACHS & CO.

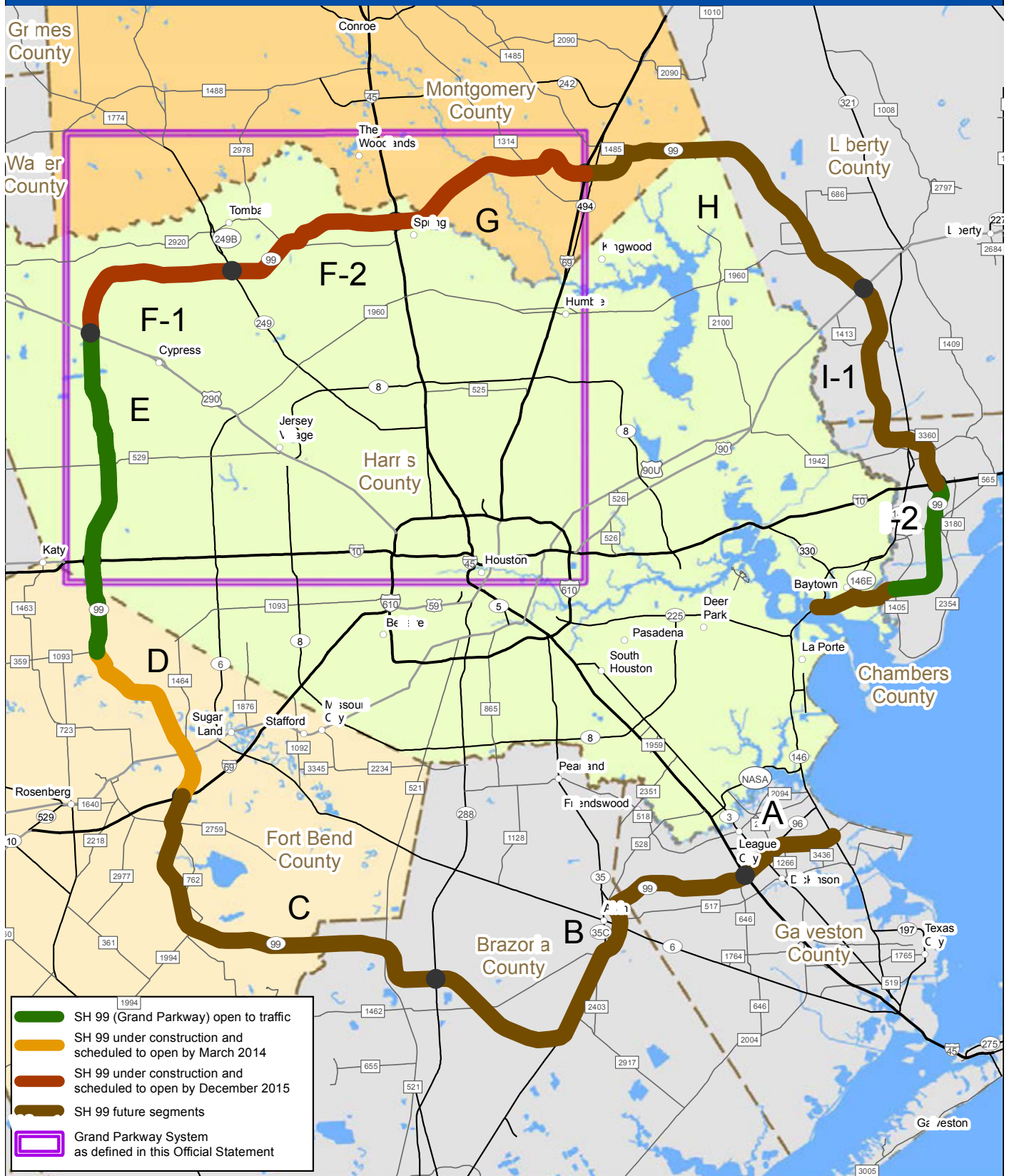
BOFA MERRILL LYNCH
RAYMOND JAMES

J.P. MORGAN
RBC CAPITAL MARKETS
WELLS FARGO SECURITIES

RAMIREZ & Co., Inc.
SIEBERT BRANDFORD SHANK & Co., L.L.C.

* Preliminary, subject to change.

Map of State Highway 99 (Grand Parkway) Project



0 4 8
Miles

Texas Department of Transportation
Transportation Planning and Programming Division
Data Analysis, Mapping and Reporting Branch
January 22, 2014

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Texas Department of Transportation
Notice
This map was produced for internal use
within the Texas Department of Transportation.
Accuracy is limited to the validity of available
data as of December 31, 2013.



**MATURITY, PRINCIPAL AMOUNT, INTEREST RATE, INITIAL YIELD, CUSIP NUMBER
FOR THE NOTES**

<u>Maturity Date</u>	<u>Principal Amount*</u>	<u>Interest Rate (%)</u>	<u>Initial Yield (%)</u>	<u>CUSIP No.⁽¹⁾</u>
December 15, 2016	\$733,130,000			38611T__

*Preliminary, subject to change.

⁽¹⁾ CUSIP® is a registered trademark of the American Bankers Association. CUSIP data herein are provided by CUSIP Global Services managed by Standard & Poor's Financial Services LLC on behalf of the American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Global Services. CUSIP numbers have been assigned by an independent company not affiliated with the Corporation or the Underwriters and are included solely for the convenience of the owners of the Notes. None of the Corporation, the Financial Advisor or the Underwriters is responsible for the selection or uses of these CUSIP numbers, and no representation is made as to their correctness on the Notes or as indicated above. The CUSIP number for a specific maturity is subject to being changed after the execution and delivery of the Notes as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of the Notes.

GRAND PARKWAY TRANSPORTATION CORPORATION

Name	Title	Term Expires	Occupation
James M. Bass	President, Board of Directors	August 31, 2015	Interim Executive Director and Chief Financial Officer, Texas Department of Transportation
Dee Porter	Vice President, Board of Directors	August 31, 2015	Chief People Officer, Texas Department of Transportation
Scott Haywood	Board Member	August 31, 2015	Chief of Staff, Texas Department of Transportation
Benjamin Asher	Secretary/Treasurer (not a member of the Board of Directors)	N/A	Innovative Financing/Debt Management Officer, Texas Department of Transportation

TEXAS TRANSPORTATION COMMISSION

Name	Title	Term Expires
Ted Houghton	Chairman	February 2015
Jeff Moseley	Commissioner	February 2017
Fred Underwood	Commissioner	February 2015
Jeff Austin, III	Commissioner	February 2019
Victor Vandergriff	Commissioner	February 2019

TEXAS DEPARTMENT OF TRANSPORTATION

Name	Position	Total Service with the Department
James M. Bass ⁽¹⁾	Interim Executive Director and Chief Financial Officer	25 years
John Barton, P.E.	Deputy Executive Director and Chief Engineer	28 years
Scott Leonard	Deputy Executive Director and Chief Strategy and Administrative Officer	1 1/2 years
Brian Ragland, CPA	Finance Director	7 years
Benjamin Asher	Innovative Financing/Debt Management Officer	1 1/2 years
Jeff Graham	General Counsel	1 1/2 years

Consultants and Advisors

Bond Counsel	McCall, Parkhurst & Horton L.L.P. Austin, Texas
Disclosure Counsel	McCall, Parkhurst & Horton L.L.P. Austin, Texas
Traffic Engineer	CDM Smith, Inc. Austin, Texas
General Engineering Consultant	CH2M Hill, Inc. Houston, Texas
Financial Advisor	Estrada Hinojosa & Company, Inc. Austin, Texas
Trustee, Paying Agent and Registrar	U.S. Bank National Association Houston, Texas

For additional information regarding the Corporation, please contact:

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Grand Parkway Transportation Corporation
125 E. 11th Street
Austin, Texas 78701-2483
(512) 305-9507

Paul Jack, Managing Director
Estrada Hinojosa & Company, Inc.
823 Congress Avenue, Suite 1550
Austin, Texas 78701
(512) 605-2444

⁽¹⁾ Effective January 17, 2014, James M. Bass became Interim Executive Director and continues to serve as Chief Financial Officer. The prior Executive Director, Phil Wilson, announced in December 2013 that he would be leaving TxDOT for another position. On January 7, 2014, the Commission appointed a committee to select a permanent Executive Director, but currently no timeline has been established for such selection.

USE OF INFORMATION IN OFFICIAL STATEMENT

For purposes of compliance with Rule 15c2-12 of the United States Securities and Exchange Commission, this document constitutes an Official Statement of the Corporation with respect to the Notes that has been deemed "final" by the Corporation as of its date except for the omission of no more than the information permitted by Rule 15c2-12(a)(1).

No dealer, broker, salesman, or other person has been authorized by the Corporation or the Underwriters to give any information or to make any representation other than those contained in this Official Statement, and, if given or made, such other information or representation must not be relied upon as having been authorized by the Corporation or the Underwriters. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor may there be any sale of the Notes by any person, in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement, nor any sale of the Notes will, under any circumstances, create any implication that there has been no change in the affairs of the Corporation or the Texas Department of Transportation ("TxDOT") since the date hereof. This Official Statement is submitted in connection with the sale of the Notes and in no instance may this Official Statement be reproduced or used for any other purpose.

This Official Statement is intended to reflect facts and circumstances on the date of this Official Statement or on such other date or at such other time as is identified herein. No assurance can be given that such information will not be misleading at a later date. Consequently, reliance on this Official Statement at times subsequent to the issuance of the Notes described herein should not be made on the assumption that any such facts or circumstances are unchanged. See **"CONTINUING DISCLOSURE OF INFORMATION"** for a description of the undertakings of the Corporation and TxDOT, respectively, to provide certain information on a continuing basis.

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

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

Market and industry data contained herein have been obtained from third party sources believed by the Corporation and the Financial Advisor to be reliable, but neither the Corporation nor the Financial Advisor guarantee the accuracy or completeness of such information, and they have not independently verified such data.

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

The price and other terms relating to the offering and sale of the Notes may be changed from time to time by the Underwriters after such Notes are released for sale, and such Notes may be offered and sold at prices other than the initial offering price, including sales to dealers who may sell such Notes into investment accounts. In connection with the offering of the Notes, the Underwriters may over-allot or effect transactions that stabilize or maintain the market price of the Notes 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 Notes 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 Notes have not been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Notes been registered or qualified under the securities laws of any other jurisdiction. The Corporation assumes no responsibility for the registration or qualification for sale or other disposition of the Notes under the securities laws of any jurisdiction in which the Notes may be offered, sold or otherwise transferred. This disclaimer of responsibility for registration or qualification for sale or other disposition of the Notes will not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration or qualification provisions.

In making an investment decision, investors must rely on their own examination of the Notes and the terms of the offering, including the merits and risks involved. The Notes 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 CONTENTS OF THIS OFFICIAL STATEMENT ARE NOT TO BE CONSTRUED AS LEGAL, BUSINESS OR TAX ADVICE, AND PROSPECTIVE INVESTORS SHOULD CONSULT THEIR OWN ATTORNEYS AND BUSINESS AND TAX ADVISORS.**

The statements contained in this Official Statement, and in other information provided by the Corporation, that are not purely historical, are forward-looking statements, including statements regarding the Corporation's expectations, hopes, intentions or strategies regarding the future. All forward-looking statements included in this Official Statement are based on information available to the Corporation and TxDOT as of the date hereof, and, except as otherwise provided in the Trust Agreement, neither the Corporation nor TxDOT assume any obligation to update any such forward-looking statements. See **"RISK FACTORS — Forward-Looking Statements"** and **"CONTINUING DISCLOSURE OF INFORMATION."**

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OFFICIAL STATEMENT
relating to
\$733,130,000*

GRAND PARKWAY TRANSPORTATION CORPORATION
GRAND PARKWAY SYSTEM
SUBORDINATE TIER TOLL
REVENUE REFUNDING BOND ANTICIPATION NOTES,
SERIES 2014A

INTRODUCTION

General

This Official Statement (this "*Official Statement*") contains certain information relating to the offer and sale by the Grand Parkway Transportation Corporation (the "*Corporation*") of its Grand Parkway System Subordinate Tier Toll Revenue Refunding Bond Anticipation Notes, Series 2014A (the "*Notes*").

Capitalized terms used in this Official Statement that are not otherwise defined herein have the meanings assigned to them in "**APPENDIX C - DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE TRUST AGREEMENT AND THE FOURTH SUPPLEMENTAL AGREEMENT - Definitions.**" The summary of the Trust Agreement, including the Fourth Supplemental Agreement, together with the Form of Bond Counsel Opinion included in this Official Statement are in substantially final form but are subject to further revision and completion.

This Official Statement also contains information regarding the Grand Parkway System (as defined below), the related design-build contract and design-build contractor for certain segments of such system and the support for the TELA Bonds (as defined below) from the Texas Department of Transportation ("*TxDOT*") through the Toll Equity Loan Agreement (the "*TELA*"). **The Notes are NOT entitled to the benefit of the TELA and are NOT TELA Bonds; however, the Notes are also payable from a pledge of the proceeds of any Subordinate Tier TELA Obligations (as defined herein) when and if issued to refund the Notes in the future.** See "**THE GRAND PARKWAY SYSTEM**" and "**TOLL EQUITY LOAN AGREEMENT,**" respectively.

Incorporation by Reference

For additional information, this official statement incorporates by reference certain documents that have previously been filed with the Municipal Securities Rulemaking Board (the "*MSRB*") through its Electronic Municipal Market Access System, which may be accessed over the internet at www.emma.msrb.org.

This Official Statement incorporates by reference the Comprehensive Traffic and Revenue Study Update Final Report dated June 26, 2013 prepared by CDM Smith Inc. and the Grand Parkway Engineer's Report dated June 26, 2013 prepared by Jacobs Engineering Group Inc., each with respect to the Grand Parkway System, which are described in "**TRAFFIC AND REVENUE STUDY**" and "**ENGINEER REPORTS - Jacobs Engineering Group Inc.,**" respectively. Such reports reflect the facts, conditions and estimates existing or made at the time of each such report. Each such report speaks only as of its date and no effort has been made to update such reports.

This Official Statement also incorporates by reference (i) the form of the Toll Rate Agreement (as defined herein), which is described in "**SECURITY AND SOURCES OF PAYMENT FOR THE NOTES - Toll Rates; Rate Covenant; Uniformity of Tolls - Toll Rate Agreement; Rate Covenant; Uniformity of Tolls; Reduced Tolls and Free Passage**" and (ii) the Development Agreement (as defined herein), which is described in "**CERTAIN PROJECT DOCUMENTS - Development Agreement.**"

The Texas Transportation Commission, TxDOT and the Corporation

The Texas Transportation Commission (the "*Commission*") is the governing body of TxDOT which is a state agency charged with the responsibility to develop and maintain a statewide multimodal transportation network and administer federal funds for highway construction and maintenance. TxDOT is headquartered in Austin, with 25 district offices, 4 regional offices and 34 divisions/offices managed by an Executive Director under the direction of the Commission. The Commission is composed of five commissioners appointed by the Governor of the State of Texas, with the advice and consent of the State Senate, serving six-year terms. See "**APPENDIX A — THE TEXAS DEPARTMENT OF TRANSPORTATION AND THE STATE HIGHWAY FUND.**"

The Corporation is a public, non-profit Texas corporation and an instrumentality of the Commission which authorized the Corporation's creation on March 29, 2012 for the sole purpose of advancing construction of certain segments of the Grand Parkway Project (as defined below). The Commission and TxDOT have delegated to the Corporation the responsibility for developing, financing, refinancing, designing, acquiring, constructing, reconstructing, expanding, operating and maintaining some or all of the segments of the Grand Parkway Project. See "**Overview of Relationships with Respect to Development of the Grand Parkway System.**" The three-member Board of Directors of the Corporation (the "*Board*") is comprised solely of full-time, permanent employees of TxDOT that are appointed by the Commission. After the terms of the initial directors expire, subsequent and reappointed directors serve for six-year terms. See "**THE GRAND PARKWAY TRANSPORTATION CORPORATION.**"

Grand Parkway Project (State Highway 99)

The Grand Parkway (State Highway 99) Project is a proposed 184-mile highway around the greater Houston area from State Highway 146 in Galveston County, Texas to State Highway 146 in Baytown, Texas and spread across the seven counties of Brazoria, Chambers, Fort Bend, Galveston, Harris, Liberty and Montgomery (the "*Grand Parkway Project*"). The primary purpose of the Grand Parkway Project is to provide an outer loop around the Houston metropolitan area to improve connectivity within the existing network, reduce transportation congestion and enhance mobility and travel options, reduce unsafe "stop and go" conditions and accommodate demographic and economic growth. The Grand Parkway Project is divided into 11 segments designated A through I-2 as depicted on the map on the inside cover page of this Official Statement. In 2011, TxDOT accepted the right to finance, develop, design, acquire, construct, operate and maintain certain segments of the Grand Parkway Project located in Harris and Montgomery Counties which comprise the "*Grand Parkway System*." The Grand Parkway System has been financed with the proceeds of the Series 2013 Obligations (as defined herein).

TxDOT has also accepted the right to finance, develop, design, acquire, construct, operate and maintain Segments H, I-1 and I-2. Although segments H, I-1 and I-2 are part of the Grand Parkway Project, such segments are not part of the Grand Parkway System, and the Corporation does not currently expect that such segments will become part of the Grand Parkway System. See "**THE GRAND PARKWAY SYSTEM - Other Segments of the Grand Parkway Project - Segments H and I.**"

TxDOT and the seven counties entered into a Market Valuation Waiver Agreement in 2009 that defined both the minimum scope and the ultimate scope of the Grand Parkway Project and provided a framework for a uniform toll policy. The minimum scope of the Grand Parkway Project includes (i) four-lane tolled facilities in Segments D, E, F-1, F-2, G and I-2, (ii) two-lane tolled facilities planned for Segments A, B, C, H and I-1 and (iii) phased construction of a number of direct connectors. A non-tolled portion of Segment D and all of the tolled Segment I-2 were already open to traffic at the time of issuance of the Series 2013 Obligations. The ultimate scope of the Grand Parkway Project includes (i) additional tolled lanes in each direction for all segments and (ii) construction of additional direct connectors, but any such expansions are triggered when daily volumes exceed certain specified thresholds and will require additional environmental approvals.

Grand Parkway System Overview

In August 2013, the Corporation issued its Series 2013 Obligations, in part, to finance the design, development, acquisition and construction of five segments of the Grand Parkway Project including the portion of Segment D located in Harris County, Texas ("*Segment D (Harris County)*") and Segments E, F-1, F-2 and G located in northwest Harris County and southeast Montgomery County (collectively, the "*Grand Parkway System*" or the "*System*"). These segments total approximately 55 miles of tollway. The System is depicted on the map on the inside cover of this Official Statement.

The "*Series 2013 Obligations*" are comprised of the Corporation's First Tier Toll Revenue Bonds, Series 2013A (the "*Series 2013A Bonds*"), Subordinate Tier Toll Revenue Bonds, Series 2013B (TELA Supported) (the "*Series 2013B Bonds*"), Subordinate Tier Toll Revenue Tender Bonds, Series 2013C (TELA Supported - Interim Construction Financing) (the "*Series 2013C Bonds*"), Subordinate Tier Toll Revenue Tender Bonds, Taxable Series 2013D (TELA Supported) (the "*Series 2013D Bonds*") and Subordinate Tier Toll Revenue Bonds, Taxable Series 2013E (TELA Supported) (the "*Series 2013E Bonds*"). As described in "**PLAN OF FINANCE – General,**" the Series 2013C Bonds and the Series 2013D Bonds are being collectively refunded by the Notes, the Series 2014B Bonds (as defined herein) and the Series 2014C Bonds (as defined herein).

Construction of Segment D (Harris County) and Segment E has been undertaken by TxDOT pursuant to five different design-bid-build contracts and was funded by TxDOT prior to the issuance of the Series 2013 Obligations. Such design-bid-build contracts have subsequently been assigned by TxDOT to the Corporation. The Corporation is obligated to pay TxDOT for costs to construct Segment D (Harris County) and Segment E. The Corporation has paid TxDOT for substantially all of the costs incurred for such segments from June 26, 2011 through July 31, 2013 from a portion of the proceeds of the Series 2013 Obligations. The Corporation expects to pay TxDOT for costs incurred for such segments after

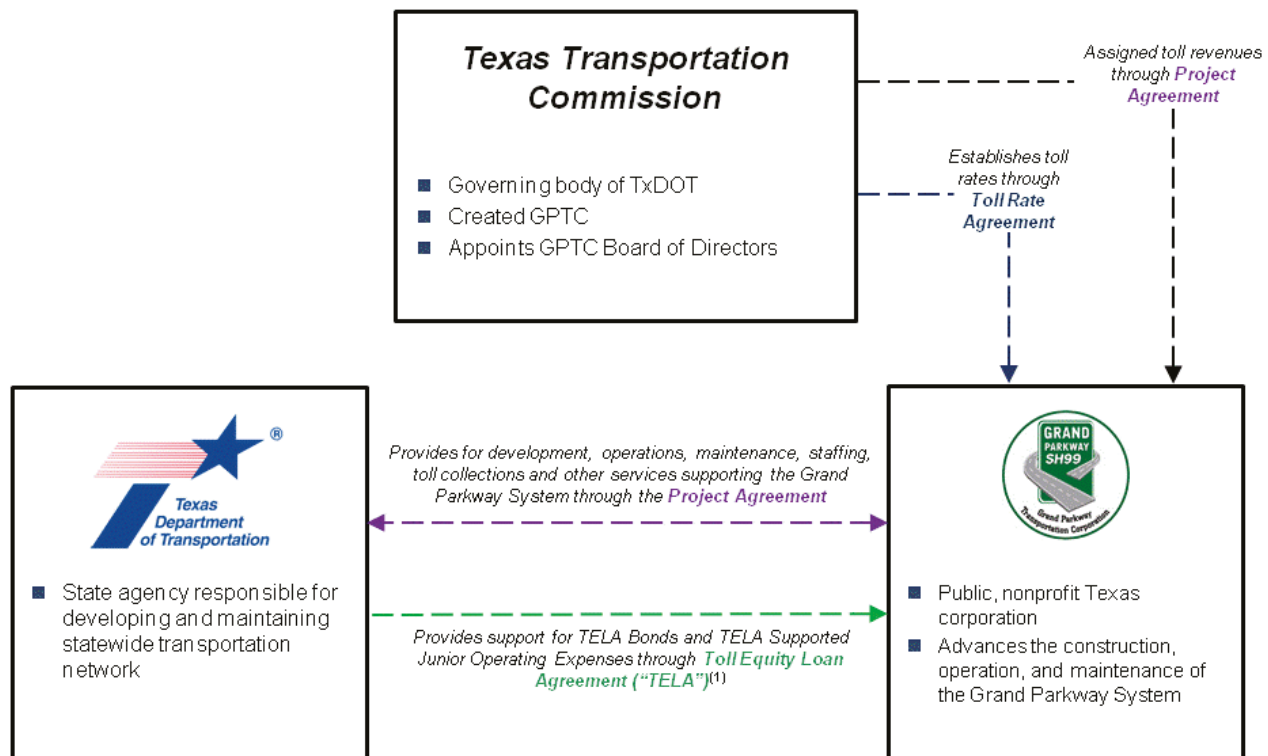
July 31, 2013 in the future. Additionally, Harris County advanced certain funds for right-of-way, engineering and other related pre-development costs pursuant to an Advanced Funding Agreement with TxDOT, and Harris County has been paid for all such costs from a portion of the proceeds of the Series 2013 Obligations. The portion of Segment D (Harris County) financed with the proceeds of the Series 2013 Obligations and Segment E each opened to traffic on December 21, 2013 with tolling scheduled to begin in February 2014, except for three direct connectors of Segment D (Harris County) that are expected to be completed in June 2014. See **"THE GRAND PARKWAY SYSTEM – Segments D and E."**

Segments F-1, F-2 and G will be constructed as part of a design-build comprehensive development agreement (the *"Development Agreement"*). In August 2012, TxDOT received four design-build proposals for Segments F-1, F-2 and G in response to a request for detailed proposals issued by TxDOT as part of the procurement process. On September 27, 2012, the Commission conditionally awarded the Development Agreement to Zachry-Odebrecht Parkway Builders, J.V. (the *"Developer"*). On March 22, 2013, TxDOT and the Developer executed the Development Agreement, which has been subsequently assigned by TxDOT to the Corporation. On March 22, 2013, the first notice-to-proceed was provided to the Developer under the Development Agreement and on June 14, 2013, the second notice-to-proceed was provided to the Developer under the Development Agreement.

Pursuant to the Development Agreement, TxDOT and the Developer executed a Capital Maintenance Agreement for Segments F-1, F-2 and G (the *"Capital Maintenance Agreement"*) with three five-year terms, which has been subsequently assigned by TxDOT to the Corporation. The first five-year term is mandatory and the second and third terms are at the option of the Corporation. The Developer's obligations under the Capital Maintenance Agreement for any segment commences at the end of the warranty period, which is one year after final acceptance of such segment. Segments F-1, F-2 and G are expected to be open to traffic by January 2016 with tolling beginning in February 2016. See **"THE GRAND PARKWAY SYSTEM – Segments F-1, F-2 and G."**

For a description of the design-bid-build contracts for Segment D (Harris County) and Segment E, the Development Agreement and the Capital Maintenance Agreement, see **"CERTAIN PROJECT DOCUMENTS."**

Overview of Relationships with Respect to Development of the Grand Parkway System



⁽¹⁾ The Notes are NOT entitled to the benefit of the TELA and are NOT TELA Bonds; however, the Notes are also payable from a pledge of the proceeds of any Subordinate Tier TELA Obligations (as defined herein) when and if issued to refund the Notes in the future.

PLAN OF FINANCE

General

The Notes are being issued to (i) refund a portion of the Corporation's outstanding Series 2013C Bonds, as further described herein (ii) pay capitalized interest on the Notes and (iii) pay costs of issuance of the Notes and the delivery of the TIFIA Loan Agreement (as defined herein).

Simultaneously with the issuance of the Notes, the Corporation is also issuing its Subordinate Tier Toll Revenue Refunding Bonds, Series 2014B (TELA Supported) (the "*Series 2014B Bonds*") and its Subordinate Tier Toll Revenue Refunding Bonds, Taxable Series 2014C (TELA Supported) (the "*Series 2014C Bonds*"). The Series 2014B Bonds and the Series 2014C Bonds will be privately placed with Banc of America Preferred Funding Corporation, an affiliate of one of the Underwriters of the Notes, and will have a term of three years or less and bear interest at a variable rate.

The Corporation will use a portion of the proceeds of the Notes and the Series 2014B Bonds to currently refund all of the Series 2013C Bonds (the "*Refunded Bonds*"), which are currently outstanding in the aggregate principal amount of \$836,440,000. The Notes and the Series 2014B Bonds are anticipated to be delivered simultaneously with each other to refund the Refunded Bonds.

Additionally, the Corporation will use a portion of the proceeds of the Series 2014C Bonds to currently refund all of the Series 2013D Bonds, which are currently outstanding in the aggregate principal amount of \$106,890,000.

The Corporation currently anticipates that the Notes will be refunded with one or more series of Subordinate Tier TELA Obligations, unless a more economical option is available at such time. See "**TIFIA Loan.**"

Any Obligations issued to refund the Notes, the Series 2014B Bonds and/or the Series 2014C Bonds are permitted to be issued under the Trust Agreement as First Tier Obligations, Second Tier Obligations or Subordinate Tier Obligations (any of which may be Toll Equity Loan Supported Obligations) without further complying with the coverage requirements of the Trust Agreement. If the TIFIA Loan Agreement is executed, delivered and drawn upon, it is anticipated that the Corporation will covenant in such agreement that no First Tier Obligations or Second Tier Obligations will be issued as Toll Equity Loan Supported Obligations. See "**TIFIA LOAN AGREEMENT - Representations, Warranties and Covenants.**"

Refunded Bonds

A portion of the proceeds from the issuance and sale of the Notes and from the Series 2014B Bonds will be deposited with the Trustee on the date of delivery of the Notes to currently refund the Refunded Bonds on their mandatory tender date of February 15, 2014. The Corporation will also utilize funds on deposit in the Capitalized Interest Account for the Refunded Bonds to provide for the payment of interest due on the Refunded Bonds. Such deposits will provide for the defeasance and refunding of the Refunded Bonds in accordance with the terms thereof. The principal of and interest due on the Refunded Bonds are to be paid on the scheduled mandatory tender date from such funds to be deposited with the Trustee pursuant to the terms of the Master Trust Agreement and the Supplemental Agreement authorizing the Refunded Bonds. In connection with the issuance of the Notes, Estrada Hinojosa & Company, Inc., the Corporation's Financial Advisor, will deliver a Sufficiency Certificate verifying that the amount of cash deposited with the Trustee to refund the Refunded Bonds at closing on the Notes is sufficient to pay all principal and interest due on the Refunded Bonds on their mandatory tender date.

The Fourth Supplemental Agreement provides that, from proceeds of the sale of the Notes and the Series 2014B Bonds, together with funds on deposit in the Capitalized Interest Account for the Refunded Bonds contributed to the refunding of the Refunded Bonds, there will be deposited with the Trustee the amount necessary to accomplish the discharge and final payment of the Refunded Bonds on their mandatory tender date. Such funds will be held by the Trustee in a special account and are irrevocably pledged to the payment of the principal of, premium, if any, and interest on the Refunded Bonds.

Upon such deposit with the Trustee, the Refunded Bonds will no longer be entitled to the benefits of the Master Trust Agreement and the Supplemental Agreement authorizing their issuance (other than for payment and transfer and exchange) and will no longer be considered Outstanding.

Outstanding Obligations

After issuance of the Notes, the Series 2014B Bonds and the Series 2014C Bonds, the total Obligations issued to finance or refinance the System will be outstanding as follows (excluding the Refunded Bonds and the Series 2013D Bonds being refunded by the Series 2014C Bonds):

<u>Title</u>	<u>Principal Amount Outstanding</u>	<u>Tier</u>	<u>TELA Status</u> ⁽¹⁾
First Tier Toll Revenue Bonds, Series 2013A	\$ 200,000,000.00	First Tier	Non-Toll Equity Loan Supported Obligation
TIFIA Loan Agreement and Second Tier Toll Revenue Promissory Note	\$ 0.00 ⁽²⁾	Second Tier, with springing First Tier lien upon occurrence of a "Bankruptcy- Related Event" ⁽³⁾	Non-Toll Equity Loan Supported Obligation
Subordinate Tier Toll Revenue Bonds, Series 2013B (TELA Supported)	\$1,414,934,856.15 ⁽⁴⁾	Subordinate Tier	Toll Equity Loan Supported Obligation
Subordinate Tier Toll Revenue Bonds, Taxable Series 2013E (TELA Supported)	\$ 361,810,000.00	Subordinate Tier	Toll Equity Loan Supported Obligation
Subordinate Tier Toll Revenue Refunding Bond Anticipation Notes, Series 2014A	\$ 733,130,000.00 ⁽⁵⁾	Subordinate Tier	Non-Toll Equity Loan Supported Obligation
Subordinate Tier Toll Revenue Refunding Bonds, Series 2014B (TELA Supported)	\$ 106,800,000.00 ⁽⁵⁾	Subordinate Tier	Toll Equity Loan Supported Obligation
Subordinate Tier Toll Revenue Refunding Bonds, Taxable Series 2014C (TELA Supported)	\$ 107,515,000.00 ⁽⁵⁾	Subordinate Tier	Toll Equity Loan Supported Obligation

⁽¹⁾ See "TOLL EQUITY LOAN AGREEMENT" and "APPENDIX D - TOLL EQUITY LOAN AGREEMENT."

⁽²⁾ If executed and drawn upon, proceeds of the TIFIA Loan (as defined herein) in an amount not to exceed \$840,645,000 may only be used to refund all or any part of the Notes, the Series 2014B Bonds and/or the Series 2014C Bonds or any Obligations issued to refund such obligations. See "PLAN OF FINANCE –TIFIA Loan."

⁽³⁾ See "TIFIA LOAN AGREEMENT."

⁽⁴⁾ Reflects principal amount outstanding only and does not include accretion value for the convertible capital appreciation bonds.

⁽⁵⁾ Preliminary, subject to change.

After issuance of the Notes, the Series 2014B Bonds and the Series 2014C Bonds, the "TELA Bonds" will consist of (i) the Series 2014B Bonds and the Series 2014C Bonds and (ii) the outstanding Series 2013B Bonds and Series 2013E Bonds. Such Obligations are entitled to the benefit of the TELA. **The Notes are NOT entitled to the benefit of the TELA and are NOT TELA Bonds; however, the Notes are also payable from a pledge of the proceeds of any Subordinate Tier TELA Obligations when and if issued to refund the Notes in the future. See "TOLL EQUITY LOAN AGREEMENT."**

Estimated Sources and Uses of Funds

The proceeds from the sale of the Notes, together with a portion of the proceeds from the sale of the Series 2014B Bonds and funds on deposit in the Capitalized Interest Account for the Refunded Bonds, and the use of such funds are anticipated to be as follows:

(in thousands)

Sources of Funds

Par Amount of Notes
Original Issue Premium/Discount
Net Proceeds of Series 2014B Bonds
Contribution from Capitalized Interest Account

Total Sources of Funds⁽¹⁾

Uses of Funds

Deposit with Trustee to Refund Refunded Bonds
Deposit to Capitalized Interest Account
Costs of Issuance⁽²⁾

Total Uses of Funds⁽¹⁾

⁽¹⁾ Totals may not add due to rounding.

⁽²⁾ Includes legal fees, rating agency fees, underwriters' discount and other costs of issuance, including the delivery of the TIFIA Loan Agreement.

The Notes

The Notes are "Subordinate Tier Obligations" under the Trust Agreement dated as of August 1, 2013 (the "*Master Trust Agreement*"), as amended and supplemented, including by the Fourth Supplemental Trust Agreement, dated as of February 1, 2014 (the "*Fourth Supplemental Agreement*," and collectively, with the Master Trust Agreement, the "*Trust Agreement*"), between the Corporation and U.S. Bank National Association as trustee (the "*Trustee*"). See "**THE NOTES**."

The Notes are NOT entitled to the benefit of the TELA and are NOT TELA Bonds; however, the Notes are also payable from a pledge of the proceeds of any Subordinate Tier TELA Obligations when and if issued to refund the Notes in the future. See "**SECURITY AND SOURCES OF PAYMENT FOR THE NOTES**" and "**TOLL EQUITY LOAN AGREEMENT**."

Payment of principal of and interest on First Tier Obligations, Second Tier Obligations, if any, Subordinate Tier Obligations and TELA/Other Tier Obligations is subject to the payment of Senior Operating Expenses. The operation and maintenance expenses of the segments of the initial System constitute TELA Supported Junior Operating Expenses, however, the operation and maintenance expenses of future segments of the Grand Parkway Project that are added to the System could be designated as Senior Operating Expenses. There are no Senior Operating Expenses of the initial System. The Notes will be secured on a parity with all other Subordinate Tier Obligations and will be subordinate in terms of payment of principal and interest, to all First Tier Obligations and all Second Tier Obligations. See "**SECURITY AND SOURCES OF PAYMENT FOR THE NOTES**."

The Notes are being issued by the Corporation pursuant to (i) the laws of the State of Texas (the "*State*"), particularly Subchapters A through C of Chapter 431, Texas Transportation Code, as amended, the Business Organizations Code, as amended, related to non-profit corporations, including Chapter 22 thereof, Chapters 1207 and 1371, Texas Government Code, as amended, and Section 228.053, Texas Transportation Code, as amended (collectively, the "*Acts*"), and (ii) resolutions adopted by the Board on November 20, 2013 and December 13, 2013.

Toll Equity Loan Agreement

To assist the Corporation in financing the Grand Parkway System, TxDOT has provided the TELA which makes a loan available to be drawn upon by the Trustee in the event the Revenues of the System and certain funds held within the Trust Estate are insufficient to satisfy (i) debt service on the TELA Bonds and any other Toll Equity Loan Supported Obligations; (ii) certain operation and maintenance costs and (iii) certain major maintenance costs. The Trustee may not draw upon the TELA to pay the redemption price of any TELA Bonds due as a result of an optional redemption of such TELA Bonds by the Corporation or to pay the purchase price of any TELA Bonds due as a result of any optional or mandatory tender of such TELA Bonds. TxDOT and the Corporation have executed the TELA in the maximum aggregate principal amount of \$9.6 billion with certain maximum annual limitations. **The Notes are NOT entitled to the benefit of the TELA**

and are NOT TELA Bonds; however, the Notes are also payable from a pledge of the proceeds of any Subordinate Tier TELA Obligations when and if issued to refund the Notes in the future.

The obligation of TxDOT to make advances under the TELA is subject to legislative appropriation and, in no event, may any advance cause the aggregate amount of all advances under the TELA to exceed the amount of eligible development, construction, operation and maintenance costs of the Grand Parkway System expended or incurred or reasonably anticipated to be expended or incurred by the Corporation. Any advances under the TELA are evidenced by the Toll Equity Loan Note authorized pursuant to the Second Supplemental Agreement to the Trust Agreement and will bear interest at the 10-year "Aaa (pure)" rate provided by the Municipal Market Data and published in The Bond Buyer under the caption "Municipal Market Data General Obligation Yields" plus 100 basis points. The Toll Equity Loan Note is a TELA/Other Tier Obligation of the Corporation pursuant to the Trust Agreement. Repayment of a TELA advance to TxDOT will be subordinate to First Tier Obligations, Second Tier Obligations, if any, and Subordinate Tier Obligations and will be payable from the TELA/Other Tier Obligation Payment Fund. See **"TOLL EQUITY LOAN AGREEMENT"** and **"RISK FACTORS - Conditions Affecting TELA Advances by TxDOT."**

It is currently expected that any TELA advances will be made by TxDOT from the State Highway Fund. The State Highway Fund is the general source for a substantial portion of funding for the State highway system, TxDOT operations, and the administration of State laws relating to traffic and safety on public roads. TxDOT may elect to make advances pursuant to the TELA from lawfully available funds other than the State Highway Fund. See **"APPENDIX A – THE TEXAS DEPARTMENT OF TRANSPORTATION AND THE STATE HIGHWAY FUND."**

TIFIA Loan

In January 2013, TxDOT, on behalf of the Corporation, submitted a letter of interest to the U.S. Department of Transportation ("USDOT") expressing its desire to receive funding from the Transportation Infrastructure Finance and Innovation Act ("TIFIA") credit program for the development of the Grand Parkway System. Pursuant to an application for TIFIA credit assistance dated September 24, 2013, the Corporation requested that USDOT make a direct loan (the "TIFIA Loan") to the Corporation in a principal amount not to exceed \$840,645,000 to be used to pay or reimburse a portion of the eligible costs of the System financed through the issuance of the Series 2013 Obligations. USDOT approved the TIFIA Loan on December 19, 2013. The Corporation and USDOT are in the final stages of negotiating a loan agreement containing the terms and conditions of such loan (the "TIFIA Loan Agreement"). The Corporation currently expects to close the TIFIA Loan by the end of January, 2014.

The TIFIA Loan would be issued as a Second Tier Obligation under the Trust Agreement to reimburse the Corporation for eligible costs incurred. If executed and drawn upon, proceeds of the TIFIA Loan may only be used to refund all or any part of the Notes, the Series 2014B Bonds and/or the Series 2014C Bonds or any Obligations issued to refund such bonds. The Corporation has not executed a loan agreement with USDOT with respect to a TIFIA Loan, and there are no assurances that the Corporation will be able to obtain the TIFIA Loan. The issuance of the Notes is not contingent upon the Corporation reaching financial close on the TIFIA loan.

If a TIFIA Loan Agreement is executed, such loan agreement will require that future conditions be satisfied prior to dispersal of funds under the TIFIA Loan. There can be no assurances that all such future conditions will be satisfied and thus no assurances that such funds will be available under the TIFIA Loan. For a discussion of the anticipated terms of the TIFIA Loan Agreement, see **"TIFIA LOAN AGREEMENT."**

Other Information

THE PRINCIPAL OF, PREMIUM, IF ANY, AND INTEREST ON THE NOTES IS PAYABLE ONLY FROM TOLLS AND OTHER REVENUES OF THE SYSTEM HELD BY THE TRUSTEE, THE RIGHT TO RECEIVE REVENUES OF THE SYSTEM HELD AS PROVIDED UNDER THE MASTER CUSTODIAL AGREEMENT, MONEY HELD BY THE TRUSTEE IN THE FUNDS AND ACCOUNTS CREATED UNDER THE TRUST AGREEMENT, ON THE BASIS AND IN THE PRIORITY DESCRIBED THEREIN AND HEREIN, AND THE NOTES ARE ALSO PAYABLE FROM A PLEDGE OF THE PROCEEDS OF ANY SUBORDINATE TIER TELA OBLIGATIONS WHEN AND IF ISSUED TO REFUND THE NOTES IN THE FUTURE.

EXCEPT AS SPECIFIED IN THE PRECEDING PARAGRAPH, NONE OF THE STATE OF TEXAS, THE COMMISSION, THE CORPORATION, TXDOT NOR ANY OTHER AGENCY OR POLITICAL SUBDIVISION OF THE STATE OF TEXAS IS OBLIGATED TO PAY THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE NOTES. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OF TEXAS, NOR ANY OTHER AGENCY OR POLITICAL SUBDIVISION OF THE STATE OF TEXAS IS PLEDGED TO THE PAYMENT OF

THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE NOTES. THE CORPORATION HAS NO TAXING POWER.

Investment in the Notes involves certain risks, some of which are discussed in this Official Statement. The statements contained in this Official Statement, including the Appendices herein, that are not purely historical are forward looking statements, including statements regarding the Corporation's expectations, hopes, intentions or strategies regarding the future. Investors should not place undue reliance on forward looking statements. See "**RISK FACTORS**" for a discussion of several risks that should also be considered in evaluating an investment in the Notes. All forward looking statements included in this Official Statement are based on information available to the Corporation and TxDOT as of the date hereof, and, except as provided in the Trust Agreement or any Supplemental Agreement, neither the Corporation nor TxDOT assumes any obligation to update any such forward looking statements. See "**CONTINUING DISCLOSURE OF INFORMATION**" for a description of the undertakings of the Corporation and TxDOT, respectively, to provide certain information on a continuing basis.

This Official Statement contains, in part, estimates and matters of opinion that are not intended as statements of fact, and no representation or warranty is made as to the correctness of such estimates and matters of opinion. This Official Statement speaks only as of its date, and the information contained herein is subject to change.

THE GRAND PARKWAY TRANSPORTATION CORPORATION

The Corporation is a public, non-profit Texas corporation created by the Commission pursuant to a minute order adopted by the Commission on March 29, 2012, and is organized and existing pursuant to the Acts. The Corporation is authorized to act on behalf of the Commission for the public purpose of developing, financing, refinancing, designing, constructing, reconstructing, expanding, operating or maintaining some or all of the segments of the Grand Parkway Project.

The Corporation is governed by a three-member Board of Directors consisting of individuals appointed by the Commission, all of whom are full-time, permanent employees of TxDOT. The directors serve without compensation. The Corporation has no staff, no resources and no taxing power.

The Corporation has all powers not prohibited by law that are available to non-profit corporations in the State and which are necessary or useful to enable the Corporation to perform the purposes for which it is created, including the power to issue bonds, notes or other obligations, execute loan agreements, assign any necessary agreements, rights, duties and obligations and otherwise exercise its borrowing power to accomplish the purposes for which it was created. In particular, the Corporation has the power to issue toll revenue bonds, notes or other obligations and enter into contracts, and assume agreements of TxDOT in connection with the Grand Parkway Project. The Corporation also has the power to enter into agreements with TxDOT regarding the responsibility of each party for the development, financing, refinancing, design, construction, reconstruction, expansion, operation or maintenance of the Grand Parkway Project and the support to be provided to the Corporation by TxDOT, including any necessary toll equity loan agreements between the Corporation and TxDOT, and take other actions necessary or convenient to implementing the Grand Parkway Project. See "**CERTAIN PROJECT DOCUMENTS**."

THE GRAND PARKWAY SYSTEM

General

The Grand Parkway Project is a proposed 184-mile long highway traversing seven counties (Harris, Fort Bend, Brazoria, Galveston, Montgomery, Liberty, and Chambers Counties) (collectively, the "*Counties*") and encircling the greater Houston area. The Grand Parkway Project is divided into eleven segments designated A, B, C, D, E, F-1, F-2, G, H, I-1 and I-2 and is expected to be configured from two to six lanes with overpasses at major intersections and direct connectors at interchanges with other major thoroughfares. Approximately 24% of the proposed lane miles of the Grand Parkway Project is expected to be located in Harris County, consisting largely of Segment E, Segment F-1 and Segment F-2. The remainder of the Grand Parkway Project is located in one or more of the remaining Counties.

The Grand Parkway Project will serve as a major component of the Houston metropolitan area regional transportation network where it is expected to relieve traffic and congestion on the surrounding major roadways including, but not limited to, US Interstate Highway 10, US Interstate Highway 45, US Highway 59, US Interstate Highway 69 and US Highway 290. Upon completion of all segments of the Grand Parkway Project, it will be the third and largest loop serving the Houston metropolitan area.

The System initially consists only of an approximately 55 mile tollway located in northwest Harris County and southeast Montgomery County designated as "*Segment D (Harris County)*," "*Segment E*," "*Segment F-1*," "*Segment F-2*," and "*Segment G*." All of Segment D (Harris County), Segment E, Segment F-1 and Segment F-2 and a portion of Segment G

are located in Harris County. Most of Segment G is located in Montgomery County. Set forth on the inside cover of this Official Statement is a map showing the Grand Parkway Project, including the portions of the Grand Parkway Project that comprise the initial System.

CH2M Hill, Inc. is the general engineering consultant for certain segments of the Grand Parkway Project, including Segments D and E for reporting purposes under the Trust Agreement, pursuant to a Contract for Engineering Services with the Corporation, dated November 7, 2012, as supplemented. The initial construction progress report for the System for the quarter ending October 31, 2013 prepared by CH2M Hill, Inc. reflects that, based upon all information available, the construction of the System will reach substantial completion as provided for in the applicable construction contracts with the exception of three direct connectors serving Segment D (Harris County). Such direct connectors are currently expected to be substantially complete in June 2014. Based upon all information available, CH2M Hill, Inc. believes that funding for the System is proceeding on schedule and within budget sufficient to enable timely completion of the System.

TxDOT owns or will own the roadway and all access roads and appurtenant facilities comprising the System and the related rights-of-way. Pursuant to a Minute Order of the Commission adopted on September 27, 2012, the Corporation is entitled to all revenues from, or produced as a consequence of, the operation of the System as a toll highway. TxDOT has assigned to the Corporation the agreements between TxDOT and the contractors/developers who are constructing the System. See "**CERTAIN PROJECT DOCUMENTS – Project Agreement.**"

Segments D and E

Most of Segment D is located in Fort Bend County and includes an existing 19 mile non-tolled portion of the Grand Parkway Project that connects US Highway 59(S) to US Interstate Highway 10. This portion of Segment D has been completed and open to the public since August 31, 1994. **The portion of Segment D located in Fort Bend County is not a part of the System.**

Segment D (Harris County). Segment D (Harris County) extends 2.6 miles from the Fort Bend/Harris County line to 0.30 miles north of Colonial Parkway as a four-lane, controlled access toll road with continuous frontage roads, including eight direct connectors. The northern most 0.9 miles of Segment D (Harris County) was financed with proceeds of the Series 2013 Obligations and extends from 0.72 miles north of Kingsland Boulevard to 0.30 miles north of Colonial Parkway. Such portion of Segment D (Harris County) is being constructed pursuant to two design-bid-build contracts (including one such contract that also covered Segment E), and one such contract has now reached substantial completion. The main lanes of such portion of Segment D (Harris County) opened to traffic on December 21, 2013 with tolling scheduled to begin in February 2014. Of the eight direct connectors serving Segment D (Harris County), five are now open to traffic and the remaining three are currently expected to be substantially complete in June 2014. The other 1.7 miles portion of Segment D (Harris County) was already constructed and open to traffic at the time of issuance of the Series 2013 Obligations.

Segment E. Segment E is a 14.4-mile, four-lane, controlled access toll road with intermittent frontage roads from 0.30 miles north of Colonial Parkway to US Highway 290 through northwest Harris County constructed pursuant to four design-bid-build contracts (including one such contract that also covered the portion Segment D (Harris County) financed with the Series 2013 Obligations) that have now reached substantial completion. Segment E opened to traffic on December 21, 2013 with tolling scheduled to begin in February 2014.

Approximately \$522 million of proceeds of the Series 2013 Obligations is currently expected to be used for costs associated with Segment D (Harris County) and Segment E. The Corporation is obligated to pay TxDOT for costs to construct Segment D (Harris County) and Segment E. The Corporation has paid TxDOT for substantially all of the costs incurred for such segments from June 26, 2011 through July 31, 2013 from a portion of the proceeds of the Series 2013 Obligations. The Corporation expects to pay TxDOT for costs incurred for such segments after July 31, 2013 in the future. Additionally, Harris County advanced certain funds for right-of-way, engineering and other related pre-development costs pursuant to an Advanced Funding Agreement with TxDOT, and Harris County has been paid for all such costs from a portion of the proceeds of the Series 2013 Obligations.

Segments F-1, F-2 and G

Segment F-1 will be a 12.1-mile, four-lane, controlled access toll road with intermittent frontage roads from US Highway 290 to State Highway 249 through northwest Harris County. Segment F-2 will be a 12.2-mile, four-lane, controlled access toll road with intermittent frontage roads from State Highway 249 to US Interstate Highway 45(N) through northwest Harris County. Segment G will be a 13.5-mile, four-lane, controlled access toll road with intermittent frontage roads from US Interstate Highway 45(N) to US Interstate Highway 69(N) through northwest Harris County and southeast Montgomery County. Segments F-1, F-2 and G are expected to be open to traffic by January 2016 with tolling beginning in February 2016.

Segments F-1, F-2 and G will be developed, designed and constructed pursuant to the Development Agreement between TxDOT and the Developer. On March 22, 2013, first notice-to-proceed was issued under the Development

Agreement and, on June 14, 2013, second notice-to-proceed was issued under the Development Agreement. See "**CERTAIN PROJECT DOCUMENTS - Development Agreement**" for more information regarding the Development Agreement. In accordance with the Project Agreement, TxDOT has assigned the Development Agreement to the Corporation, however, TxDOT will have certain obligations, including obligations with respect to environmental risks, hazardous substances risks and right-of-way acquisition. See "**CERTAIN PROJECT DOCUMENTS - Project Agreement – Obligations of TxDOT with respect to Segments F-1, F-2 and G**" for more information about such obligations of TxDOT. Approximately \$1.52 billion of proceeds of the Series 2013 Obligations is expected to be used for construction of such segments which amount includes amounts to be paid under the Development Agreement, construction of electronic toll assemblies, purchase of land for right-of-way and environmental mitigation.

The Corporation and Harris County are currently negotiating agreements pursuant to which Harris County would fund the costs for design, right-of-way acquisition, ancillary costs and construction of the four direct connectors at SH 99 and the Hardy Toll Road Interchange. If executed, such agreements are expected to require the Corporation to reimburse Harris County for a portion of such expenditures which are not anticipated to have a material impact on the Initial Project.

Other Segments of the Grand Parkway Project

Segments A, B, C and D

Galveston County currently has the rights to develop Segment A and the portion of Segment B that is located in such county. Brazoria County currently has the rights to develop the portions of Segment B and Segment C that are located in such county. Fort Bend County currently has the rights to develop the portions of Segment C and Segment D that are located in such county. On August 22, 2012, the Fort Bend Grand Parkway Toll Road Authority issued its Limited Contract Tax and Subordinate Lien Toll Road Revenue Bonds, Series 2012, for such purpose.

Segments H, I-1 and I-2

In 2010, Chambers County adopted an order relinquishing its rights to TxDOT to develop the portions of Segment I-1 and Segment I-2 that are located in such county. An approximately 6.6 mile tolled portion of Segment I-2 has been completed and open to the public since 2011. In December 2012, Liberty County adopted an order relinquishing its rights to TxDOT to develop the portions of Segment H and Segment I-1 that are located in such county. Pursuant to a minute order adopted by the Commission on January 31, 2013, the Commission approved TxDOT's determination to exercise its option to develop, finance, construct, and operate Segments H, I-1 and I-2 and, as a result, TxDOT has development rights for such segments. In the January 31, 2013 minute order, the Commission also authorized the Corporation to finance any pre-development costs of future segments of the Grand Parkway Project up to \$300 million with priority given to pre-development costs of Segments H, I-1 and potentially I-2. The Corporation expects to use up to \$300 million of proceeds of the Series 2013E Bonds for pre-development costs of Segments H, I-1 and I-2; however, such proceeds may be used for the costs of the initial System if not required for pre-development costs. The Corporation does not currently expect that Segments H, I-1 and I-2 will become part of the Grand Parkway System. In July of 2013, the Commission authorized TxDOT staff to publish a request for qualification to develop, design and construct and potentially finance, maintain and operate Segments H and I-1 and all or part of Segment I-2 in Harris, Liberty, Montgomery and Chambers Counties pursuant to a comprehensive development agreement, but no assurances are given regarding any future development or method of procurement or financing of such segments.

SECURITY AND SOURCES OF PAYMENT FOR THE NOTES

General

THE PRINCIPAL OF, PREMIUM, IF ANY, AND INTEREST ON THE NOTES ARE PAYABLE ONLY FROM TOLLS AND OTHER REVENUES OF THE SYSTEM HELD BY THE TRUSTEE, REVENUES OF THE SYSTEM HELD UNDER THE MASTER CUSTODIAL AGREEMENT, AND MONEY HELD BY THE TRUSTEE IN THE FUNDS AND ACCOUNTS CREATED UNDER THE TRUST AGREEMENT, ON THE BASIS AND IN THE PRIORITY DESCRIBED THEREIN AND HEREIN, AND THE NOTES ARE ALSO PAYABLE FROM A PLEDGE OF THE PROCEEDS OF ANY SUBORDINATE TIER TELA OBLIGATIONS WHEN AND IF ISSUED TO REFUND THE NOTES IN THE FUTURE. EXCEPT AS SPECIFIED IN THE PRECEDING SENTENCE, NONE OF THE STATE OF TEXAS, THE CORPORATION NOR ANY OTHER AGENCY OR POLITICAL SUBDIVISION OF THE STATE OF TEXAS IS OBLIGATED TO PAY THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE NOTES. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OF TEXAS, NOR ANY OTHER AGENCY OR POLITICAL SUBDIVISION OF THE STATE OF TEXAS IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE NOTES. THE CORPORATION HAS NO TAXING POWER.

Under the Trust Agreement, the "*Trust Estate*" consists of (a) all Revenues of the System (as defined below) and all rights to receive the same, whether in the form of accounts receivable, contract rights and the proceeds of such rights whether now owned or held or hereafter coming into existence, including as assigned and transferred to the Corporation by the Commission in accordance with the Project Agreement, (b) all of the Commission's right, title and interest as a "Beneficiary" for the System under the Master Custodial Agreement pursuant to the related joinder agreement among the custodian under such Master Custodial Agreement, TxDOT and the Corporation, and the Toll Rate Agreement, but not as a "Beneficiary" for any other toll projects, (c) all of the Corporation's right, title and interest in and to any Toll Equity Loan Agreement, (d) all money, including investment earnings, held by the Trustee in the various funds and accounts created under the Trust Agreement (but excluding moneys on deposit in a purchase fund or redemption account created for the benefit of only certain Obligations (as defined below) to be purchased or redeemed, the Rebate Fund and any amounts held in an account of the Construction Fund that are restricted to another use such as right-of-way contribution that may be used only for that purpose) and, to the extent set forth in a Supplemental Agreement, any Additional Obligation Security, (e) any insurance proceeds, (f) any condemnation proceeds, (g) any liquidated damages for delayed completion under a construction contract relating to the acquisition or construction of a System Segment, and (h) all payments received by the Corporation pursuant to a Credit Agreement, but only to the extent of the terms and provisions of such Credit Agreement.

The Notes are also payable from a pledge of the proceeds of any Subordinate Tier TELA Obligations when and if issued to refund the Notes in the future. The issuance of any Obligations to refund the Notes is subject to future approval by the Corporation's Board as well as obtaining other required State approvals including the approvals of the Attorney General of the State and the State Bond Review Board. See "**RISK FACTORS – Refunding of Notes.**" Any Obligations issued to refund the Notes, the Series 2014B Bonds and/or the Series 2014C Bonds are permitted to be issued under the Trust Agreement as First Tier Obligations, Second Tier Obligations or Subordinate Tier Obligations (any of which may be Toll Equity Loan Supported Obligations) without further complying with the coverage requirements of the Trust Agreement. If the TIFIA Loan Agreement is executed, delivered and drawn upon, it is anticipated that the Corporation will covenant in such agreement that no First Tier Obligations or Second Tier Obligations will be issued as Toll Equity Loan Supported Obligations. See "**TIFIA LOAN AGREEMENT - Representations, Warranties and Covenants.**"

Under the Trust Agreement, "*Obligations*" will consist of the Notes, the Series 2014B Bonds and the Series 2014C Bonds, the currently outstanding Series 2013A Bonds, Series 2013B Bonds and the Series 2013E Bonds and any First Tier Obligations, Second Tier Obligations, Subordinate Tier Obligations and TELA/Other Tier Obligations issued after the issuance of the Notes in accordance with the terms of the Trust Agreement.

Under the Trust Agreement, "*Revenues of the System*" consists of (a) the aggregate revenues and all other receipts and income collected, received or derived by the Corporation from the operation of the System in any period, or estimated aggregate revenues and other receipts and income estimated to be collected, received or derived by the Corporation from the operation of the System in any period, including all such revenues, receipts and income assigned to the Corporation by the Commission and TxDOT pursuant to the Toll Rate Agreement and the Project Agreement, and all investment income from the Revenue Fund, the Senior Operation and Maintenance Fund, the Junior Operation and Maintenance Fund, the Operation and Maintenance Reserve Fund, the Construction Fund (excluding investment income from any Capitalized Interest Account within the Construction Fund and any other investment income from the Construction Fund that is deposited or estimated to be deposited to the credit of the Interest Accounts), the Rate Stabilization Fund, the Major Maintenance Fund and the Grand Parkway Enhancement Fund and (b) any other sources of revenues or funds of the Corporation that the Corporation chooses to designate as "Revenues of the System" pursuant to a Supplemental Agreement or as designated, from time to time, by the Corporation Representative in a written certificate provided to the Trustee. Revenues of the System do not include (i) payments or revenues received by the Corporation or the Trustee from TxDOT pursuant to a Toll Equity Loan Agreement for such Fiscal Year, (ii) the investment income from the Interest Accounts, including any Capitalized Interest Accounts within the Interest Accounts, the Redemption Accounts, the Reserve Accounts, the TELA/Other Tier Payment Fund and any Capitalized Interest Account within the Construction Fund, (iii) any investment income from the Construction Fund which is deposited or estimated to be deposited to the credit of the Interest Accounts and (iv) any of the amounts described above collected or received by the Corporation and required to be paid to TxDOT or other Persons as revenue sharing payments pursuant to the Project Agreement or other agreement.

The Grand Parkway System is owned by the Commission and the Commission has not mortgaged, assigned, or pledged any interest in any real or personal property or improvements, including any interest in the Grand Parkway System, as security for payment of the Notes and all other Outstanding Obligations other than the pledge of the Trust Estate under the Trust Agreement. The Corporation does not own any part of the Grand Parkway System, but the Commission has assigned all Revenues of the System to the Corporation. The Corporation may sell all or a portion of its accounts receivables provided the Corporation receives fair and reasonable value. The Corporation may create a security interest or lien in or pledge of its accounts receivable component of the Revenues of the System and the proceeds thereof securing an obligation of the Corporation to repurchase or replace accounts receivables sold as long as the aggregate maximum amount secured by any

such pledges, liens or security interests does not exceed ten percent of the Revenues of the System of the Fiscal Year preceding the creation of such pledge, lien or security interest. Notwithstanding the foregoing, the Corporation may sell or otherwise create a security interest lien or pledge in the accounts receivables related to video tolling transactions or other tolling transactions that has toll rates greater than the toll rates applicable to base electronic transponder transactions so long as the Corporation receives an amount not less than the revenue the Corporation would have received applying the electronic transponder toll rates to such transactions. All amounts received by the Corporation from accounts receivables sold shall be deposited into the Revenue Fund.

The Series 2013A Bonds are First Tier Obligations of the Corporation payable solely from, and secured solely by the Trust Estate, on the basis and in the priority described herein and in the Trust Agreement, including the First Tier Reserve Account which was funded from a portion of the proceeds of the Series 2013A Bonds. The Series 2013A Bonds are secured on a parity with all other outstanding First Tier Obligations issued under the Trust Agreement. The Series 2013A Bonds are not entitled to the benefit of the TELA.

If the Corporation obtains the TIFIA Loan, the TIFIA Loan will be issued as a Second Tier Obligation of the Corporation payable solely from, and secured solely by the Trust Estate, on the basis and in the priority described herein and in the Trust Agreement. The TIFIA Loan will not be entitled to the benefit of the TELA. See "**PLAN OF FINANCE -TIFIA Loan**" and "**TIFIA LOAN AGREEMENT**."

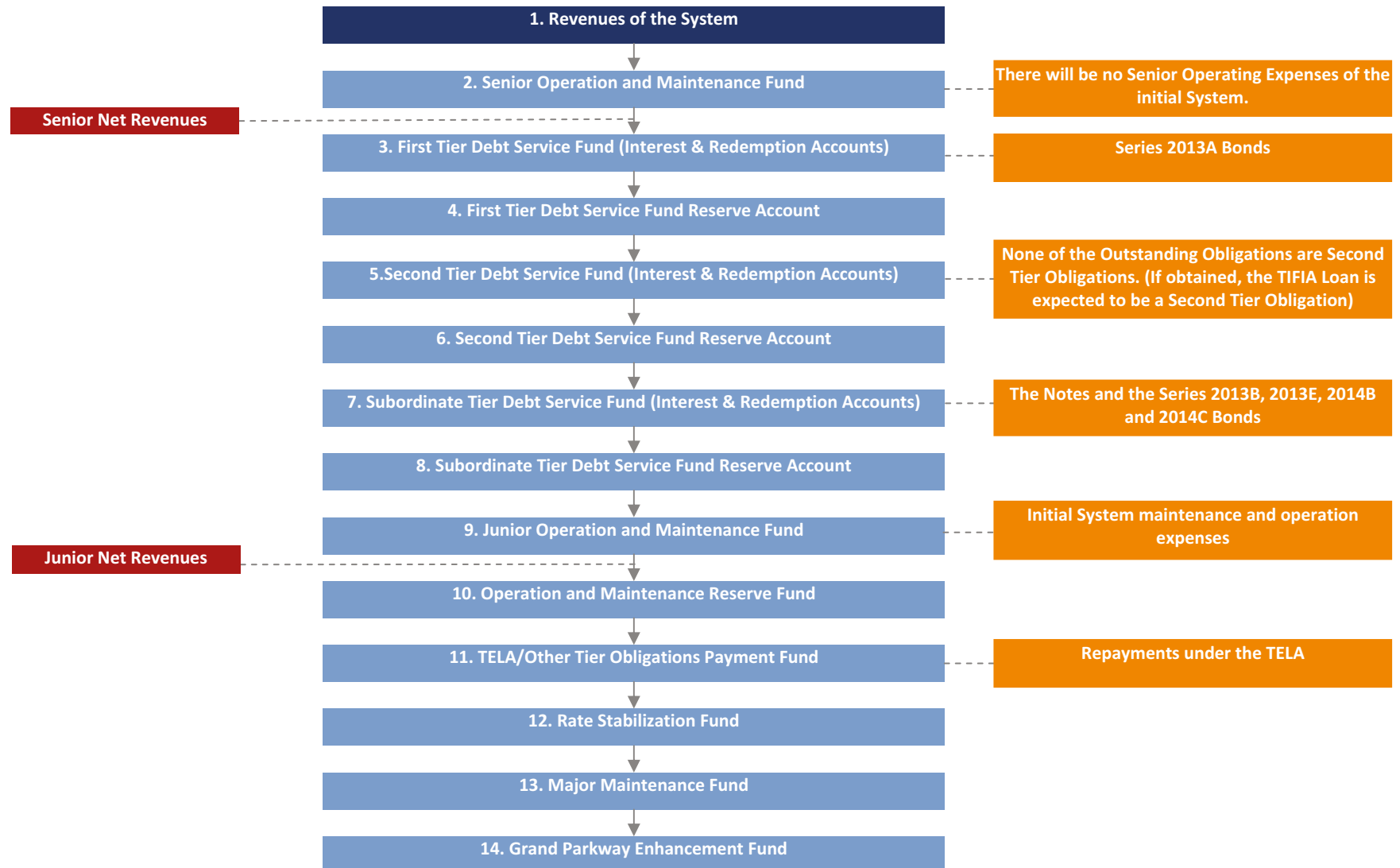
Upon delivery of the Notes, the then outstanding Subordinate Tier Obligations will be comprised of the Notes, the Series 2014B Bonds, the Series 2014C Bonds, the Series 2013B Bonds and the Series 2013E Bonds. The Subordinate Tier Obligations are payable from, and secured by the Trust Estate, on the basis and in the priority described herein and in the Trust Agreement. The Notes, the Series 2014B Bonds, the Series 2014C Bonds, the Series 2013B Bonds and the Series 2013E Bonds are secured on a parity with all other outstanding Subordinate Tier Obligations issued under the Trust Agreement. Subject to the restrictions in the Trust Agreement, the Corporation has also reserved the right to establish a priority of payment between the respective series of Subordinate Tier Obligations. The Notes, the Series 2014B Bonds, the Series 2014C Bonds, the Series 2013B Bonds and the Series 2013E Bonds have been designated as senior Subordinate Tier Obligations in terms of priority of payment among Subordinate Tier Obligations. **The Notes are NOT entitled to the benefit of the TELA and are NOT TELA Bonds; however, the Notes are also payable from a pledge of the proceeds of any Subordinate Tier TELA Obligations when and if issued to refund the Notes in the future.** The "*TELA Bonds*" are comprised of (i) the Series 2014B Bonds and the Series 2014C Bonds and (ii) the outstanding Series 2013B Bonds and Series 2013E Bonds, and such Obligations are entitled to the benefit of the TELA. See "**TOLL EQUITY LOAN AGREEMENT**."

The Trust Estate is pledged to the Trustee pursuant to the Trust Agreement for the benefit and security of all Owners of First Tier Obligations, Second Tier Obligations, Subordinate Tier Obligations and TELA/Other Tier Obligations, on the basis, and in the priority described herein and therein. Payment of principal of and interest on First Tier Obligations is subject to the payment of Senior Operating Expenses. The operation and maintenance expenses of the initial System constitute TELA Supported Junior Operating Expenses; however, the operation and maintenance expenses of future segments of the Grand Parkway Project that are added to the System could be designated as Senior Operating Expenses. There are no Senior Operating Expenses of the initial System. Payment of principal of and interest on Second Tier Obligations is subject to the payment of Senior Operating Expenses and payment of principal of and interest on First Tier Obligations. None of the Outstanding Obligations are Second Tier Obligations; provided that if the Corporation obtains and draws upon the TIFIA Loan, the TIFIA Loan will be issued as a Second Tier Obligation. See "**PLAN OF FINANCE -TIFIA Loan**" and "**TIFIA LOAN AGREEMENT**." Payment of principal of and interest on Subordinate Tier Obligations is subject to the payment of Senior Operating Expenses and payment of principal of and interest on First Tier Obligations and Second Tier Obligations. See " — Funds and Accounts — *Revenue Fund*" for a description of the application and priority of payment for funds deposited therein. See also "**APPENDIX C — DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE TRUST AGREEMENT AND THE FOURTH SUPPLEMENTAL AGREEMENT**."

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Flow of Funds

The chart below depicts the flow of funds of Revenues of the System:



Funds and Accounts

Master Custodial Agreement; Agreements with Other Turnpikes.

TxDOT has entered into a Master Lockbox and Custodial Account Agreement, dated as of November 9, 2007 (as amended, the "*Master Custodial Agreement*"), with The Bank of New York Mellon Trust Company, N.A., as custodian (the "*Custodian*"). Under the Master Custodial Agreement, the following toll revenues are deposited into custodial accounts with the Custodian: (i) all toll revenues collected by TxDOT from all turnpike projects owned or operated by TxDOT, including the toll revenues derived from the operation of the System, and (ii) all toll revenues received from a third-party transponder issuer in consideration for the use of turnpike projects that are not operated by such third-party transponder issuer by motorists that have been issued a transponder by such transponder issuer, including toll revenues received from Harris County Toll Road Authority ("*HCTRA*") for toll transactions on the System by motorists that have been issued a HCTRA transponder (an "*EZ Tag*") pursuant to the Interoperability Agreement (hereafter defined). The funds received by the Custodian are disbursed on a daily basis to the appropriate beneficiary. The Corporation has entered into a joinder agreement with the Custodian to properly account for and disburse Revenues of the System, including toll revenues received from HCTRA. See **"OTHER PROJECT DOCUMENTS – Toll Collection and Operations."** On each business day, the Custodian will transfer to the Trustee all toll revenues deposited into such custodial accounts that constitute available funds and that have been reconciled to transactions on the System. The flow of funds under the Master Custodial Agreement has operated as expected since the implementation of the agreement in 2007. Under the terms of the Trust Agreement, funds derived from the operation of the System are required to be transferred to the Revenue Fund (described below) on a daily basis, as far as practicable. However, certain interoperability funds held by HCTRA are not transferred to the Custodian on a daily basis. See **"RISK FACTORS - No Security Interest in Toll Revenues from EZ Tag Transactions Until Received From HCTRA Under Interoperability Agreement."**

To the extent now or hereafter authorized by law, the Corporation or the Commission or TxDOT, for the benefit of the Corporation, may enter into an agreement or consent to any agreements entered into by the Commission or TxDOT with any other authority or other similar legal body operating a toll road, whether or not connected to the System, for the collection and application of tolls charged for trips over all or a portion of one or more toll roads, which, on the basis of the revenues to be received under any such agreement, will result in the receipt by the Corporation (or the Trustee) of the allocable portion of such tolls (less fees and expenses associated with such arrangement). Amounts relating to the System which constitute Revenues of the System received by the Corporation from such other authority or other similar legal body or pursuant to the Toll Rate Agreement, the Project Agreement and the Master Custodial Agreement, in accordance with such agreements, are required to be deposited with the Trustee for credit to the Revenue Fund.

Revenue Fund

The Corporation has covenanted that all Revenues of the System (except investment income from such funds and accounts that constitute a portion of the Revenues of the System, other than the Revenue Fund, which shall be retained in such funds and accounts except as otherwise required to be transferred as described herein) will be collected by the Corporation and deposited daily, as far as practicable and within the control of the Corporation, with the Trustee for the credit of the Revenue Fund.

If, in any month, the Trustee submits a Draw Request under a Toll Equity Loan Agreement solely with respect to (i) any First Tier TELA Obligations and the related First Tier Debt Service Fund, (ii) any Second Tier TELA Obligations and the related Second Tier Debt Service Fund, (iii) the Subordinate Tier TELA Obligations and the related Subordinate Tier Debt Service Fund, (iv) the TELA Supported Junior Operating Expenses and the Junior Operation and Maintenance Fund, or (v) the Major Maintenance Fund, and the amount received by the Trustee pursuant to such Draw Request is insufficient to pay all amounts requested in such Draw Request, the Trustee is required to apply the amounts received under such Draw Request, first, to any amounts required to be deposited in the First Tier Debt Service Fund on such date with respect to any First Tier TELA Obligations, second, to any amounts required to be deposited in the Second Tier Debt Service Fund on such date with respect to any Second Tier TELA Obligations, third, to any amounts required to be deposited in the Subordinate Tier Debt Service Fund on such date with respect to any Subordinate Tier TELA Obligations, fourth, to any amounts required to be deposited in the Junior Operation and Maintenance Fund on such date, and fifth, to any amounts required to be deposited in the Major Maintenance Fund on such date.

Commencing on the fifth Business Day preceding the first day of November 2013 and each month thereafter (each such date, a "*Transfer Date*"), transfers from the Revenue Fund shall be made to the below-listed funds and accounts, in the order of priority in which the funds and accounts are listed below.

- (1) Rebate Fund;
- (2) Senior Operation and Maintenance Fund;
- (3) First Tier Interest Account;
- (4) First Tier Redemption Account;
- (5) First Tier Reserve Account;
- (6) Second Tier Interest Account;
- (7) Second Tier Redemption Account;
- (8) Second Tier Reserve Account;
- (9) Subordinate Tier Interest Account;
- (10) Subordinate Tier Redemption Account;
- (11) Subordinate Tier Reserve Account;
- (12) Junior Operation and Maintenance Fund;
- (13) Operation and Maintenance Reserve Fund;
- (14) TELA/Other Tier Payment Fund;
- (15) Rate Stabilization Fund;
- (16) Major Maintenance Fund; and
- (17) Grand Parkway Enhancement Fund.

In recognition that (i) Obligations and the interest thereon, including Payment Obligations, may come due on various dates, (ii) First Tier Obligations have a security interest in the Senior Net Revenues senior to that securing the Second Tier Obligations and the Subordinate Tier Obligations and senior to the security interest in the Junior Net Revenues securing the TELA/Other Tier Obligations, (iii) Second Tier Obligations have a security interest in the Senior Net Revenues senior to that securing the Subordinate Tier Obligations and senior to the security interest in the Junior Net Revenues securing the TELA/Other Tier Obligations, (iv) Subordinate Tier Obligations have a security interest in the Senior Net Revenues senior to the security interest in the Junior Net Revenues securing the TELA/Other Tier Obligations, (v) Second Tier 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, (vi) Subordinate Tier 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 a Second Tier Obligation, or the interest thereon, is due, (vii) a series of Subordinate Tier Obligations may have a priority of payment different than another series of Subordinate Tier Obligations, as may be provided in the applicable Supplemental Agreements and (viii) TELA/Other Tier 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, a Second Tier Obligation or a Subordinate Tier Obligation, or the interest thereon, is due, the Corporation covenants that no transfer from the Revenue Fund to any fund or account, other than the Senior Operation and Maintenance Fund or the First Tier Debt Service Fund, will be made in any Fiscal Year unless, in the opinion of the Corporation Representative (based on the Annual Budget for such Fiscal Year) set forth in a certificate delivered to the Trustee on or before the first business day of such Fiscal Year and updated on the date of delivery of any Additional Obligations issued during such year, such transfers during such Fiscal Year are not anticipated to result in the inability of the Corporation to make a later transfer, as required by the Trust Agreement, to a fund or account securing Obligations that have a security interest in the Senior Net Revenues or the Junior Net Revenues, as the case may be, senior to that securing Obligations that are secured by the fund or account into which the transfer is scheduled to be made. If (A) a Corporation Representative fails to deliver the certificate described in the prior sentence for a Fiscal Year, or (B) at any time during a Fiscal Year the Corporation determines that transfers from the Revenue Fund to any fund or account may result in the inability of the Corporation to make a later transfer within the six (6) month period from the date of such determination, as required by the Trust Agreement, to a fund or account securing

Obligations that have a security interest in the Senior Net Revenues or the Junior Net Revenues, as the case may be, senior to that securing Obligations that are secured by the fund or account into which the transfer is scheduled to be made, a Corporation Representative shall deliver to the Trustee a certificate to that effect, then, in either case, for such Fiscal Year (i) transfers from the Revenue Fund to any fund or account shall be made strictly in the priority set forth in the immediately preceding paragraph, (ii) such transfers from the Revenue Fund shall be made once each month, and (iii) after each monthly deposit to the Senior Operation and Maintenance Fund, no transfer to a fund or account shall be made until all funds and accounts with a higher priority have on deposit therein all amounts to be deposited in such fund or account for such Fiscal Year.

For additional details regarding the purpose and function of the various funds and accounts established pursuant to the Trust Agreement and the flow of revenues through such funds and accounts, see "**APPENDIX C — DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE TRUST AGREEMENT AND THE FOURTH SUPPLEMENTAL AGREEMENT.**"

Rate Stabilization Fund

In the priorities established in the Trust Agreement, amounts on deposit in the Rate Stabilization Fund (a) shall be transferred by the Trustee to the Senior Operation and Maintenance Fund, the First Tier Debt Service Fund, the Second Tier Debt Service Fund, the Subordinate Tier Debt Service Fund or the Junior Operation and Maintenance Fund to cure a deficiency therein and (b) upon written direction by the Corporation Representative, may be transferred by the Trustee to any other fund under the Trust Agreement to be used for any other purpose for which Revenues of the System are permitted to be used under applicable law and the Trust Agreement, including as a claims payment fund or any similar function for any self-insurance program of the Corporation. Use of amounts on deposit to the Rate Stabilization Fund for any of the foregoing purposes shall not constitute an Event of Default under the Trust Agreement. In the event that the amounts on deposit in the Rate Stabilization Fund exceed the Rate Stabilization Fund Requirement, the Trustee shall transfer such excess to the Revenue Fund. The moneys in the Rate Stabilization Fund, after their use as provided in this paragraph, need not be replenished; provided, however, the Corporation shall replenish the Rate Stabilization Fund to the Rate Stabilization Fund Requirement upon the issuance of any Additional Obligations for a purpose other than refunding any Outstanding Obligations or completing the initial System (and funding any related reserve or other funds). Notwithstanding anything in this paragraph to the contrary, the Trustee shall replenish the Rate Stabilization Fund to the Rate Stabilization Fund Requirement or a lesser amount at such time and in such manner as directed in writing by a Corporation Representative from available Revenues of the System. Additionally, notwithstanding anything in the Trust Agreement to the contrary, at such time that there is no Toll Equity Loan Agreement outstanding, the Corporation may determine to (i) reduce the Rate Stabilization Fund Requirement to a lesser amount or (ii) eliminate the requirement for the Rate Stabilization Fund and the Rate Stabilization Fund Requirement, and, upon such determination and receipt by the Corporation and the Trustee of (y) written confirmation that such action will not, in and of itself, cause any ratings then assigned to any Outstanding First Tier Obligations or Second Tier Obligations to be adversely affected by Moody's, S&P and/or Fitch, respectively, and (z) an opinion of Bond Counsel that the use of any released amounts from the Rate Stabilization Fund complies with applicable law, the Corporation Representative shall give written notice to the Trustee of such Corporation determination and direct the Trustee to transfer any released amounts from the Rate Stabilization Fund into the Revenue Fund and, if appropriate, close the Rate Stabilization Fund.

Insurance

The Corporation has covenanted that it will keep the System and its use and operation thereof insured as provided in the Trust Agreement in such amounts, subject to such exceptions and deductibles and against such risks, as are customary for similar organizations, including business interruption insurance. Initially, the Corporation has chosen to comply with such covenant through the use of self-insurance and to pay any claims with amounts on deposit in the Rate Stabilization Fund. Any self-insurance program shall be deemed actuarially sound in the written opinion of an accredited actuary, which opinion shall be filed with the Trustee at least annually commencing after the first day of July after Substantial Completion of the Initial Project.

Toll Rates; Rate Covenant; Uniformity of Tolls

Market Valuation Waiver Agreement

Consistent with the requirements of Section 228.011, Texas Transportation Code, TxDOT and the Counties entered into the "SH 99 Grand Parkway Toll Project Market Valuation Terms and Conditions" dated September 29, 2008 (the "*Terms and Conditions*"), and entered into a "Market Valuation Waiver Agreement for SH 99 (Grand Parkway)" effective as of

February 10, 2009 (the "*Market Valuation Waiver Agreement*"). The Terms and Conditions defined the scope and phasing of the segments of the Grand Parkway Project, established the framework for a uniform toll policy for the Grand Parkway Project including a toll rate calculation methodology that provides minimum annual adjustment of toll rates. Pursuant to the Market Valuation Waiver Agreement, the initial toll rates for the Grand Parkway Project will not exceed the average per mile toll rates for electronic toll transactions in force and effect for HCTRA, exclusive of any congestion priced toll corridor or managed lane project, as of the date of opening of any segment. Also, pursuant to the Market Valuation Waiver Agreement, the toll rate methodology provides for an automatic annual adjustment no less than the greater of (1) the net change in the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) for the Houston-Galveston-Brazoria Region published by the Bureau of Labor Statistics or (2) the minimum adjustment factor of 2%. Pursuant to Minute Orders of the Commission adopted on December 13, 2012 and February 28, 2013, the Commission established initial toll rates and a toll escalation policy for the System consistent with the terms of the Market Valuation Waiver Agreement.

Toll Rate Agreement; Rate Covenant; Uniformity of Tolls; Reduced Tolls and Free Passage

The Corporation and the Commission have entered into the SH 99 (Grand Parkway) Harris and Montgomery County Segments Toll Rate Agreement (the "*Toll Rate Agreement*"). The Form of the Toll Rate Agreement has been filed with the MSRB through its Electronic Municipal Market Access System, which may be accessed over the internet at www.emma.msrb.org, as Appendix F to the Official Statement dated July 17, 2013 describing the Series 2013 Obligations, and such Form of Toll Rate Agreement is hereby incorporated by reference herein and made a part hereof for all purposes. The executed version of the Toll Rate Agreement conforms in all material respects to such Form of Toll Rate Agreement. The Toll Rate Agreement is also available upon request from the Corporation.

Under the Toll Rate Agreement the Commission has agreed to (1) adopt and maintain in effect a toll rate schedule for the System, in substantial conformity with the recommendation of the Traffic Consultant and in conformity with the toll rate escalation policy of the Commission and (2) establish charges for other uses of the property constituting a part of the System such as property leases designed, collectively, to produce Revenues of the System in each Fiscal Year in an amount sufficient to satisfy the greatest of (1), (2), (3) or (4) below:

- (1) Senior Net Revenues of 1.50 times the scheduled Debt Service Requirements on all Outstanding First Tier Obligations for the Fiscal Year; or
- (2) Senior Net Revenues of 1.30 times the scheduled Debt Service Requirements on all Outstanding First Tier Obligations and all Outstanding Second Tier Obligations for the Fiscal Year; or
- (3) Senior Net Revenues of 1.10 times the scheduled Debt Service Requirements on all Outstanding First Tier Obligations, Second Tier Obligations, Subordinate Tier Obligations and TELA/Other Tier Obligations of the Corporation for the Fiscal Year; or
- (4) Senior Net Revenues, less Junior Operating Expenses and less any monthly deposits necessary to maintain the Operation and Maintenance Reserve Requirement, of 1.00 times the scheduled Debt Service Requirements on all Outstanding First Tier Obligations, Second Tier Obligations, Subordinate Tier Obligations and TELA/Other Tier Obligations of the Corporation for the Fiscal Year.

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 for the System and any Construction and Ramp-Up Period for additional System Segments, the Traffic Consultant, the Commission and the Corporation may assume that, for making the calculations required by clauses (3) and (4) above, Revenues of the System for such period include the amounts forecasted to be on deposit in the Rate Stabilization Fund as reflected in the Annual Budget for each Fiscal Year in such period. In making the calculations described in clauses (1), (2), (3) and (4) above, the Traffic Consultant, the Commission and the Corporation may take into account any amounts reasonably expected to be received by the Trustee in the Fiscal Year from or as a result of any Additional Obligation Security the Corporation has pledged for the benefit of all Obligations or the Notes of any Tier or Series, but, if the pledge is not for the benefit of all Obligations, the amounts reasonably expected to be received may only be taken into account when making the calculation for the affected Obligations.

In the event that for any Fiscal Year Revenues of the System are less than the amounts contemplated above for such Fiscal Year, the Corporation will, before the 15th day of March of the following Fiscal Year, request the Traffic Consultant to make and file its recommendations with the Corporation, the Commission and the Trustee as to a revision in the Toll Rate Schedule then in effect, in order to cause the raising and production of such Revenues of the System in a manner which will enable the Corporation to produce at the earliest feasible time such Revenues of the System in at least the amounts contemplated above for each such Fiscal Year. The Commission covenants that it will promptly and carefully consider such recommendations, and that it will, within sixty days after receipt of such recommendations, either (i) place into effect any Toll Rate Schedule recommended by the Traffic Consultant, or (ii) place into effect any alternative Toll Rate Schedule which, in the opinion of the Commission, will enable it to comply with the covenants described in the previous paragraph.

Anything in the Toll Rate Agreement or the Trust Agreement to the contrary notwithstanding, if the Commission complies with all recommendations of the Traffic Consultant (or such independent engineer or engineering firm or corporation as provided in the Toll Rate Agreement) with respect to the Toll Rate Schedule, it will not constitute an Event of Default under the provisions of the Toll Rate Agreement or the Trust Agreement, if there is a deficiency in any Fiscal Year or Years between the Revenues of the System for such Fiscal Year or Years and the amount required to be produced for such Fiscal Year or Years. However, in the event of any such deficiency, and regardless of any recommendations of the Traffic Consultant or others, or compliance therewith by the Commission, the Trustee may, and the Trustee shall, upon the written request of the Owners of not less than twenty percent (20%) in aggregate principal amount of the Notes then Outstanding and upon being indemnified to its satisfaction, institute and prosecute in a court of competent jurisdiction an appropriate action to compel the Commission to comply with its covenant in the Toll Rate Agreement to adopt and keep in effect a Toll Rate Schedule which will raise and produce during each Fiscal Year an amount of Revenues of the System as described above for such Fiscal Year, or to comply with any other covenant as described above. The Commission has covenanted that it will comply with any final order, decree, or judgment entered in any such proceeding, or any modification thereof.

The Commission has agreed that tolls will be classified in a reasonable way to cover all traffic, so that the tolls will be uniform in application to all traffic falling within any reasonable class as determined by the Commission; provided that the foregoing shall not be interpreted to restrict the Commission's right, in its discretion in connection with its management of the System, to establish and maintain flexible toll schedules including, but not limited to, provisions for utilizing or otherwise taking into account, peak and nonpeak pricing, introductory pricing, vehicle weight, number of axles, method of payment, frequency, car pooling, electronic and other toll collection technologies, traffic management systems and similar classifications. Any change in classification that results in a reduced toll or any new classification shall be subject to the Traffic Consultant approving the same before it is implemented unless the same is temporary (i.e., having a duration of less than one year from the effective date). In all events, the Commission shall not make a change in classification or any new classification unless the Commission determines that such change is not expected to result in the receipt of Revenues of the System in amounts less than that required above.

Notwithstanding the provisions of the foregoing paragraph, no free vehicular passage or reduced tolls will be permitted over the System within a class, other than its approaches and service roads, or any portion of the System designated toll-free, except that, in its discretion, the Commission may: (1) reduce tolls through the use of commutation or other tickets or privileges based upon frequency or volume if the reduction is expected to result in an increase in the Revenues of the System; (2) grant free passage to (a) those persons or vehicles as required by the laws of the State of Texas, (b) authorized emergency vehicles, (c) military vehicles, (d) vehicles registered to disabled veterans, Purple Heart recipients, and recipients of the Medal of Honor or such other military honor authorized by law and approved by the Commission, (e) Department or Corporation contractors working on the construction, improvement, maintenance, or operation of the System, (f) vehicle (i) designated by the Department of Public Safety as an emergency vehicle during disasters declared by the Governor of Texas and (ii) in the time of a declared emergency or natural disaster, as determined by the Executive Director of the Department, (g) vehicles that are part of certain funeral processions and (h) processions and motorcades for heads-of-state and dignitaries.

Any reduced toll described above shall be reviewed by the Commission with the Traffic Consultant before implementing the same unless the same is temporary (i.e., having a duration of less than one year). In addition, in the event the Commission did not meet the Revenues of the System requirement set forth above for the preceding Fiscal Year, any such reduced toll shall be subject to the Traffic Consultant approving the same before it is implemented by the Commission unless the Commission reasonably determines that the circumstances require immediate implementation, in which event the Commission shall obtain such approval promptly following implementation. In all events, the Commission shall not reduce tolls unless the Commission determines, based upon an analysis of the Traffic Consultant, that such reduction is not expected to result in the receipt of Revenues of the System in amounts less than that required above.

Notwithstanding anything in the Toll Rate Agreement to the contrary, introductory, free or reduced tolls may be utilized in connection with the opening to the public of any component or segment of the System.

Additional Obligations under the Trust Agreement

Under the terms of the TELA, as long as the Toll Equity Loan Commitment (as defined herein) will not be terminated in conjunction with, or any amount due and payable under the Toll Equity Note would be outstanding after, the issuance of Additional Obligations secured by the Trust Agreement or by Revenues of the System, the Corporation may not issue Additional Obligations without prior written approval from TxDOT. Subject to the foregoing, the Corporation reserves the right to issue additional First Tier Obligations, Second Tier Obligations, Subordinate Tier Obligations and TELA/Other Tier Obligations, which obligations may or may not be supported by the TELA.

Additional First Tier Obligations. The Corporation may issue additional First Tier Obligations in accordance with the requirements of the Trust Agreement, including delivery of a certificate by a Corporation Representative (except in the case of the issuance of refunding First Tier Obligations to refund Outstanding First Tier Obligations which do not cause an increase in then existing annual Debt Service Requirements of First Tier Obligations in any Fiscal Year) certifying that:

(i) the projected Senior Net Revenues for the current and each Fiscal Year after the date of such certificate are at least 1.50 times the annual Debt Service Requirements for each such Fiscal Year for all then Outstanding First Tier Obligations and any then Outstanding Second Tier Obligations and Subordinate Tier Obligations that are deemed to be First Tier Obligations upon the occurrence and during the continuance of any Bankruptcy Related Event of the Corporation (excluding any such First Tier Obligations, Second Tier Obligations and Subordinate Tier Obligations being refunded) and the First Tier Obligations then proposed to be delivered;

(ii) the projected Senior Net Revenues for the current and each Fiscal Year after the date of such certificate are at least 1.30 times the annual Debt Service Requirements for each such Fiscal Year for all then Outstanding First Tier Obligations and Second Tier Obligations (excluding any First Tier Obligations or Second Tier Obligations being refunded) and the First Tier Obligations then proposed to be delivered; and

(iii) the projected Senior Net Revenues for the current and each Fiscal Year after the date of such certificate are at least 1.10 times the annual Debt Service Requirements for each such Fiscal Year for all then Outstanding First Tier Obligations, Second Tier Obligations and Subordinate Tier Obligations (excluding any First Tier Obligations, Second Tier Obligations or Subordinate Tier Obligations being refunded) and the First Tier Obligations then proposed to be delivered; provided that for this clause (iii), the Corporation Representative may assume that Senior Net Revenues include the amounts forecasted to be on deposit in the Rate Stabilization Fund during any Construction and Ramp-up Period.

The Corporation is not required to certify as to the revenue coverage described above in connection with the issuance of any First Tier Obligations (i) issued to refund the Notes, the Series 2014B Bonds and/or the Series 2014C Bonds or (ii) initially delivered to USDOT or other Governmental Lender for certain eligible costs and the proceeds of which are to be used to retire any of the Notes, the Series 2014B Bonds and/or the Series 2014C Bonds.

Additional Second Tier Obligations. The Corporation may issue Second Tier Obligations in accordance with the requirements of the Trust Agreement, including delivery of a certificate by a Corporation Representative (except in the case of the issuance of refunding Second Tier Obligations to refund Outstanding First Tier Obligations and/or Second Tier Obligations where the annual Debt Service Requirements of such refunding Second Tier Obligations in any Fiscal Year is less than the aggregated Debt Service Requirements in each such Fiscal Year of the First Tier Obligations and Second Tier Obligations being refunded) certifying that:

(i) for the issuance of Second Tier Obligations which are to be TIFIA Obligations that could be deemed to be First Tier Obligations upon the occurrence and during the continuance of any Bankruptcy Related Event of the Corporation, the projected Senior Net Revenues for the current and each Fiscal Year after the date of such certificate are at least 1.50 times the annual Debt Service Requirements for each such Fiscal Year for all then Outstanding First Tier Obligations and any then Outstanding Second Tier Obligations and Subordinate Tier Obligations that are deemed to be First Tier Obligations upon the occurrence and during the continuance of any Bankruptcy Related Event of the Corporation (excluding any such First Tier Obligations, Second Tier Obligations and Subordinate Tier Obligations being refunded) and the Second Tier Obligations which are to be TIFIA Obligations then proposed to be delivered; and

(ii) the projected Senior Net Revenues for the current and each Fiscal Year after the date of such certificate are at least 1.30 times the annual Debt Service Requirements for each such Fiscal Year for all then Outstanding First Tier Obligations and Second Tier Obligations (excluding any First Tier Obligations or Second Tier Obligations being refunded) and the Second Tier Obligations then proposed to be delivered; and

(iii) the projected Senior Net Revenues for the current and each Fiscal Year after the date of such certificate are at least 1.10 times the annual Debt Service Requirements for each such Fiscal Year for all then Outstanding First Tier Obligations, Second Tier Obligations and Subordinate Tier Obligations (excluding any First Tier Obligations, Second Tier Obligations or Subordinate Tier Obligations being refunded) and the Second Tier Obligations then proposed to be delivered; provided that for this clause (iii), the Corporation Representative may assume that Senior Net Revenues include the amounts forecasted to be on deposit in the Rate Stabilization Fund during any Construction and Ramp-up Period.

The Corporation is not required to certify as to the revenue coverage described above in connection with the issuance of any Second Tier Obligations (i) issued to refund the Notes, the Series 2014B Bonds and/or the Series 2014C Bonds or (ii) initially delivered to USDOT or other Governmental Lender for certain eligible costs and the proceeds of which are to be used to retire any of the Notes, the Series 2014B Bonds and/or the Series 2014C Bonds.

Additional Subordinate Tier Obligations. The Corporation may issue additional Subordinate Tier Obligations in accordance with the requirements of the Trust Agreement, including delivery of a certificate by a Corporation Representative (except in the case of the issuance of refunding Subordinate Tier Obligations to refund Outstanding First Tier Obligations, Second Tier Obligations and/or Subordinate Tier Obligations which the annual Debt Service Requirements of such refunding Subordinate Tier Obligations in any Fiscal Year is less than the aggregated Debt Service Requirements of the First Tier Obligations, Second Tier Obligations and Subordinate Tier Obligations being refunded) certifying that:

(i) for the issuance of Subordinate Tier Obligations which are to be TIFIA Obligations that could be deemed to be First Tier Obligations upon the occurrence and during the continuance of any Bankruptcy Related Event of the Corporation, the projected Senior Net Revenues for the current and each Fiscal Year after the date of such certificate are at least 1.50 times the annual Debt Service Requirements for each such Fiscal Year for all then Outstanding First Tier Obligations and any then Outstanding Second Tier Obligations and Subordinate Tier Obligations that are deemed to be First Tier Obligations upon the occurrence and during the continuance of any Bankruptcy Related Event of the Corporation (excluding any such First Tier Obligations, Second Tier Obligations and Subordinate Tier Obligations being refunded) and the Subordinate Tier Obligations which are to be TIFIA Obligations then proposed to be delivered; and

(ii) the projected Senior Net Revenues for the current and each Fiscal Year after the date of such certificate are at least 1.10 times the annual Debt Service Requirements for each such Fiscal Year for all then Outstanding First Tier Obligations, Second Tier Obligations and Subordinate Tier Obligations (excluding any First Tier Obligations, Second Tier Obligations or Subordinate Tier Obligations being refunded) and the Subordinate Tier Obligations then proposed to be delivered; provided that for this clause (ii), the Corporation Representative may assume that Senior Net Revenues include the amounts forecasted to be on deposit in the Rate Stabilization Fund during any Construction and Ramp-up Period.

The Corporation is not required to certify as to the revenue coverage described above in connection with the issuance of any Subordinate Tier Obligations (i) such as the Notes, the Series 2014B Bonds and the Series 2014C Bonds which are collectively being issued to refund the Series 2013C Bonds and the Series 2013D Bonds, (ii) issued to refund the Notes, the Series 2014B Bonds and/or the Series 2014C Bonds or (iii) initially delivered to USDOT or other Governmental Lender for certain eligible costs and the proceeds of which are to be used to retire any of the Notes, the Series 2014B Bonds and/or the Series 2014C Bonds.

Completion Obligations. The Corporation may issue additional First Tier Obligations and/or Subordinate Tier Obligations ("*Completion Obligations*") to finance the costs of completion of the initial System without complying with the provisions described above for the issuance of additional Obligations. The aggregate principal amount of such Completion Obligations may not exceed 10% of the principal amount of the Series 2013 Obligations. Prior to the issuance of such Completion Obligations, the Corporation must deliver to the Trustee a certificate of the General Engineering Consultant stating: (i) that at the time the Series 2013 Obligations were issued, the Corporation had reason to believe that the proceeds of the Series 2013 Obligations, together with any other moneys then expected to be available, would provide sufficient moneys for the completion of the initial System (ii) the amount estimated to be needed to so complete the initial System; and (iii) that the proceeds of all such Completion Obligations to be applied to the completion of the initial System, together with a reasonable estimate by a Corporation Representative of (1) investment income to be earned on the proceeds of all such Completion Obligations and available to pay such costs, (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 in an amount not less than the estimated amount needed to complete the initial System set forth in such certificate of the General Engineering Consultant. The principal amount of the Completion Obligations may include the amount required to (I) provide completed and equipped facilities of substantially the same type and scope contemplated at the time the Series 2013 Obligations were originally issued, (II) provide for capitalized interest during the period of construction, (III) provide the required deposit, if any, in any reserve funds, and (IV) pay the costs and expenses of issuing such Completion Obligations.

TELA/Other Tier Debt Obligations. The Corporation, without the consent of any Owner, reserves the right to amend or supplement any Toll Equity Loan Agreement and execute and deliver additional Toll Equity Notes and the related Toll Equity Loan Agreements and incur the related additional TELA/Other Tier Debt Obligations to evidence any Toll

Equity Loan in connection with any Toll Equity Loan Agreement. See **"TOLL EQUITY LOAN AGREEMENT – Amendments."**

See **"APPENDIX C — DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE TRUST AGREEMENT AND THE FOURTH SUPPLEMENTAL AGREEMENT"** for further details on the issuance of additional First Tier Obligations, Second Tier Obligations, Subordinate Tier Obligations and TELA/Other Tier Obligations and the ability to amend or supplement the TELA or deliver additional Toll Equity Notes and related Toll Equity Loan Agreements.

Outstanding Obligations

Upon the issuance of the Notes, (i) the Series 2013A Bonds will be the only First Tier Obligations, (ii) the Notes, the Series 2013B Bonds, the Series 2013E Bonds, the Series 2014B Bonds and the Series 2014C Bonds will be the only Subordinate Tier Obligations, and (iii) the Toll Equity Loan Note will be the only TELA/Other Tier Obligations under the Trust Agreement. Upon the issuance of the Notes, there will be no outstanding Second Tier Obligations under the Trust Agreement; provided that if the Corporation obtains the TIFIA Loan, the TIFIA Loan will be issued as a Second Tier Obligation. See **"PLAN OF FINANCE -TIFIA Loan"** and **"TIFIA LOAN AGREEMENT."**

TIFIA LOAN AGREEMENT

TIFIA Loan

The delivery and effective date of the TIFIA Loan Agreement is expected to occur by February 2014. While the Corporation expects that the TIFIA Loan Agreement will be executed and delivered, the Corporation and USDOT are currently negotiating the final terms of such agreement and there are no assurances that the Corporation will be able to execute and deliver the TIFIA Loan Agreement. There may also be terms of the final TIFIA Loan Agreement that vary from the description that follows in this Official Statement. Any such changes are not expected to be material, but the Corporation makes no assurance as to the final form of the TIFIA Loan Agreement. After execution and delivery, the Corporation will promptly electronically file the final form of the TIFIA Loan Agreement with the Municipal Securities Rulemaking Board (the "MSRB") through its Electronic Municipal Market Access System ("EMMA").

As described below, it is expected that the TIFIA Loan Agreement will have certain conditions precedent to the funding of any disbursement of the TIFIA Loan. While the Corporation anticipates it will be able to meet such conditions at the time of any disbursement, there are no assurances that the facts and circumstances might change that would prevent the Corporation from meeting such conditions.

Pursuant to the TIFIA Loan Agreement, USDOT is anticipated to commit to extend the TIFIA Loan to the Corporation in an aggregate principal amount not to exceed \$840,645,000. The TIFIA Loan Agreement and the promissory note evidencing the TIFIA Loan (the *"TIFIA Note"*) will be Second Tier Non-TELA Obligations and the TIFIA Loan Agreement will be a Second Tier Credit Agreement. The TIFIA Loan will bear a fixed interest rate calculated by adding one basis point (0.01%) to the rate of U.S. Treasury securities of comparable maturity on the date of execution and delivery of the TIFIA Loan Agreement as such rate is published in the United States Treasury Bureau of Public Debt's daily rate tables for State and Local Government Series investments.

Any draw of the TIFIA Loan will be for the payment, reimbursement or refinancing of certain project costs of the System which are eligible to be financed with proceeds of the TIFIA Loan pursuant to federal law; provided, that total disbursements under the TIFIA Loan cannot exceed 33% of all such eligible costs of the System. Eligible costs include design, construction, oversight and certain financing costs (certain reserves, interest during construction and financing fees).

As an alternative to the Corporation's issuance of Subordinate Tier TELA Obligations to refund the Notes, the Series 2014B Bonds and/or the Series 2014C Bonds, the Corporation may draw on the TIFIA Loan at any time up to one year after substantial completion of Segments F-1, F-2 and G and apply the proceeds of such draw to retire such Notes, Series 2014B Bonds and/or Series 2014C Bonds if the Corporation determines such draw is more economical than the issuance of Subordinate Tier TELA Obligations. Because the proceeds of the TIFIA Loan would be used to a plan of finance related to the retirement of the Notes, the Series 2014B Bonds and/or the Series 2014C Bonds, the description of the TIFIA Loan and TIFIA Loan Agreement herein omits any discussion of the repayment and remedy provisions of the TIFIA Loan Agreement. See **"PLAN OF FINANCE - General."**

Disbursement Request

Corporation requests of USDOT for TIFIA Loan disbursements have to be submitted in the form of requisition attached to the TIFIA Loan Agreement which form contains certain representations of the Corporation.

Disbursement of the TIFIA Loan is subject to the following conditions precedent, among others:

- No event of default under the TIFIA Loan Agreement and no event which with the giving of notice or the passage of time or both would constitute an event of default thereunder shall have occurred and be continuing;
- No event of default under the Project Agreement, the Master Custodial Agreement, the Toll Rate Agreement, the TELA, the Master Trust Agreement, as amended and supplemented, the Market Valuation Waiver Agreement, the Development Agreement and each of the design-bid-build contracts relating to Segments D and E (collectively, the "*TIFIA Related Documents*") and no event which with the giving of notice or the passage of time or both would constitute an event of default under any such agreements shall have occurred and be continuing;
- Evidence that the disbursement requested does not exceed a maximum of 33% of eligible project costs relating to the System and that total federal assistance to the System does not exceed 80% of eligible project costs;
- Evidence of the insurance policies required under the Master Trust Agreement being in full force and effect, and no notice of termination thereof has been issued by the applicable insurance provider, unless the Corporation has adopted a self insurance program as provided in Master Trust Agreement;
- Certification that the representations and warranties of the Corporation set forth in the TIFIA Loan Agreement and in each other TIFIA Related Documents shall be true and correct in all material respects as of each date on which any disbursement of the TIFIA Loan is made, except to the extent such representations and warranties expressly relate to an earlier date (in which case, such representations and warranties shall be true and correct in all material respects (except to the extent any such representation and warranty itself is qualified by "materiality" or a similar qualifier, in which case, it shall be true and correct in all respects) as of such earlier date);
- Certification that since September 24, 2013, the date the Corporation submitted its application for the TIFIA Loan to USDOT, there shall not have occurred a material adverse change in (a) the rights or authority of the Commission to set, charge and collect tolls on the System, (b) the right or authority of the Corporation or TxDOT, as applicable, whether directly or indirectly through contract with a third party, to construct or operate and maintain the System, (c) the legality, validity or enforceability of any material provision of the Trust Agreement, the TIFIA Loan Agreement, the TIFIA Note, the Project Agreement, the Development Agreement and each of the design-bid-build contracts relating to Segments D and E, (d) the validity, perfection or priority of the liens provided under the Master Trust Agreement, as amended and supplemented on the Trust Estate in favor of the secured parties thereto or (e) USDOT's rights or remedies available under the TIFIA Loan Agreement and the TIFIA Note; and
- Delivery by the Corporation of such other agreements, documents, certificates, instruments, opinions and other items then required by USDOT.

Representations, Warranties and Covenants

Pursuant to the terms of the TIFIA Loan Agreement, the Corporation will provide certain customary representations, warranties and covenants as of (i) the date of execution and delivery of the TIFIA Loan Agreement and (ii) each date on which a disbursement of the TIFIA Loan is requested or made. In addition, the Corporation will undertake to comply with certain covenants, for the benefit of USDOT, including, but not limited to:

Compliance with Laws. The Corporation represents that the Corporation, TxDOT and the Commission are in compliance in all material respects with, and has conducted (or caused to be conducted) its business and operations and the business and operations of the System in compliance in all material respects with, all applicable laws. The Corporation shall, and shall require its contractors and subcontractors to, abide by all applicable federal and state laws. The USDOT Federal Highway Administration, Texas Division ("*FHWA –Texas Office*") has oversight responsibility for ensuring compliance with

all applicable provisions of federal law. The Corporation agrees to cooperate with TxDOT and the FHWA –Texas Office in carrying out their duties under the relevant oversight agreement. The Corporation agrees that there will be no irreversible or irretrievable commitment of resources, including physical construction, before all state and/or federal environmental permits required for commencement of construction of the relevant portion of the System are finalized and approved by the appropriate resource agencies. In the event that an environmental permit that has not been obtained is required after construction has begun, the Corporation shall take immediate steps to acquire that permit. If the Corporation begins construction before all required permits have been obtained, Corporation shall assume the risk of any loss associated therewith.

No Conflict with TIFIA Related Documents. The Corporation represents and warrants that the execution and delivery of the TIFIA Related Documents to which the Corporation is a party, the consummation of the transactions contemplated in the TIFIA Related Documents and the fulfillment of or compliance with the terms and conditions of the TIFIA Related Documents will not (i) conflict with the Corporation's organizational documents or Chapter 431, Texas Transportation Code, the Nonprofit Corporation Act, Chapter 22, Business Organization Code, Section 228.053, Texas Transportation Code and Chapter 1371, Texas Government Code, all as amended from time to time, or (ii) conflict in any material respect with, or constitute a violation, breach or default (with due notice or the passage of time or both) by the Corporation of or under, any applicable law or administrative rule or regulation, or any applicable court or administrative decree or order, or any indenture, mortgage, deed of trust, loan agreement, lease, contract or other agreement or instrument to which the Corporation is a party or by which it or its properties are otherwise subject or bound, or result in the creation or imposition of any prohibited lien, charge or encumbrance of any nature whatsoever upon any of the property or assets of the Corporation.

Permitted Indebtedness. Under the TIFIA Loan Agreement, the Corporation may, without USDOT approval, issue or incur indebtedness in accordance with the provisions of the Master Trust Agreement; provided, however, so long as the TIFIA Loan is outstanding, the Corporation shall not issue First Tier Obligations or Second Tier Obligations as Toll Equity Loan Supported Obligations.

Rate Coverage. Under the TIFIA Loan Agreement, the Corporation shall, subject to the remainder of this paragraph, take steps to cause the Commission to fix, charge and collect rates and charges for the System as provided in the Toll Rate Agreement, such that Net Cash Flow, defined below, in any twelve month period ending on either April 1 or October 1 shall be projected to produce a Senior Debt Service Coverage Ratio, defined below, at least equal to 1.30 in such period (the "Rate Coverage Test"); provided, the Corporation may apply amounts forecasted to be on deposit in the Rate Stabilization Fund in meeting the Rate Coverage Test during any Construction and Ramp-Up Period pursuant to the Toll Rate Agreement. "Net Cash Flow" means, with respect to any period, an amount equal to (a) all Revenues of the System received by the Corporation during such period (excluding liquidated damages (other than delay liquidated damages), loss proceeds, and other extraordinary non-recurring items) minus (b) the Senior Operating Expenses for such period. "Senior Debt Service Coverage Ratio" means, for any period, the ratio of Net Cash Flow for such period to debt service on First Tier Obligations and Second Tier Obligations, including the TIFIA Loan, for such period.

Additional Covenants. The following briefly summarizes certain additional covenants of the Corporation (which covenants may be qualified by materiality and other exceptions).

- The Corporation shall use the proceeds of the TIFIA Loan only to pay, or to reimburse the Corporation for, eligible project costs as provided in the TIFIA Loan Agreement;
- The Corporation shall at all times maintain insurance on the System in accordance with the requirements set forth in the Master Trust Agreement and, otherwise, with responsible insurers, or maintain a self-insurance program, 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 in accordance with the requirements of the Master Trust Agreement;
- The Corporation shall maintain its existence as a transportation corporation under the laws of the State;
- The Corporation shall not at any time (i) amend or modify its organizational documents (other than any amendment or modification of a ministerial nature and that is not adverse to the interests of any secured party under the Master Trust Agreement, as amended and supplemented, or in the Trust Estate) or (ii) adopt any fiscal year other than the Corporation's current fiscal year, except with the prior written notice to USDOT;
- Without the prior written consent of USDOT, the Corporation shall not willfully consolidate with or merge into another entity unless (i) such merger or consolidation is with or into another entity established and

controlled by the Commission or TxDOT and does not adversely affect or impair to any extent or in any manner (x) the Revenues of the System or (y) the availability of the Revenues of the System for the payment and security of the obligations of the Corporation under the TIFIA Loan Agreement;

- The Corporation shall not, nor shall it knowingly permit the Developer (or other party to the Development Agreement other than the Corporation) so long as the Development Agreement remains in effect (the "*Principal Project Party*") or any Person, as defined in the TIFIA Loan Agreement, owning (excluding Persons owning securities effected on a recognized public stock exchange, unless such securities were acquired in a transaction involving an initial public offering) or controlling the Corporation or the Principal Project Party, in each case if the Office of Foreign Assets Control of the United States Department of the Treasury ("*OFAC*") regulations are applicable to such entity, to (i) violate (A) any applicable anti-money laundering laws, including those contained in the Bank Secrecy Act, (B) any applicable economic sanction laws administered by OFAC or by the United States Department of State, or (C) any applicable anti-drug trafficking, anti-terrorism, or anti-corruption laws, civil or criminal; or (ii) be a Person (A) that is charged with, or has reason to believe that he, she or it is under investigation for, any violation of any such laws, (B) that has been convicted of any violation of, has been subject to civil penalties pursuant to, or had any of its property seized or forfeited under any such laws, (C) that is named on the list of "Special Designated Nationals or Blocked Persons" maintained by OFAC (or any successor United States government office or list), or any similar list maintained by the United States Department of State (or any successor United States government office or list), (D) with whom any United States Person, any entity organized under the laws of the United States or its constituent states or territories, or any entity, regardless of where organized, having its principal place of business within the United States or any of its territories, is prohibited from transacting business of the type contemplated by the TIFIA Loan Agreement and the other TIFIA Related Documents under any other applicable law, (E) that is owned, controlled by, or affiliated with any Person identified in clause (A), (B), (C) or (D) of this clause (ii), or (F) is in violation of any obligation to maintain appropriate internal controls as required by the governing laws of the jurisdiction of such Person as are necessary to ensure compliance with the economic sanctions, anti-money laundering and anti-corruption laws of the United States and the jurisdiction where the Person resides, is domiciled or has its principal place of business. The Corporation's knowledge regarding the compliance by the Principal Project Party or any Person owned by or controlling the Principal Project Party may be established by certifications to the Corporation by such Person or party. The Corporation shall not knowingly make a payment to any Principal Project Party that has violated any of the laws referenced in clause (i) of the preceding sentence or that is a Person described in clause (ii) of the preceding sentence;
- The Corporation shall, commencing in 2014, no later than the last business day of June of each year during the term of the TIFIA Loan provide to USDOT a rating on any First Tier Obligations and Second Tier Obligations, including the TIFIA Loan, by a nationally recognized rating agency, in each case prepared no earlier than June 1 of such year;
- Except for the transactions expressly contemplated in the Project Agreement, the Development Agreement, any of the design-bid-build contracts relating to Segments D and E or the Master Trust Agreement, the Corporation shall not sell or transfer any property or assets to, or purchase or acquire any property or assets of, or otherwise engage in any other transactions materially adverse to the Corporation, and in each case in connection with the System with any other governmental authority (including the governmental authorities of the State);
- The Corporation shall diligently prosecute the work relating to the System and complete the System in accordance with the construction schedule, and in accordance with the highest standards of the Corporation's industry, using its best efforts at all times;
- The Corporation shall (A) operate and maintain the System (1) in a reasonable and prudent manner and (2) substantially in accordance with the financial plan attached to the TIFIA Loan Agreement (except as necessary to prevent or mitigate immediate threats to human health and safety or to prevent or mitigate physical damage to material portions of the System) and (B) maintain the System in good repair, working order and condition and in accordance with the requirements of the Master Trust Agreement. The Corporation shall at all times do or cause to be done all things necessary to obtain, preserve, renew, extend and keep in full force and effect the rights, licenses, permits, franchises and authorizations material to the conduct of its business, and comply in all material respects with all applicable federal, state and local laws, rules, regulations, orders, decrees, judgments or administrative decisions, whether now in effect or

hereafter enacted, of any governmental authority having jurisdiction over the Corporation or its assets or operations;

- The Corporation shall not, without the prior written consent of USDOT, either (i) extinguish the liens on the Trust Estate, except as provided under the Trust Agreement, (ii) amend, modify or supplement any TIFIA Related Document in a manner that could adversely affect USDOT in connection with the TIFIA Loan, (iii) waive or permit a waiver of any provision of any TIFIA Related Document in a manner that could adversely affect USDOT in connection with the TIFIA Loan, or (iv) terminate, assign, amend or modify, or waive timely performance by any party of material covenants under the Project Agreement, the Development Agreement and each of the design-bid-build contracts relating to Segments D and E except for termination, assignment, amendment, modification or waiver that could not reasonably be expected to have a material adverse change in (a) the System, (b) the business, operations, properties, condition (financial or otherwise) or prospects of the Corporation or the System, (c) the legality, validity or enforceability of any material provision of the Master Trust Agreement, as amended and supplemented, the TIFIA Loan Agreement, the TIFIA Note, the Project Agreement, the Development Agreement and each of the design-bid-build contracts relating to Segments D and E, (d) the ability of the Corporation or the Principal Project Party to perform or comply with any of its material obligations under the Master Trust Agreement, as amended and supplemented, the TIFIA Loan Agreement, the TIFIA Note, the Project Agreement, the Development Agreement and each of the design-bid-build contracts relating to Segments D and E to which it is a party, (e) the validity, perfection or priority of the liens provided under the Master Trust Agreement, as amended and supplemented, on the Trust Estate in favor of the secured parties thereto or (f) USDOT's rights or remedies available under the Master Trust Agreement, as amended and supplemented, the TIFIA Loan Agreement and the TIFIA Note (collectively, a "Material Adverse Effect");
- Except for Permitted Liens, as defined in the TIFIA Loan Agreement, the Corporation shall not create, incur, assume or permit to exist any Lien on the Revenues of the System or assign or sell any income or revenues (including accounts receivable) or rights in respect of any thereof;
- The Corporation shall not sell or assign its rights in and to the System, a substantial portion of the assets included in the System, or its rights and obligations under any TIFIA Related Document, unless such sale or assignment could not reasonably be expected to result in a Material Adverse Effect and is made by the Corporation in the ordinary course of business;
- The Corporation shall not, without the prior written consent of USDOT, enter into certain additional agreements related to the Initial Project (or series of related contracts or agreements) that commits the Corporation to spend, or is reasonably expected to involve expenditures by the Corporation of, more than \$10,000,000; and
- The Corporation will not at any time engage in any business or activity other than the design, construction, operation and maintenance of the System and activities incidental or related thereto.

Events of Default

The following events are expected to constitute events of default under the TIFIA Loan Agreement:

- Failure to pay any of the principal amount of or interest due and payable on the TIFIA Loan;
- A failure by the Corporation to observe or perform any covenant, agreement or obligation of the Corporation, respectively, under the TIFIA Loan Agreement, the TIFIA Note or the Master Trust Agreement, as amended and supplemented, (other than in the case of any payment default or any development default), and such failure shall not be cured within 30 days after receipt by the Corporation from USDOT of written notice thereof provided, however, that if such failure is capable of cure but cannot reasonably be cured within such 30-day period, then no event of default shall be deemed to have occurred or be continuing under this provision if and so long as within such 30-day period the Corporation shall commence actions reasonably designed to cure such failure and shall diligently pursue such actions until such failure is cured, provided such failure is cured within 180 days of the first occurrence of such failure;
- A development default shall occur;

- Any of the representations, warranties or certifications of the Corporation made in or delivered pursuant to the TIFIA Loan Agreement, the TIFIA Note and the Master Trust Agreement, as amended and supplemented, (or in any certificates delivered by the Corporation in connection with such documents) shall prove to have been false or misleading in any material respect when made;
- Any of the representations, warranties or certifications of the Corporation made in or delivered pursuant to the Master Trust Agreement, as amended and supplemented, or made in or delivered pursuant to the document (the "*Other Loan Documents*") under which any indebtedness of the Corporation, other than the Series 2013A Bonds, in an aggregate principal amount equal to or greater than \$1,000,000 that is senior to, or in parity with, the TIFIA Loan in right of payment or in right of security (an "*Other Material Indebtedness*") shall be created or incurred, shall prove to be false or misleading in any material respect (each a "*Misrepresentation Default*"), or any default shall occur in respect of the performance of any covenant, agreement or obligation of the Corporation under the Master Trust Agreement, as amended and supplemented, or the Other Loan Documents, and such default shall be continuing after the giving of any applicable notice and the expiration of any applicable grace period specified in the Master Trust Agreement, as amended and supplemented, or the Other Loan Documents (as the case may be) with respect to such default (each a "*Covenant Default*") and the Corporation shall have failed to cure such Misrepresentation Default or Covenant Default or to obtain an effective written waiver thereof in accordance with the terms of such Series 2013A Bonds or Other Material Indebtedness;
- The Corporation shall default in the timely performance of any covenant, agreement or obligation under any TIFIA Related Document or any TIFIA Related Document shall be terminated prior to its scheduled expiration (unless in any case such default or termination could not reasonably be expected to have a Material Adverse Effect, and the Corporation shall have failed to cure such default or to obtain an effective written waiver thereof, or to obtain an effective revocation of such termination (as the case may be); provided, however, that no event of default shall be deemed to have occurred or be continuing under this clause if, in the case of any termination of the Project Agreement, the Development Agreement or each of the design-bid-build contracts relating to Segments D and E, the Corporation replaces such agreement with a replacement agreement (1) entered into with another counterparty that (I) is of similar or greater creditworthiness and experience as the counterparty being replaced (or otherwise reasonably acceptable to USDOT) and (II) is not, at the time of such replacement, suspended or debarred or subject to a proceeding to suspend or debar from bidding, proposing or contracting with any federal or state department or agency, (2) on substantially the same terms and conditions as the agreement being replaced (or otherwise reasonably acceptable to USDOT) and (3) effective as of the date of termination of the agreement being replaced;
- One or more judgments for the payment of money in an aggregate amount in excess of \$1,000,000 (inflated annually by the Consumer Price Index for All Urban Consumers ("*CPI-U*") for the U.S. City Average for All Items, 1982-84=100 (not seasonally adjusted), or its successor, published by the Bureau of Labor Statistics, with January 2013 as the base period) and not otherwise covered by insurance shall be rendered against the Corporation and the same shall remain undischarged for a period of thirty (30) consecutive days during which execution shall not be effectively stayed, or any action shall be legally taken by a judgment creditor to attach or levy upon any assets of the Corporation to enforce any such judgment;
- The Corporation shall fail to maintain its existence as a transportation corporation duly existing under Chapter 431, Texas Transportation Code, the Nonprofit Corporation Act, Chapter 22, Business Organization Code, Section 228.053, Texas Transportation Code and Chapter 1371, Texas Government Code, all as amended from time to time;
- A Bankruptcy Related Event, as defined in the TIFIA Loan Agreement, shall occur with respect to the Corporation, TxDOT or the Commission;
- The Corporation shall abandon the System; or
- Operation of the System shall cease for a continuous period of not less than one hundred eighty (180) days unless such cessation of operations shall occur by reason of an "Uncontrollable Force," as defined in the TIFIA Loan Agreement, and the Corporation shall be self-insured in an amount sufficient to cover, or shall have in force an insurance policy or policies under which the Corporation is entitled to recover

substantially all debt service on First Tier Obligations, debt service due on the TIFIA Loan and costs and expenses of the Corporation during such cessation of operations.

TOLL EQUITY LOAN AGREEMENT

General

Capitalized terms used in this section "TOLL EQUITY LOAN AGREEMENT" not otherwise defined herein have the meaning set forth in "APPENDIX D — TOLL EQUITY LOAN AGREEMENT." The Corporation has entered into the TELA with TxDOT. **The Notes are NOT entitled to the benefit of the TELA and are NOT TELA Bonds; however, the Notes are also payable from a pledge of the proceeds of any Subordinate Tier TELA Obligations when and if issued to refund the Notes in the future.**

Pursuant to the TELA, TxDOT will make a toll equity loan (the "*Toll Equity Loan*") available to the Corporation in the maximum aggregate principal amount of \$9.6 billion, limited as described herein (the "*Maximum Available Aggregate Amount*"). As a result of the issuance of the Notes, the Series 2014B Bonds and the Series 2014C Bonds to collectively refund the Series 2013C Bonds and the Series 2013D Bonds, the Corporation will, prior to the issuance and delivery of the Notes, enter into a first amendment to the TELA with TxDOT in accordance with the terms of the TELA and the Trust Agreement to revise the Maximum Available Annual Amounts to reflect the results of such refunding and an assumed refunding of the Notes with Subordinate Tier TELA Obligations. The Maximum Available Annual Amounts shown in this Official Statement reflects such amendment. See "**— Maximum Available Annual Amount and Annual TELA-Supported Debt Service and TELA Supported Junior Operating Expenses.**"

The TELA contains the representations, commitments and obligations of the Corporation and TxDOT related to TxDOT's agreement to make advances of funds in respect of Eligible Costs (as defined below) relating to the development, construction, operation, maintenance and financing of the System and possible extensions and expansions of the Grand Parkway Project paid by the Corporation, up to the Maximum Available Aggregate Amount (the "*Toll Equity Loan Commitment*"), subject to certain other limitations in the TELA, when toll revenues and Trust Agreement fund balances are insufficient for such purposes. The Toll Equity Loan Commitment will not exceed the Maximum Available Aggregate Amount and advances thereunder may not cause the aggregate principal amount of all advances (i) in any of the Draw Periods to exceed the Maximum Available Annual Amount applicable to any such Draw Periods as set forth below (see "**— Maximum Available Annual Amount and Annual TELA-Supported Debt Service and TELA Supported Junior Operating Expenses**" below), and (ii) taking into account such advance and all prior advances, to exceed the aggregate amount of Eligible Costs. In no event may any advance cause the aggregate amount of all advances under the TELA to exceed the amount of Eligible Costs. As used herein, "*Eligible Costs*" are amounts expended or incurred, or reasonably anticipated to be expended or incurred, by the Corporation for Project Costs, Major Maintenance Expenses and Operating Expenses (which includes TELA Supported Junior Operating Expenses for Segments D (Harris County), E, F-1, F-2 and G). The obligation of TxDOT to make advances under the TELA is also subject to legislative appropriation as described under "**— Appropriation and Other Matters Affecting TxDOT TELA Advances**" below. See "APPENDIX D — TOLL EQUITY LOAN AGREEMENT" for a copy of the TELA (excluding its appendices with the exception of Appendix D thereto setting out the initial project budget).

Toll Equity Loan

At any time that Revenues of the System and balances in certain Trust Agreement funds and accounts are insufficient to pay debt service on the TELA Bonds or certain operations and maintenance costs, advances under the TELA may be used to pay debt service on the TELA Bonds as well as Operating Expenses and Major Maintenance Expenses during the term of the Toll Equity Loan and, in all cases, up to the Maximum Available Aggregate Amount, to the extent amounts to be drawn or advanced are within the amount of Eligible Costs calculated from time to time in accordance with the TELA and subject to the Maximum Available Annual Amounts for each year and the Maximum Permitted Amount, each as set forth in the TELA. Disbursements of the Toll Equity Loan are available during each year the TELA Bonds are outstanding in Maximum Available Annual Amounts ranging from approximately \$3.1 million to \$582.2* million and may only be drawn upon if Revenues of the System and certain fund balances under the Trust Agreement are insufficient to pay debt service on the TELA Bonds, Operating Expenses or Major Maintenance Expenses when due. Each such draw shall be requested by the Trustee, pursuant to a certificate demonstrating, among other things, an insufficiency of the amounts available in any capitalized interest fund, the Revenue Fund, the applicable Debt Service Funds, the Junior Operation and Maintenance Fund, the Operation and Maintenance Reserve Fund, the Major Maintenance Fund, the Rate Stabilization Fund and the Grand Parkway Enhancement Fund for the purposes permitted therefor under the Trust Agreement, and that the requested draw does not exceed (i) the Maximum Permitted Amount, (ii) when added to the amounts advanced under the Toll Equity Loan

*Preliminary, subject to change.

Commitment during the current draw period, will not exceed the Maximum Available Annual Amount for such draw period and (iii) when added to all advances under the Toll Equity Loan Commitment will not exceed the aggregate amount of Eligible Costs. The Trustee may not draw upon the TELA to pay either (i) the redemption price of any TELA Bonds due as a result of an optional redemption of such TELA Bonds by the Corporation or (ii) the purchase price of any TELA Bonds due as a result of an optional or mandatory tender for such TELA Bonds. See **"RISK FACTORS — Conditions Affecting TELA Advances by TxDOT – Other TELA Issues."**

The *"Maximum Permitted Amount"* is the debt service payments associated with the TELA Project Debt (including the TELA Bonds) for the applicable period for which an advance is requested, plus Operating Expenses and Major Maintenance Expenses up to the amounts for the applicable period as set forth in the annual budget approved by the Corporation and TxDOT, but minus (i) balances available in the Trust Agreement funds for the payment of capitalized interest on such TELA Project Debt for the applicable period to the extent that a portion of a requested advance is to be used to pay interest on such TELA Project Debt, (ii) any deposit of Revenues into the applicable Debt Service Funds that are available to pay principal of or interest on such TELA Project Debt, and (iii) any amounts in the Junior Operation and Maintenance Fund, Operation and Maintenance Reserve Fund, Major Maintenance Fund, Rate Stabilization Fund and Grand Parkway Enhancement Fund that are available to pay principal and interest on TELA Project Debt, Operating Expenses and Major Maintenance Expenses, as applicable; provided, however, that for purposes of calculating the Maximum Permitted Amount, debt service associated with the applicable TELA Project Debt will not include (i) the redemption price of any TELA Project Debt due as a result of the Corporation's election to optionally redeem such TELA Project Debt or (ii) the purchase price of any TELA Project Debt due as a result of any optional or mandatory tender of such TELA Project Debt. The initial project budget is set out in Appendix D to the TELA (see **"APPENDIX D – TOLL EQUITY LOAN AGREEMENT"**). The project budget may be amended by mutual agreement of the Corporation and TxDOT within 90 days of Substantial Completion of the last segment of Segments D (Harris County), E, F-1, F-2 or G to achieve Substantial Completion.

Advances under the TELA are subject to the Maximum Available Aggregate Amount, but shall not exceed with any advance (i) the Maximum Permitted Amount for the applicable period, (ii) when added to other amounts advanced under the Toll Equity Loan Commitment during the current Draw Period, the Maximum Available Annual Amount for such Draw Period and (iii) when taking into account such advance and all prior advances, the aggregate amount of Eligible Costs. In addition to the foregoing limitations, the obligations of TxDOT to make advances under the TELA are subject to legislative appropriation by the State Legislature in a manner that would allow use of the funds to be advanced for such purpose. The legislative appropriation requirements, together with the Maximum Available Aggregate Amount, the Maximum Available Annual Amount, the Maximum Permitted Amount and the Eligible Cost limitations are referred to herein as the *"TxDOT Exposure Limitations."*

If the principal amount of advances under the Toll Equity Loan Commitment made in a given Draw Period is less than the Maximum Available Annual Amount for such Draw Period (or if no Toll Equity Loans have been made in such Draw Period), the difference will not be carried forward and may not be applied to increase the amount available to be advanced in any future Draw Period. Amounts drawn under the Toll Equity Loan must be repaid by the Corporation and such amount and interest thereon will constitute TELA/Other Tier Obligations under the Trust Agreement and will be subordinate to the Notes and Junior Operating Expenses. The unpaid amount of each advance under the Toll Equity Loan Commitment will bear interest from the date of such advance to the date on which such advance and the interest thereon are repaid in full at a rate per annum equal to the ten-year "Aaa (pure)" rate provided by Municipal Market Data and published in The Bond Buyer under the caption "Municipal Market Data General Obligation Yields" on the day such advance is made, plus 100 basis points; provided, however, if the ten year "Aaa (pure)" rate is no longer provided by Municipal Market Data, the rate to be used in its place shall be that rate which most closely replicates such rate, as agreed to by the Corporation and TxDOT.

The Notes are NOT entitled to the benefit of the TELA and are NOT TELA Bonds; however, the Notes are also payable from a pledge of the proceeds of any Subordinate Tier TELA Obligations when and if issued to refund the Notes in the future. The Corporation will revise the Maximum Available Annual Amounts under the TELA for each year so that such amounts will equal or exceed the total debt service for the TELA Bonds and an assumed refunding of the Notes with Subordinate Tier TELA Obligations plus currently estimated TELA Supported Junior Operating Expenses for each such year. Notwithstanding the foregoing, there are no assurances that the Maximum Available Annual Amount will be sufficient to cover actual TELA Supported Junior Operating Expenses in any particular year. While Major Maintenance Expenses are an Eligible Cost under the TELA, the Maximum Available Annual Amount is not expected to be sufficient to cover the combination of total debt service for the TELA Bonds and an assumed refunding of the Notes with Subordinate Tier TELA Obligations plus currently estimated TELA Supported Junior Operating Expenses plus Major Maintenance Expenses in any given year. See **"RISK FACTORS - Conditions Affecting TELA Advances by TxDOT – Other TELA**

Issues." See "**APPENDIX A — THE TEXAS DEPARTMENT OF TRANSPORTATION AND THE STATE HIGHWAY FUND**" for additional information regarding TxDOT and the State Highway Fund.

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Maximum Available Annual Amount and Annual TELA-Supported Debt Service and TELA Supported Junior Operating Expenses

The following table sets out the Maximum Available Annual Amount under the TELA and the estimated aggregate amount of debt service on the TELA Bonds (assuming a refunding of the Notes with Subordinate Tier TELA Obligations) and TELA Supported Junior Operating Expenses in each year through the final maturity of such obligations.

FYE 31-Aug	TELA Supported Net Debt Service ^{(1)*}	Estimated TELA Supported Junior Operating Expenses ⁽²⁾	Annual TELA Supported Debt Service and Estimated TELA Supported Junior Operating Expenses*	TELA Maximum Available Annual Amount ("MAAA")*	TELA MAAA / Annual TELA Supported Debt Service and Estimated TELA Supported Junior Operating Expenses*
A	B	C = A + B	D	E = D / C	
2014	\$ 0	\$ 3,109,364	\$ 3,109,364	\$ 6,895,357	221.8%
2015	0	5,546,501	5,546,501	33,941,451	611.9%
2016	4,818,155	14,475,113	19,293,268	47,935,498	248.5%
2017	265,793,185	22,242,952	288,036,137	309,667,801	107.5%
2018	267,592,080	25,972,967	293,565,047	295,087,281	100.5%
2019	248,156,480	29,717,317	277,873,797	279,314,667	100.5%
2020	249,196,080	32,700,746	281,896,826	283,358,557	100.5%
2021	256,016,880	35,720,910	291,737,791	293,250,549	100.5%
2022	251,560,880	38,635,026	290,195,907	291,700,670	100.5%
2023	77,090,480	41,919,838	119,010,319	119,627,427	100.5%
2024	90,969,257	45,352,833	136,322,090	137,028,966	100.5%
2025	104,848,033	48,972,632	153,820,665	154,618,277	100.5%
2026	104,848,033	52,399,969	157,248,002	158,063,386	100.5%
2027	104,848,033	54,973,631	159,821,664	160,650,393	100.5%
2028	104,848,033	58,028,326	162,876,359	163,720,928	100.5%
2029	104,848,033	61,353,830	166,201,863	167,063,676	100.5%
2030	106,886,305	64,521,623	171,407,928	172,296,736	100.5%
2031	111,640,934	67,908,444	179,549,378	180,480,402	100.5%
2032	116,123,990	71,600,207	187,724,198	188,697,611	100.5%
2033	120,865,085	75,372,096	196,237,182	197,254,737	100.5%
2034	125,646,330	79,538,010	205,184,340	206,248,291	100.5%
2035	130,682,452	84,023,176	214,705,628	215,818,949	100.5%
2036	135,860,735	88,747,114	224,607,849	225,772,517	100.5%
2037	140,952,019	92,866,925	233,818,944	235,031,374	100.5%
2038	145,060,868	97,531,392	242,592,260	243,850,183	100.5%
2039	148,210,062	102,254,451	250,464,513	251,763,256	100.5%
2040	150,325,636	107,153,029	257,478,665	258,813,779	100.5%
2041	151,499,787	111,273,567	262,773,354	264,135,922	100.5%
2042	151,490,670	116,028,782	267,519,452	268,906,631	100.5%
2043	118,998,065	121,142,466	240,140,531	241,385,741	100.5%
2044	77,545,768	126,585,603	204,131,370	205,189,861	100.5%
2045	151,108,243	131,695,151	282,803,393	284,269,825	100.5%
2046	147,142,078	136,840,701	283,982,778	285,455,325	100.5%
2047	142,316,978	141,929,896	284,246,874	285,720,790	100.5%
2048	136,609,171	147,353,328	283,962,499	285,434,941	100.5%
2049	130,201,906	153,105,230	283,307,136	284,776,179	100.5%
2050	122,938,269	158,943,444	281,881,713	283,343,365	100.5%
2051	309,486,731	164,551,313	474,038,044	476,496,092	100.5%
2052	409,014,831	170,210,023	579,224,855	582,228,331	100.5%
2053	396,257,625	175,481,992	571,739,617	574,704,280	100.5%
\$6,112,298,182	\$3,357,779,917	\$9,470,078,099	\$9,600,000,000		

Note: Totals may not add due to rounding.

* Preliminary, subject to change. Includes the Notes, the Series 2014B Bonds and the Series 2014C Bonds. Excludes the Refunded Bonds and the Series 2013D Bonds being refunded by the Series 2014C Bonds.

⁽¹⁾ Net of capitalized interest; assumes refunding of the Notes with Subordinate Tier TELA Obligations on the maturity date for the Notes. See "PLAN OF FINANCE – General."

⁽²⁾ As estimated by the Grand Parkway Engineer's Report prepared by Jacobs Engineering Group Inc. If actual Revenues of the System and/or TELA Supported Junior Operating Expenses differ from their estimates, the Maximum Available Annual Amount may not be sufficient to cover TELA Supported Junior Operating Expenses. See "RISK FACTORS - Conditions Affecting TELA Advances by TxDOT – Other TELA Issues."

Pledge and Assignment

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

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

Appropriation and Other Matters Affecting TxDOT TELA Advances

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

Although the TELA does not specify a particular source of funds for making advances, TxDOT has stated its current intention is to make payments from the State Highway Fund (the "*State Highway Fund*"). The State Highway Fund is the general source for a substantial portion of funding for the State highway system, TxDOT, and the administration of State laws relating to traffic and safety on public roads. The revenues deposited into the State Highway Fund are comprised of federal transportation program funds (or reimbursements from federal funds), State motor fuel taxes, State motor vehicle registration fees and State motor lubricants sales taxes, which revenues may fluctuate based on certain factors. With respect to the priority of payments to be made from revenues in the State Highway Fund, TxDOT's payments of amounts due under the TELA (together with payments under all other toll equity agreements and pass-through toll agreements) have a lower priority of payment from the State Highway Fund than the payment of any outstanding TxDOT bond and credit obligations and commercial paper or tax and revenue anticipation notes, but have the same priority of payment as TxDOT's pass-through toll agreement obligations, other toll equity loan agreements, payments made for the delivery of Comprehensive Development Agreements ("*CDAs*") and similar obligations. Additionally, TxDOT has the ability to establish additional liens for obligations that may be senior to or on parity with its TELA obligations. See "**RISK FACTORS — Conditions Affecting TELA Advances by TxDOT — TxDOT Obligations Payable from the State Highway Fund**" and "**APPENDIX A — THE TEXAS DEPARTMENT OF TRANSPORTATION AND THE STATE HIGHWAY FUND**" for additional information regarding TxDOT and the State Highway Fund.

Term

The undisbursed amount of the Toll Equity Loan Commitment will be available for advances until the earlier of (i) the final maturity date of the TELA Project Debt, including the TELA Bonds and any bonds issued to redeem or defease, in whole or in part, the outstanding principal amount of such TELA Project Debt, the interest on and principal of which is eligible to be paid from advances under the Toll Equity Loan Commitment, and (ii) the date of the defeasance or refunding in whole of such debt, the effect of which is to terminate the Toll Equity Loan Commitment.

Annual Fee

On the first day of the Fiscal Year following the 10th anniversary of the effective date of the TELA and on the first day of each Fiscal Year thereafter, the Corporation shall pay to TxDOT, from unencumbered amounts on deposit in the Grand Parkway Enhancement Fund, a non-refundable amount equal to three percent of that Fiscal Year's Maximum Available Annual Amount. The Corporation's failure to pay such amounts shall not constitute a default under the TELA, unless sufficient unencumbered funds are on deposit in the Grand Parkway Enhancement Fund to make such payment; provided that in any event any accrued unpaid amounts shall be due and payable in full on the termination date of the TELA. If payment is not made on the first day of the applicable Fiscal Year, the unpaid amount will bear interest as provided in the TELA from such date to the date on which such amount and the interest thereon are repaid in full, which interest will be compounded semiannually as of April 1 and October 1.

Control Rights

Pursuant to the Trust Agreement, as long as TxDOT has not failed to honor a draw request under the TELA, whether due to Non-Appropriation Event or otherwise:

(a) TxDOT shall be deemed to be the Owner of all Toll Equity Loan Supported Obligations for purposes of (i) exercising all remedies and directing the Trustee to take actions or for any other purposes following an Event of Default under the Trust Agreement, and (ii) granting any consent (other than a consent described in the second paragraph of "**TOLL EQUITY LOAN AGREEMENT - Amendments**" and as otherwise described in "**APPENDIX C — DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE TRUST AGREEMENT AND THE FOURTH SUPPLEMENTAL AGREEMENT – SUMMARY OF MASTER TRUST AGREEMENT PROVISIONS - Actions Relating to Certain Financing Documents**"), direction or approval or taking any action permitted by or required under the Trust Agreement to be granted or taken by the Owners of such Toll Equity Loan Supported Obligations.

(b) Anything in the Trust Agreement to the contrary notwithstanding, upon the occurrence and continuance of an Event of Default under the Trust Agreement, TxDOT shall be entitled to control and direct the enforcement of all rights and remedies granted to the Owners of Toll Equity Supported Obligations or the Trustee for the benefit of such Owners of Toll Equity Loan Supported Obligations under the Trust Agreement.

Payment of TELA

Interest on the Toll Equity Loan shall be paid on the first Business Day of each month from amounts available therefor in the TELA/Other Tier Payment Fund. The principal amount of the Toll Equity Loan is required to be paid prior to maturity on the first business day of each month from amounts available therefor in the TELA/Other Tier Payment Fund. The Toll Equity Note and all other payment obligations of the Corporation owed to TxDOT under the TELA will constitute TELA/Other Tier Obligations under the Trust Agreement.

Corporation Events of Default

The following events, among others, constitute "Events of Default" under the TELA:

- (a) The Corporation fails to operate and maintain the System in accordance with the Project Agreement and such failure could reasonably be expected to have a Material Adverse Effect; unless such failure is remedied within ninety (90) days after TxDOT gives notice thereof to the Corporation, *provided, however*, that if said default is such that it cannot by its nature with due diligence be cured within the said 90-day period but can be cured, it will not constitute an Event of Default if curative action is commenced by the Corporation within said 90-day period and diligently pursued until the default is cured.
- (b) With respect to any of Segments D (Harris County), E, F-1, F-2 and G for which Substantial Completion has not occurred as of the Effective Date, Substantial Completion for any of such segments has not occurred by the date that is twelve months after the Estimated Date of Completion (taking into account force majeure) for such segment.
- (c) After the start of construction and prior to Substantial Completion of any of Segments D (Harris County), E, F-1, F-2 and G, the construction of that segment is abandoned, which could reasonably be expected to have a Material Adverse Effect; *provided that* abandonment of the construction of a segment will be deemed to have occurred if no significant construction (taking into account the construction schedule and permitted delay as a result of force majeure) is carried out without reasonable cause, for a continuous period of ninety (90) days.
- (d) The operation or maintenance of the System or any material part thereof is suspended or abandoned; *provided that*, suspension or abandonment of the System will be deemed to have occurred, after the first Service Commencement Date for any of Segments D (Harris County), E, F-1, F-2 and G, if the Corporation fails, without reasonable cause, to operate the System (taking into account force majeure) for a continuous period of ninety (90) days.
- (e) The occurrence of an "Event of Default" under and as defined in the Trust Agreement.

A default or event of default under the TELA will not constitute a default or event of default under the Trust Agreement. See "**APPENDIX D – TOLL EQUITY LOAN AGREEMENT**" for a complete list of "Events of Default" under the TELA.

Remedies

TxDOT may exercise certain remedies under the TELA upon or after the occurrence of an Event of Default, including, among others, the following: (i) by suit, action or proceeding in equity, enjoin any acts or things that are unlawful or the violation of any rights of TxDOT and the Trustee; (ii) seek an action in mandamus against the Corporation and/or seek the appointment of a receiver; and (iii) exercise, or cause to be exercised, any and all such remedies as it may have under the TELA, the other Finance Documents or any other document or at law or in equity. See "**APPENDIX D – TOLL EQUITY LOAN AGREEMENT**" for a complete list of TxDOT's remedies under the TELA.

Amendments

Pursuant to the TELA, the TELA may be amended in a written instrument signed and delivered by the Corporation and TxDOT, it being understood that any such amendment may require Commission action. Additional restrictions and requirements related to amending the TELA are set forth in the Trust Agreement and described below. For a discussion of the first amendment to the TELA, see "**- General**" above.

Without the prior written direction or consent of the Owners of not less than a majority of the aggregate principal amount of the Toll Equity Loan Supported Obligations then Outstanding, (i) neither the Corporation nor the Trustee may sell, assign, delegate or otherwise transfer any of its rights or obligations under the Toll Equity Loan Agreement (including the TELA) or consent to or accept any such assignment, delegation or other transfer of rights and obligations under the Toll Equity Loan Agreement; (ii) the Trustee may not assume any obligation of the Corporation under the Toll Equity Loan Agreement, and (iii) neither the Corporation nor the Trustee may amend, modify or supplement the Toll Equity Loan Agreement (other than is contemplated in the next paragraph and the provisions of the Trust Agreement providing for the issuance of additional First Tier Obligations, Second Tier Obligations, Subordinate Tier Obligations and TELA/Other Tier Debt Obligations) in a manner that is materially adverse to the Owners of Toll Equity Loan Supported Obligations. The Trustee may not amend, modify or supplement the Toll Equity Loan Agreement without the prior written consent of the Corporation.

Notwithstanding any other provision in the Trust Agreement to the contrary except and subject to the provisions of this subsection and the provisions of the following two paragraphs, neither the consent of any Owner of Obligations, of any Bond Insurer nor of the Trustee shall be required for (i) a new Toll Equity Loan Agreement, (ii) any amendment, modification or supplement to any existing Toll Equity Loan Agreement for any adjustment to the Maximum Available Aggregate Amount, the Maximum Available Annual Amount for any Fiscal Year or the Project Budget for any Fiscal Year, as may be required in connection with the issuance of Additional Obligations pursuant to the terms and conditions of the Trust Agreement, or (iii) for any other amendment, modification or supplement to a Toll Equity Loan Agreement in connection therewith so long as such other amendment, modification or supplement does not adversely modify the obligations of TxDOT to pay any Draw Request under any such existing Toll Equity Loan Agreement.

The Corporation, without the consent of any Owner, reserves the right to amend or supplement the Initial Toll Equity Note and TELA, execute and deliver additional Toll Equity Notes and the related Toll Equity Loan Agreements and incur the related additional TELA/Other Tier Debt Obligations to evidence any Toll Equity Loan in connection with any Toll Equity Loan Agreement in accordance with the provisions of the Trust Agreement providing for the issuance of additional First Tier Obligations, Second Tier Obligations and Subordinate Tier Obligations. The Toll Equity Note, as so amended, supplemented or subsequently delivered, and any such additional TELA/Other Tier Debt Obligations shall be secured by and payable from a lien on and pledge of the Trust Estate equally and ratably with, and in the same manner and to the same extent as the Outstanding TELA/Other Tier Obligations, and shall be payable from and secured by the TELA/Other Tier Payment Fund and shall be in all respects of equal dignity and on a parity with any then Outstanding TELA/Other Tier Obligations.

In addition, the Corporation, without the consent of any Owner, reserves the right to amend or supplement any Toll Equity Note and the related Toll Equity Loan Agreement (including the TELA), in any manner provided that, as certified by the Corporation Representative, (i) the annual Debt Service Requirements for all Outstanding First Tier TELA Obligations, Second Tier TELA Obligations and Subordinate Tier TELA Obligations and the estimated TELA Supported Junior Operating Expenses (as certified by the General Engineering Consultant) for the current Fiscal Year and in each Fiscal Year any Toll Equity Loan Supported Obligations are Outstanding is less than or equal to the applicable aggregate Maximum Available Annual Amount for each such Fiscal Year as set forth in any outstanding Toll Equity Loan Agreements, as amended or supplemented or (ii) if prior to any amendment or supplement, there is any Fiscal Year (including the then current Fiscal Year) in which the applicable aggregate Maximum Available Annual Amount for such Fiscal Year as set forth in any outstanding Toll Equity Loan Agreements is less than the annual Debt Service Requirements for all Outstanding First Tier TELA Obligations, Second Tier TELA Obligations and Subordinate Tier TELA Obligations and the estimated TELA Supported Junior Operating Expenses (as certified by the General Engineering Consultant for the current Fiscal Year and in each Fiscal Year any Toll Equity Loan Supported Obligations are Outstanding) for any such Fiscal Year (in each such Fiscal

Year, a "TELA Coverage Deficit"), then the amendment or supplement to any outstanding Toll Equity Loan Agreements must (A) reduce the TELA Coverage Deficit in each Fiscal Year such a deficit occurs and (B) for all other Fiscal Years that do not have a TELA Coverage Deficit, not create a TELA Coverage Deficit in any such Fiscal Year.

TRAFFIC AND REVENUE STUDY

General

In connection with the issuance of the Series 2013 Obligations, CDM Smith Inc. ("CDM Smith") issued its Comprehensive Traffic and Revenue Study Update Final Report dated June 26, 2013 (the "*Traffic and Revenue Study*") for Segments D (Harris County), E, F-1, F-2 and G to estimate traffic and toll revenue for such segments.

The Traffic and Revenue Study has been filed with the MSRB through its Electronic Municipal Market Access System, which may be accessed over the internet at www.emma.msrb.org, as Appendix G to the Official Statement dated July 17, 2013 describing the Series 2013 Obligations, and the Traffic and Revenue Study is hereby incorporated by reference herein and made a part hereof for all purposes. The Traffic and Revenue Study reflects the facts, conditions and estimates existing or made at the time of such report. The Traffic and Revenue Study speaks only as of its date and no effort has been made to update the Traffic and Revenue Study. The Traffic and Revenue Study is also available upon request from the Corporation.

The Traffic and Revenue Study is a major update of the Comprehensive Traffic and Revenue Study conducted by CDM Smith in 2011 for TxDOT and HCTRA. The Traffic and Revenue Study evaluates the traffic and revenue potential of Segments D (Harris County), E, F-1, F-2 and G. Segments D (Harris County), E, F-1, F-2 and G were assumed to be opened to traffic in phases, with Segments D (Harris County) and E being assumed to be open to traffic December 2013 (except for two direct connectors of Segment E that were expected to be completed by May 2014) with tolling assumed to begin in February 2014. As discussed in "**THE GRAND PARKWAY SYSTEM – Segments D and E,**" both the portion of Segment D (Harris County) financed with proceeds of the Series 2013 Obligations and Segment E have now opened for traffic with tolling scheduled to begin in February 2014 with the exception of three direct connectors of Segment D (Harris County) that are currently expected to be complete in June 2014. Segments F-1, F-2 and G were assumed under the Traffic and Revenue Study to be open to traffic in January 2016 with tolling assumed to begin in February 2016.

The base case forecast in the Traffic and Revenue Study assumes that each of Segments D (Harris County), E, F-1, F-2 and G would be constructed as a four-lane controlled access toll road with intermittent frontage roads. The portion of Segment D located in Fort Bend County ("*Segment D (Fort Bend County)*") includes a free highway section from the southern terminus of Segment D (Harris County) to Westpark Tollway and existing free lanes from Westpark Tollway to US Highway 59(S) where several tolled mainline overpasses are proposed to enable toll-paying customers to bypass the current at-grade signalized interchanges within this portion of Segment D (Fort Bend County). These tolled overpasses are currently under construction and are expected to be open to traffic by March 2014. The Traffic and Revenue Study only includes the connectivity impact of the Segment D (Fort Bend County) section on the forecasts for Segments D (Harris County), E, F-1, F-2 and G, and does not reflect any transactions or revenues directly resulting from the tolled section of Segment D (Fort Bend County). Other than Segment D (Fort Bend County), the forecast does not include the impact of any other segment of the Grand Parkway Project on Segments D (Harris County), E, F-1, F-2 and G. The study was conducted at an investment grade level and is considered suitable for use in project financing. See "**RISK FACTORS – Forward-Looking Statements**" and "**– Traffic and Revenue Study.**"

CDM Smith believes that the factual information in the Traffic and Revenue Study is true and accurate in all material respects and that the conclusions set forth in the Traffic and Revenue Study were reasonable as of the date of the Traffic and Revenue Study and continue to be reasonable as of the date of this Official Statement, subject to the disclaimer, assumptions and qualifications set forth in the Traffic and Revenue Study. CDM Smith is not aware of any significant or material plan, event or circumstance occurring after the date of the Traffic and Revenue Study and before the date of this Official Statement that would cause it to believe that the conclusions set forth in the Traffic and Revenue Study are no longer reasonable. Minor changes from the Traffic and Revenue Study whose combined impact results in less than one percent of revenues in 2014 include: (i) the delayed opening of the three direct connectors of Segment D (Harris County) until June 2014; (ii) the escalation of toll rates set at the floor of 2.0 percent for the 2014 toll rates compared to the originally assumed 2.25 percent annually between 2012 and 2014 and (iii) the delayed opening of the Segment D (Fort Bend County) tolled overpasses until March 2014.

Data Collection

The Traffic and Revenue Study utilizes detailed data collected at numerous locations during late 2010 and 2011, including new traffic counts and travel time studies, travel pattern surveys, new market research on the willingness-to-pay tolls, and an update of the socioeconomic growth potential of the Houston region conducted in 2012 and prepared by Community Development Strategies ("CDS"), an independent local economist firm. Using this detailed information, CDM

Smith refined the Houston-Galveston Area Council ("*H-GAC*") regional travel demand model for use in estimating the traffic and revenue potential of Segments D (Harris County), E, F-1, F-2 and G. The H-GAC regional travel demand model is cooperatively developed and maintained by the H-GAC, TxDOT and the Metropolitan Transit Authority of Harris County, Texas.

A series of data collection exercises was conducted in the region in February, May and June 2011 that included the collection of automatic traffic recording counts, speed and delay studies and origin and destination surveys. Automatic traffic counts were conducted for 48 hours in April, May and June 2011 on 28 different highway sections in the region. In February 2011, speed and delay studies were conducted on approximately 50 roadway segments in the region. Origin and destination surveys of drivers in the region were also conducted during the months of April and May 2011.

Socioeconomic Forecasts

The Traffic and Revenue Study utilizes H-GAC's 2040 regional growth forecasts that present estimates for population, households, and employment in a 13-county area, however, as part of the study, CDM Smith retained CDS to conduct an independent analysis of the validity of the socioeconomic data. Along with H-GAC's regional forecast, CDS considered seven independent forecasts of population from respected organizations and three independent forecasts of employment. CDS determined that the H-GAC 2040 regional growth forecasts were reasonable and appropriate to form the basis of the small area forecasts used in the Traffic and Revenue Study. For small area growth, CDS predicted a higher share of the growth in the Segments D (Harris County) to G corridor than the H-GAC forecasts.

The region, Montgomery and Fort Bend Counties in particular, has sustained very high growth rates in population, employment and other key demographic and economic variables over the past 40 years. Population growth is one of the principal measures of the economic vitality of any area because increasing population is generally the result of more jobs, a high level of immigration and a stable or expanding economy. The total population in the region has increased by an average annual rate of 2.5 percent from 1970 to 2010. The population of the region is projected to reach 6.4 million by 2015 and 9.6 million by 2035. Harris County is the most populous county in the region with more than 4 million people out of 5.9 million in the region in 2010. The most rapidly growing counties, Fort Bend and Montgomery, averaged approximately 6 percent per year in population growth between 1970 and 2010. High concentration of population growth is forecasted to continue to occur in the areas near the Segments D (Harris County) to G corridor.

Toll Transaction and Revenue Forecasts

Base case traffic and toll revenue estimates in the Traffic and Revenue Study are based on the following basic assumptions:

1. The various segments of the Grand Parkway System would be opened as shown in the Traffic and Revenue Study and no other segments are opened except for Segment D (Fort Bend County).
2. Segments D (Harris County), E, F-1, F-2 and G will be ETC-only toll facilities. Video tolling will not be utilized.
3. Segment D (Fort Bend County) tolled sections will also be an ETC-only toll facility. Video tolling will not be used at any stage on the Segment D (Harris County) corridor.
4. Ramp-up factors of 0.61, 0.85 and 0.95 were applied to the first three years of operation of each segment.
5. The first month of operation of Segments D (Harris County) and E (January 2014) and Segments F-1, F-2 and G (January 2016) is assumed to be toll free. These initial free month(s) are included to reflect the Corporation's anticipated marketing campaign to allow users to become familiar with the System's access locations, travel time savings and route options.
6. Tolls on the existing Harris County and Fort Bend County toll systems, along with those on future expansion sections and new toll road facilities, are all assumed to be increased annually at 2.25 percent until 2014 and 2.5 percent annually thereafter. As discussed above under "**General**," the escalation of toll rates has been set at a floor of 2.0 percent for 2014.
7. For regional toll roads, prior to 2035 it is assumed transponder usage will continue to grow as toll agencies move toward all electronic tolling. The remaining cash collection will be phased out. Beginning in 2035, all vehicles in the region are assumed to be equipped for electronic toll collection.
8. Expansion will not take place on an as-needed basis and capacity constraints have been applied in the peak periods in outer years when capacity constraints of the future facility have been exceeded.

9. Future population and employment will be in line with those estimated by the independent economist both in scale and distribution.

10. The revenue leakage estimates are provided to reflect the HCTRA business rules and indicate the transaction and revenue leakage prior to the application of administration and violation fees. Optimization of these fees with the associated collection and processing costs is likely to lessen the net revenue leakage impact.

11. No other competing facilities, toll or toll-free, beyond those included in the H-GAC regional transportation plan, and/or the toll road expansion programs of TxDOT and the Harris County and Fort Bend County toll systems, shall be implemented within the forecast period.

12. The System will be properly maintained, efficiently operated and appropriately promoted and signed to encourage maximum usage.

13. No national, regional or local emergency will occur which would abnormally restrict the use of motor vehicles for the duration of the forecast period.

14. Motor fuel will remain in adequate supply for the forecast period, and overall long-term increases in price will not be substantially greater than the rate of inflation.

The Traffic and Revenue Study also assumes a toll rate of \$0.177 per mile in 2012 and a minimum base year toll rate per transaction of \$0.40. CDM Smith anticipates that any significant departure from these key assumptions could have a material impact on traffic and toll revenue forecasts.

Toll sensitivity analysis was conducted for the model year 2015. The sensitivity analyses indicated that the proposed toll rates for the System are well below the estimated theoretical revenue maximization point. This demonstrates that, if needed, there is considerable potential for revenue enhancement through toll increases above current rates and the escalated rates assumed for forecasting purposes.

The following table presents estimated annual toll revenue on Segments D (Harris County), E, F-1, F-2 and G. Annual toll revenues have been adjusted to reflect "ramp-up" during the first several years of operation. Annual fiscal year end toll revenue (less non-collectible revenue) is expected to be approximately \$46.3 million in year 2016 and to reach \$415.1 million by 2035. Annual fiscal year end toll revenue (less non-collectible revenue) is anticipated to be \$922.1 million in 2054. Toll revenue numbers beyond 2035 were extrapolated from the 2035 data using nominal growth rates for transactions of 2.5% (2036 through 2040), 2.0% (2041 through 2045), 1.5% (2046 through 2050), and 1.0% (2051 through 2054).

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Estimated Annual Toll Revenue For Segments D (Harris County), E, F-1, F-2 And G

(in thousands)

FYE 31-Aug	Segment D (Harris County)	Segment E	Segment F-1	Segment F-2	Segment G	Total Toll Revenues	Less Non-Collectible Revenue ⁽¹⁾	Total Net Toll Revenues
2014	\$1,415	\$5,934	\$0	\$0	\$0	\$7,349	(\$325)	\$7,024
2015	3,481	15,028	0	0	0	18,509	(800)	17,709
2016	4,660	21,435	4,843	8,026	9,345	48,309	(2,007)	46,302
2017	5,460	26,288	11,282	19,386	22,884	85,300	(3,442)	81,858
2018	6,016	29,381	14,702	25,845	30,872	106,816	(4,158)	102,658
2019	6,592	33,245	17,881	31,442	37,238	126,398	(4,750)	121,648
2020	7,203	37,141	21,216	35,795	41,908	143,263	(5,209)	138,054
2021	7,817	40,782	26,429	40,007	45,884	160,919	(5,652)	155,267
2022	8,560	45,313	28,440	43,611	50,686	176,610	(5,990)	170,620
2023	9,375	50,414	30,999	47,775	56,128	194,691	(6,389)	188,302
2024	10,244	55,852	33,604	51,970	61,820	213,490	(6,770)	206,720
2025	11,125	61,436	37,235	56,494	67,416	233,706	(7,174)	226,532
2026	11,927	66,087	42,979	60,733	71,764	253,490	(7,532)	245,958
2027	12,596	69,810	45,169	63,472	76,094	267,141	(7,683)	259,458
2028	13,400	75,074	46,768	66,566	81,380	283,188	(7,888)	275,300
2029	14,308	82,611	46,571	69,660	87,803	300,953	(8,123)	292,830
2030	15,123	87,442	49,458	73,042	93,116	318,181	(8,323)	309,858
2031	16,001	92,854	52,370	76,599	98,888	336,712	(8,538)	328,174
2032	16,959	98,537	55,879	80,548	105,171	357,094	(8,784)	348,310
2033	17,940	104,316	59,538	84,528	111,613	377,935	(9,021)	368,914
2034	19,030	110,754	63,614	88,959	118,785	401,142	(9,296)	391,846
2035	19,954	115,984	69,150	92,531	127,002	424,621	(9,560)	415,061
2036	20,468	118,442	76,613	94,600	135,800	445,923	(9,940)	435,983
2037	21,457	124,121	80,406	99,261	142,537	467,782	(10,430)	457,352
2038	22,576	130,528	85,212	104,437	150,586	493,339	(11,000)	482,339
2039	23,742	137,267	89,680	109,838	158,436	518,963	(11,570)	507,393
2040	24,958	144,295	94,274	115,460	166,545	545,532	(12,162)	533,370
2041	25,953	150,056	98,037	120,070	173,197	567,313	(12,649)	554,664
2042	27,121	156,794	102,439	125,463	180,977	592,794	(13,219)	579,575
2043	28,381	164,086	107,206	131,299	189,389	620,361	(13,833)	606,528
2044	29,729	171,878	112,293	137,530	198,385	649,815	(14,487)	635,328
2045	30,979	179,112	117,020	143,321	206,733	677,165	(15,100)	662,065
2046	32,237	186,374	121,765	149,130	215,114	704,620	(15,713)	688,907
2047	33,471	193,520	126,434	154,850	223,365	731,640	(16,309)	715,331
2048	34,793	201,162	131,427	160,963	232,185	760,530	(16,956)	743,574
2049	36,201	209,292	136,738	167,470	241,568	791,269	(17,643)	773,626
2050	37,627	217,542	142,129	174,070	251,092	822,460	(18,341)	804,119
2051	38,984	225,389	147,254	180,350	260,147	852,124	(18,999)	833,125
2052	40,351	233,280	152,410	186,663	269,255	881,959	(19,663)	862,296
2053	41,599	240,522	157,141	192,458	277,613	909,333	(20,271)	889,062
2054	43,147	249,449	162,974	199,602	287,920	943,092	(21,028)	922,064
Total	\$832,960	\$4,758,827	\$2,999,579	\$3,863,824	\$5,356,641	\$17,811,831	(\$426,727)	\$17,385,104

Source: Traffic and Revenue Study

⁽¹⁾ As described in Section 6 of the Traffic and Revenue Study.

ENGINEER REPORTS

Jacobs Engineering Group Inc.

Jacobs Engineering Group Inc. has prepared a Grand Parkway Engineer's Report dated June 26, 2013 (the "*Engineer's Report*") that documents and describes the location, construction schedules, cost estimates, and operation and maintenance expense estimates for Segments F-1, F-2 and G including estimates of toll collection and toll system maintenance costs for the System resulting from the use of TxDOT's toll collection and enforcement infrastructure, and law enforcement/patrol costs and fees relating to interoperability of the System's tolling infrastructure with that of other tolling systems within the State. The Engineer's Report also includes the operation and maintenance estimates and risk components for Segment D (Harris County) and Segment E. The operation and maintenance expense estimates for the initial System are shown in the table under "**ESTIMATED TOLL REVENUES AND EXPENSES AND ESTIMATED DEBT SERVICE COVERAGE.**"

The Engineer's Report has been filed with the MSRB through its Electronic Municipal Market Access System, which may be accessed over the internet at www.emma.msrb.org, as Appendix H to the Official Statement dated July 17, 2013 describing the Series 2013 Obligations, and the Engineer's Report is hereby incorporated by reference herein and made a part hereof for all purposes. The Engineer's Report reflects the facts, conditions and estimates existing or made at the time of such report. The Engineer's Report speaks only as of its date. Jacobs Engineering Group Inc. has also prepared a Supplemental Letter to the Engineer's Report dated January 23, 2014 (the "*Supplemental Letter*"). See "**APPENDIX E - SUPPLEMENTAL LETTER TO ENGINEER'S REPORT**" for a copy of the Supplemental Letter. The Engineer's Report is also available upon request from the Corporation.

Jacobs Engineering Group Inc. believes that the factual information in the Engineer's Report and the Supplemental Letter is true and accurate in all material respects and that the conclusions set forth in the Engineer's Report and the Supplemental Letter were reasonable as of the date of the Engineer's Report and the Supplemental Letter, subject to the assumptions and qualifications set forth in the Engineer's Report and the Supplemental Letter, respectively. Jacobs is not aware of any plan, event or circumstance occurring after the date of the Engineer's Report and before the date of this Official Statement that would cause it to believe that the conclusions set forth in the Engineer's Report are no longer reasonable.

General Engineering Consultant

CH2M Hill, Inc. is the general engineering consultant for certain segments of the Grand Parkway Project, including Segments D and E for reporting purposes under the Trust Agreement, pursuant to a Contract for Engineering Services with the Corporation, dated November 7, 2012, as supplemented. CH2M Hill, Inc. is performing the progress reporting and other Trust Agreement required functions on the System. The initial construction progress report for the System for the quarter ending October 31, 2013 prepared by CH2M Hill, Inc. reflects that, based upon all information available, the construction of the System will reach substantial completion as provided for in the applicable construction contracts with the exception of three direct connectors serving Segment D (Harris County). Such direct connectors are currently expected to be substantially complete in June 2014. Based upon all information available, CH2M Hill, Inc. believes that funding for the System is proceeding on schedule and within budget sufficient to enable timely completion of the System.

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PRO FORMA DEBT SERVICE REQUIREMENTS

Set forth in the table below are the total debt service requirements for the outstanding obligations of the Corporation secured by the Revenues of the Grand Parkway System.

FYE 31-Aug	First Tier Series 2013A Debt Service			TELA-Supported Subordinate Tier Debt Service			Non-TELA-Supported Subordinate Tier Debt Service (the Notes)			Total System Net Debt Service
	Principal	Interest	Total Series 2013A Net Debt Service	Principal	Interest/Compounded Interest	Total TELA-Supported Subordinate Tier Net Debt Service	Principal	Interest	Total Non-TELA-Supported Subordinate Tier Net Debt Service	
2014	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2015	0	0	0	0	0	0	0	0	0	0
2016	0	676,313	676,313	0	4,818,155	4,818,155	0	0	0	5,494,468
2017	0	4,801,824	4,801,824	214,315,000	34,208,901	248,523,901	733,130,000	0	733,130,000	986,455,725
2018	0	10,821,013	10,821,013	0	77,090,480	77,090,480				87,911,493
2019	0	10,821,013	10,821,013	0	77,090,480	77,090,480				87,911,493
2020	0	10,821,013	10,821,013	0	77,090,480	77,090,480				87,911,493
2021	0	10,821,013	10,821,013	0	77,090,480	77,090,480				87,911,493
2022	0	10,821,013	10,821,013	0	77,090,480	77,090,480				87,911,493
2023	0	10,821,013	10,821,013	0	77,090,480	77,090,480				87,911,493
2024	0	10,821,013	10,821,013	0	90,969,257	90,969,257				101,790,269
2025	0	10,821,013	10,821,013	0	104,848,033	104,848,033				115,669,045
2026	0	10,821,013	10,821,013	0	104,848,033	104,848,033				115,669,045
2027	0	10,821,013	10,821,013	0	104,848,033	104,848,033				115,669,045
2028	0	10,821,013	10,821,013	0	104,848,033	104,848,033				115,669,045
2029	0	10,821,013	10,821,013	0	104,848,033	104,848,033				115,669,045
2030	0	10,821,013	10,821,013	1,271,284	105,615,021	106,886,305				117,707,318
2031	0	10,821,013	10,821,013	4,261,060	107,379,874	111,640,934				122,461,947
2032	330,000	10,812,556	11,142,556	7,150,229	108,973,761	116,123,990				127,266,547
2033	740,000	10,785,138	11,525,138	10,322,902	110,542,183	120,865,085				132,390,223
2034	1,180,000	10,735,938	11,915,938	13,641,803	112,004,527	125,646,330				137,562,268
2035	1,660,000	10,663,163	12,323,163	17,328,473	113,353,978	130,682,452				143,005,614
2036	2,175,000	10,564,891	12,739,891	21,280,689	114,580,046	135,860,735				148,600,626
2037	2,735,000	10,439,072	13,174,072	31,928,091	109,023,928	140,952,019				154,126,090
2038	3,340,000	10,283,400	13,623,400	50,865,000	94,195,868	145,060,868				158,684,268
2039	3,990,000	10,095,569	14,085,569	56,805,000	91,405,062	148,210,062				162,295,631
2040	4,690,000	9,873,144	14,563,144	62,000,000	88,325,636	150,325,636				164,888,780
2041	5,445,000	9,613,434	15,058,434	66,505,000	84,994,787	151,499,787				166,558,221
2042	6,255,000	9,313,622	15,568,622	70,035,000	81,455,670	151,490,670				167,059,292
2043	7,125,000	8,970,759	16,095,759	40,405,000	78,593,065	118,998,065				135,093,824
2044	8,065,000	8,581,516	16,646,516	0	77,545,768	77,545,768				94,192,283
2045	9,065,000	8,125,563	17,190,563	42,562,093	108,546,150	151,108,243				168,298,805
2046	10,175,000	7,596,463	17,771,463	42,587,149	104,554,929	147,142,078				164,913,540
2047	11,365,000	7,004,113	18,369,113	42,352,293	99,964,684	142,316,978				160,686,090
2048	12,645,000	6,343,838	18,988,838	41,400,430	95,208,741	136,609,171				155,598,009
2049	14,015,000	5,610,688	19,625,688	59,313,359	70,888,547	130,201,906				149,827,594
2050	15,490,000	4,799,300	20,289,300	68,675,000	54,263,269	122,938,269				143,227,569
2051	17,065,000	3,904,038	20,969,038	263,955,000	45,531,731	309,486,731				330,455,769
2052	18,755,000	2,918,988	21,673,988	380,165,000	28,849,831	409,014,831				430,688,819
2053	43,695,000	1,837,825	45,532,825	381,935,000	14,322,625	396,257,625				441,790,450
Total	\$200,000,000	\$335,845,325	\$535,845,325	\$1,991,059,856	\$3,216,899,041	\$5,207,958,898	\$733,130,000	\$0	\$733,130,000	\$6,476,934,223

Note: All interest shown is net of capitalized interest. Excludes the Refunded Bonds and the Series 2013D Bonds being refunded by the Series 2014C Bonds. Totals may not add due to rounding.

ESTIMATED TOLL REVENUES AND EXPENSES AND ESTIMATED DEBT SERVICE COVERAGE

FYE 31-Aug	Projected Senior Net Revenues ⁽¹⁾	First Tier Net Debt Service ^{(2)*}	First Tier Net Debt Service Coverage*	Subordinate Tier Net Debt Service ^{(3)*}	Consolidated Debt Service Coverage*	TELA Supported Junior Operating Expenses ⁽⁴⁾	Cashflow after TELA Supported Junior Operating Expenses ^{(5)*}
	A	B	C = A / B	D	E = A / (B+D)	F	G = A - B - D - F
2014	\$ 7,024,000	\$ 0	n/a	\$ 0	n/a	\$ 3,109,364	\$ 3,914,636
2015	17,709,000	0	n/a	0	n/a	5,546,501	12,162,499
2016	46,302,000	676,313	68.46x	4,818,155	8.43x	14,475,113	26,332,419
2017	81,858,000	4,801,824	17.05x	38,538,921	1.89x	22,242,952	16,274,303
2018	102,658,000	10,821,013	9.49x	91,752,230	1.00x	25,972,967	0
2019	121,648,000	10,821,013	11.24x	96,752,230	1.13x	29,717,317	0
2020	138,054,000	10,821,013	12.76x	105,647,230	1.19x	32,700,746	0
2021	155,267,000	10,821,013	14.35x	105,652,230	1.33x	35,720,910	3,072,847
2022	170,620,000	10,821,013	15.77x	110,632,230	1.40x	38,635,026	10,531,731
2023	188,302,000	10,821,013	17.40x	117,502,230	1.47x	41,919,838	18,058,919
2024	206,720,000	10,821,013	19.10x	130,031,007	1.47x	45,352,833	20,515,147
2025	226,532,000	10,821,013	20.93x	142,944,783	1.47x	48,972,632	23,793,572
2026	245,958,000	10,821,013	22.73x	149,814,783	1.53x	52,399,969	32,922,236
2027	259,458,000	10,821,013	23.98x	153,758,733	1.58x	54,973,631	39,904,623
2028	275,300,000	10,821,013	25.44x	158,597,683	1.62x	58,028,326	47,852,978
2029	292,830,000	10,821,013	27.06x	163,987,683	1.68x	61,353,830	56,667,475
2030	309,858,000	10,821,013	28.63x	169,790,955	1.72x	64,521,623	64,724,409
2031	328,174,000	10,821,013	30.33x	177,055,584	1.75x	67,908,444	72,388,960
2032	348,310,000	11,142,556	31.26x	184,578,640	1.78x	71,600,207	80,988,596
2033	368,914,000	11,525,138	32.01x	192,159,735	1.81x	75,372,096	89,857,031
2034	391,846,000	11,915,938	32.88x	200,480,980	1.84x	79,538,010	99,911,072
2035	415,061,000	12,323,163	33.68x	208,787,102	1.88x	84,023,176	109,927,560
2036	435,983,000	12,739,891	34.22x	216,055,385	1.91x	88,747,114	118,440,610
2037	457,352,000	13,174,072	34.72x	223,276,669	1.93x	92,866,925	128,034,335
2038	482,339,000	13,623,400	35.41x	231,270,518	1.97x	97,531,392	139,913,690
2039	507,393,000	14,085,569	36.02x	238,689,712	2.01x	102,254,451	152,363,268
2040	533,370,000	14,563,144	36.62x	245,825,286	2.05x	107,153,029	165,828,541
2041	554,664,000	15,058,434	36.83x	250,709,437	2.09x	111,273,567	177,622,562
2042	579,575,000	15,568,622	37.23x	256,230,320	2.13x	116,028,782	191,747,277
2043	606,528,000	16,095,759	37.68x	257,883,953	2.21x	121,142,466	211,405,822
2044	635,328,000	16,646,516	38.17x	258,545,018	2.31x	126,585,603	233,550,864
2045	662,065,000	17,190,563	38.51x	272,775,043	2.28x	131,695,151	240,404,244
2046	688,907,000	17,771,463	38.76x	276,639,928	2.34x	136,840,701	257,654,909
2047	715,331,000	18,369,113	38.94x	279,850,703	2.40x	141,929,896	275,181,289
2048	743,574,000	18,988,838	39.16x	283,129,896	2.46x	147,353,328	294,101,939
2049	773,626,000	19,625,688	39.42x	286,535,331	2.53x	153,105,230	314,359,751
2050	804,119,000	20,289,300	39.63x	289,555,331	2.60x	158,943,444	335,330,925
2051	833,125,000	20,969,038	39.73x	369,956,606	2.13x	164,551,313	277,648,043
2052	862,296,000	21,673,988	39.78x	409,014,831	2.00x	170,210,023	261,397,158
2053	889,062,000	45,532,825	19.53x	396,257,625	2.01x	175,481,992	271,789,558
	\$16,463,040,000	\$535,845,325		\$7,745,484,718		\$3,357,779,917	\$4,876,575,798

* Preliminary, subject to change.

Note: Totals may not add due to rounding.

⁽¹⁾ As estimated by the Traffic and Revenue Study. See "TRAFFIC AND REVENUE STUDY".

⁽²⁾ Net of capitalized interest.

⁽³⁾ Net of capitalized interest; assumes (i) refunding of the Notes and the Series 2014B Bonds with tax-exempt Subordinate Tier TELA Obligations with an all-in TIC of 5.53% on their maturity date and (ii) refunding of the Series 2014C Bonds with taxable Subordinate Tier TELA Obligations with an all-in-TIC of 5.00% on their maturity date. See "PLAN OF FINANCE – General."

⁽⁴⁾ As estimated by the Engineer's Report. There are no Senior Operating Expenses for the initial System; TELA Supported Junior Operating Expenses are projected to be covered by funds on deposit in certain reserve funds in fiscal years 2018 and 2019.

⁽⁵⁾ Defined as Junior Net Revenues in the Trust Agreement; net of projected draws on certain reserve funds in fiscal years 2018 and 2019.

CERTAIN PROJECT DOCUMENTS

Development Agreement

General. The Development Agreement contains the representations, commitments and obligations of the Developer and the Corporation related to the development, design, construction and maintenance of Segments F-1, F-2 and G. Construction is currently underway and scheduled to be completed in January 2016.

A copy of the executed Development Agreement (excluding all schedules and appendices thereto) has been filed with the MSRB through its Electronic Municipal Market Access System, which may be accessed over the internet at www.emma.msrb.org, as Appendix E to the Official Statement dated July 17, 2013 describing the Series 2013 Obligations, and such Development Agreement is hereby incorporated by reference herein and made a part hereof for all purposes. The Development Agreement is also available upon request from the Corporation.

While the Development Agreement has been assigned by TxDOT to the Corporation; TxDOT will have certain obligations with respect to the construction of Segments F-1, F-2 and G (see "**Project Agreement – Obligations of TxDOT with respect to Segments F-1, F-2 and G**"). Pursuant to the Development Agreement, the Corporation will pay to the Developer a base price of \$1,007,053,000.00 for the development, design and construction of Segments F-1, F-2 and G and \$36,500,000 for certain options exercised by TxDOT. The price may be increased or decreased by a change order or a value engineering adjustment or increased due to certain notice-to-proceed delays.

Developer Obligations. The Developer is required to furnish all design and other services, provide all materials, equipment and labor and undertake all efforts necessary or appropriate (excluding only those materials, services and efforts which the contract documents expressly specify will be undertaken by the Corporation or other persons) to design and construct Segments F-1, F-2 and G and maintain such segments during construction in accordance with the requirements of the contract documents. The Developer is responsible for performing and the costs (excluding the purchase price of certain right-of-way identified in the NEPA approvals) of all rights-of-way, engineering, surveying, appraisals, administration, acquisition, environmental and related services for parcels purchased by the Corporation, including all costs and expenses of negotiation and, if necessary, support services for condemnation proceedings. The Developer will perform all right-of-way acquisition services other than those related to condemnation and the payment of the purchase price for certain right-of-way identified in the NEPA approvals.

The Developer is responsible for performing, or causing to perform, at the Developer's expense (other than new and certain unidentified utilities), each and every adjustment of utilities including all coordination, design, design review, permitting, construction, inspection, payment, maintenance of records, and work necessary for relinquishment of existing utility property interests, preparation of utility joint use agreements, and acquisition of new property interests required for reinstallation of a utility in a new location. The Developer bears all risks for delays due to any failure of a utility owner to cooperate for up to 90 days; past 90 days of delay if the Developer demonstrates that it has made diligent efforts to obtain the utility owner's cooperation, the Developer will be entitled to a time extension of one day for every two days of delay.

If at any time during the term of the Development Agreement the total combined tangible net worth of the Developer and its equity members and any guarantors is less than \$200 million, the Developer is required to provide one or more guarantees so that such combined tangible net worth is at least \$200 million.

The Developer is required to provide payment, performance, retainage and warranty bonds to the Corporation securing the Developer's obligations under the Development Agreement and maintain such bonds in full force and effect. The amount of payment and performance bonds required is \$50 million at the first notice-to-proceed and \$788.9 million at the second notice-to-proceed. The amount of the warranty bond at final acceptance is approximately \$100 million. The amount of the retainage bond is 4% of the contract price.

Corporation/TxDOT Obligations. TxDOT is responsible for the acquisition of certain right-of-way identified in the NEPA approvals (except that the cost of right-of-way is reimbursable by the Corporation in accordance with the Project Agreement). The Corporation has received environmental clearance for Segments F-1, F-2 and G. TxDOT and the Developer are at risk for any hazardous substance costs as follows: the first \$3 million of costs are the Developer's responsibility; costs between \$3-4.5 million are shared equally between TxDOT and the Developer; and costs greater than \$4.5 million are TxDOT's responsibility. The Corporation is at risk for certain defined force majeure events. TxDOT will have certain other obligations with respect to the construction of Segments F-1, F-2 and G (see "**Project Agreement – Obligations of TxDOT with respect to Segments F-1, F-2 and G**").

Project Schedule. The Developer is liable for and will pay to the Corporation liquidated damages with respect to any failure to achieve substantial completion and final acceptance of any Segment by the applicable completion deadline. The amounts of such liquidated damages are as follows: for Segment F-1, \$39,000 for each day after the applicable substantial completion deadline; for Segment F-2, \$54,000 for each day after the applicable substantial completion deadline; and for Segment G, \$54,000 for each day after the applicable substantial completion deadline and through the date of

substantial completion for the applicable segment, but not to exceed 365 days for any Segment; and for each Segment, \$1,400 per day for each day after the applicable final acceptance deadline and through the date of the applicable final acceptance. The Developer is also liable for liquidated damages with respect to any failure to complete the toll zones (areas around gantries) by the applicable deadline. The amounts of such liquidated damages are between \$5,528 and \$5,850 per day, depending on the segment for each day after the applicable completion deadline. Under the Trust Agreement, any liquidated damages are to be used to pay System development and construction costs or, if there are no such costs, debt service on the Obligations.

Maintenance. Pursuant to the Capital Maintenance Agreement, the Developer is responsible for the maintenance of roadways (including pavement, crossovers, concrete joints and curbs), structures, earthworks, embankments and cuttings of Segments F-1, F-2 and G for an initial five-year term with two additional five-year terms at the Corporation's option. The Developer's obligations under the Capital Maintenance Agreement for any segment commences at the end of the warranty period under the Development Agreement, which is one year after final acceptance of such segment. The Developer is required to maintain Segments F-1, F-2 and G in accordance with prescribed standards. The Developer is required to provide a maintenance performance bond, a maintenance payment bond and a retainage bond to the Corporation securing the Developer's obligations under the Capital Maintenance Agreement and maintain such bonds in full force and effect. If at any time during the term of the Capital Maintenance Agreement the total combined tangible net worth of the Developer and its equity members and any guarantors is less than \$200 million, the Developer is required to provide one or more guarantees so that such combined tangible net worth is at least \$200 million.

Developer Defaults. The Development Agreement provides for certain "Developer Defaults," including the failure to commence and complete work on time, the failure to comply with the Development Agreement and other contract documents, and the occurrence of certain bankruptcy-related events or of an event of default under the Capital Maintenance Agreement. Certain Developer Defaults entitle the Developer to receive notice and opportunity to cure within certain time periods.

Remedies. At the end of any notice and cure period, the Corporation may declare that an "Event of Default" has occurred and shall then have the right to terminate the Development Agreement or a portion thereof, deduct certain amounts from payments due to the Developer, perform the Developer's obligations under the Development Agreement and other contract documents and exercise any other rights and remedies available under the Development Agreement or available at law or in equity including making demand upon and enforcing the payment, performance, retainage and warranty bonds, as applicable. The Developer and any guarantor are jointly and severally liable to the Corporation for all costs reasonably incurred by the Corporation or any person acting on the Corporation's behalf in completing the work or having the work completed by another person. In addition to collecting liquidated damages, the Corporation may terminate the Development Agreement at no cost if there are delays to the substantial completion date and there is no approved recovery schedule showing completion within 180 days after the then current substantial completion date.

Termination. The Corporation may, at any time, terminate the Development Agreement and the performance of the work by the Developer, in whole or in part, if the Corporation determines, in its sole discretion, that a termination is in the Corporation's best interest. The Developer may terminate the Development Agreement if the Corporation fails to issue the first notice-to-proceed within 365 days after the effective date of the Development Agreement and may conditionally terminate the Development Agreement if the Corporation fails to issue the second notice-to-proceed within 270 days after the first notice-to-proceed. The Developer also may terminate the Development Agreement for non-payment of more than 180 days.

The Developer

The Developer, Zachry-Odebrecht Parkway Builders, is a joint venture comprised of Zachry Construction Corporation, a Delaware corporation ("*Zachry*"), and Odebrecht Construction, Inc., a Florida corporation ("*Odebrecht*"), each of whom owns fifty percent of the joint venture. Zachry and Odebrecht are jointly and severally liable for the obligations of the Developer under the Development Agreement.

Zachry, which is headquartered in San Antonio, Texas, is a leading highway contractor. With a fleet of more than 1,200 pieces of equipment, Zachry and its affiliates have performed over \$1 billion in surface transportation projects in the last five years. Odebrecht, which has major offices in Coral Gables, Florida and Houston, Texas, is a United States subsidiary of the Brazil-based Odebrecht Group of companies, a diversified family of businesses in the fields of engineering, construction, chemicals energy, water utilities and petrochemicals. The Odebrecht Group operates in more than 20 countries and employs more than 170,000 people worldwide, and has built infrastructure, including roads, bridges, subways, power plants, ports and airports, and railroads, around the world.

Zachry's prior design-build projects include the Americas Interchange Project (as a joint venture member of Americas Gateway Builders) and the Dallas-Fort Worth (DFW) Connector Project (as a joint venture member of NorthGate Constructors). The DFW Connector Project is an 8.4-mile project designed to improve mobility around the DFW Airport,

which was completed in 2013. Additionally, Zachry is a member of Central Texas Highway Constructors, LLC, the design-builder for the developer on the State Highway 130, Segments 5 and 6 Project. Prior design-build projects of Odebrecht include the Miami International Airport Automated People Mover and the Initiative for the Integration of the Regional Infrastructure of South America (South Peru).

Project Agreement

General. The Corporation and TxDOT have entered into a Project Agreement (the "*Project Agreement*") that provides the terms and conditions upon which the Corporation will undertake its responsibilities with respect to the System and upon which TxDOT will provide toll collection and enforcement services and personnel and advisory support for the System, assign agreements relating to the construction, maintenance and operation of the System to the Corporation and contribute to the Corporation the revenues generated from or related to the operation of the System and any additions to the System as a toll highway.

TxDOT owns and will own during the term of the Project Agreement the roadway and all access roads and appurtenant facilities comprising the System and the rights-of-way related thereto. Pursuant to the Project Agreement, TxDOT will grant a license to the Corporation to use the rights-of-way for the purposes of performing the Corporation's responsibilities under the Project Agreement and related project documents.

TxDOT is entitled to reimbursement by the Corporation for its personnel costs and out-of-pocket expenses with respect to the development of the System, and for the provision of services and related expenses for the further costs of development, operations and maintenance. TxDOT has assigned, and the Corporation has assumed, all right, title and interest of TxDOT under the Development Agreement, the Capital Maintenance Agreement and the design-bid-build contracts for Segment D (Harris County) and Segment E. TxDOT and the Corporation have entered into an Assignment and Assumption Agreement dated as of March 22, 2013 pursuant to which TxDOT assigned to the Corporation its right, title and interest under the Development Agreement. After such assignments, the Corporation is responsible for the design and construction of the System, any expansion of the System as approved by the Commission during the term of the Project Agreement and the costs of System right-of-way acquisition. The Corporation is responsible for the maintenance and operation of the System during the term of the Project Agreement, including responsibility for the costs of toll operations and collection of toll revenues from the operation of the System as a toll highway, whether directly or under an assignment to the Corporation of a contract entered into by TxDOT with a third party. The Corporation and TxDOT have agreed that TxDOT will provide toll collection and enforcement services for the System, either directly or using the contractors and subcontractors that it is using at any time in question to provide such services to other toll roads and tolled lanes operated by TxDOT. The Corporation, or upon the Corporation's request, TxDOT acting on behalf of the Corporation, has the authority, without further approval, to enter into contracts with the Department of Public Safety, Harris County and Montgomery County for assistance with enforcement of toll operation and collection for the System, as long as the costs of such services have been included in the relevant annual budget of the Corporation for the System.

To the extent that TxDOT enters into agreements with third parties relating only to the System for the operation or maintenance of the System, installation of toll integration facilities and equipment, design and construction of buildings and improvements, access roadways, toll collection equipment and services, law enforcement, major maintenance and repair work or the procurement of any other facilities, improvements, equipment and services necessary for the operation and maintenance of the System, (i) TxDOT will assign its rights and responsibilities to the Corporation to the extent that the agreement relates to work to be performed by the third party counterparty with respect to the System; and (ii) the Corporation will direct the Trustee to pay all amounts payable to the counterparty when due for work performed with respect to the System, provided that any amounts payable prior to substantial completion may be advanced by TxDOT, subject to any required legislative appropriation, but the Corporation shall cause the Trustee to reimburse TxDOT for such amounts advanced.

Obligations of TxDOT. Notwithstanding anything in the Project Agreement to the contrary, but subject to the last sentence of this paragraph, the assignment by TxDOT to the Corporation of its liabilities and obligations with respect to the design, development, construction, operation or maintenance of the System will not include, and TxDOT will perform or cause to be performed and discharge or cause to be discharged as and when due, any debts, liabilities and obligations, whether such debts, liabilities or obligations are initially charged to the Corporation, (i) with respect to TxDOT's obligations under the Project Agreement; (ii) arising with respect to the System prior to the date of the Project Agreement or the applicable assignment agreement, as applicable (except that such liabilities may be subject to reimbursement from the Corporation as set forth in the Project Agreement); (iii) with respect to any contracts or agreements related to the System that are not assigned or otherwise conveyed to the Corporation; (iv) under any environmental law arising out of or relating to the System not covered in the ordinary course; (v) with respect to any hazardous materials or waste or other contaminant present or released on or migrated or escaped from the System not covered in the ordinary course; (vi) obligations of TxDOT to acquire right-of-way (except that the cost of right-of-way is reimbursable by the Corporation in accordance with the Project Agreement); and (vii) with respect to any claims, losses, actions, suits, judgments, investigations, or other liabilities arising

out of or relating to any materials testing performed for, or for the benefit of, the applicable contractor in relation to the System (clauses (i) through (vii) are collectively, the "*Excluded Obligations*"). With respect to the Excluded Obligations described in clauses (iv) and (v), the Corporation shall notify TxDOT, the applicable contractor, and the Trustee in writing of obligations or liabilities encountered by the Corporation that are not covered in the ordinary course, and such obligations or liabilities will be deemed Excluded Obligations by virtue of such notification. Notwithstanding the foregoing, (i) this paragraph shall not apply to the assignment by TxDOT of the Development Agreement or the Capital Maintenance Agreement and (ii) pursuant to separate written agreement or amendment to the Project Agreement, TxDOT and the Corporation may agree to an assignment by TxDOT to the Corporation of any of the Excluded Obligations as specifically set forth in such agreement or amendment.

TxDOT will remain responsible for compliance with all environmental clearances, permits and other governmental approvals required to build and operate the System and will retain liability for any failure to comply with their respective terms, to the same extent as would have been the case absent any assignment of contracts under the Project Agreement or by separate assignment agreements, except to the extent the parties hereto have agreed that the Corporation will bear liability under any environmental law arising out of or relating to the System covered in the ordinary course, and such notification shall be conclusive evidence that such obligations are not covered in the ordinary course; provided that the Corporation agrees to reasonably assist and cooperate with TxDOT in its compliance with such governmental approvals.

Subject to any assignment agreement or contract entered into by TxDOT and the Corporation in relation to the System, in the event the Corporation incurs an Unexpected Obligation at any time during the term of the Project Agreement, TxDOT, in its discretion, may elect to pay the Unexpected Obligation directly. The Corporation must deliver a request for payment to TxDOT setting forth a description of the Unexpected Obligation, the full amount payable by the Corporation, the date such amount is due and the amount requested to be paid by TxDOT. The TxDOT shall respond promptly to any such request stating whether and to what extent TxDOT will pay such Unexpected Obligation. Any Unexpected Obligation paid by TxDOT shall be reimbursed by the Corporation in accordance the Project Agreement. "Unexpected Obligation" means any debts, liabilities and obligations initially charged to the Corporation with respect to any force majeure, unknown or unidentified utilities, geotechnical differing site conditions or similar situations arising in connection with the design, construction, operation and maintenance of the System not covered in the ordinary course and solely to the extent the Corporation has insufficient funds to satisfy any such debt, liability or obligation when due.

Obligations of TxDOT with respect to Segments F-1, F-2 and G. This paragraph shall apply with respect to obligations or liabilities arising under the Development Agreement and the Capital Maintenance Agreement. Notwithstanding anything to the contrary in the Project Agreement or in any assignment agreement or contract entered into by TxDOT and the Corporation in relation to the Development Agreement or the Capital Maintenance Agreement, TxDOT shall perform or cause to be performed and discharge or cause to be discharged as and when due, any debts, liabilities and obligations, whether such debts, liabilities or obligations are initially charged to the Corporation, (i) with respect to TxDOT's obligations under the Project Agreement; (ii) arising with respect to the Development Agreement, all additional Contract Documents (as defined in the Development Agreement), the Capital Maintenance Agreement and all additional CMA Documents (as defined in the Capital Maintenance Agreement) prior to the date of the respective assignment agreement entered into by TxDOT and the Corporation relating to the Development Agreement and the Capital Maintenance Agreement or the date of the Project Agreement, as applicable, (except that such liabilities may be subject to reimbursement from the Corporation); (iii) with respect to any contracts or agreements related to the System that are not assigned or otherwise conveyed to the Corporation; (iv) under any Environmental Law (as defined in the Development Agreement) arising out of or relating to the System not covered in the ordinary course; (v) with respect to any Hazardous Materials (as defined in the Development Agreement) or other contaminant present or released on or migrated or escaped from the System not covered in the ordinary course; (vi) with respect to obligations to acquire right-of-way for Segments F-1, F-2 and G (except that the cost of right-of-way may be subject to reimbursement from the Corporation); (vii) with respect to any increase in the amount of costs to be borne by a governmental owner of a project for relocation of a utility facility where such increase is due to a change in law that occurs after the date of the Development Agreement; and (viii) with respect to any claims, losses, actions, suits, judgments, investigations, or other liabilities arising out of or relating to any materials testing performed for, or for the benefit of, Developer or the Maintenance Contractor in relation to the System. With respect to the obligations or liabilities described in clauses (iv) and (v), the Corporation shall notify TxDOT in writing of obligations or liabilities encountered by the Corporation that are not covered in the ordinary course. Notwithstanding the foregoing, pursuant to separate written agreement or amendment to the Project Agreement, TxDOT and the Corporation may agree that the Corporation shall be responsible for any of the obligations or liabilities set forth in this paragraph as set forth in such agreement or amendment.

Covenant Against Sale or Encumbrance; Exception. Except as provided in this section, TxDOT covenants that, until the Obligations (including the Notes) and interest thereon have been paid or provision for such payment shall have been made, and except upon the written request of the Corporation and as otherwise permitted in the Trust Agreement, TxDOT will not sell, lease or otherwise dispose of or encumber the System or any part thereof and will not create or permit to be created any charge or lien on the Revenues of the System derived therefrom; provided that TxDOT, upon the written request

of the Corporation, may lease or contract with respect to the operation of service stations or other facilities authorized by State law. TxDOT may, upon the written request of the Corporation, however, from time to time, sell, exchange or otherwise dispose of any machinery, fixtures, apparatus, tools, instruments or other movable property acquired from the proceeds of Obligations issued on account of the System or from Revenues of the System or otherwise, if the Corporation shall determine that such articles are no longer needed or are no longer useful in connection with the construction or operation and maintenance of the System, and the proceeds thereof shall be applied to the replacement of the properties so sold or disposed of or shall be paid to the Trustee to be held for the credit of the Construction Fund, the Operation and Maintenance Reserve Fund, the Grand Parkway Enhancement Fund or the Debt Service Funds, as the Corporation may direct. TxDOT, at the written request of the Corporation, may, from time to time, sell, exchange or otherwise dispose of any real property or release, relinquish or extinguish any interest therein as the Corporation by resolution shall declare is not needed or serves no useful purpose in connection with the maintenance and operation of the System, and the proceeds thereof, if any, shall be applied as hereinabove provided for the proceeds of the sale or disposal of movable property. Notwithstanding the foregoing, it is acknowledged and agreed that nothing herein shall prevent TxDOT, at the written request of the Corporation, from re-conveying or allowing the reversion of property leased or otherwise acquired upon the termination of the lease or agreement pursuant to which such property was originally acquired.

Upon any disposition of property under the provisions of this section, TxDOT and the Corporation shall notify the Trustee thereof and the amount and disposition of the proceeds thereof.

In the event TxDOT or the Corporation receives any payment or other proceeds in respect of a total or partial condemnation of the System, TxDOT and the Corporation shall cause such proceeds to be deposited to the Construction Fund and utilized for any repairs or modifications of the System necessary or desirable as a result of such condemnation. If no such repairs or modifications are necessary or desirable, the proceeds of such condemnation shall be deposited to the Revenue Fund and applied as provided in the Trust Agreement.

Right to Transfer System. TxDOT reserves the right to transfer all or any part of the System upon the prior written request of the Corporation and the satisfaction of the following conditions: (1) each Rating Agency then maintaining a rating on the Outstanding Obligations issues a letter to the Corporation and TxDOT to the effect that the transfer would not have the effect of causing the Rating Agency to lower the existing rating on any of the Obligations then Outstanding; (2) TxDOT delivers to the Corporation and the Trustee an opinion of general counsel of TxDOT or a law firm acting as counsel to TxDOT to the effect that the transfer is authorized by law; (3) the Corporation 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 Tax-Exempt Obligations; and (4) the Executive Director of TxDOT and the Corporation Representative deliver a certificate to the effect that (i) the Commission will be in compliance with the provisions of the Rate Covenant in the Toll Rate Agreement after giving effect to the proposed transfer, (ii) the Outstanding Obligations remaining outstanding, after giving effect to the proposed transfer, would comply with the requirements of the Trust Agreement regarding issuance of additional Obligations as if such obligations were being issued as Additional Obligations at the time of such transfer, and (iii) after giving effect to the proposed transfer, no default will have occurred and be continuing under the Trust Agreement. Such certificate shall be based upon the certifications of the General Engineering Consultant, the Traffic Consultant and the Corporation Representative required under the provisions of the Trust Agreement regarding issuance of additional Obligations.

Toll Collection and Operations

TxDOT and TransCore, LP, TxDOT's statewide toll integrator, have entered into a Statewide Toll System Integration and Maintenance Agreement effective as of June 18, 2012 (the "*Toll System Integrator Agreement*") that provides for the design, construction, installation, and maintenance of open-road toll collection systems on projects designated by TxDOT pursuant to the terms thereof. TxDOT has chosen to negotiate a "Project Segment Supplement" with TransCore under the Toll System Integrator Agreement with respect to the System that will provide toll infrastructure for the System and the transmission of toll transactions to the statewide customer service center located in Austin, Texas. TransCore will be required to provide toll maintenance services, including the costs associated with maintaining the toll collection, the electronic toll collection system, the traffic management system, the network control system and the provision of maintenance transportation, for a period of up to nine years. TransCore will be responsible for ensuring the toll collection systems meet the performance requirements set forth in its contract during the entire contract period.

TxDOT owns and operates a statewide customer service center that receives information from various toll road operators in the State regarding the use of toll roads in the State, and provides clearinghouse services and back office functions relating to the operation of certain toll roads including call center operations, account management and maintenance, transponder issuance and replacement, invoicing, toll collection, violation processing and enforcement, revenue handling, and accounting and customer service support. Pursuant to the Project Agreement the Corporation has agreed with

TxDOT to the use of TxDOT's toll collection and enforcement infrastructure for the System. Customer service will be managed and overseen by the TxDOT Toll Operations Division staff and their program management consultant. In January 2013, TxDOT received proposals to procure a new program management consultant to support the operation of the customer service center and consolidate back office systems and services such as accounting and internal audit, customer service, violation processing and enforcement, toll equipment maintenance, quality assurance and program management. TxDOT has entered into a contract with Xerox State and Local Solutions, Inc. to be the new program management consultant and service provider. TxDOT expects Xerox to begin services by April 2014.

The System will use a closed, all-electronic, computerized toll collection system similar in composition and functionality to those used on other Texas toll roads, including electronic toll collection (ETC) using automatic vehicle identification (AVI). ETC lanes allow toll collection from vehicles without slowing from normal highway speeds. There will not be any toll islands, plazas or other physical barriers. Toll collection equipment will be mounted in the pavement, outside the shoulder area or overhead. Customers will not be able to use the facility without first having obtained a transponder and establishing an account with an interoperable tolling entity in Texas. The TxDOT transponder program is known as TxTag. The System's toll collection system will be interoperable with HCTRA's EZ Tags and with other Texas ETC systems so that customers in the Houston region with EZ Tags and customers from other cities such as Dallas and Austin (and vice versa) will not be required to have multiple transponders in their vehicles. The mainlane toll gantries will be configured for the typical mainlane section of two or three high-speed lanes in each direction, as dictated by traffic characteristics. These will be equipped with ETC/AVI for cashless open-road toll collection at normal highway speeds. Customers without a transponder that drive on the System will have an image of their license plate captured and will be mailed a violation notice and possible prosecution under State statutes for non-payment of tolls. TxDOT will process all such violations occurring on the System.

Senate Bill 1792, passed by the State Legislature during the 83rd regular Legislative session (which ended on May 27, 2013) and became effective on June 14, 2013, enhances the enforcement capabilities of tolling agencies within the State (including TxDOT and the Corporation, but excluding HCTRA) against toll violators including publishing the names of toll violators, filing suit to collect tolls, blocking the vehicle registration of habitual violators (those with 100 or more toll violations within a year) and prohibiting the operation of vehicles on toll roads and impounding vehicles registered to habitual violators. These added enforcement measures closely mimic the enforcement authority already in place on HCTRA facilities. The Traffic and Revenue Study assumes enforcement-based toll transaction/revenue leakage similar to HCTRA's processes. The estimated TELA Supported Junior Operating Expenses set forth in the Engineer's Report include the estimated additional cost associated with this expansion of enforcement capability.

TxDOT and several other tolling entities within Texas, including Harris County through HCTRA, entered into an "Interlocal Agreement" in 2007 (the *"Interoperability Agreement"*) relating to the interoperability of the various toll collection systems within Texas and fees relating thereto. The Interoperability Agreement provides for the use of any tolling entity's toll tag on any other tolling entity's toll road or system and the processing by each agency of tolls for the transactions of their own customers' transponders occurring on toll roads owned by other agencies. The interoperability of toll systems and flow of funds among the parties to the Interoperability Agreement has operated as expected since the implementation of the Interoperability Agreement in 2007.

In order to reimburse the costs to process these transactions and managing customer accounts, by agreement, the processing agency is paid by the owner of the toll road a fee of 8% of the revenue generated for each interoperable transaction. The 8% fee is factored into the estimate of TELA Supported Junior Operating Expenses in the Engineer's Report. It is expected that approximately 85% of System toll revenues will be derived from customers using an EZ Tag.

HCTRA will collect and process revenues generated by EZ Tag toll transactions on the System, together with revenues generated by EZ Tag toll transactions on other TxDOT toll roads, and, on a monthly basis, disburse revenues from such transactions (less processing fees) to the Custodian under the Master Custodial Agreement for disbursement of the appropriate revenues to the appropriate beneficiary, including the Trustee with respect to toll transaction on the System. See **"SECURITY AND SOURCES OF PAYMENT FOR THE NOTES – Funds and Accounts – Master Custodial Agreement; Agreement with Other Turnpikes"** and **"RISK FACTORS - No Security Interest in Toll Revenues from EZ Tag Transactions Until Received From HCTRA Under Interoperability Agreement"** and **"- Limitation and Enforceability of Remedies - Enforceability of Remedies Against HCTRA under the Interoperability Agreement."**

RISK FACTORS

The following is a discussion of certain risk factors that should be considered in evaluating an investment in the Notes. This discussion does not purport to be either comprehensive or definitive. The order in which risks are presented is

not intended to reflect either the likelihood that a particular event will occur or the relative significance of such an event. Moreover, there are other risks associated with an investment in the Notes in addition to those set forth herein.

General

The financial forecasts in this Official Statement are based generally upon certain assumptions and projections as to estimated revenues and operating expenses. See "**TRAFFIC AND REVENUE STUDY**" and "**ENGINEER REPORTS - Jacobs Engineering Group Inc.**" 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.

Traffic and Revenue Study

The revenue forecasts in the Traffic and Revenue Study are based upon certain assumptions set forth or incorporated therein. See "**TRAFFIC AND REVENUE STUDY.**" The Traffic and Revenue Study is not a guarantee of any future events or trends and the forecasts therein are subject to future economic and social conditions and demographic developments that cannot be predicted with certainty. Further, the estimates and assumptions in the Traffic and Revenue Study are inherently subject to significant economic and competitive uncertainties and contingencies, many of which are beyond the control of the Corporation. The revenue forecast in the Traffic and Revenue Study is based in part on socioeconomic forecasts that CDM Smith believed to be achievable as of the date of the Traffic and Revenue Study, even under economic conditions as discussed in Chapter 5 of the Traffic and Revenue Study. It is unclear at this time whether the length or breadth of the recent recession will affect the economy in the State of Texas in a manner contemplated by the Traffic and Revenue Study and, therefore, it is unknown if the socioeconomic forecasts will be achievable given the current state of the economy. Failure to achieve or realize any of the assumptions listed in the Traffic and Revenue Study may have a materially adverse effect upon the revenues actually realized from the System. Any significant departure from the key assumptions contained in the Traffic and Revenue Study could have a material impact on traffic and toll revenue forecasts.

The Traffic and Revenue Study contains various sensitivity tests related to future gasoline prices, future economic growth, values of time, construction of additional segments of the Grand Parkway Project, expansion of the base case 4-lane assumption to 6-lanes on the System, not constructing certain future highway projects in the System area, and alternative interchange configurations and tolling schemes. The sensitivity test related to a decrease in future economic growth assumed a 30% lower rate of economic growth throughout the region in 2015, a 35% lower rate of economic growth in 2020, and a 50% lower rate of economic growth in 2035. This scenario resulted in a 19% decrease in toll revenues in 2015, a 32.8% decrease in toll revenues in 2020 and a 45.3% decrease in toll revenues in 2035. The sensitivity tests also found that a decrease in motorists' value-of-time, an increase in gasoline prices, and certain alternative interchange configurations and tolling schemes resulted in an estimated reduction in toll revenues.

Forward-Looking Statements

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

The forward-looking statements contained in this Official Statement, and in other information provided by the Corporation 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, while the Corporation believes such assumptions to be reasonable, there can be no assurance that the forward-looking statements included in this Official Statement will prove to be accurate.

Conditions Affecting TELA Advances by TxDOT

The Notes are NOT entitled to the benefit of the TELA and are NOT TELA Bonds; however, the Notes are also payable from a pledge of the proceeds of any Subordinate Tier TELA Obligations when and if issued to refund the Notes in the future.

TxDOT TELA Obligations Subject to Appropriation. Subject to certain conditions and limitations with respect to the amounts requested by the Trustee and the purpose of the request for an advance, if toll revenues on the System fall short of expectations and there are inadequate balances in the funds and accounts established under the Trust Agreement, TxDOT is required to make advances to the Trustee under the TELA in connection with the TELA Bonds and TELA Supported Junior Operating Expenses. TxDOT currently intends to make advances pursuant to the terms of the TELA from the State Highway Fund, and such advances are subject to appropriation by the State Legislature of sufficient revenues from the State Highway Fund to make such advances under the TELA. The State Highway Fund is the general source for a substantial portion of funding for the State highway system, TxDOT operations, and the administration of State laws relating to traffic and safety on public roads. TxDOT may elect to make advances pursuant to the TELA from lawfully available funds other than the State Highway Fund. However, any such election by TxDOT would not affect the nature of TxDOT's obligations, which would continue to be subject to appropriation of such funds by the State Legislature.

Any failure of the State Legislature to timely appropriate sufficient funds for the State Highway Fund, or the imposition by the State Legislature of any significant restrictions on TxDOT's ability to transfer other appropriations to the State Highway Fund, could result in insufficient funds being available to TxDOT to satisfy its obligation to make advances under the TELA. For more information on the State Highway Fund, see **"APPENDIX A — THE TEXAS DEPARTMENT OF TRANSPORTATION AND THE STATE HIGHWAY FUND."**

TxDOT TELA Obligations Funded Partially With Federal Funds Subject to Reauthorization and Congressional Appropriation. TxDOT's advances under the TELA are expected to be paid from the State Highway Fund, which is funded in part from federal funds. Therefore, TxDOT's ability to make payments pursuant to the terms of the TELA is subject in part to the availability of and appropriation by Congress of funds to the Federal Highway Administration to provide money to TxDOT that may be used in part to discharge TxDOT's obligations pursuant to the TELA. The Federal-Aid Highway Program is financed from the transportation user-related revenues deposited in the Highway Trust Fund ("*HTF*"). Federal government funding for infrastructure projects is usually accomplished through highway authorization bills, which establish funding over a multi-year period. On July 6, 2012, President Obama signed into law the Moving Ahead for Progress in the 21st Century Act ("*MAP-21*"), which funds surface transportation programs at over \$105 billion for fiscal years 2013 and 2014. If federal highway authorization legislation is enacted to extend MAP-21 federal funding beyond September 30, 2014, such funding legislation will be subject to possible federal rescission of funds, which would have the effect of reducing the amount of federal funds provided by prior law. Prior federal highway authorization legislation has been periodically subject to rescission, including reductions to funding under the previous authorization in each of the years 2005 through 2011.

There can be no assurances that federal funding will be extended beyond the expiration of MAP-21 on October 1, 2014 or that there will not be future federal rescission of funds or other changes in law, regulation, or policy, or the availability of revenues at the federal level which may materially adversely affect the future availability of federal transportation program funds. Additionally, in the event the Corporation enters into a loan agreement with TIFIA, a default under such agreement may adversely impact TxDOT's receipt of Federal monies including funds from the HTF. In the event of a lapse or reduction in federal funding, the State Highway Fund will have to rely on state funding sources and borrowing in order to meet ongoing obligations of the State Highway Fund including any TELA advances. For more information on the State Highway Fund, see **"APPENDIX A — THE TEXAS DEPARTMENT OF TRANSPORTATION AND THE STATE HIGHWAY FUND."**

Sequestration Effects on the State Highway Fund. Pursuant to the requirements of the Balanced Budget and Emergency Deficit Control Act of 1985, as amended, certain automatic reductions in federal spending (the "*Sequester Cuts*") took effect as of March 1, 2013 for federal fiscal year ending September 30, 2013 ("*FFY 2013*"). TxDOT experienced a reduction of \$2.7 million in apportionment and obligation authority in FFY 2013 from the National Highway Performance Program, which is administered by the Federal Highway Administration for highway projects that are located on the National Highway System. TxDOT currently anticipates a reduction of \$4.1 million for the federal fiscal year ending September 30, 2014.

The Sequester Cuts also affected the subsidy payments to be made by the federal government to issuers of "direct-pay" tax credit bonds, such as Build America Bonds ("*BABs*"). The Commission issued \$1,500,000,000 of its State Highway Fund First Tier Revenue Bonds, Taxable Series 2010 (Build America Bonds - Direct Payment) (the "*Series 2010 Bonds*") as taxable BABs and elected to receive a subsidy payment from the United States Treasury equal to 35% of the amount of each interest payment on the Series 2010 Bonds. As a result of the Sequester Cuts, the subsidy payment received in fiscal year 2013 for the Series 2010 Bonds was reduced by \$1.2 million. TxDOT currently anticipates the subsidy payments to be received in fiscal year 2014 for the Series 2010 Bonds will be reduced by \$2.1 million.

On December 26, 2013, the Bipartisan Budget Act of 2013 was signed into law and extended the planned Sequester Cuts to 2023, however, at this time, the Commission and TxDOT make no representations as to whether the Sequester Cuts will remain in effect and cause a reduction in receipt of federal funds for any future year.

Sufficiency of Funds Available to TxDOT to Fund TELA Obligations. The revenues deposited into the State Highway Fund are comprised for the most part of federal transportation program funds (or reimbursements from federal funds), State motor fuel taxes and State motor vehicle registration fees. The level of such taxes and fees, and, therefore, the level of funds available in the State Highway Fund, is subject to fluctuations based on a variety of factors, including general national and State 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. Notably, certain automatic reductions in federal spending took effect as of March 1, 2013, which could lead to a loss of some revenue to the State Highway Fund. Other factors that may impact the amount of revenues deposited into the State Highway Fund include population growth, income and employment levels, levels of tourism, weather conditions, environmental regulation (including adverse impacts resulting from designation of large population centers within the State as non-attainment areas that do not meet Federal Clean Air Act standards), fuel prices, road conditions, the availability of alternate modes of transportation and the development of alternative fuel vehicles and more fuel efficient vehicles. There can be no assurance that downturns in any of the numerous factors affecting these revenues will not significantly affect the future level of revenues available in the State Highway Fund. Certain amounts within the State Highway Fund are maintained in segregated accounts and subaccounts and may be used only for the restricted purposes of those accounts and subaccounts. For more information on the State Highway Fund, see **"APPENDIX A — THE TEXAS DEPARTMENT OF TRANSPORTATION AND THE STATE HIGHWAY FUND."**

TxDOT Obligations Payable from the State Highway Fund. TxDOT's payments of amounts due under the TELA are expected to be paid from the State Highway Fund. TxDOT's payments of such amounts (together with payments under all other toll equity agreements and pass-through toll agreements) are not secured by a pledge of amounts held in the State Highway Fund and such payments are subject to the pledge and payment of amounts from the State Highway Fund in respect of any TxDOT State Highway Fund revenue bond and credit obligations outstanding and any short-term obligations (including commercial paper notes, direct lending obligations or tax and revenue anticipation notes outstanding), however TxDOT's payments of amounts due under the TELA are *pari passu* with TxDOT's obligations in respect of pass-through toll agreements, other toll equity loan agreements, payments made for the delivery of CDA projects and other obligations of the State Highway Fund. For more information on the various TxDOT obligations payable from the State Highway Fund, see **"APPENDIX A — THE TEXAS DEPARTMENT OF TRANSPORTATION AND THE STATE HIGHWAY FUND – The State Highway Fund – State Highway Fund Obligations."**

TxDOT has the ability, without the consent of any Owner, to issue and incur additional bonds, credit agreements, and short-term obligations (including commercial paper notes, direct lending obligations or tax and revenue anticipation notes) that are senior to its obligations under the TELA. Additionally, TxDOT has the ability to establish additional liens for obligations that may be senior to or on parity with its TELA obligations. TxDOT may also enter into other toll equity loan agreements, pass-through toll agreement obligations, CDAs and other obligations that are payable from the State Highway Fund without the consent of any Owner.

Neither the Commission nor TxDOT have adopted any policy limiting the ability to enter into toll equity loan agreements or other agreements payable from the State Highway Fund.

Other TELA Issues. The Trustee may draw on the TELA to pay for TELA Supported Junior Operating Expenses and Major Maintenance Expenses if the balances in certain Trust Agreement funds and accounts are insufficient, and the Corporation has structured the debt service for the TELA Bonds so that in each year, through the maturity of such TELA Bonds, total debt service for the TELA Bonds plus currently estimated TELA Supported Junior Operating Expenses for each year do not exceed the Maximum Available Annual Amount of the TELA for that year. However, the Corporation has structured the plan of finance for the System so that no draws on the TELA are expected. Notwithstanding such expectation, there are no assurances that the Maximum Available Annual Amount will be sufficient to cover TELA Supported Junior Operating Expenses in any particular year if actual TELA Supported Junior Operating Expenses incurred differ from expectations. While Major Maintenance Expenses are an Eligible Cost under the TELA, the Maximum Available Annual Amount is not expected to be sufficient to cover the combination of total debt service for the TELA Bonds plus currently estimated TELA Supported Junior Operating Expenses plus Major Maintenance Expenses in any given year. See **"TOLL EQUITY LOAN AGREEMENT — Maximum Available Annual Amount and Annual TELA-Supported Debt Service and TELA Supported Junior Operating Expenses."**

The Trustee may not draw upon the TELA to pay the redemption price of any TELA Bonds due as a result of an optional redemption of such TELA Bonds by the Corporation or to pay the purchase price for any TELA Bonds due as a result of an optional or mandatory tender of such TELA Bonds. In addition, the Corporation may, subject to certain limitations, amend the TELA without the consent of any Owner, including amendments to reduce the Maximum Available Aggregate Amount. See **"TOLL EQUITY LOAN AGREEMENT — Amendments."**

Costs of Construction; Risk of Delay

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

Specifically, in connection with the construction of Segments F-1, F-2 and G, the Engineer's Report states that the critical path of construction is construction of the bridges along the project and the time necessary to manufacture and transport beams and construct bridge decks; the Developer's failure to achieve a certain beam fabrication and erection production and installation rate could have a great impact on the construction schedule; and the construction schedule is constrained by right-of-way acquisition activity of more than 450 parcels and more than 50 utility relocation providers, which, at any time, could disrupt commencement of subsequent construction activity.

While the 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 Development Agreement ultimately allows for increases in price and extensions of time for performance in certain cases involving hazardous materials, right-of-way, new utilities and force majeure events. The 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, the Corporation and TxDOT are relying on the Developer to design, engineer, manage and construct the roads in accordance with standards, specifications and an agreed-upon scope of work. There is no assurance that the Developer can design and engineer Segments F-1, F-2 and G in a manner such that it reasonably can be constructed for the guaranteed price and by the guaranteed completion date set forth in the Development Agreement. The Developer is a special purpose entity with no activities unrelated to the Development Agreement. A failure of either Zachry or Odebrecht to perform its obligations in support of the Developer may delay or limit the Developer's ability to complete construction of Segments F-1, F-2 and G or to perform under the Development Agreement.

Further, the responsibility of the Developer for all phases of design and engineering under the Development Agreement may increase the impact that any financial instability, insolvency or bankruptcy of the Developer could have on the cost of, or completion date of Segments F-1, F-2 and G. Any such delays and/or cost overruns could result in the delay or reduction in the collection of revenues and an increase in costs, thereby making it more difficult for the Corporation to generate sufficient revenues to pay debt service on the obligations issued under the Trust Agreement.

There is also a possibility of insolvency or bankruptcy of the Developer or any other contractor for the System during construction. While the Developer and the other contractors for the System will be required to provide performance bonds and payment bonds, there can be no assurance that such bonds will be sufficient to assure timely completion of the System. Moreover, if a default occurs, there is a possibility of litigation between the Corporation and the providers of the performance bonds and payment bonds and/or the Developer and contractors, which could further delay construction and the opening of the System. A potential purchaser of the Notes 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 construction of the System 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.

Notwithstanding the foregoing, it should be noted that the Trustee's ability to make draws under the TELA is not conditioned upon the completion of the System. However, TxDOT's obligation to advance funds is limited to Eligible Costs, and other conditions and limitations. If any section of the System is delayed or is not opened, the aggregate amount of the Eligible Costs may be in an amount less than the principal of and interest on the TELA Bonds. As a result, draws under the TELA will be limited to the aggregate amounts of Eligible Costs, which may be insufficient to enable draws on the TELA to pay the principal of and interest on the TELA Bonds, if and when requested because the amounts requested would exceed the TxDOT Exposure Limitations. See **"TOLL EQUITY LOAN AGREEMENT."**

Liquidated Damages

The amount of liquidated damages the Developer or any other contractor for the System could be required to pay in connection with the construction of the System may be limited by contract and may not be sufficient to cover all of the Corporation's losses in the event of a delay or a failure to complete the required work in accordance with the plans and specifications, TxDOT standards and other requirements of the contract documents. Liquidated damages, if paid, may not be sufficient to enable the Corporation to pay the debt service on the obligations issued under the Trust Agreement. See "**THE GRAND PARKWAY SYSTEM – Segments D and E**" and "**CERTAIN PROJECT DOCUMENTS – Development Agreement**" for a discussion of the liquidated damages for construction of the System. There are numerous events that could cause an extension of the schedule and that could result in increased costs for the construction of the System.

Operating Risks

When completed, the System will be a new toll facility having no independent operating history. Accordingly, the ability of the System to generate revenues in amounts sufficient to pay debt service on the obligations issued under the Trust Agreement when due, will be subject to the risks inherent in the establishment of any new toll facility. The ability to repay such obligations will be dependent on the volume of traffic that utilizes the System and the ability of the Corporation and the toll facilities to accurately process data. Revenues to be generated through such use will be influenced by numerous factors, including, among other things, the ability to manage toll evasion; the ability to control expenses; population, employment and income trends within the region; the congestion on alternative freeways, highways, and streets; time savings experienced by motorists utilizing the toll facilities; the toll rates; the availability and price of fuel; and the construction of new or improved competitive roadways or transit facilities. Notwithstanding the foregoing, TxDOT will remain obligated to advance funds under the TELA as described herein. However, TxDOT's obligation to advance funds is limited to Eligible Costs, and other conditions and limitations. See "**TOLL EQUITY LOAN AGREEMENT.**"

Ability to Maintain or Raise Rates; Tolls

The Commission may need to raise toll rates in the future to support the debt service requirements on the obligations issued under the Trust Agreement. It is possible that any increase in rates could result in reduced usage of the toll facilities, resulting in decreased revenues. While the Market Valuation Waiver Agreement does not provide for a maximum rate for tolls, substantial political pressure could result in hesitance to raise rates further if needed. Such risk is mitigated as a result of automatic increases to toll rates under the toll rate escalation methodology established by the Commission. Legislation may be enacted that prohibits the charging of tolls or limits the toll rate during certain periods or with respect to certain groups of people. The Corporation cannot predict the impact that any such legislation could have on toll revenues. Notwithstanding the foregoing, TxDOT will remain obligated to advance funds under the TELA as described herein. However, TxDOT's obligation to advance funds is limited to Eligible Costs, and other conditions and limitations. See "**TOLL EQUITY LOAN AGREEMENT.**"

Maintenance Costs

In certain years, annual Senior Net Revenues are expected to be insufficient to cover TELA Supported Junior Operating Expenses in such years. The Corporation expects to use funds in the Grand Parkway Enhancement Fund to pay TELA Supported Junior Operating Expenses to the extent Senior Net Revenues are insufficient. No assurance can be given that sufficient funds will be available in the Grand Parkway Enhancement Fund to pay TELA Supported Junior Operating Expenses. Successful operation of the System will require timely and complete maintenance and replacement of components of such facilities. No assurance can be given that sufficient funds will be available to maintain the toll facilities adequately over the long term. Any significant deterioration in the toll facilities may result in increased operating costs and in reduced usage, as well as temporary lane closures, and may adversely affect the amount of funds available to pay debt service on the obligations issued under the Trust Agreement. Although in connection with Segments F-1, F-2 and G, the Corporation (as the assignee of TxDOT) and the Developer have entered into a fixed price Capital Maintenance Agreement for an initial five-year term with two additional five-year terms at the Corporation's option, and although the Trust Agreement requires the deposit of budgeted amounts to the Operation and Maintenance Reserve Fund, no assurance can be given that sufficient funds will be available to maintain the System adequately over the long term. Notwithstanding the foregoing, TxDOT will remain obligated to advance funds under the TELA as described herein. However, TxDOT's obligation to advance funds is limited to Eligible Costs, and other conditions and limitations. See "**TOLL EQUITY LOAN AGREEMENT.**"

Motor Fuel Prices and Taxes

There is no assurance that motor fuel will remain in adequate supply or that motor fuel prices and federal and State motor fuel taxes will not increase. Increases in motor fuel prices could negatively impact the revenues of the System. The Traffic and Revenue Study's sensitivity test on motor fuel prices assumes an increase to \$5.00 per gallon and a corresponding decrease in regional travel of approximately 4%. This scenario results in an estimated reduction in toll revenues by 5.8% in

2015, 5.4% in 2020, and 3.3% in 2035. Additionally, if motor fuel prices increase, it could have a material adverse effect on the economy of the Houston region and the revenues of the System. Notwithstanding the foregoing, TxDOT will remain obligated to advance funds under the TELA as described herein. However, TxDOT's obligation to advance funds is limited to Eligible Costs, and other conditions and limitations. See **"TOLL EQUITY LOAN AGREEMENT."**

No Security Interest in Toll Revenues from EZ Tag Transactions Until Received From HCTRA Under Interoperability Agreement

As described in **"OTHER PROJECT DOCUMENTS – Toll Collection and Operations,"** approximately 85% of System toll revenues are expected to be derived from customers using HCTRA's EZ Tags. Pursuant to the Interoperability Agreement, HCTRA will disburse revenues, on a monthly basis from EZ Tag transactions on the System occurring in the prior months (less the 8% processing fees) to the Custodian under the Master Custodial Agreement for ultimate distribution to the Trustee. See **"SECURITY AND SOURCES OF PAYMENT FOR THE NOTES – Funds and Accounts – Master Custodial Agreement; Agreement with Other Turnpikes."** HCTRA can on a daily basis for each EZ Tag transaction, including transactions occurring on the System, withdraw the appropriate toll charge from HCTRA's EZ Tag prepaid customer accounts and deposit such toll charge into a general revenue fund of HCTRA comingled with HCTRA toll revenues earned for HCTRA toll road transactions. Neither the Corporation nor the Trustee has a security interest in such funds of HCTRA until the funds are disbursed by HCTRA to the Custodian. See **"CERTAIN PROJECT DOCUMENTS - Toll Collection and Operations."** In the Project Agreement, TxDOT has agreed to enforce the Interoperability Agreement against HCTRA, to the extent permitted by law, including, if available, mandamus. See **"RISK FACTORS - Limitation and Enforceability of Remedies"** and **"- Enforceability of Remedies Against HCTRA under the Interoperability Agreement."**

Limitation and Enforceability of Remedies

Limitation of Remedies under the Trust Agreement.

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

Enforceability of Remedies.

The remedies available under the Trust Agreement 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 Corporation has not waived sovereign immunity from suit with respect to the Obligations. The various legal opinions to be delivered concurrently with the delivery of the Notes will be qualified to the extent that the enforceability of certain legal rights related to the Notes is subject to limitations imposed by sovereign immunity, bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally and by equitable remedies and proceedings generally.

Texas courts have long held that neither the State nor any subdivision thereof may be sued under Texas law without consent, and then only in the manner indicated by that consent. The Texas sovereign immunity doctrine includes two distinct principles: immunity from suit and immunity from liability. With regard to breach of contract claims against the State, however, Texas courts have held that when the State enters into a contract with a private party, it waives immunity from liability but not immunity from suit. Immunity from suit deprives a court of subject matter jurisdiction, and can only be waived as specifically provided for by the State legislature, either by statute or by special resolution.

Enforceability of Remedies Against TxDOT under the TELA. Each party to the TELA may avail itself of any remedy existing at law or in equity, such remedies to be cumulative. TxDOT has not waived sovereign immunity from suit with respect to the TELA and therefore, the Corporation or the Trustee may be prevented from bringing a suit against TxDOT to adjudicate a claim to enforce TxDOT's obligations under the TELA or for damages for breach of the TELA.

However, State courts have held that mandamus proceedings against a governmental unit, such as TxDOT, are not prohibited by sovereign immunity.

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

Enforceability of Remedies Against HCTRA under the Interoperability Agreement. The issuance of a writ of mandamus may be sought if there is no other available remedy at law to compel performance of HCTRA's obligations under the Interoperability Agreement and such obligations are not uncertain or disputed. The remedy of mandamus is controlled by equitable principles and so rests with the discretion of the court, but may not be arbitrarily refused; provided, however, Texas case law suggests that a mandamus action to enforce a non-legislatively mandated contract may be unavailable. The Interoperability Agreement is likely not a legislatively mandated contract, and no assurance can be given that a mandamus or other legal action to enforce a default by HCTRA under the Interoperability Agreement would be available or successful.

Refunding of Notes

As described under "**PLAN OF FINANCE - General,**" the Notes are expected to be refunded with one or more series of Subordinate Tier TELA Obligations. The ability of the Corporation to issue Toll Equity Loan Supported Obligations to refund the Notes 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 Toll Equity Loan Supported Obligations for such purposes and (iii) adverse changes in any of the assumptions or projections otherwise described in this Official Statement. If the Corporation is unable to issue Toll Equity Loan Supported Obligations to refund the Notes, there is no assurance that projected Revenues of the System will be sufficient to enable the Corporation to refinance all or a portion of the Notes with the proceeds of Non-Toll Equity Loan Supported Obligations at any particular time. Additionally, the issuance of any Obligations to refund the Notes is subject to future approval by the Corporation's Board as well as obtaining other required State approvals including the approvals of the Attorney General of the State and the State Bond Review Board.

Availability of TIFIA Loan Proceeds/Conditions for Disbursement

Disbursement of the TIFIA Loan is subject to a number of conditions precedent as discussed in "**TIFIA LOAN AGREEMENT.**"

The Corporation currently intends to refund the Notes with the proceeds of future Toll Equity Loan Supported Obligations. To the extent that there is no market to issue such Toll Equity Loan Supported Obligations and the Corporation elects to make a draw under the TIFIA Loan Agreement to refund the Notes, there is a risk that all or a portion of the TIFIA Loan proceeds may not be available for disbursement due to non-compliance with the conditions precedent set forth in the TIFIA Loan Agreement. In such event the TIFIA Loan may not be available as an additional option to the Corporation for refinancing the Notes or other Outstanding Obligations.

Future and Proposed Tax Legislation

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the Federal or State level, may adversely affect the tax-exempt status of interest on the Notes under Federal or State law and could affect the market price or marketability of the Notes. Any such proposal could limit the value of certain deductions and exclusions, including the exclusion for tax-exempt interest. The likelihood of any such proposal being enacted cannot be predicted. Prospective purchasers of the Notes should consult their own tax advisors regarding the foregoing matters.

Market Conditions Related to the Notes

Uncertain Market Value. The market value of the Notes as of their date of delivery may be affected by a variety of factors including, without limitation, general market conditions, economic conditions, and federal and state income tax and other laws. The market value of the Notes on their date of delivery could be greater or less than the agreed-upon purchase price therefor by the Underwriters, and the difference could be substantial. None of the Corporation, the Financial Advisor or the Underwriters makes any representation as to the market price of the Notes as of or after their date of delivery.

Limited Secondary Market. The Corporation cannot assure investors that an active or sustained trading market for the Notes will develop. Accordingly, prospective purchasers should be aware that they may be required to bear the financial risks of an investment in the Notes for an indefinite period of time. There is no assurance that a secondary market will be

made for the Notes. If there is a secondary market for the Notes, the Corporation cannot provide any assurance regarding the price at which the Notes may be resold.

Future trading prices of the Notes will depend on many factors, including, among other things, prevailing interest rates and the market for similar securities. It is possible that the market for the Notes will be subject to disruptions that may have a negative effect on the Notes, regardless of the overall performance of the Initial Project.

THE NOTES

Description

The Notes will be issued as fully registered notes, without coupons, in denominations of \$5,000 or any integral multiple thereof and will be dated as of their date of delivery. Interest on the Notes will accrue at the interest rate specified on page (ii) hereof, calculated on the basis of a 360-day year composed of twelve 30-day months, from their date of delivery and will be payable semiannually on April 1 and October 1 of each year and upon maturity of the Notes, commencing April 1, 2014. Principal on the Notes will come due on December 15, 2016.

No Redemption

The Notes are NOT subject to redemption prior to maturity.

Trustee

The Corporation has appointed U.S. Bank National Association to serve as Trustee under the Trust Agreement and the Fourth Supplemental Trust Agreement. Any trustee must be a bank or trust company duly organized and doing business under the laws of the United States of America and located in the State of Texas, authorized under such laws to exercise corporate trust powers and subject to examination by federal or state authority, of good standing, and having, at the time of its appointment, a combined capital and surplus aggregating not less than \$100,000,000.

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

If at any time a trustee resigns, is removed, is dissolved or otherwise becomes incapable of acting, or the bank or trust company acting as trustee is taken over by any governmental official, agency, department or board, the position of trustee will become vacant. If the position of trustee becomes vacant for any reason, the Corporation is required to appoint a trustee to fill such vacancy. At any time within one year after any such vacancy, the owners of a majority in principal amount of the Notes then Outstanding under the Trust Agreement may appoint a successor trustee, which will supersede any trustee previously appointed by the Corporation. If no appointment of a successor trustee is made pursuant to the foregoing provisions, the Owner of any Note Outstanding under the Trust Agreement or any retiring trustee may apply to any court of competent jurisdiction to appoint a successor trustee.

Record Date

The Record Date for the payment of interest on the Notes is the close of business on the fifteenth day of the month preceding each payment date, regardless of whether such day is a Business Day.

Payments in the Event of Holidays

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

Transfers and Exchanges

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

The Corporation is required to keep or cause to be kept at a corporate trust office of the Trustee in the State of Texas books or records for the registration and transfer of the Notes in accordance with the terms of the Trust Agreement.

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

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

The designated office of the Trustee is U.S. Bank National Association, 5555 San Felipe, Suite 1150, Houston, Texas 77056.

Defeasance

Any Note will be deemed to be paid and no longer Outstanding within the meaning of the Trust Agreement (a "*Defeased Debt*") when payment of the principal of, redemption premium, if any, plus interest thereon to the due date thereof (whether such due date be by reason of maturity, upon redemption or otherwise), either (i) has been made in accordance with the terms thereof, or (ii) has been provided by irrevocably depositing with the Trustee, in trust, and irrevocably set aside exclusively for such payment, (1) money sufficient to make such payment or (2) Government Obligations (defined below), certified by an independent public accounting firm of national reputation to mature as to principal and interest in such amount and at such times as will ensure the availability, without reinvestment, of sufficient money to make such payment, and all necessary and proper fees, compensation, and expenses of the Trustee and the Paying Agent pertaining to such Defeased Debt or the payment thereof provided for to the satisfaction of the Trustee, and thereafter the Corporation will have no further responsibility with respect to amounts available to the Trustee for the payment of such Defeased Debt, including any insufficiency therein caused by the failure of the Trustee to receive payment when due on the Government Obligations. At such time as a Defeased Debt is deemed to be paid, it will no longer be secured by or entitled to the benefits of the Trust Agreement, as applicable, except for the purposes of any such payment from such money or Government Obligations.

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

As used herein, the term "*Government Obligations*" means (i) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (ii) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date of the purchase thereof are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent, (iii) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the Board 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, and (iv) any other then authorized securities or obligations under applicable State law that may be used to defease obligations such as the Notes.

Any determination not to redeem Defeased Debt that is made in conjunction with the payment arrangements specified above will not be irrevocable if the Corporation takes certain actions specified in the Trust Agreement.

Because the Trust Agreement provides that securities or obligation that may be authorized under future State law may also be used to defease Notes, registered owners are deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality as those currently permitted under State law.

The Corporation has reserved the right to amend the Trust Agreement to provide for additional or different defeasance provisions applicable to obligations authorized by future Supplemental Agreements. See "**APPENDIX C – DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE TRUST AGREEMENT AND THE FOURTH SUPPLEMENTAL AGREEMENT.**"

Book-Entry-Only System

The information in this section concerning DTC and DTC's book-entry-only system has been obtained from DTC. The Corporation, the Trustee and Underwriters take no responsibility for the accuracy thereof.

DTC will act as securities depository for the Notes. The Notes will be issued as fully-registered notes 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 note certificate will be issued for each maturity of the Notes, each in the aggregate principal amount of such maturity, and will be deposited with DTC. If, however, the aggregate principal amount of any maturity exceeds \$500 million, one certificate may be issued with respect to each \$500 million of principal amount, and an additional certificate may be issued with respect to any remaining principal amount of such maturity.

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

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

To facilitate subsequent transfers, all Notes 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 Notes 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 Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts such Notes 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 Notes may wish to take certain steps to augment the transmission to them of notices of

significant events with respect to the Notes, such as redemptions, tenders, defaults, and proposed amendments to the note documents. For example, Beneficial Owners of Notes may wish to ascertain that the nominee holding the Notes for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Notes 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 Notes unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Trustee 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 Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

All payments on the Notes 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 Corporation 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 Notes held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, or the Corporation, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest and redemption proceeds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Corporation 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 the Notes at any time by giving reasonable notice to the Corporation or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, note certificates are required to be printed and delivered.

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

THE INFORMATION IN THIS SECTION CONCERNING DTC AND THE DTC BOOK-ENTRY ONLY SYSTEM HAS BEEN PROVIDED BY DTC. THE CORPORATION, THE TRUSTEE AND THE UNDERWRITERS BELIEVE SUCH INFORMATION TO BE RELIABLE, BUT TAKE NO RESPONSIBILITY FOR THE ACCURACY THEREOF. NO REPRESENTATION IS MADE BY ANY SUCH PARTY AS TO THE ACCURACY OR ADEQUACY OF SUCH INFORMATION OR AS TO THE ABSENCE OF MATERIAL ADVERSE CHANGES IN SUCH INFORMATION SUBSEQUENT TO THE DATE HEREOF.

While the Notes are in the book-entry-only system, reference in other sections of this Official Statement to Owners of such Notes should be read to include any Beneficial Owner of the Notes, but (i) all rights of ownership, as described herein, must be exercised through DTC and the book-entry-only system and (ii) notices that are to be given to registered Owners by the Trustee, will be given only to DTC. DTC is required to forward (or cause to be forwarded) the notices to the Participants by its usual procedures so that such Participants may forward (or cause to be forwarded) such notices to the Beneficial Owners.

LITIGATION

The Corporation

On the date of delivery of the Notes to the Underwriters, the General Counsel to the Corporation will execute and deliver an opinion addressed to the Underwriters to the effect that, except as described herein, no litigation or proceeding is pending against the Corporation of which the Corporation has notice and, to the best of his knowledge, no such litigation or proceeding is threatened seeking to restrain or enjoin the issuance or delivery of the Notes or which would affect the provisions made for their payment or security, or in any manner questions the validity of the Notes.

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

The Texas Department of Transportation

On the date of delivery of the Notes to the Underwriters, the General Counsel to the Commission will execute and deliver an opinion addressed to the Underwriters to the effect that, except as described herein, no litigation or proceeding is pending against TxDOT of which TxDOT has notice and, to the best of his knowledge, no such litigation or proceeding is threatened in any court or administrative body, which would contest the due authorization, execution, delivery or enforceability of (a) the TELA, or (b) TxDOT's continuing disclosure obligations or attempt to limit, enjoin, or otherwise restrict or prevent TxDOT from performing its obligations thereunder, including its obligation to advance funds to the Corporation under the TELA. As of the date of this Official Statement, there is no action, suit or proceeding or investigation at law or in equity before or by any court, public board, or public body pending, or, to its knowledge, threatened against or affecting TxDOT relating to the execution, delivery, and performance by TxDOT of the TELA or the continuing disclosure agreement, or that could have a material adverse effect on the financial condition of TxDOT or TxDOT's ability to advance funds under the TELA.

TAX MATTERS

Opinion

On the date of initial delivery of the Notes, McCall, Parkhurst & Horton L.L.P., Bond Counsel to the Corporation, will render its opinions that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof ("*Existing Law*"), (1) interest on the Notes for federal income tax purposes will be excludable from the "gross income" of the owners thereof and (2) the Notes 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 Notes. See "**APPENDIX F - FORM OF BOND COUNSEL OPINION.**"

In rendering its opinions, Bond Counsel will rely upon (a) certain information and representations of the Corporation, including information and representations contained in the Corporation's federal tax certificate, (b) covenants of the Corporation contained in the documents relating to the Notes regarding certain matters, including arbitrage and the use of the proceeds of the Notes and the Refunded Bonds and the property financed or refinanced therewith and (c) the Sufficiency Certificate of Estrada Hinojosa & Company, Inc., the Corporation's Financial Advisor. Failure by the Corporation to observe the aforementioned representations or covenants, could cause the interest on the Notes to become taxable retroactively to the date of issuance.

The Code and the regulations promulgated thereunder contain a number of requirements that must be satisfied subsequent to the issuance of the Notes in order for interest on the Notes to be, and to remain, excludable from gross income for federal income tax purposes. Failure to comply with such requirements may cause interest on the Notes to be included in gross income retroactively to the date of issuance of the Notes. The opinion of Bond Counsel is conditioned on compliance by the Corporation with such requirements, and Bond Counsel has not been retained to monitor compliance with these requirements subsequent to the issuance of the Notes.

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

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

Federal Income Tax Accounting Treatment of Original Issue Discount

The initial public offering price to be paid for one or more maturities of the Notes may be less than the principal amount thereof or one or more periods for the payment of interest on the Notes may not be equal to the accrual period or be in excess of one year (the "OID Notes"). In such event, the difference between (i) the "stated redemption price at maturity" of each OID Note, and (ii) the initial offering price to the public of such OID Note would constitute original issue discount. The "stated redemption price at maturity" means the sum of all payments to be made on the Notes less the amount of all periodic interest payments. Periodic interest payments are payments which are made during equal accrual periods (or during

any unequal period if it is the initial or final period) and which are made during accrual periods which do not exceed one year.

Under Existing Law, any owner who has purchased such OID Note 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 OID Note 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 OID Note prior to stated maturity, however, the amount realized by such owner in excess of the basis of such OID Note in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such OID Note was held by such initial owner) is includable in gross income.

Under Existing Law, the original issue discount on each OID Note 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 Notes and ratably within each such six-month period) and the accrued amount is added to an initial owner's basis for such OID Note for purposes of determining the amount of gain or loss recognized by such owner upon the redemption, sale or other disposition thereof. The amount to be added to basis for each accrual period is equal to (a) the sum of the issue price and the amount of original issue discount accrued in prior periods multiplied by the yield to stated maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) less (b) the amounts payable as current interest during such accrual period on such OID Note.

The federal income tax consequences of the purchase, ownership, redemption, sale or other disposition of OID Notes 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 OID Notes 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 OID Notes and with respect to the federal, state, local and foreign tax consequences of the purchase, ownership, redemption, sale or other disposition of such OID Notes.

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 Notes. This discussion is based on Existing Law, which is subject to change or modification, retroactively.

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

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

Interest on the Notes 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.

Under section 6012 of the Code, owners of tax-exempt obligations, such as the Notes, 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 Notes, if such obligation was acquired at a "market discount" and if the fixed maturity of such obligation is equal to, or exceeds, one year from the date of issue. Such treatment applies to "market discount bonds" to the extent such gain does not exceed the accrued market discount of such bonds; although for this purpose, a de minimis amount of market discount is ignored. A "market discount bond" is one which is acquired by the owner at a purchase price which is less than the stated redemption price at maturity or, in the case of an obligation issued at an original issue discount, the "revised issue price" (i.e., the issue price plus accrued original issue discount). The "accrued market discount" is the amount which bears the same ratio to the market discount as the number of days during which the owner holds the obligation bears to the number of days between the acquisition date and the final maturity date.

Future and Proposed Legislation

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the Federal or state level, may adversely affect the tax-exempt status of interest on the Notes under Federal or state law and could affect the market price or marketability of the Notes. Any such proposal could limit the value of certain deductions and exclusions, including the exclusion for tax-exempt interest. The likelihood of any such proposal being enacted cannot be predicted. Prospective purchasers of the Notes should consult their own tax advisors regarding the foregoing matters.

State, Local and Foreign Taxes

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

UNDERWRITING

Goldman, Sachs & Co, as representative of the Underwriters, has agreed, on behalf of the Underwriters, subject to certain customary conditions, to purchase the Notes from the Corporation. The purchase price of the Notes is \$_____ (which represents the par amount of the Notes, plus a net original issue premium of \$_____ and less an underwriting discount of \$_____).

The Underwriters will be obligated to purchase all of the Notes if any Notes are purchased. The Notes to be offered to the public may be offered and sold to certain dealers (including the Underwriters and other dealers depositing Notes into investment trusts) at prices lower than the public offering prices of the Notes and such public offering prices may be changed, from time to time, by the Underwriters.

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include sales and trading, commercial and investment banking, advisory, investment management, investment research, principal investment, hedging, market making, brokerage and other financial and non-financial activities and services. Certain of the Underwriters and their respective affiliates have provided, and may in the future provide, a variety of these services to the Corporation and to persons and entities with relationships with the Corporation, including TxDOT, for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the Underwriters and their respective affiliates, officers, directors and employees may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers, and such investment and trading activities may involve or relate to assets, securities and/or instruments of the Corporation (directly, as collateral securing other obligations or otherwise) and/or persons and entities with relationships with the Corporation. The Corporation and its respective affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

Merrill Lynch, Pierce, Fenner & Smith Incorporated, one of the Underwriters of the Notes, is an affiliate of Banc of America Preferred Funding Corporation. The Series 2014B Bonds and the Series 2014C Bonds will be privately placed with Banc of America Preferred Funding Corporation. See "**PLAN OF FINANCE - General.**"

J.P. Morgan Securities LLC ("*JPMS*"), one of the Underwriters of the Notes, has entered into a negotiated dealer agreement ("*Dealer Agreement*") with Charles Schwab & Co., Inc. ("*CS&Co.*") for the retail distribution of certain securities offerings at the original issue prices. Pursuant to the Dealer Agreement (if applicable to this transaction), CS&Co. will purchase Notes from JPMS at the original issue price less a negotiated portion of the selling concession applicable to any Notes that such firm sells.

Wells Fargo Securities is the trade name for certain securities-related capital markets and investment banking services of Wells Fargo & Company and its subsidiaries, including Wells Fargo Bank, National Association ("*WFBNA*"). WFBNA, one of the Underwriters of the Notes, has entered into an agreement (the "Distribution Agreement") with its affiliate, Wells Fargo Advisors, LLC ("*WFA*"), for the distribution of certain municipal securities offerings, including the Notes. Pursuant to the Distribution Agreement, WFBNA will share a portion of its underwriting or remarketing agent compensation, as applicable, with respect to the Notes with WFA. WFBNA also utilizes the distribution capabilities of its affiliates, Wells Fargo Securities, LLC ("*WFSLLC*") and Wells Fargo Institutional Securities, LLC ("*WFIS*"), for the distribution of municipal securities offerings, including the Notes. In connection with utilizing the distribution capabilities of

WFSLLC, WFBNA pays a portion of WFSLLC's expenses based on its municipal securities transactions. WFBNA, WFSLLC, WFIS, and WFA are each wholly-owned subsidiaries of Wells Fargo & Company.

RATING

The Notes have received a rating of "SP-1+" from Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC business ("S&P").

The current rating from S&P for the outstanding Series 2013B Bonds and Series 2013E Bonds, which are Subordinate Tier TELA Obligations, is AA+. Such rating is based in part on TxDOT's obligation to advance funds in accordance with the terms of the TELA. **The Notes are NOT entitled to the benefit of the TELA and are NOT TELA Bonds; however, the Notes are also payable from a pledge of the proceeds of any Subordinate Tier TELA Obligations when and if issued to refund the Notes in the future.**

An explanation of the significance of the rating on the Notes may be obtained from S&P. The rating reflects only the views of S&P at the time the rating was given, and the Corporation makes no representation as to the appropriateness of the rating. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by S&P, if in the judgment of S&P, circumstances so warrant. Any such downward revision or withdrawal of the rating may have an adverse effect on the market price of the Notes.

LEGAL MATTERS

Legal matters incident to the authorization, issuance and sale of the Notes 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, Texas, Bond Counsel to the Corporation. In connection with the transactions described in this Official Statement, McCall, Parkhurst & Horton L.L.P. only represents the Corporation; however, such firm represents TxDOT as Bond Counsel and Disclosure Counsel in other TxDOT financing programs. Attached hereto, as **APPENDIX F**, is the form of opinion that Bond Counsel will render in connection with the issuance of the Notes. The legal opinion will accompany the Notes deposited with DTC or will be printed on the Notes in the event of the discontinuance of the book-entry-only system. The payment of certain legal fees to Bond Counsel in connection with the issuance of the Notes is contingent on the sale and delivery of the Notes. Certain legal matters will also be passed upon for the Corporation by McCall, Parkhurst & Horton L.L.P., Austin, Texas, Disclosure Counsel to the Corporation, and for the Underwriters by Winstead PC, Austin, Texas, Counsel for the Underwriters. The payment of legal fees to Counsel for the Underwriters in connection with the issuance of the Notes is contingent on the sale and delivery of the Notes.

The various legal opinions to be delivered concurrently with the delivery of the Notes 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.

PROFESSIONAL ENGINEERS

The reports of CDM Smith, Inc. and Jacobs Engineering Group Inc. have been incorporated by reference into this Official Statement in reliance on their expertise as professional engineers. Such firms have consented to the incorporation by reference of their reports into this Official Statement.

FINANCIAL ADVISOR

Estrada Hinojosa & Company, Inc. is acting as Financial Advisor to the Corporation. The Financial Advisor, in such capacity, 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 Notes, or the possible impact of any present, pending, or future actions taken by any legislative or judicial bodies.

LEGAL INVESTMENTS IN TEXAS

Section 1201.041 of the Public Security Procedures Act (Chapter 1201, Texas Government Code) provides that the Notes 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 Notes 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 Notes be assigned a rating of at least "A" or its equivalent as to investment quality by a national rating

agency. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Notes are legal investments for state banks, savings banks, trust companies with at least \$1 million of capital, and savings and loan associations. The Notes are eligible to secure deposits of any public funds of the State or a political subdivision of the State to the extent of the lesser of the face value of the Notes or the market value of the Notes. No review by the Corporation has been made of the laws in other states to determine whether the Notes are legal investments for various institutions in those states.

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

CONTINUING DISCLOSURE OF INFORMATION

The Corporation

In the Fourth Supplemental Agreement, the Corporation has made the following agreements for the benefit of the Owners of the Notes. The Corporation is required to observe the agreements for so long as it remains obligated to advance funds to pay the Notes. Under the agreements, the Corporation will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified material events, to the Municipal Securities Rulemaking Board (the "MSRB"). This information will be available at the MSRB's municipal market database, located at <http://www.emma.msrb.org>.

Annual Reports

The Corporation will provide certain updated financial information and operating data to the MSRB. The information to be updated includes (i) all quantitative financial information and operating data with respect to the Corporation and the Grand Parkway System of the general type included in this Official Statement under the headings "**TOLL EQUITY LOAN AGREEMENT — Maximum Available Annual Amount and Annual TELA-Supported Debt Service and TELA Supported Junior Operating Expenses,**" "**PRO FORMA DEBT SERVICE REQUIREMENTS,**" and "**ESTIMATED TOLL REVENUES AND EXPENSES AND ESTIMATED DEBT SERVICE COVERAGE,**" (ii) a copy of the progress reports required under the Trust Agreement and (iii) starting with the Fiscal Year after Substantial Completion of the System, any annual financial statements of the Corporation. The Corporation will update and provide this information within six months after the end of each Fiscal Year for the System or in the case of the progress reports required under the Trust Agreement within sixty days of the end of each quarter. The Corporation will provide the updated information to the MSRB.

The Corporation may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by Rule 15c2-12 (the "Rule") of the United States Securities and Exchange Commission (the "SEC"). Starting with the Fiscal Year after Substantial Completion of the System, the updated information will include audited financial statements, if the Corporation commissions an audit and it is complete by the required time. If audited financial statements are not available by the required time, the Corporation 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 Corporation may be required to employ from time to time pursuant to state law or regulation.

The current Fiscal Year end for the Corporation is August 31. Accordingly, it must provide updated information by the last day of February in each year, unless the Corporation changes its Fiscal Year. If the Corporation changes its Fiscal Year, it will notify the MSRB.

Event Notices

The Corporation will also provide timely notices of certain events to the MSRB. The Corporation will provide notice of any of the following events with respect to the Notes in a timely manner (but not in excess of ten business days after the occurrence of the event): (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions or the issuance by the IRS of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Notes, or other events

affecting the tax status of the Notes; (7) modifications to rights of holders of the Notes, if material; (8) calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Notes, if material; (11) ratings changes; (12) bankruptcy, insolvency, receivership or similar event of the Corporation; (13) the consummation of a merger, consolidation, or acquisition involving the Corporation or the sale of all or substantially all of the assets of the Corporation, other than in the ordinary course of business, the entry into a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and (14) the appointment of a successor or additional trustee or the change of the name of a trustee, if material. In addition, the Corporation will provide timely notice of any failure by the Corporation to provide information, data, or financial statements in accordance with its agreement described above under " — *Annual Reports*." The Corporation will provide each notice described in this paragraph to the MSRB.

Availability of Information from the MSRB

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

Limitations and Amendments

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

The Corporation may amend, supplement, or repeal its continuing disclosure agreements to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the Corporation, but only if (i) the agreement, as amended, would have permitted an underwriter to purchase or sell Notes 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 Notes consent to the agreement or (b) any person unaffiliated with the Corporation (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interest of the Owners of the Notes. The Corporation may also amend or repeal its continuing disclosure agreements if the SEC amends or repeals the application provisions of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling the Notes in the primary offering of the Notes.

Compliance with Prior Undertakings

The Corporation is in compliance in all material respects with its continuing disclosure agreement entered into in connection with the issuance of the Series 2013 Obligations.

The Texas Department of Transportation

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

Annual Reports

TxDOT will provide certain updated financial information and operating data to the MSRB annually. The information to be updated includes all quantitative financial information and operating data with respect to TxDOT of the general type described in (i) Tables 1 through 10 in "**APPENDIX A — THE TEXAS DEPARTMENT OF TRANSPORTATION AND THE STATE HIGHWAY FUND**" and (ii) "**APPENDIX B — ANNUAL FINANCIAL REPORT OF THE TEXAS DEPARTMENT OF TRANSPORTATION FOR FISCAL YEAR ENDED AUGUST 31, 2013**." TxDOT will update and provide this information within six months after the end of each fiscal year. TxDOT will provide the updated information to the MSRB.

TxDOT reserves the right to commission an audit of its financial statements referenced in **APPENDIX A** and/or in **APPENDIX B** and, if so, TxDOT will provide such audited financial statements if such audit is completed within the period during which they must be provided. However, TxDOT does not intend (and its continuing disclosure undertaking should not be construed as a commitment by the Commission) to commission any audit of its financial statements. In the event that TxDOT does elect to commission an audit of its financial statements, TxDOT will provide such audited financial statements for the applicable fiscal years to the MSRB when and if such audit report on such statements becomes available. Any such financial statements will be prepared in accordance with generally accepted accounting principles or such other accounting principles as TxDOT may be required to employ from time to time pursuant to state law or regulation.

TxDOT may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by the Rule.

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

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

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

Availability of Information

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

Limitations and Amendments

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

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

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

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

invalid, and TxDOT also may amend the provisions of the Undertaking in its discretion in any other manner or circumstance, but in either case only if and to the extent that the provisions of this sentence would not prevent an Underwriter from lawfully purchasing or selling the Notes in a primary offering of the Notes.

Compliance with Prior Undertakings

During the last five years, TxDOT has complied in all material respects with its continuing disclosure agreements entered into pursuant to the Rule; however, the updated annual financial information and operating data with respect to TxDOT's State Highway Fund and Central Texas Turnpike System financings for the fiscal year ending August 31, 2008 were dated February 27, 2009 but were not shown as filed until March 9, 2009, nine days later.

OTHER MATTERS

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

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APPENDIX A

**THE TEXAS DEPARTMENT OF TRANSPORTATION
AND THE STATE HIGHWAY FUND**

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THE TEXAS DEPARTMENT OF TRANSPORTATION AND THE STATE HIGHWAY FUND

TxDOT

The Texas Department of Transportation ("*TxDOT*" or the "*Department*") is a public authority and body politic and corporate created in 1917 as the "Texas Highway Department" by an act of the Texas Legislature (the "*Legislature*") to administer federal funds for highway construction and maintenance. In 1975, the Legislature merged the Texas Highway Department with the "Texas Mass Transportation Commission" to form the "State Department of Highways and Public Transportation," and in 1991, the Legislature combined the State Department of Highways and Public Transportation, the Department of Aviation, and the Texas Motor Vehicle Commission to create TxDOT.

The Commission

The Texas Transportation Commission (the "*Commission*") is TxDOT's policy-making body and is composed of five commissioners appointed by the Governor of the State (the "*Governor*") with the advice and consent of the Texas Senate. Commissioners serve overlapping six year terms. One member is designated by the Governor as the Chair and serves as the chief presiding officer of the Commission. A person is not eligible to be a member of the Commission if the person or the person's spouse is employed by or manages a business that is regulated by or regularly receives funds from TxDOT; directly or indirectly owns or controls more than a 10% interest in a business that is regulated by or receives funds from TxDOT; uses or receives a substantial amount of goods, services, or funds from TxDOT; or is registered, certified, or licensed by TxDOT.

The Legislature created the "State Highway Commission" on April 4, 1917, for the purpose of adopting and implementing a comprehensive system of state highways and promoting the construction of a state highway system by cooperation with counties or independently by the State Highway Commission. In 1975, the Legislature changed the name of the State Highway Commission to the "State Highway and Public Transportation Commission." In 1991, the Legislature changed the name again to the "Texas Transportation Commission," as it remains today.

The current members of the Commission are listed below.

Ted Houghton, Chairman

Mr. Houghton was appointed to the Commission by Governor Perry in December of 2003, and appointed as Chairman of the Commission in October of 2011. A native of El Paso, Mr. Houghton is self-employed in the fields of financial services, executive benefits, and estate planning. He is the first resident of El Paso to serve on the Commission. Mr. Houghton has served on the State of Texas School Land Board. He also served for eight years on the El Paso Water Utilities Public Service Board and on the board of directors of the El Paso Electric Company and the El Paso Rapid Transit Board, as president of the Sun Bowl Association, and as a member of the 1984 Los Angeles Olympic Committee. Mr. Houghton received his bachelor's degree in finance from The University of Texas at El Paso.

Fred Underwood, Commissioner

Mr. Underwood was appointed to the Commission by Governor Perry in January of 2007. Mr. Underwood is president of the Trinity Company, a cotton bale storage facility. He is both past vice president and past director of the National Cotton Council. He also serves as chairman of the Ways and Means Committee of the Cotton Warehouse Association, where he previously served as president. Mr. Underwood also previously served as chairman of Lubbock International Airport Board and as a board member of the Lubbock Chamber of Commerce. Mr. Underwood received a bachelor's degree in management from Texas Tech University.

Jeff Austin III, Commissioner

Mr. Austin was appointed to the Commission by Governor Perry in October of 2011, and is Vice Chairman of Austin Bank. He is a board member of First State Bank in Athens, Texas, and of Capital Bank in Houston, Texas, and a past president of First State Bank, Frankston, Texas. He is a board member and past chair of the Texas Bankers Association, a board member of the Bob Bullock Texas History Museum, a member of the American Bankers Association Government Relations Committee and the Bank CEO Network, an executive committee member and past director of the Texas Lyceum, and a Board member and a Past President and Scoutmaster of the East Texas Area Council of Boy Scouts. He was the presiding officer of the North East Texas Regional Mobility Authority, and board chair of the Tyler Area Chamber of Commerce. He is also a past board member of the Tyler Economic Development Corporation, the Better Business Bureau of East Texas, The University of Texas at Tyler Business School Advisory Board, the UT Tyler Health Center Development Board, and the Trinity Mother Frances Hospital

Foundation. Mr. Austin received a bachelor's degree and a master's degree in Business Administration from The University of Texas at Tyler, and is a graduate of the Southern Methodist University Southwestern Graduate and Intermediate Schools of Banking, and the Harvard Business School Advanced Management Program.

Jeff Moseley, Commissioner

Mr. Moseley was appointed to the Commission by Governor Perry in June of 2012. Prior to his appointment, Mr. Moseley was chief executive officer of the Greater Houston Partnership. During seven years in this role, he worked on numerous regional transportation policy efforts and partnered with transportation stakeholders such as the Gulf Coast Regional Mobility Partners and the I-69 Corridor Coalition. He previously served as director of the Governor's Office of Economic Development and Tourism. Between 1991 and 1999, Mr. Moseley served as Denton County Judge. During that time, he was a member of the metropolitan planning organization for the North Central Texas Council of Governments, supported the passage of two mobility bond campaigns, organized the I-35 Corridor Coalition, and was involved in the creation of the North Texas Tollway Authority. Mr. Moseley is currently self-employed and serves as a consultant to Opportunity Houston. Mr. Moseley received the Outstanding Alumnus Award from Southern Nazarene University in Oklahoma.

Victor Vandergriff, Commissioner

Mr. Vandergriff was appointed to the Commission by Governor Perry in March of 2013. Mr. Vandergriff is an attorney and private businessman specializing in business development and legislative issues. From 2009 to 2013, Mr. Vandergriff served as the chairman of the Texas Department of Motor Vehicles Board. He was also a board member for the North Texas Tollway Authority from 2007 to 2013 and served as chairman from 2010 to 2011. He formerly served as Vice President of V.T., Inc. and Automotive Investment Group, the largest private retail automotive group in the United States. He was involved as an owner, dealer and executive manager in the automobile industry for more than 25 years. Mr. Vandergriff and his family have owned and operated automobile dealerships for more than 80 years in the Dallas-Fort Worth region. Mr. Vandergriff attended The University of Southern California, where he received a degree from the School of Public Administration in Public Affairs. He received his law degree from Southern Methodist University in Dallas.

The Department

The Department is a public authority and body politic and corporate created in 1917 as the "Texas Highway Department" by an act of the State Legislature to administer federal funds for highway construction and maintenance. In 1975, the State Legislature merged the Texas Highway Department with the "Texas Mass Transportation Commission" to form the "State Department of Highways and Public Transportation," and in 1991, the Legislature combined the State Department of Highways and Public Transportation, the Department of Aviation, and the Texas Motor Vehicle Commission to create the Department. In 2009, the Legislature created the Department of Motor Vehicles as a separate State agency, and moved vehicle title and registration; motor carrier registration and enforcement; licensing of motor vehicle dealers, manufacturers, distributors, and other similar entities; and auto theft reduction efforts from the Department to the Department of Motor Vehicles.

The mission of TxDOT is to provide safe and efficient movement of people and goods, enhance economic viability and improve the quality of life for the people that travel in the state of Texas by maintaining existing roadways and collaborating with private and local entities to plan, design, build and maintain expanded transportation infrastructure. TxDOT's vision is to be a trusted, performance-driven organization committed to collaborating with internal and external partners to deliver a modern, interconnected and multimodal transportation system that enhances the quality of life for Texas citizens and increases the competitive position for Texas industry.

The Texas Sunset Act (Chapter 325, Texas Government Code)(the "*Sunset Act*") provides that virtually all agencies of the State, including TxDOT, are subject to periodic review by the Legislature and that each agency subject to sunset review will be abolished unless the Legislature specifically determines to continue its existence. TxDOT will be subject to its next Sunset review in 2015. Pursuant to the Sunset Act, the Legislature specifically recognizes the State's continuing obligation to pay bonded indebtedness and all other obligations incurred by TxDOT. Accordingly, in the event that a sunset review results in TxDOT being abolished, the Governor would be required by law to designate an appropriate state agency to carry out covenants and perform the obligations of TxDOT. The designated agency would provide for payment of bonds and other public securities in accordance with the terms of such bonds and other public securities and would provide for payment and performance of all other obligations in accordance with their terms.

The Department is headquartered in Austin, Texas, with 34 divisions/offices, four regional offices, and 25 district offices located throughout the State. Each district is responsible for the planning, design, construction, maintenance, and operation of its area's transportation systems. The Department is managed by an Executive Director, subject to and under the direction of the Commission. The Executive Director and other key Department personnel are listed below.

James M. Bass, Interim Executive Director and Chief Financial Officer

Effective January 17, 2014, James M. Bass became Interim Executive Director and continues to serve as Chief Financial Officer ("CFO"). The prior Executive Director, Phil Wilson, announced in December 2013 that he would be leaving TxDOT for another position. On January 7, 2014, the Commission appointed a committee to select a permanent Executive Director, but currently no timeline has been established for such selection. As CFO, Mr. Bass has financial oversight responsibility for the Department. Mr. Bass also oversees management of the Department's financial planning operations division (the "*Finance Division*"), which now includes programming and scheduling of all transportation projects and letting management activities associated with project delivery. In addition, the CFO has oversight of toll operations, innovative finance and debt management (including the State Infrastructure Bank and investment functions), and grant management. Under his direction, the Finance Division develops and implements systems and policies related to accounting, forecasting, budgeting, payment for goods and services, and the processing of receipts and revenues. Mr. Bass began his career with the Department in 1985 in the Fort Worth District where he maintained records and audited field measurements. He also worked part-time as an engineering aide for the Austin District while earning his bachelor's degree in accounting from The University of Texas at Austin. After graduation in 1991, Mr. Bass served as an accounting clerk in the Finance Division. In 1997, Mr. Bass became a manager in the Budget and Forecasting Branch, and in that position was responsible for preparation of the Department's Legislative Appropriations Request and Operating Budget, and working with the Texas Legislative Budget Board, State Auditor's Office, and the Comptroller of Public Accounts. He also worked on the Department's Cash Forecasting System for the State Highway Fund. Mr. Bass was named Finance Division Director in 1999 and his title was changed to Chief Financial Officer in 2005.

John Barton, Deputy Executive Director and Chief Engineer

As Deputy Executive Director, Mr. Barton is responsible for assisting in all phases of directing, managing, and implementing the Department's policies, programs, and operating strategies. He oversees the management of all transportation systems for which the agency is responsible to ensure that systems are adequate, safe, and constructed and maintained for the traveling public in the most cost-effective manner. Mr. Barton also serves as the Department's Chief Engineer. In this capacity he is responsible for management and control of the Bridge, Construction, Design, Maintenance, Traffic Operations and Right of Way Divisions as well as the Local Government Project Office, and he provides executive oversight of all District Operations. He also assists in directing long- and short-range planning for the agency including the establishment of overall operating objectives and the technical merits of programs and policies. Mr. Barton grew up in Archer City, a small rural town in north central Texas, before attending college at Texas A&M University where he graduated with honors in 1986 with a Bachelor of Science degree in Civil Engineering. He then began working full-time for the Department and now has more than 26 years of service with the Department. Mr. Barton began working for the Department as a summer employee in the Archer City Maintenance Section of the Wichita Falls District while in high school, and then began full-time employment with the Department after graduating from Texas A&M. Like most Department employees, he has worn many hats during his time with the Department, ranging from Construction Project Inspector and Manager to Area Engineer, to District Engineer, Assistant Executive Director for Engineering Operations, and now Deputy Executive Director.

Scott Leonard, Deputy Executive Director and Chief Strategy and Administrative Officer

As Deputy Executive Director, Chief Strategy and Administrative Officer, Scott Leonard oversees a broad span of functions, including Information Technology, Procurement, Aviation, Engineering Procurement, Fleet Oversight, Human Resources, Occupational Safety, Contract Services, Research, and Real Estate Management and Development. Mr. Leonard assumed the position of Chief Strategy and Administrative Officer in April 2012. During his tenure at TxDOT he has been responsible for driving a large series of transformational initiatives that are reducing TxDOT's cost footprint, while improving the efficiency and effectiveness of the organization. These major agency wide initiatives include reducing the size of the TxDOT vehicle fleet by 33%, revamping both individual and agency way performance management processes, driving IT transformation, and restructuring many legacy procurement and HR processes. Prior to TxDOT, Mr. Leonard spent seven years at Energy Future Holdings / TXU Corp, a Fortune 200 energy company. During his tenure, Leonard rose to the position of Senior Vice President of Performance Improvement and oversaw the development and execution of a significant internal restructuring program. Initially, he served as the Vice President of Planning and Performance Management where he led the five year planning process for TXU. He also served as the Vice President of Corporate Development and Strategy where his accountabilities included mapping out the overall corporate strategy, resolving key strategic decisions and issues, and setting specific priorities for growth, investment and acquisitions. Previously, Mr. Leonard worked for McKinsey & Company where he led corporate restructuring engagements for major, capital intensive businesses in the energy, IT, and transportation

sectors. His initial work experience focused on capital investment and mergers and acquisitions for Heartland Capital Partners, a private equity firm, and the investment banking divisions of Morgan Stanley and Donaldson, Lufkin, & Jenrette. Mr. Leonard holds an M.B.A. with distinction from the Kellogg School of Management at Northwestern University and a B.S. with highest honors from the Georgia Institute of Technology (Georgia Tech).

Brian Ragland, Finance Director

As the Department's Finance Director, Mr. Ragland is responsible for the management and control of budget, revenue, disbursements, and accounting, and debt management for the Department as well as programming and scheduling and letting management of all transportation projects. Mr. Ragland is also currently an elected trustee of the Employees Retirement System, with a term expiring August 31, 2017. Mr. Ragland began his career with the Department as the Director of the Department's Claims Management Section of the Finance Division in 2003. He left the Department in 2005 to pursue an opportunity as Senior Vice President and Chief Financial Officer of Walden Affordable Group, LLC, an affordable housing management firm. He began his career with The University of Texas System Administration as an accountant/auditor in their Oil and Gas department and then became the Financial Manager of their Employee Group Insurance section where he served until 1996. He then became Chief Financial Officer for the State Preservation Board where he oversaw all financial, human resources, enterprise, and information resource functions of that agency until 2003, when he joined the Department. Mr. Ragland received a bachelor's degree in Accounting from The University of Texas at Austin in 1990 and a Masters of Business Administration degree from Southwest Texas State University in 1999. He is a licensed Certified Public Accountant.

Benjamin Asher, Innovative Financing/Debt Management Officer

Mr. Asher assumed the position as the Department's Innovative Financing/Debt Management Officer in June 2012. In this role he oversees the day-to-day activities of the Innovative Financing/Debt Management Office which include managing the Department's various debt programs, the State Infrastructure Bank, toll equity, pass-through financings, and the financial aspects of the Department's public-private partnerships. For the past twenty years Mr. Asher worked for the Public Resources Advisory Group, an independent financial advisory firm, most recently as a Senior Managing Director in New York. Mr. Asher received his Bachelor of Arts in History from Columbia College and an M.B.A. in Finance from Columbia University Graduate School of Business.

Jeff Graham, General Counsel

Mr. Graham assumed the position of General Counsel on July 16, 2012. Under his direction, the Office of General Counsel renders legal advice to the Commission and the Department. He also drafts Department rules, reviews legislation, and serves as counsel at Commission meetings. Previously, Mr. Graham served as Division Chief for the Financial and Taxation Litigation Division, under Texas Attorney General Greg Abbott. Prior to that, he served as the Division Chief for the Financial Litigation Division of the Office of Attorney General. In 2011, the Taxation Division and the Texas Workforce Commission Section were added to the Financial Litigation Division, resulting in the combined Financial and Taxation Litigation Division. In 2012, the Charitable Trust Section was also added to his portfolio. Jeff began his career at the Office of the Attorney General in 1997, and has lived in Austin since 1986. He is a graduate of Washington University School of Law in St. Louis, Missouri and The University of Texas at Austin.

The State Highway Fund

General

The State Highway Fund is the general source for a substantial portion of funding for the State Highway System, TxDOT, and the administration of State laws relating to traffic and safety on public roads. The State Highway Fund receives revenue from a variety of sources, including, without limitation, certain federal transportation program funds received from the United States Department of Transportation ("*USDOT*"), State motor fuels tax funds, State motor vehicle registration funds, and State motor lubricants tax funds.

Pursuant to Article VIII, Section 7-a of the Texas Constitution, (i) 75% of the net revenues generated from the State motor fuels tax (net of enforcement, administrative and refund charges), (ii) the State tax on motor lubricants, and (iii) the net revenues generated from the State motor vehicle registration fees (net of collection charges and the portion of such fees that is reserved for counties within the State) are dedicated for acquiring rights-of-way; constructing, maintaining, and policing public roadways; and for the administration of laws pertaining to the supervision of traffic and safety on such roads. Also, pursuant to Article VIII, Section 7-b of the Texas Constitution, all revenues received from the federal government as reimbursement for State expenditures of funds that are themselves dedicated for acquiring rights-of-way and constructing, maintaining and policing public roadways are constitutionally dedicated and may be used only for those purposes.

The State Highway Fund is the general operating fund of TxDOT through which, generally, all revenues dedicated or appropriated to the purposes of TxDOT are deposited and all of TxDOT's administration, maintenance and operating expenses are paid. Certain expenses of the Texas Mobility Fund are also processed through the State Highway Fund, whereby the Texas Mobility Fund transfers amounts for such expenses to the State Highway Fund prior to such expenses being paid (except in situations where the Texas Mobility Fund is reimbursing the State Highway Fund for expenses incurred by the State Highway Fund). TxDOT's ongoing "pay as you go" construction program is also paid from the State Highway Fund. Such expenses include payroll, repairs and maintenance, costs of materials and supplies, professional fees or commitments, utilities, rent and lease payments and intergovernmental payments. To accomplish all of these purposes, money in the State Highway Fund is appropriated by the Legislature to TxDOT, the Texas Department of Public Safety (the "DPS") and certain other agencies of the State.

With the exception of certain restricted funds held in special accounts or subaccounts in the State Highway Fund (collectively "*Restricted Revenues*"), amounts deposited into the State Highway Fund are pledged to secure payment of Senior Obligations (as defined under the caption "*State Highway Fund Obligations*") and such amounts may also be used to pay debt service on and other costs associated with certain subordinate obligations issued or incurred by the Commission or TxDOT. See " - *Uses of the State Highway Fund*" and " - *State Highway Fund Obligations*."

Restricted Revenues include amounts held in the State Infrastructure Bank account established as an account in the State Highway Fund pursuant to Subchapter D of Chapter 222, Transportation Code, which had a balance of approximately \$291 million as of August 31, 2013, and amounts held in special accounts or subaccounts established pursuant to Section 228.012, Transportation Code, for payments received by TxDOT under comprehensive development agreements ("*CDA's*"), surplus revenues of toll projects or systems, and payments received under former Section 228.0111(g)(2) and (i)(2) of the Transportation Code (which was repealed by legislation enacted in 2011) for the right to develop, finance, construct and operate toll projects. TxDOT has created subaccounts in the State Highway Fund in accordance with Section 228.012, Transportation Code, holding balances as of August 31, 2013 (i) under the State Highway 130 CDA for segments 5 and 6 totaling approximately \$127 million and (ii) from the North Texas Tollway Authority for the right to develop, finance, design, construct, operate, and maintain the State Highway 121 toll project totaling \$1.76 billion and the State Highway 161 toll project totaling \$145 million, pending distribution of such funds from time to time for their designated purposes.

Restricted Revenues must be used for certain limited purposes and are not available to make advances under any toll equity loan agreement with TxDOT including the toll equity loan agreement (the "*TELA*") with the Grand Parkway Transportation Corporation (the "*Corporation*").

The audited TxDOT Financial Statements (the "*TxDOT Financial Statements*") for fiscal year ended August 31, 2013, which are on file with the Municipal Securities Rulemaking Board ("*MSRB*") and can be examined using the Electronic Municipal Market Access system ("*EMMA*") of the MSRB, are attached to this Official Statement as Appendix B.

Sources of Revenue in the State Highway Fund

The following table sets out the amount of total State Highway Fund Revenues, which are derived from each of the following sources for the last five fiscal years: State motor fuels tax, State motor vehicle registration fees, other State revenue sources, and reimbursements from federal funds. Revenues in the following tables are presented on the modified accrual basis of accounting, unless otherwise indicated, and exclude Restricted Revenues.

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Table 1
State Highway Fund Revenues By Source
(In Millions)

Fiscal Year	State Motor Fuels Tax (Table 2)	State Motor Vehicle Registration Fees ⁽¹⁾ (Table 4)	Other State Revenue Sources ⁽¹⁾ (Table 6)	Reimbursements from Federal Funds (Table 7)	Total Revenues
2009	\$2,226.4	\$1,141.9	\$524.1	\$2,668.9	\$6,561.3
2010	2,230.1	1,171.6	249.8	1,791.1 ⁽²⁾	5,442.6
2011	2,272.0	1,137.5	429.0	2,182.1	6,020.6
2012	2,318.2	1,316.5	357.0	2,560.6	6,552.3
2013	2,376.9	1,355.0	326.9	2,702.9	6,761.7

⁽¹⁾ Fiscal Years 2009 – 2012 reflect minor reclassifications between Motor Vehicle Registration Fees and other State revenue sources.

⁽²⁾ The reduction in federal funds from 2009 to 2010 is related to the timing that federal funds were obligated to certain projects and the pace at which those projects progressed.

State Motor Fuels Tax. The State currently levies a motor fuels tax of \$0.20 per gallon on gasoline and diesel fuel, and \$0.15 per gallon equivalent on liquefied natural gas and compressed natural gas. Sales of motor fuels for the exclusive use of the federal government or a public school district in the State are exempt, and sales of liquefied gas for the exclusive use of the federal government, local county government or a public school district in the State are exempt. The Comptroller of Public Accounts (the "*Comptroller*") retains 1% of the gross receipts for administration and enforcement, and after providing for refunds or non-highway use collections, distributes the remainder as hereinafter described. Pursuant to Article VIII, Section 7-a of the Texas Constitution, 75% of the net revenues generated from the State motor fuels tax (net of enforcement, administrative and refund charges) are deposited to the credit of the State Highway Fund and the remaining 25% of such revenues are deposited to the credit of the "Available School Fund" in support of the State's primary and secondary schools. The Comptroller also administers the county and road district highway fund, which receives 25% of gasoline tax revenues up to a maximum of \$7.3 million annually. The county and road district highway fund is funded from the 75% of the State motor fuels tax net revenues that are deposited in the State Highway Fund. The following table sets out the amount of the State motor fuels tax credited to the State Highway Fund for the last five fiscal years and the approximate percentage of total State Highway Fund revenues for such years that constituted State motor fuels taxes.

Table 2
State Motor Fuels Tax Revenues Credited to the State Highway Fund
(In Millions)

Fiscal Year	Motor Fuels Tax Revenues	Percentage of Total Fund Revenues
2009	\$2,226.4	34%
2010	2,230.1	41%
2011	2,272.0	38%
2012	2,318.2	35%
2013	2,376.9	35%

The following table sets out the amount of the taxable gasoline and diesel fuel consumption in the State for the last five fiscal years.

Table 3
Taxable Gasoline and Diesel Fuel Consumption in Texas
(In Millions of Gallons)

Fiscal Year	Gasoline	Diesel
2009	11,587.9	3,583.4
2010	11,700.0	3,494.3
2011	11,822.6	3,726.1
2012	11,994.7	4,270.9
2013	12,506.7	4,558.4

State Motor Vehicle Registration Fees. The State currently charges motor vehicle registration fees under a number of statutory provisions. The Texas Department of Motor Vehicles ("TxDMV") shares motor vehicle registration responsibilities with county governments that assist with this function. Revenues from vehicle registrations are shared between the State Highway Fund and the counties. Table 4 below sets out the amount of such revenues credited to the State Highway Fund for the last five fiscal years, the approximate percentage of total motor vehicle registration fee revenues represented by such amount, and the approximate percentage of total State Highway Fund revenues for such years that constituted motor vehicle registration fees.

Table 4
State Motor Vehicle Registration Fees Credited to the State Highway Fund
(In Millions)

Fiscal Year	Motor Vehicle Registration Fees ⁽¹⁾	Percentage of Total State Motor Vehicle Registration Fees	Percentage of Total Fund Revenues ⁽¹⁾
2009	\$1,141.9	71%	17%
2010	1,171.6	73%	22%
2011	1,137.5	73%	19%
2012	1,316.5	75%	20%
2013	1,355.0	76%	20%

⁽¹⁾Fiscal Years 2009 – 2012 reflect minor reclassifications between Motor Vehicle Registration Fees and other State revenue sources.

Effective September 1, 2011, the base vehicle registration fee for cars and light trucks was changed to \$50.75 per vehicle, regardless of the age or weight of the vehicle. For trucks other than light trucks, higher fees apply based on weight. Prior to September 1, 2011, the base registration fee for cars and light trucks has ranged from approximately \$29 to \$59, depending on the age (for cars) or weight (for light trucks) of the vehicle.

The following table sets out the number of vehicles registered in the State for the last five fiscal years.

Table 5
Vehicles Registered in Texas
(In Millions)

Fiscal Year	Number of Vehicles
2009	21.4
2010	21.6
2011	21.9
2012	22.6
2013	23.2

Other State Revenue Sources. The State also generates or receives funds from a variety of sources that are credited to 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, oversize and overweight trailer permit fees, vehicle title certificate fees, revenues from Texas Highways magazine, and other reimbursements received by TxDOT. With the exception of the sales tax on motor lubricants and interest earnings on dedicated funds, these other revenue sources are not dedicated or committed by constitutional provision to the State Highway Fund. The following table sets out the aggregate amount of funds generated from these sources and credited to the State Highway Fund for the last five fiscal years and the approximate percentage of the total State Highway Fund revenues for such years generated from such sources.

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Table 6
Other State Revenue Sources Credited to the State Highway Fund
(In Millions)

Fiscal Year	Other State Revenue Sources ⁽¹⁾⁽²⁾	Percentage of Total Fund Receipts
2009	\$524.1	8%
2010	249.8	4%
2011	429.0	7%
2012	357.0	6%
2013	326.9	5%

⁽¹⁾ Excludes loan repayments received by the State Infrastructure Bank and amounts credited to the State Highway Fund from the Texas Mobility Fund for payment to contractors. For administrative purposes, expenses of the Texas Mobility Fund are processed through the State Highway Fund and reimbursed from the Texas Mobility Fund.

⁽²⁾ Fiscal Years 2009 – 2012 reflect minor reclassifications between Motor Vehicle Registration Fees and other State revenue sources.

During the 83rd regular legislative session that ended on May 27, 2013, the State Legislature passed House Bill 2202 which provides for the diversion of certain fees which historically have been deposited into the State Highway Fund. In concert with House Bill 6, House Bill 2202 requires such fees to be deposited into the General Revenue Fund or in some cases causes the collecting entity to retain certain fee revenues. The estimated aggregate amount of such fees is an average of \$104 million annually from fiscal year 2014 through 2018. To partially offset the diversion of revenues from the State Highway Fund to the Texas Department of Motor Vehicles Fund, appropriations made to the Department of Motor Vehicles out of the State Highway Fund have been reduced by \$95,385,000 in fiscal year 2014 and by \$96,330,000 in fiscal year 2015 and such amounts are appropriated instead from the General Revenue Fund.

During the 3rd called special session of the 83rd State Legislature that ended on August 5, 2013, Senate Joint Resolution Number 1 ("*SJR 1*") was approved which proposes a constitutional amendment to be submitted to the State's voters at an election to be held on November 4, 2014. If approved, SJR 1 provides for the use and dedication of certain money transferred to the State Highway Fund to assist in the completion of transportation construction, maintenance and rehabilitation projects, not including toll roads. The amendment would require the Comptroller to transfer from the general revenue fund an amount of certain excess oil and gas production taxes to the economic stabilization fund and the State Highway Fund. House Bill 1 ("*HB 1*"), which was also approved at the 3rd called special session of the 83rd State Legislature, establishes a legislative process to ensure an appropriate amount of revenue is available in the economic stabilization fund each biennium. HB 1 further provides that the Comptroller, before making any transfers to the economic stabilization fund or State Highway Fund each year, shall determine whether the sum of the balance of the economic stabilization fund plus any projected transfers to the economic stabilization fund is less than the sufficient balance adopted by the State Legislature. If the Comptroller determines that this amount is less than the sufficient balance adopted by the State Legislature, then the Comptroller shall reduce the allocation to the State Highway Fund and increase the allocation to the economic stabilization fund, in an equal amount, until the sufficient balance adopted by the State Legislature for the economic stabilization fund is achieved. Although no assurances can be given until a sufficient balance has been established, the Comptroller reported the potential impact to the State Highway Fund to be \$1.38 billion in 2015.

Federal Funds. Federal transportation funds are made available to the State by the federal government. Briefly, the Federal-Aid Highway Program ("*FAHP*") is an "umbrella" term that encompasses most of the federal programs providing highway funds to the states. The Federal Highway Administration ("*FHWA*") is the federal agency within the USDOT responsible for administering the FAHP. The FAHP is financed from the transportation user-related revenues deposited in the Federal Highway Trust Fund ("*HTF*"). Federal government funding for infrastructure projects is usually accomplished through federal highway authorization legislation, which establishes funding over a multi-year period.

The FAHP is a reimbursement program. Funding under the FAHP is provided to states through a multi-step funding cycle that includes: (i) multi-year authorization by Congress of the funding for various highway programs; (ii) apportionment and allocation of funds to the states each federal fiscal year according to statutory formulas or, for some funding categories, through administrative action; (iii) appropriations by Congress specifying the amount of funds available for the year to liquidate obligations; (iv) obligation of funds, which is the federal government's legal commitment (or promise) to pay or reimburse states for the federal share of a project's eligible costs; (v) program implementation which covers the programming and authorization phases; and (vi) reimbursement by the federal government of the eligible project costs. The FAHP is subject to federal rescission of funds enacted by federal law which reduces the amount of funds available under an existing appropriation or authorization act.

The primary source of revenues in the HTF is derived from federal excise taxes on motor fuels, including certain alternative fuels. The HTF is a dedicated federal fund with revenues dedicated for reimbursement of expenditures by the states, including Texas, for costs of eligible transportation projects, including highway projects, and was created as a user-supported fund intended to finance highways with taxes paid by users of highways. Deposits of such taxes into the HTF must periodically be reauthorized by Congress. Historically, the HTF and its constituent taxes have been authorized to operate for limited periods of time.

Failure to replenish the HTF expeditiously and maintain the flow of federal revenues to states may have an adverse impact on TxDOT and the Commission. In addition, funding appropriations may be revised and federal funding for infrastructure projects may be reduced which may impact the funding available to TxDOT for payment of its obligations, including obligations to developers pursuant to pass-through toll agreements and obligations under toll equity agreements, including the TELA with the Corporation, and obligations to support the operations of the Central Texas Turnpike System ("CTTS"). See "*State Highway Fund Obligations*."

The most recent highway authorization legislation, "Moving Ahead for Progress in the 21st Century" ("MAP-21"), is authorized from June 30, 2012 to September 30, 2014. Prior federal highway authorization legislation has been periodically subject to rescission, including reductions to funding under the previous authorization in each of the years 2005 through 2011. Although no rescission was built into MAP-21, a rescission through the appropriations process remains a possibility. In addition, the Balanced Budget and Emergency Deficit Control Act of 1985, as amended, required certain automatic reductions in federal spending that impacted MAP-21 funding. See "*Sequestration Effects on the State Highway Fund*" below.

State law currently provides that federal funds appropriated for public road construction in the State may only be spent by and under the supervision of TxDOT. Such funds are deposited to the credit of the State Highway Fund as reimbursements.

Federal transportation program funds credited to the State Highway Fund for the last five fiscal years, and the portion of the total State Highway Fund Revenues represented by federal reimbursements, are shown in the following table.

Table 7
Reimbursements from Federal Funds
(In Millions)

Fiscal Year	Reimbursements from Federal Funds ⁽¹⁾	Percentage of Total Revenue
2009	\$2,668.9	41%
2010	1,791.1 ⁽²⁾	33%
2011	2,182.1	36%
2012	2,560.6	39%
2013	2,702.9	40%

⁽¹⁾Excludes funds received for projects financed through the American Reinvestment and Recovery Act (ARRA) beginning in Fiscal Year 2009.

⁽²⁾The reduction in federal funds from 2009 to 2010 is related to the timing that federal funds were obligated to certain projects and the pace at which those projects progressed.

The Equity Bonus Program in the previous multi-year authorization bill, the "Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users" ("SAFETEA-LU") has been removed from MAP-21. The Equity Bonus Program had previously guaranteed a minimum return of certain apportioned federal highway program funds. In its place, MAP-21 makes an adjustment to part of the apportionment formula such that no state receives less than a 95% share of the state's attributed share of highway user tax revenue contributed to the Highway Account of the HTF. Due to recent federal general revenue transfers to the HTF, every state is now receiving more funds than were deposited into the HTF. Funds from the HTF support a variety of federal transportation programs that, for the purposes of this discussion, are grouped into three broad categories: (i) funds distributed proportionally to states through a dedicated formula program ("Guaranteed Highway Programs"); (ii) discretionary funds ("Discretionary Programs"); and (iii) Transit Programs.

The allocation of funds using a formula provided in law is called apportionment. Most federal-aid funds are formula-allocated to states through apportionments. Each federal fiscal year, the FHWA has responsibility for apportioning authorized funding for the various highway programs among the states according to formulas established in the authorizing statute, currently MAP-21. When there are no formulas in law, the non-formula allocations (discretionary) of funds may be made at any time during the federal fiscal year. In most cases, non-formula allocated funds are divided among states with qualifying projects applying general administrative criteria provided in the law. The annual apportionments to TxDOT under SAFETEA-

LU and MAP-21 were \$3.15 billion, \$3.13 billion, \$3.12 billion, \$2.91 billion and \$3.05 billion in federal fiscal years 2009 through 2013, respectively. However, in federal fiscal years 2009 through 2011, there were federal rescissions of certain amounts appropriated under SAFETEA-LU in the approximate aggregate amounts of \$11.9 billion, \$2.2 billion and \$2.5 billion, respectively. Texas' share of such rescissions was \$1,014,643,500, \$190,367,982 and \$200,895,021 for federal fiscal years 2009 through 2011, respectively. In February 2010, Congress passed HR2847, which restored \$8.7 billion of the authorization rescinded in 2009, including \$742,240,415 of Texas's share of such rescinded authorization; while contract authority was restored, no obligation authority was given.

The following table provides a history of the apportionments and allocations, as applicable, to TxDOT for certain federal highway funding programs in the State for the last five federal fiscal years.

Table 8
Federal Transportation Funds Apportioned and Allocated to TxDOT⁽¹⁾
(In Millions)

Federal Fiscal Year	Guaranteed Highway Programs ⁽²⁾	Discretionary/ Allocated Highway Programs	Transit Programs	Total
2009	\$3,150.9	\$2.7	\$111.9	\$3,265.5
2010	3,296.2	2.7	60.8	3,359.8
2011	3,288.1	3.2	60.9	3,352.1
2012	3,065.7	2.8	75.4	3,143.9
2013	3,049.7	10.2	62.8	3,122.7

⁽¹⁾Apportionments reflect minor revisions based upon data from the United States Department of Transportation.

⁽²⁾Includes Guaranteed Highway Safety Programs.

Obligation authority is the commitment (or promise) of the federal government to pay, through reimbursement to a state, the federal share of an approved project's eligible costs, which may include debt service on obligations issued to finance a project. This process is important to the states because it allows states to award contracts with assurance that the federal government will reimburse its share of incurred costs. Once an obligation is made, the federal government is to reimburse the states when bills or payments become due. However, Congress places a restriction or "ceiling" on the amount of federal assistance that may be obligated (promised) in an individual year. This is a statutory budgetary control that does not affect the apportionment or allocation of funds. Rather, it controls the rate at which these funds can be used.

FHWA distributes obligation authority to states proportionately based on each state's share of apportioned and allocated revenues. During the federal fiscal year, states submit requests to FHWA to obligate funds, representing the federal share of specific projects. As a state obligates funds, its balance of obligation authority is reduced. A state's obligation authority (unlike its apportionments and allocations of authorized funding) must be used before the end of the federal fiscal year for which it is made available; if not, it will be distributed to other states to ensure that the total limitation nationwide will be used. Although a ceiling on obligations restricts how much funding may be used in a federal fiscal year, the state has flexibility within the overall limitation to mix and match the type of program funds it obligates, based on its individual needs, as long as it does not exceed the ceiling in total.

The following table provides a history of the obligation authority to TxDOT for Guaranteed Federal Highway Programs in the State for the last five federal fiscal years.

Table 9
Federal Transportation Obligation Authority for TxDOT Guaranteed Highway Programs
(In Millions)⁽¹⁾

Federal Fiscal Year	Amount
2009	\$3,022.4
2010	3,107.5
2011	3,084.5
2012	2,914.1
2013	2,947.2

⁽¹⁾Obligation Authority reflects minor revisions based upon data from the United States Department of Transportation.

The amounts shown in Table 8 - "Federal Transportation Funds Apportioned and Allocated to TxDOT" represent federal funds that have been "apportioned" or "allocated" to the State pursuant to federal legislation and the amounts shown in Table 9 - "Federal Transportation Obligation Authority for TxDOT" represent federal funds that have been "obligated" to TxDOT by the FHWA pursuant to federal legislation, but do not represent funds actually credited to TxDOT for any given period. For federal reimbursements credited to TxDOT during last five fiscal years, see Table 7 – "Reimbursements from Federal Funds."

Uses of the State Highway Fund

General. Funds that are required to be used for public roadways by State or federal law and that are deposited to the credit of the State Highway Fund, may be used only (i) to improve the State Highway System, (ii) to mitigate adverse environmental effects that result directly from the construction or maintenance of a state highway by TxDOT or (iii) by DPS to police the State Highway System and administer State laws relating to traffic safety. Money in the State Highway Fund that is not so restricted may be used for any functions performed by TxDOT, including expenses relating to TxDOT's "pay as you go" construction program, payroll, repairs and maintenance expenses, costs of materials and supplies, professional fees or commitments, utilities, rents and lease payments and intergovernmental payments. Debt service on State Highway Fund revenue bonds and other obligations and financial commitments are also paid from the State Highway Fund. To accomplish these purposes, money in the State Highway Fund is appropriated by the Legislature to TxDOT, DPS, TxDMV and certain other State agencies. See "- General" and "- State Highway Fund Obligations."

The following table sets out the appropriation of funds by the Legislature to TxDOT for the five most recent State biennia, including the current State biennium, and the approximate percentage of total appropriations from the State Highway Fund represented by such appropriations.

Table 10
Appropriations to TxDOT from the State Highway Fund
(In Millions)

State Biennium	Amount Appropriated ⁽¹⁾	Percentage of Total State Highway Fund Appropriations
2006-07	\$13,579.7	91.78%
2008-09	12,598.5	89.49
2010-11	11,728.8	90.05
2012-13	12,060.3	87.97
2014-15 ⁽²⁾	16,491.4	92.86

⁽¹⁾Amounts include appropriations made to other State Agencies (e.g., the Employees Retirement System of Texas) for the benefit of TxDOT. Minor revisions reflect final adjustments to the General Appropriations Act.

⁽²⁾TxDOT received an increase in State Highway Fund appropriations in fiscal year 2014-2015 mainly due to a large beginning balance in the fund, increased federal funds, and higher than anticipated registration fee revenue.

Budget Process. TxDOT operates under a two-year budget cycle. In preparing its Legislative Appropriations Request ("LAR"), TxDOT relies upon its cash flow forecast for the State Highway Fund, which delineates current and future obligations of TxDOT and forecasts the monthly revenue, expenditure, lowest daily balance, and ending balance for the State Highway Fund. From the forecast, the amount of expenditures (appropriations) that can be handled by the State Highway Fund can be determined. After accounting for existing obligations, the Commission then allocates the projected available resources among the competing needs identified by the various TxDOT offices, including obligations under pass-through toll agreements and toll equity agreements. Once these funding priorities have been determined, the data is entered into TxDOT's LAR and submitted to the Legislature for consideration in enacting the State appropriations bill. Once the appropriations bill takes effect, it is implemented as the State budget for the next two-year biennium, taking effect on the next September 1. The budget is law, though it is not codified and does not otherwise appear in Vernon's Texas Statutes, and State agencies are bound by it. The Legislative Budget Board and the State Auditor's Office are responsible for monitoring compliance.

Capital Projects and Proposed Debt Financings. As required by various State and federal laws, the funding priorities of the Commission are outlined in various transportation plans approved by the Commission and various metropolitan and rural planning organizations within the State. The Statewide Transportation Plan is a long-range plan outlining the transportation goals of the Commission over a 20-year period. From such plan, the Commission develops the Unified Transportation

Program ("*UTP*") that covers transportation projects over a period of 10 years. The UTP contains "Construct" transportation projects to be constructed over the next four years and for which funding is firm and "Develop" transportation projects to be developed over the following six years and for which funding is yet to be authorized. At the same time, the 25 metropolitan planning organizations and 25 rural planning organizations composed of representatives of various local governmental entities in such regions each approve a three-year Transportation Improvement Program (the "*TIP*"). The *TIPs* approved by such local planning organizations are used to create the Statewide Transportation Improvement Plan (the "*STIP*") for projects to be constructed by the Commission over the next three year period as part of the "Construct" UTP projects. All projects funded by TxDOT and reimbursed by the FHWA must be included in the *STIP*.

The Commission has funded a greater number of highway projects, through its Strategic Priority Funds, by funding projects over a 15 to 20 year time frame (and committing the use of the Strategic Priority Funds over such longer period), thereby decreasing the annual cost by extending the period in which a project will be paid. The Commission has used a number of different financing mechanisms to implement this strategy, including pass-through toll agreements and toll equity agreements. The Commission is also accelerating development and construction of highways through the issuance of debt secured by and payable from the State Highway Fund, the Texas Mobility Fund and general revenues of the State.

The Commission has the ability to finance its continuing construction program through a number of methods. The Commission may issue up to a total aggregate principal amount of \$1.4 billion of bonds or other public securities as additional Senior Obligations (hereinafter defined), which may occur by 2015. See "- *State Highway Fund Obligations – Senior Obligations*" below. The amount of such debt, when added to the previously issued Senior Obligations, would consume the current \$6 billion aggregate limit imposed by Section 222.003, Texas Transportation Code (the "*State Highway Fund Revenue Bond Act*"). However, the Texas Legislature may amend the State Highway Fund Revenue Bond Act in the future to increase such limit imposed on the aggregate principal amount of Senior Obligations. The Commission may also issue State general obligation debt to finance a portion of the Commission's capital program. In addition, the Commission may also enter into certain agreements and commitments, including pass-through financing agreements, toll equity agreements and multi-year construction contracts and agreements, to finance, assist in the financing, or outright develop and construct, highway projects. See "- *State Highway Fund Obligations – Subordinate Obligations*" and "- *State Highway Fund Obligations – Other State Highway Fund Obligations and Commitments*."

State Highway Fund Obligations

Senior Obligations. Section 49-n of Article III, Texas Constitution, as approved by voters in the State in 2003 ("*Section 49-n*"), permits the Legislature to authorize the Commission to issue bonds and other public securities to fund State highway improvement projects payable from certain revenues deposited to the credit of the State Highway Fund. The State Highway Fund Revenue Bond Act was amended by the Legislature in 2007 to increase the maximum principal amount of bonds and other public securities, if any (collectively, "*Senior Obligations*"), that may be issued by the Commission pursuant to Section 49-n. The Commission is currently authorized to issue Senior Obligations in an aggregate principal amount not to exceed \$6 billion; provided that the Commission may not issue more than \$1.5 billion aggregate principal amount of Senior Obligations in any year. Further, the State Highway Fund Revenue Bond Act currently provides that Senior Obligations may not have a principal amount or terms that, at the time Senior Obligations are issued, are expected by the Commission to cause annual debt service expenditures with respect to Senior Obligations to exceed 10% of the amount deposited to the credit of the State Highway Fund in the immediately preceding year.

Section 49-n does not restrict the authority of the Legislature to modify or remove the limitations on the issuance of Senior Obligations contained in the State Highway Fund Revenue Bond Act.

As of the date of this Official Statement, the Commission had issued \$4.6 billion of Senior Obligations in the form of State Highway Fund Revenue Bonds, of which an aggregate principal amount of \$3.8 billion is outstanding. Approximately, \$1.4 billion of Senior Obligations remain authorized but unissued under current law. Senior Obligations are currently rated "Aaa" by Moody's Investors Service, Inc. and "AAA" by Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC business.

Subordinate Obligations. The Texas Constitution (Article III, Section 49-m) and the Texas Transportation Code (Section 201.115) authorize the Commission to borrow money from any source to carry out the functions of TxDOT. A loan incurred pursuant to Section 201.115 may be in the form of an agreement, a note, a contract, or another form, as determined by the Commission. The term of a loan may not exceed two years, and the amount of a loan, combined with any other loans issued and outstanding pursuant to Section 201.115, may not exceed an amount that is two times the average monthly revenue deposited to the State Highway Fund for the 12 months preceding the month in which the loan is made. A loan incurred pursuant to Section 201.115 is payable from legislative appropriation of amounts on deposit in the State Highway Fund for that purpose.

The Commission has authorized the Department to obtain financing pursuant to Section 201.115 and enter into short-term lending facilities to facilitate efficient cash management operations in the State Highway Fund in response to fluctuations in the cash balance of the State Highway Fund as a result of the cyclical nature and uncertain timing of deposits into and payments out of the State Highway Fund. Pursuant to such authorization, the Department entered into separate Note Purchase Agreements, dated as of August 15, 2013, with Wells Fargo Bank, National Association, and Citibank, N.A. (collectively, the "*Lending Banks*"), to obtain direct loans from the Lending Banks through the issuance of the Department's State Highway Fund Revenue Flexible Rate Revolving Notes (the "*Revolving Notes*") in the combined aggregate principal amount of not to exceed \$750 million, which includes \$250 million of direct lending capacity that is subject to cancellation at the option of the Department or the Lending Bank. The Note Purchase Agreements are scheduled to expire on August 15, 2015, subject to any extensions or renewals. The Department's direct lending program is subject to the requirements and limitations laid out in Section 201.115 and will be utilized from time to time for cash management purposes. As of the date hereof, the Department had no outstanding loan balances pursuant to Section 201.115.

Additionally, the Texas Transportation Code (Sections 201.961, et seq.) authorizes the Commission to issue highway tax and revenue anticipation notes ("*HTRANs*") if the Commission anticipates a temporary cash flow shortfall in the State Highway Fund during any fiscal year. The HTRANs are subject to the approval of the Cash Management Committee (consisting of the Governor, the Lieutenant Governor, the Speaker of the House and the Comptroller), which also approves cash flow borrowings for the State. HTRANs must mature during the fiscal biennium in which they are issued, and HTRAN proceeds must be placed in a special fund in the State Treasury and transferred as necessary to the State Highway Fund to pay authorized expenditures. HTRANs and related credit agreements are payable from amounts on deposit in the State Highway Fund. To date, the Commission has not issued any such anticipation notes, and the Commission does not expect to issue HTRANs.

The obligation of TxDOT to pay debt service on the Revolving Notes and any other obligations incurred pursuant to Section 201.115 (or Section 201.961, et seq., relating to HTRANs) is (i) subordinate to the pledge of State Highway Fund revenues securing Senior Obligations and (ii) prior to the pecuniary obligations of the Commission and TxDOT in respect of other State Highway Fund obligations described below under "Other State Highway Fund Obligations and Commitments."

Other State Highway Fund Obligations and Commitments. In addition to Senior Obligations, the Revolving Notes and other subordinate obligations (described above), TxDOT has the ability to issue and incur additional bonds, credit agreements, short-term obligations (including commercial paper notes, direct lending obligations or tax and revenue anticipation notes) that are senior to its obligations under the TELA. Additionally, TxDOT has the ability to establish additional liens for obligations that may be senior to or on parity with its TELA obligations. TxDOT may also enter into other toll equity loan agreements, pass-through toll agreement obligations, CDAs and other obligations that are payable from the State Highway Fund. Some of these long-term obligations and commitments are described below.

Neither the Commission nor TxDOT have adopted any policy limiting the ability to enter into toll equity or other agreements payable from the State Highway Fund.

Central Texas Turnpike System

The Commission has a toll equity commitment, subject to the appropriation of available funds, to pay operation and maintenance expenses, and current capital expenditures as well as certain unusual or extraordinary maintenance costs as determined by the Commission ("*CTTS Reserve Maintenance*"), to the extent the CTTS toll revenues are not sufficient to pay such expenses. Certain of the CTTS Obligations were refinanced in November 2012 to achieve a debt service savings. The Commission raised the CTTS toll rates effective January 1, 2013 and established an annual toll escalation policy based on the Consumer Price Index-Urban (or "*CPI-U*") with any adjusted toll rates effective on January 1 every year thereafter.

The recent debt service savings and toll rate increases are expected to reduce the amount of operation and maintenance, and CTTS Reserve Maintenance expenses projected to be paid by the Commission. Based upon projections revised to reflect cost benefits of new performance-based maintenance contracts (implementation began in fiscal year 2013 and anticipated to be completed in fiscal year 2014), the Commission anticipates \$50.8 million will be needed for payment of CTTS operation and maintenance and CTTS Reserve Maintenance expenses through fiscal year 2042, from the State Highway Fund or other eligible sources that are available therefor. These other funding sources include: (1) surplus CTTS toll revenues; (2) interest and investment earnings on accounts in the CTTS Trust Estate to the extent eligible for such purposes; and (3) previously contributed federal funds in the CTTS Capital Contribution Account to the extent eligible for such purposes.

Toll Equity Obligations

TxDOT is authorized to spend money from any available source, including the State Highway Fund, for the construction, maintenance, and operation of toll facilities. TxDOT may also participate in the acquisition, construction, maintenance, or operation of a toll facility with a public or private entity authorized by state law to construct or maintain a toll facility. Money provided by TxDOT for these purposes may be in the form of loans (to either public or private entities) or grants (to public entities only). As of August 31, 2013, the Commission had outstanding toll equity grant commitments and toll equity loan commitments payable from the State Highway Fund totaling \$324 million and \$15.6 billion, respectively.

Of the outstanding toll equity loan commitments, \$6.02 billion is related to a toll equity loan agreement with the North Texas Tollway Authority ("NTTA"). These funds are to be used to enhance project feasibility and expedite delivery of the State Highway 161 (also known as the President George Bush Western Extension) and the State Highway 121 (also known as the Chisholm Trail Parkway) projects in the Dallas/Fort Worth area. These roads comprise NTTA's Special Projects System and are separate from the NTTA System as a whole. Under NTTA's toll equity loan agreement, TxDOT has agreed to lend a negotiated maximum amount each year should revenues of the projects be insufficient to cover operations and maintenance, including debt service. As of the date hereof, no drawdowns of funding have been requested by NTTA under its toll equity loan agreement.

The Commission anticipates entering into additional toll equity agreements in the future, and it is currently anticipated that all toll equity obligations will be funded from the State Highway Fund. All toll equity obligations are subject to the appropriation of lawfully available funds to make such payments; and, therefore, such payments are subordinate to Senior Obligations, which have a prior lien pledge of the revenues deposited into the State Highway Fund, and subordinate obligations issued or incurred pursuant to Section 201.115, Texas Transportation Code, including any Revolving Notes or HTRANS described above.

Grand Parkway System Toll Equity Loan Commitment

The TELA with the Corporation, which was approved by the Commission on September 27, 2012, authorizes a maximum aggregate principal loan amount of \$9.6 billion (the "*Maximum Available Aggregate Amount*"), payable as advances made from time to time on the terms and conditions set out in the TELA. The Maximum Available Aggregate Amount represents the aggregate amount of project costs that TxDOT may pay or reimburse under applicable law, and represents the aggregate amount of funds that TxDOT may be required to advance to the Trustee. Pursuant to the TELA, under certain circumstances, TxDOT has committed to provide funds to the Corporation to pay for certain costs relating to the development, construction, operation, maintenance and financing of Segments D (but only the portion located in Harris County, Texas), E, F-1, F-2 and G and the pre-development of possible extensions or expansions of the Grand Parkway Project.

The Maximum Available Aggregate Amount may not be increased unless approved by the Commission. Therefore, the maximum amount of money that can be paid by TxDOT to the Corporation under the TELA is equal to the aggregate amount of costs that are authorized under Article 3, Section 52-b of the Texas Constitution and Section 222.103 of the Texas Transportation Code, *i.e.*, the "Eligible Costs." Periodic advances under the TELA when combined with all previous advances are limited to an amount not to exceed (i) the Maximum Available Aggregate Amount and (ii) the aggregate amount of Eligible Costs, taking into account all prior advances, as described in the TELA. In addition, draws in any year cannot exceed the Maximum Available Annual Amount for that period and if the total amount of periodic draws in any year is less than the Maximum Available Annual Amount, the difference will not be carried forward, and will not be available for future periodic draws. See "**TOLL EQUITY LOAN AGREEMENT**" in the forepart to this Official Statement for additional information concerning the TELA and the defined terms used in this paragraph.

The Corporation has structured the plan of finance for the Grand Parkway System so that no draws on the TELA are expected. The Corporation will revise the Maximum Available Annual Amounts under the TELA for each year so that such amounts will equal or exceed the total debt service for the TELA Bonds and an assumed refunding of its Grand Parkway System Subordinate Tier Toll Revenue Refunding Bond Anticipation Notes, Series 2014A with Subordinate Tier TELA Obligations plus currently estimated TELA Supported Junior Operating Expenses for each such year. However, if a loan advance is needed under the terms of the TELA, TxDOT expects to have sufficient advance notice to ensure funds are available to make such advances. TxDOT has considerable budgetary flexibility to plan for expected draws well in advance of such draw requests including deferring, reducing or eliminating construction lettings for projects throughout the State and deferring or reducing the amount of planned Pass-Through Financing (hereinafter defined) commitments. Because TxDOT's budget does not provide appropriations for specific expenditures, TxDOT also has the flexibility to reprogram funds during each fiscal year in the biennium. As described above, TxDOT's annual obligations under the TELA are limited, which provides greater certainty with respect to its ability to plan for future draws. Finally, if reductions in project lettings or reprogramming of funds

are insufficient to make advances requested by the Trustee, TxDOT has up to \$750 million of short-term borrowing capacity that may be used to make such advances (see "- *State Highway Fund Obligations – Subordinate Obligations*").

The payments by TxDOT pursuant to any toll equity loan agreement (including the TELA) will be subject to appropriation and such payments are subordinate to (i) Senior Obligations, which have a prior lien on State Highway Fund revenues, (ii) obligations issued or incurred pursuant to Section 201.115, Texas Transportation Code, including any Revolving Notes or other short-term obligations, (iii) or HTRANS.

The following table shows the expected deposits to and uses of revenues in the State Highway Fund during the term of the TELA.

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Table 11
Analysis of Impact of Toll Equity Obligations on the State Highway Fund

Fiscal Year Ending 8/31	Total Forecasted SHF Revenues ^{1,2}	1st Tier Debt Service ³	Other Existing Obligations ^{1,4}	Other Agencies ¹	Current Letting Cashflow Commitments ¹	Revenue After All Obligations ⁵	PGBTWE and CTP TELA MAAA ⁶	Grand Parkway TELA MAAA ⁷	Total TELA MAAA ^{7,8} (PGBTWE, CTP, GP)	% TELA MAAA ^{7,8} / Total Forecasted SHF Revenues	% TELA MAAA ^{7,8} / Revenue After All Obligations
A	B	C	D	E	F=A-B-C-D-E	G	H	I=G+H	J=I/A	K=I/F	
2014	\$8,395,756,587	\$316,949,593	\$1,290,396,654	\$984,850,286	\$2,300,672,074	\$3,502,887,981	\$51,087,582	\$3,109,364	\$54,196,946	0.65%	1.55%
2015	\$8,558,002,446	\$400,151,168	\$852,836,066	\$936,077,001	\$1,094,984,669	\$5,273,953,543	\$82,605,216	\$5,546,501	\$88,151,717	1.03%	1.67%
2016	\$7,946,087,304	\$435,149,543	\$293,823,163	\$1,057,312,000	\$713,130,716	\$5,446,671,882	\$99,149,601	\$19,562,727	\$118,712,328	1.49%	2.18%
2017	\$7,578,467,569	\$435,148,467	\$219,939,061	\$1,059,675,000	\$353,876,856	\$5,509,828,185	\$112,172,417	\$292,783,972	\$404,956,389	5.34%	7.35%
2018	\$7,603,922,511	\$435,147,230	\$218,857,341	\$1,062,058,000	\$217,285,216	\$5,670,574,723	\$130,284,173	\$299,714,139	\$429,998,312	5.65%	7.58%
2019	\$7,430,076,161	\$435,150,480	\$207,626,776	\$1,064,517,000	\$160,533,534	\$5,562,248,370	\$145,256,478	\$292,198,974	\$437,455,452	5.89%	7.86%
2020	\$7,512,068,121	\$435,151,093	\$185,869,085	\$939,090,000	\$108,448,234	\$5,843,509,708	\$164,113,035	\$289,314,675	\$453,427,709	6.04%	7.76%
2021	\$7,692,769,092	\$435,146,867	\$164,485,601	\$939,090,000	\$76,869,026	\$6,077,177,598	\$173,815,799	\$280,615,009	\$454,430,808	5.91%	7.48%
2022	\$7,747,397,277	\$435,147,480	\$144,628,094	\$939,090,000	\$32,319,598	\$6,196,212,105	\$186,693,119	\$290,526,446	\$477,219,565	6.16%	7.70%
2023	\$7,744,650,247	\$435,147,980	\$104,564,158	\$939,090,000		\$6,265,848,108	\$193,539,846	\$120,672,473	\$314,212,319	4.06%	5.01%
2024	\$7,748,316,529	\$433,909,105	\$77,416,436	\$939,090,000		\$6,297,900,988	\$207,672,742	\$138,226,028	\$345,898,770	4.46%	5.49%
2025	\$7,862,872,346	\$432,561,530	\$51,970,347	\$939,090,000		\$6,439,250,468	\$214,782,767	\$155,968,997	\$370,751,764	4.72%	5.76%
2026	\$7,979,123,321	\$431,084,396	\$28,416,343	\$939,090,000		\$6,580,532,582	\$220,673,312	\$159,444,202	\$380,117,514	4.76%	5.78%
2027	\$8,097,101,412	\$429,820,063	\$23,375,203	\$939,090,000		\$6,704,816,146	\$227,782,984	\$162,053,809	\$389,836,793	4.81%	5.81%
2028	\$8,214,537,243	\$426,128,433	\$45,448,727	\$939,090,000		\$6,803,870,084	\$244,718,287	\$165,151,167	\$409,869,454	4.99%	6.02%
2029	\$8,331,804,456	\$420,448,923	\$5,000,000	\$939,090,000		\$6,967,265,533	\$240,170,038	\$168,523,117	\$408,693,154	4.91%	5.87%
2030	\$8,450,475,291	\$414,330,629	\$5,000,000	\$939,090,000		\$7,092,054,662	\$240,345,726	\$173,801,892	\$414,147,618	4.90%	5.84%
2031	\$8,570,808,389	\$215,717,250	\$5,000,000	\$939,090,000		\$7,411,001,139	\$234,796,473	\$182,057,050	\$416,853,523	4.86%	5.62%
2032	\$8,699,370,515	\$215,716,250	\$5,000,000	\$939,090,000		\$7,539,564,265	\$236,869,609	\$190,346,042	\$427,215,651	4.91%	5.67%
2033	\$8,829,861,072	\$215,717,750	\$5,000,000	\$939,090,000		\$7,670,053,322	\$227,353,760	\$198,977,923	\$426,331,682	4.83%	5.56%
2034	\$8,962,308,989	\$215,720,500	\$5,000,000	\$939,090,000		\$7,802,498,489	\$138,448,454	\$208,050,042	\$346,498,496	3.87%	4.44%
2035	\$9,096,743,623	\$215,717,250	\$5,000,000	\$939,090,000		\$7,936,936,373	\$153,289,552	\$217,704,308	\$370,993,860	4.08%	4.67%
2036	\$9,233,194,778		\$5,000,000	\$939,090,000		\$8,289,104,778	\$163,426,760	\$227,744,829	\$391,171,588	4.24%	4.72%
2037	\$9,371,692,699		\$5,000,000	\$939,090,000		\$8,427,602,699	\$163,426,760	\$237,084,569	\$400,511,329	4.27%	4.75%
2038	\$9,512,268,090		\$5,000,000	\$939,090,000		\$8,568,178,090	\$163,426,760	\$245,980,418	\$409,407,178	4.30%	4.78%
2039	\$9,654,952,111		\$5,000,000	\$939,090,000		\$8,710,862,111	\$163,426,760	\$253,962,619	\$417,389,378	4.32%	4.79%
2040	\$9,799,776,393		\$5,000,000	\$939,090,000		\$8,855,686,393	\$163,426,760	\$261,074,734	\$424,501,494	4.33%	4.79%
2041	\$9,946,773,039		\$5,000,000	\$939,090,000		\$9,002,683,039	\$129,018,014	\$266,443,370	\$395,461,385	3.98%	4.39%
2042	\$10,095,974,634		\$5,000,000	\$939,090,000		\$9,151,884,634	\$146,911,358	\$271,255,755	\$418,167,113	4.14%	4.57%
2043	\$10,247,414,254		\$5,000,000	\$939,090,000		\$9,303,324,254	\$169,628,386	\$243,494,447	\$413,122,833	4.03%	4.44%
2044	\$10,401,125,468		\$5,000,000	\$939,090,000		\$9,457,035,468	\$178,498,077	\$206,982,366	\$385,480,443	3.71%	4.08%
2045	\$10,557,142,350		\$5,000,000	\$939,090,000		\$9,613,052,350	\$181,444,618	\$286,753,159	\$468,197,777	4.43%	4.87%
2046	\$10,715,499,485		\$5,000,000	\$939,090,000		\$9,771,409,485	\$201,445,337	\$287,949,016	\$489,394,353	4.57%	5.01%
2047	\$10,876,231,977		\$5,000,000	\$939,090,000		\$9,932,141,977	\$239,528,255	\$288,216,800	\$527,745,054	4.85%	5.31%
2048	\$11,039,375,457		\$5,000,000	\$939,090,000		\$10,095,285,457		\$287,928,454	\$287,928,454	2.61%	2.85%
2049	\$11,204,966,089		\$5,000,000	\$939,090,000		\$10,260,876,089		\$287,263,937	\$287,263,937	2.56%	2.80%
2050	\$11,373,040,580		\$5,000,000	\$939,090,000		\$10,428,950,580		\$285,818,606	\$285,818,606	2.51%	2.74%
2051	\$11,543,636,189		\$5,000,000	\$939,090,000		\$10,599,546,189		\$480,658,683	\$480,658,683	4.16%	4.53%
2052	\$11,716,790,732		\$5,000,000	\$939,090,000		\$10,772,700,732		\$587,314,582	\$587,314,582	5.01%	5.45%
2053	\$11,892,542,593		\$5,000,000	\$939,090,000		\$10,948,452,593		\$579,724,802	\$579,724,802	4.87%	5.30%
2054	\$12,070,930,731		\$5,000,000	\$939,090,000		\$11,126,840,731		\$0	\$0	0.00%	0.00%
Total / Avg	\$380,305,848,147	\$8,265,161,979	\$4,039,653,057	\$39,032,639,287	\$5,058,119,923	\$323,910,273,902	\$5,989,228,815	\$9,600,000,000	\$15,589,228,815	4.10%	4.81%

(1) Source: Texas Department of Transportation, as of August 31, 2013. Revenues reflect the impact of HB 2202, and appropriations to other agencies in fiscal years 2014 and 2015 reflect related budgetary adjustments in HB 1.

(2) Includes federal subsidy associated with TxDOT's Build America Bonds (BABs), net of federal fiscal year 2013 and 2014 sequestration reductions.

(3) Assumes issuance of remaining \$1.4 billion of unissued authorization; assumes future bonds wrap around existing obligations and bear interest at 5%; gross debt service shown.

(4) Other Existing Obligations comprised of a commitment fee on \$500mm of the \$750 mm short-term lending facilities, Toll Equity Grants and Loans, Pass-Through Obligations, payments for the delivery of CDA projects, assumed operations and maintenance support for CTTS and similar obligations.

(5) Money Available for TxDOT Operations and Future Lending.

(6) Comprised of the Maximum Available TELA for the North Texas Tollway Authority's Special Projects System: President George Bush Tollway Western Extension(SH 161) and the Chisholm Trail Parkway (SH 121).

(7) Revised GPTC TELA MAAA Schedule assuming refunding of the Series 2013 C&D Bonds. Preliminary, Subject to Change.

(8) Comprised of the combined Maximum Available TELA amount in a given year.

Pass-Through Financing Agreements

Section 222.104 of the Texas Transportation Code, as amended ("*Section 222.104*"), provides for the payment of a "Pass-Through Toll," a per vehicle fee or per vehicle mile fee determined by the number of vehicles using a highway, for specific purposes. First, pursuant to Section 222.104 and subject to Commission rules, TxDOT may enter into an agreement with a public or private entity that provides for the payment of Pass-Through Tolls ("*Pass-Through Financing*") to reimburse a public or private entity for expenditures made by the public or private entity for the design, development, financing, construction, maintenance or operation of a toll or non-toll facility on the State Highway System. Second, TxDOT may enter into an agreement with a private entity that provides for the payment of Pass-Through Tolls by the private entity to TxDOT as reimbursement for TxDOT expenditures for the design, development, financing, construction, maintenance or operation of a toll or non-toll facility on the State Highway System. TxDOT may use any available funds, including money on deposit within the State Highway Fund, for the purpose of making a Pass-Through Toll payment. It is currently anticipated that all Pass-Through Toll commitments will be paid from the State Highway Fund. As of August 31, 2013, TxDOT had executed 41 Pass-Through Financings with terms ranging from four to 20 years and total pass-through reimbursements of approximately \$1.6 billion with aggregate annual reimbursements of no greater than \$193 million.

TxDOT's pecuniary obligations under Pass-Through Financings do not provide for the payment of, or obligate TxDOT to pay, amounts sufficient to pay debt service on bonds or other public securities secured by such payments and, such payments are subordinate to (i) Senior Obligations, which will have a prior lien on State Highway Fund revenues, and (ii) obligations issued or incurred pursuant to Section 201.115, Texas Transportation Code, including any Revolving Notes, or HTRANS. The amount of payments owed by TxDOT under Pass-Through Financings will be determined by the terms and conditions of the relevant agreement, without regard to the actual debt service payable in respect of any bonds issued by the governmental entity receiving the payments. TxDOT's obligation to pay amounts owed under the terms of Pass-Through Financings are currently payable from the State Highway Fund and are subject to appropriation by the Legislature of sufficient funds to discharge the obligations of TxDOT.

Sequestration Effects on the State Highway Fund.

Pursuant to the requirements of the Balanced Budget and Emergency Deficit Control Act of 1985, as amended, certain automatic reductions in federal spending (the "*Sequester Cuts*") took effect as of March 1, 2013 for federal fiscal year ending September 30, 2013 ("*FFY 2013*"). TxDOT experienced a reduction of \$2.7 million in apportionment and obligation authority from the National Highway Performance Program, which is administered by the FHWA for highway projects that are located on the National Highway System. TxDOT currently anticipates a reduction of \$4.1 million for the federal fiscal year ending September 30, 2014.

The Sequester Cuts also affected the subsidy payments to be made by the federal government to issuers of "direct-pay" tax credit bonds, such as Build America Bonds ("*BABs*"). The Commission issued \$1,500,000,000 of its State Highway Fund First Tier Revenue Bonds, Taxable Series 2010 (Build America Bonds - Direct Payment) (the "*Series 2010 Bonds*") as taxable BABs and elected to receive a subsidy payment from the United States Treasury equal to 35% of the amount of each interest payment on the Series 2010 Bonds. As a result of the Sequester Cuts, the subsidy payment received in fiscal year 2013 for the Series 2010 Bonds was reduced by \$1.2 million. TxDOT currently anticipates the subsidy payments to be received in fiscal year 2014 for the Series 2010 Bonds will be reduced by \$2.1 million.

On December 26, 2013, the Bipartisan Budget Act of 2013 was signed into law and extended the planned Sequester Cuts to 2023, however, at this time, the Commission and Department make no representations as to whether the Sequester Cuts will remain in effect and cause a reduction in receipt of federal funds for any future year.

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APPENDIX B

**ANNUAL FINANCIAL REPORT OF THE TEXAS DEPARTMENT OF TRANSPORTATION
FOR FISCAL YEAR ENDED AUGUST 31, 2013**

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TEXAS DEPARTMENT OF TRANSPORTATION

Annual Financial Report (Unaudited)



For the Fiscal Year Ended August 31, 2013

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Texas Department of Transportation
Annual Financial Report
(Unaudited)
For the Fiscal Year Ended August 31, 2013

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Texas Department of Transportation
Annual Financial Report
For the Fiscal Year Ended August 31, 2013

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Introductory Section

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November 20, 2013

cc: The Citizens of Texas
The Honorable Rick Perry, Governor
The Honorable Susan Combs, Texas Comptroller
Ms. Ursula Parks, Director, Legislative Budget Board
Mr. John Keel, CPA, State Auditor

I am pleased to submit the unaudited financial statements of the Texas Department of Transportation (TxDOT) for the year ended Aug. 31, 2013. This report was prepared by the accounting staff in the Finance Division of TxDOT.

TxDOT's internal accounting controls provide reasonable assurance regarding the safeguarding of assets against loss from unauthorized use or disposal and the reliability of financial records for preparing financial statements. The concept of reasonable assurance recognizes that the cost of a control should not exceed the resulting benefit.

Management is responsible for the accuracy of the data in this report as well as for the completeness and fairness of presentation. Consequently, management assumes full responsibility for the completeness and fairness of all the information presented in the financial statements. To the best of my knowledge and belief, the financial statements are accurate in all material respects, are reported in a manner that fairly presents the financial position and results of TxDOT's operations and provides disclosures that enable the reader to understand TxDOT's financial condition.

Profile of the Government

TxDOT is an agency of the state of Texas. The functions of TxDOT have evolved over time due to statutory changes, with the most recent being the creation of the Texas Department of Motor Vehicles in 2009. Headquartered in Austin, TxDOT is organized by administration, districts, divisions, and offices.

TxDOT also maintains a comprehensive public interest website that outlines the agency's policies, plans, projects status, and major initiatives at www.txdot.gov.

TxDOT is managed by an executive director and is governed by the five-member Texas Transportation Commission. All members of the Commission are appointed by the governor. The Commission is authorized to issue general obligation and revenue bonds per statutory and constitutional provisions. Detail regarding the outstanding long-term liabilities of TxDOT is disclosed in Notes 4 and 5.

The financial reporting entity includes three blended component units, the Texas Private Activity Bond Surface Transportation Corporation, Grand Parkway Association and Grand Parkway Transportation Corporation. Because of the closeness of their relationships with TxDOT these legally separate entities are blended as though they are part of the primary government of TxDOT.

TxDOT has the statutory responsibility to coordinate planning, development, and operation of the state's highway system and other transit services. The mission of TxDOT is to work with others to provide safe and

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reliable transportation solutions for Texas. TxDOT's goals are to maintain a safe system, address congestion, connect Texas communities and become a best-in-class state agency. TxDOT values trust, integrity, responsibility and service. This report reflects the operation of TxDOT and its blended component units.

The Management's Discussion and Analysis (MD&A) provides a narrative introduction, overview and analysis of the financial activities of TxDOT. We encourage readers to consider the information in this letter of transmittal in conjunction with the MD&A.

Budgetary Controls

Budgetary control is exercised through appropriated budgets. These budgets are entered in the statewide accounting system after the General Appropriations Act becomes law. The General Appropriations Act becomes law after passage by the Legislature and certification by the Texas Comptroller of Public Accounts that the amounts appropriated are within the estimated collections and the signing of the bill by the governor. Controls are maintained at the agency level, with additional control at the fund and appropriation level to ensure expenditures do not exceed authorized limits. State budgets are established on a biennial cycle.

State Economy

The services provided by TxDOT directly impact the state's economy. Investments in highway maintenance and construction serve as an immediate boost to the economy through the employment of workers and the production of construction materials. Over the long-term, the Texas economy benefits in many more ways from TxDOT's transportation network enhancements, including the positive impacts on business costs and productivity, labor market access, attractiveness to new business, residents and tourists and property values.

Long-Term Financial Planning

Texas' population is expected to grow from 25 million people now to 40 million people by 2035. Population growth brings more congestion to urban areas, increases the stress on roads and bridges and places greater demand on rural highways to support freight movement and travel connections between farms, ranches, homes jobs and markets. Highway infrastructure continues to age and income from traditional transportation funding sources (taxes and fees) is no longer sufficient to keep pace with current and projected highway construction and maintenance cost increases.

Motor fuel taxes, TxDOT's primary state funding source, shows a slight increase into fiscal year 2013 over 2012. The motor fuel user fee on gasoline and diesel is 20 cents per gallon and 15 cents per gallon for liquefied gas. The motor fuels tax rates were last raised in 1991.

TxDOT receives federal funds through the Moving Ahead for Progress in the 21st Century Act (MAP-21) which will fund surface transportation projects for federal fiscal years 2013 and 2014.

On Feb. 17, 2009 the U.S. Congress passed the American Recovery and Reinvestment Act (ARRA) to stimulate the U.S. economy and create jobs. TxDOT received an allocation of \$2.25 billion in ARRA highway funds and \$50 million in ARRA transit funds. Additional funding for Texas was provided directly to the state's metropolitan planning organizations and Texas urban transit providers. All of these projects are expected to be completed by Sept. 30, 2015. Any funds unspent as of Sept. 30, 2015 would be lost. The Commission and staff worked in conjunction with local partners to quickly identify projects eligible for this funding.

Constitutionally authorized bond issuances provide additional funding for transportation projects across the state. See the Management's Discussion and Analysis and Notes 4 and 5 of the report for more detail on TxDOT's bond programs and related debt service requirements.

Major Initiatives

TxDOT operates on a two year letting schedule with longer range planning provided by the Statewide Transportation Improvement Program (4 years), the Unified Transportation Program (10 years) as well as the

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Metropolitan Transportation and Rural Transportation Plans (20 years) and the Statewide Long-Range Transportation Plan (24 years).

Innovative Financing Efforts

TxDOT serves as a national leader in efforts to utilize innovative financing to deliver much needed transportation improvements faster than would be possible using only traditional financing options. TxDOT utilizes public/private partnerships, federal loan programs, concession agreements and other techniques to maximize our ability to provide important new routes, enhancements to existing routes or other services to the traveling public. TxDOT also works closely with and provides financial assistance via grants and loans to Regional Mobility Authorities and major tolling authorities. TxDOT works together with these and other local government partners to prioritize projects and deliver transportation solutions to the public.

Enterprise Resource Planning

TxDOT has made the decision to move to an Enterprise Resource Planning (ERP) solution which integrates business processes and practices with modern technology to accomplish specific business objectives. TxDOT's ERP solution will integrate Human Resources, Finance, and Supply Chain systems. This will streamline and replace many outdated legacy systems. ERP implementation will improve current business processes, produce more accurate and timely data, and empower TxDOT to make more informed business decisions and better manage costs.

The projected implementation for Human Resources/Payroll is scheduled for May 2014, while Finance and Supply Chain are scheduled for August 2014.

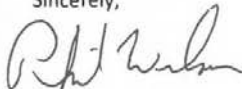
Legislative Updates

Collectively, Senate Joint Resolution 1 and House Bill 1 of the third special session of the 83rd Texas Legislature may result in up to \$1.2 billion per year being transferred to TxDOT to be used only for constructing, maintaining, and acquiring rights-of-way for public roadways other than toll roads. A public vote is planned for November 2014 on the proposed constitutional amendment. This action and proposed amendment could advance key mobility and maintenance projects into the future.

Acknowledgements

The preparation of the report requires the efforts of individuals throughout TxDOT, including the dedicated efforts of the management and staff of the TxDOT Financial Reports Section and Finance Division, and the management and staff of the State Auditor's Office. I sincerely appreciate the efforts of all these individuals who continue to strive for improvements that will make TxDOT a national leader in quality financial reporting.

Sincerely,



Phil Wilson
Executive Director

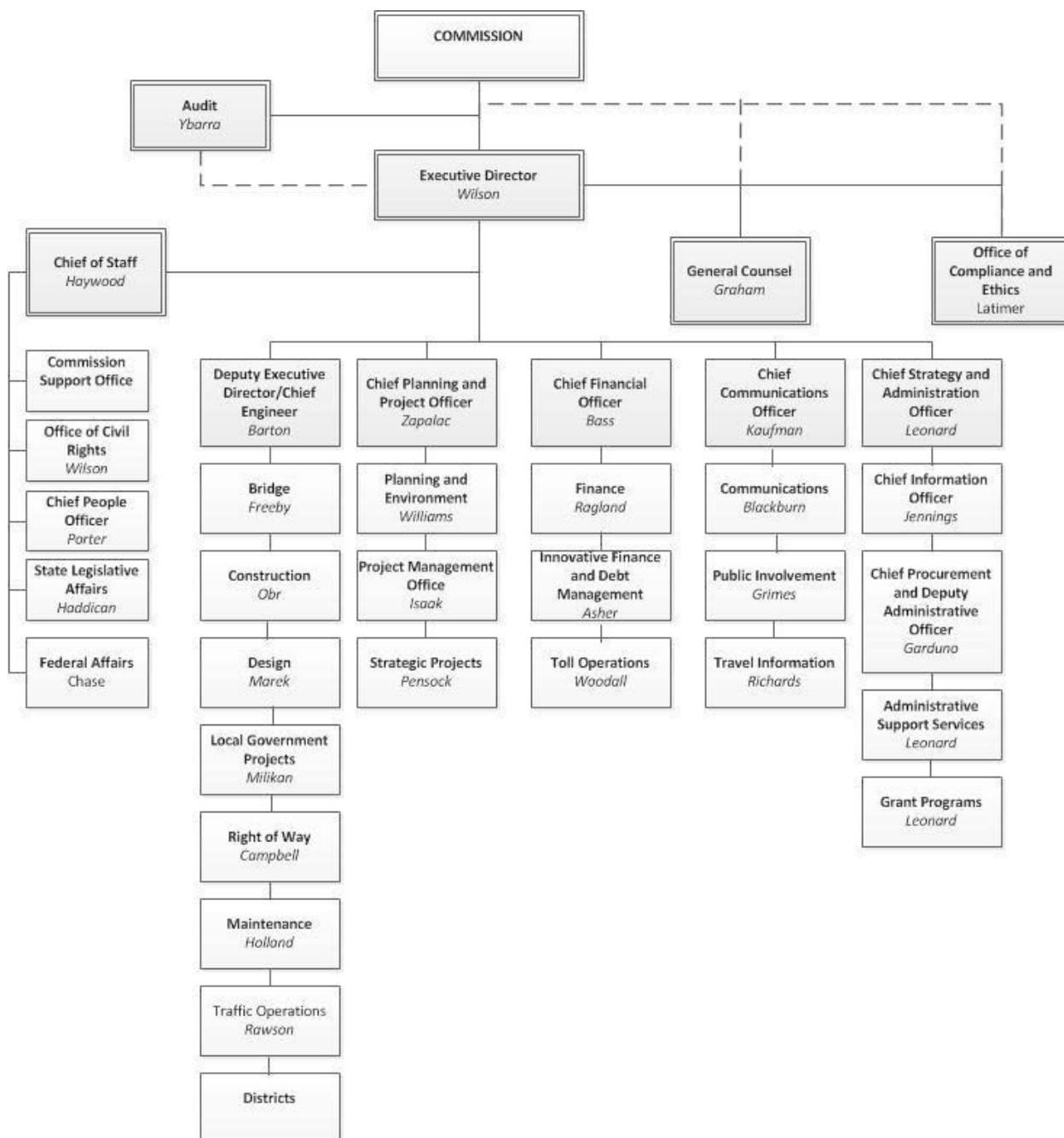
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Texas Department of Transportation

Organization Chart as of August 31, 2013



Commission and Key Personnel

As of August 31, 2013

TEXAS TRANSPORTATION COMMISSION

TED HOUGHTON.....	Chair
El Paso	
JEFF AUSTIN III.....	Commissioner
Tyler	
JEFF MOSELEY.....	Commissioner
Houston	
FRED UNDERWOOD.....	Commissioner
Lubbock	
VICTOR VANDERGRIFF.....	Commissioner
Fort Worth	

TEXAS DEPARTMENT OF TRANSPORTATION

PHIL WILSON	Executive Director
JOHN A. BARTON, P.E.....	Deputy Executive Director and Chief Engineer
SCOTT HAYWOOD	Chief of Staff
BOB KAUFMAN	Chief Communications Officer
JAMES M. BASS.....	Chief Financial Officer
TIM JENNINGS	Chief Information Officer
DEE PORTER.....	Chief People Officer
RUSSELL ZAPALAC	Chief Planning and Project Officer
SCOTT LEONARD	Chief Strategy and Administration Officer
LAUREN GARDUNO.....	Chief Procurement and Deputy Administrative Officer

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FINANCIAL SECTION

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Management's Discussion and Analysis

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Texas Department of Transportation (TxDOT) annual financial statements presents our discussion and analysis of TxDOT's financial performance during the fiscal year ended Aug. 31, 2013. Use this section in conjunction with the TxDOT's basic financial statements.

GASB Statement No. 34, *Basic Financial Statements- and Management's Discussion and Analysis - for State and Local Governments*, establishes reporting requirements for state and local governments to report in full compliance with accounting principles generally accepted in the United States of America (GAAP). TxDOT implemented the GASB 34 reporting requirements beginning with the fiscal 2012 annual financial report.

Overview of Financial Statements

The GASB 34 reporting focus is on TxDOT as a whole, and on the major individual funds. This focus presents a more comprehensive view of TxDOT's financial activities and makes it easier to compare the performance of TxDOT to that of other state departments of transportation.

The financial section of this annual financial report consists of four parts: (1) management's discussion and analysis (this section), (2) the basic financial statements and related notes, (3) required supplementary information and (4) other supplementary information presenting combining statements. The report also includes TxDOT's schedule of expenditures of federal awards, schedule of state pass-through grants from/to state agencies and bond schedules.

TxDOT's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) applied to governmental units. The basic financial statements include entity-wide financial statements, fund financial statements and notes to financial statements that provide more detailed information to supplement the basic financial statements.

Reporting on TxDOT as a Whole

The entity-wide financial statements are designed to present an overall picture of the financial position of TxDOT. These statements consist of the statement of net position and the statement of activities, which are prepared using the economic resources measurement focus and the accrual basis of accounting. This means that all the current year's revenues and expenses are included regardless of when cash is received or paid, producing a view of financial position similar to that presented by most private sector companies.

The statement of net position combines and consolidates TxDOT's current financial resources with capital assets and long-term obligations. This statement includes all of TxDOT's assets and liabilities. Net position is the difference between TxDOT's assets, liabilities and deferred inflows of resources and represents one measure of TxDOT's financial health.

The statement of activities focuses on both the gross and net cost of various activities (governmental and business-type); these costs are paid by general tax and other revenues. This statement summarizes the cost of providing (or the subsidy provided by) specific government services, and includes all current year revenues and expenses.

The statement of net position and the statement of activities divide TxDOT's activities into two types.

- *Governmental Activities:* TxDOT's basic services are reported here including the activity of all the governmental funds.
- *Business-Type Activities:* The financial activity associated with the Central Texas Turnpike System (CTTS) and Grand Parkway Transportation Corporation (GPTC) is reported here.

Reporting on TxDOT's Most Significant Funds

Fund financial statements present financial information with a focus on the most significant funds. Use these statements to find more detailed information about TxDOT's most significant activities. A fund is a separate accounting entity with a self-balancing set of accounts. TxDOT uses funds to keep track of sources of funding and spending related to specific activities.

Governmental Funds

A majority of TxDOT's activities is reported in governmental funds. Reporting of these funds focuses on how money flows into and out of the funds, and amounts remaining at year-end for future spending. Governmental funds are accounted for using the modified accrual basis of accounting, which measures cash and other assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of TxDOT's general governmental operations and the basic services it provides. This information should be helpful to determine whether there are more or less resources available for TxDOT's programs. The reconciliation following the fund financial statements explains the differences between the government's activities, reported in the entity-wide statement of net position and entity-wide statement of activities, and the governmental funds. The state highway fund and Texas mobility fund are reported as major funds.

Proprietary Funds

When TxDOT charges customers for services it provides, these activities are generally reported in proprietary funds. Services provided to outside (non-governmental) customers are reported in enterprise funds, a component of proprietary funds, and are accounted for using the economic resources measurement focus and the accrual basis of accounting. These are the same business-type activities reported in the entity-wide financial statements but are reported here to provide information at the fund level. The CTTS and GPTC funds are TxDOT's only proprietary funds.

Reporting on TxDOT's Fiduciary Responsibilities

All fiduciary activities are reported in separate statements of fiduciary net position and schedule of changes in agency fund assets and liabilities. The activities are reported separately from other financial activities because TxDOT cannot use these assets to finance operations and is holding these funds in a purely custodial capacity.

Financial Analysis of TxDOT as a Whole

Net Position

Net Position - The assets of TxDOT exceeded its liabilities and deferred inflows of resources as of Aug. 31, 2013, by \$65.1 billion (presented as net position). The largest component (97.7 percent) of TxDOT's net position reflects its investment in capital assets less any related debt outstanding or deferred inflows of resources (excluding debt proceeds that have yet to be expended for infrastructure construction) that was needed to acquire or construct the assets. TxDOT uses these capital assets to provide services to the citizens and businesses in the state; consequently, these assets are not available for future spending. Although reported net of related debt, capital assets themselves cannot be used to liquidate liabilities.

Capital Assets - Capital assets, net of depreciation and amortization, were approximately \$81.3 billion as of Aug. 31, 2013. Additions to capital assets totaled \$4.1 billion for the fiscal year ended Aug. 31, 2013. Construction in progress on state infrastructure accounted for the majority of these additions. See the capital assets section of this management's discussion and analysis for more information on the accounting treatment of capital assets.

Long-term Liabilities - TxDOT's total long-term obligations increased by \$3.9 billion during the current fiscal year to \$18.9 billion. This change is attributable to the issuance of revenue bonds in our component unit Grand Parkway Transportation Corporation. For more information on long-term liabilities see Notes 4 and 5 of this report.

Annual Financial Report (UNAUDITED)

Statement of Net Position

August 31, 2013 and 2012 (Amounts in Thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2013	2012	2013	2012	2013	2012
ASSETS						
Assets Other Than Capital Assets	\$ 6,826,544	\$ 6,907,743	\$3,378,632	\$ 491,703	\$10,205,176	\$ 7,399,446
Capital Assets	78,515,913	74,732,279	2,824,891	2,614,813	81,340,804	77,347,092
Total Assets	85,342,457	81,640,022	6,203,523	3,106,516	91,545,980	84,746,538
LIABILITIES						
Current Liabilities	2,689,973	5,930,042	39,026	12,008	2,728,999	5,942,050
Non-current Liabilities	12,854,387	11,949,103	5,615,181	2,667,339	18,469,568	14,616,442
Total Liabilities	15,544,360	17,879,145	5,654,207	2,679,347	21,198,567	20,558,492
DEFERRED INFLOWS OF RESOURCES						
Service Concession Arrangements	5,254,633				5,254,633	
Total Deferred Inflow of Resources	5,254,633	0	0	0	5,254,633	0
NET POSITION						
Net Investment in Capital Assets	62,876,219	62,447,552	690,124	512,058	63,566,343	62,959,610
Restricted	774,053	975,625	34,988	7,247	809,041	982,872
Unrestricted	893,192	337,700	(175,796)	(92,136)	717,396	245,564
Total Net Position	\$64,543,464	\$63,760,877	\$ 549,316	\$ 427,169	\$ 65,092,780	\$ 64,188,046

Changes in Net Position

TxDOT earned program revenues of \$3.7 billion and general revenues of \$2.5 billion, for total revenues of \$6.2 billion. The expenses of TxDOT were \$6 billion. As a result of revenues exceeding expenses, the total net position is \$65.1 billion. Revenues and expenses of TxDOT's governmental and business-type activities are detailed on the following page.

Annual Financial Report (UNAUDITED)

Changes in Net Position

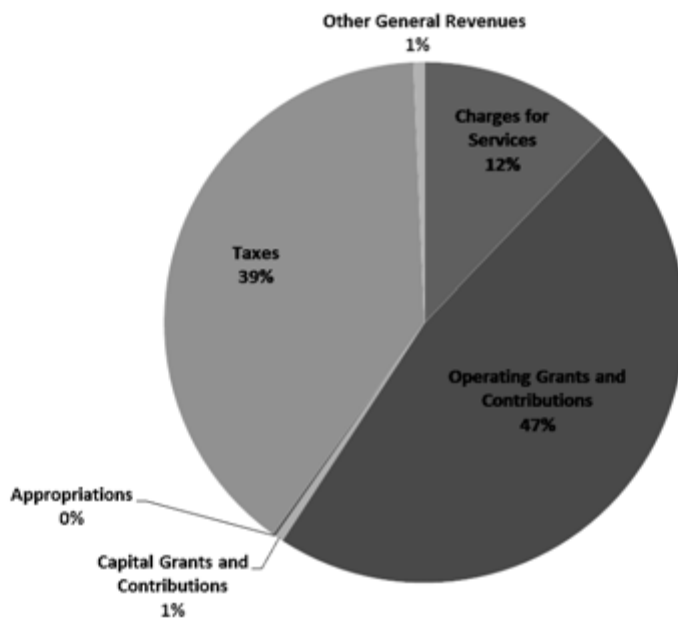
For the Fiscal Years Ended August 31, 2013 and 2012 (Amounts in Thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2013	2012	2013	2012	2013	2012
REVENUES						
Program Revenues:						
Charges for Services	\$ 741,905	\$ 706,887	\$ 119,152	\$ 85,819	\$ 861,057	\$ 792,706
Operating Grants and Contributions	2,870,390	2,897,896	1		2,870,391	2,897,896
Capital Grants and Contributions	30,157	34,705	40	14	30,197	34,719
Total Program Revenues	3,642,452	3,639,488	119,193	85,833	3,761,645	3,725,321
General Revenues:						
Appropriations	12,354	52,901			12,354	52,901
Taxes	2,406,818	2,378,221			2,406,818	2,378,221
Unrestricted Investment Earnings	28,626	47,823	6,172	6,855	34,798	54,678
Settlement of Claims	11,616	22,715	482	377	12,098	23,092
Gain on Sale of Capital Assets	810	5,303			810	5,303
Other General Revenues	2,124	2,447			2,124	2,447
Total General Revenues	2,462,348	2,509,410	6,654	7,232	2,469,002	2,516,642
EXPENSES						
Transportation	5,277,846	4,382,396	228,788	215,843	5,506,634	4,598,239
Indirect Interest on Long-Term Debt	550,587	524,963			550,587	524,963
Total Expenses	5,828,433	4,907,359	228,788	215,843	6,057,221	5,123,202
Excess (Deficiency) Before Special Items and Transfers	276,367	1,241,539	(102,941)	(122,778)	173,426	1,118,761
Transfers - Internal Activities	(225,057)	(55,242)	225,057	55,242	0	0
Transfers in from Other State Agencies	615,988	592,303			615,988	592,303
Change in Net Position	667,298	1,778,600	122,116	(67,536)	789,414	1,711,064
Net Position, Beginning Balance	63,760,877	61,982,277	427,169	495,095	64,188,046	62,477,372
Restatements	115,289		31	(390)	115,320	(390)
Net Position, Beginning Balance as Restated	63,876,166	61,982,277	427,200	494,705	64,303,366	62,476,982
Net Position, Ending Balance	\$64,543,464	\$63,760,877	\$ 549,316	\$ 427,169	\$ 65,092,780	\$ 64,188,046

Over time, increases and decreases in the net position measures whether TxDOT's financial position is improving or deteriorating. Overall, the net position of governmental activities increased by \$904.7 million or 1.4 percent from fiscal 2012, primarily due to TxDOT's continued efforts to maintain, improve and expand the state's infrastructure network.

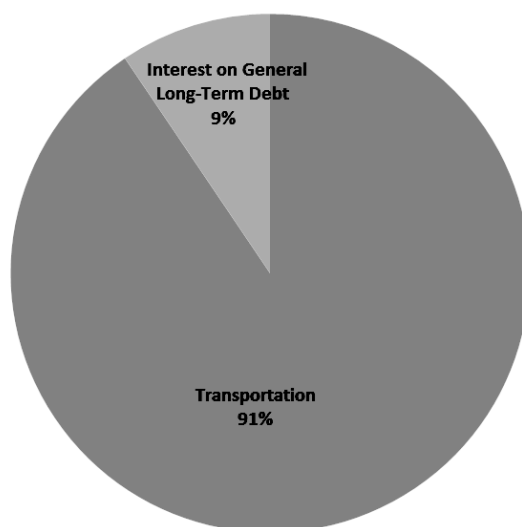
Revenues by Source: Governmental Activities

For the Fiscal Year Ended August 31, 2013



Expenses by Function: Governmental Activities

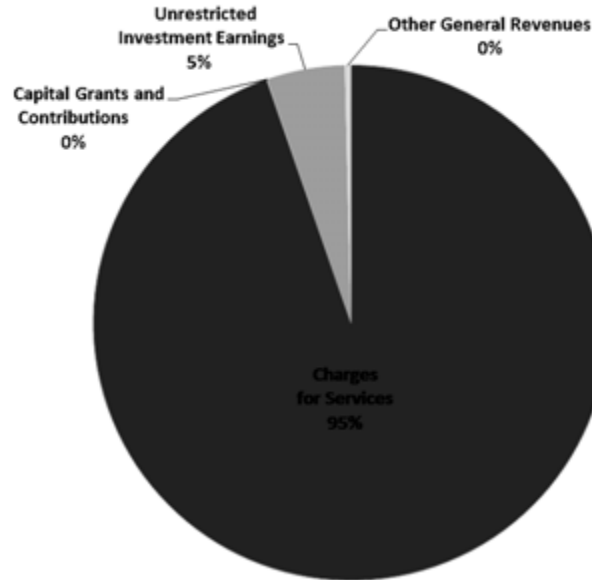
For the Fiscal Year Ended August 31, 2013



Note: Totals may not add due to rounding.

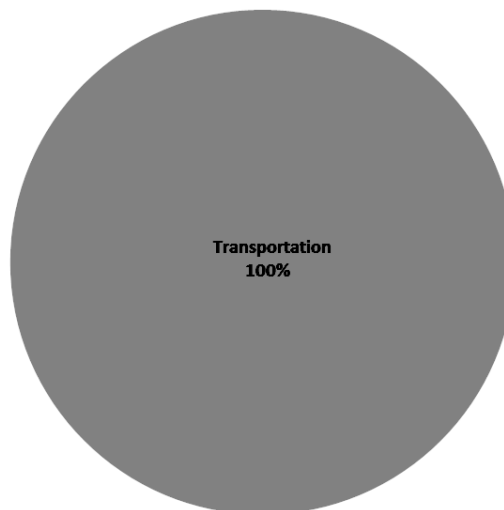
Revenues by Source: Business-Type Activities

For the Fiscal Year Ended August 31, 2013



Expenditures by Function: Business-Type Activities

For the Fiscal Year Ended August 31, 2013



Note: Totals may not add due to rounding.

Financial Analysis of TxDOT's Funds

TxDOT's governmental funds reported a combined ending fund balance, as of Aug. 31, 2013, of \$1.5 billion. Expenditures exceeded revenues by \$2.6 billion. Not all expenditure activity is supported by revenues. Some project expenditures are funded by bond proceeds and up-front concession payments. The revenue recognition on up-front concession payments is generally much slower than the timing of project expenditures.

Capital Assets and Debt Administration

Capital Assets

As of Aug. 31, 2013, TxDOT had \$81.3 billion in net capital assets, including roads, bridges, buildings, land, equipment and intangible capital assets.

Capital Assets - Net of Depreciation and Amortization

August 31, 2013 and 2012 (Amounts in Thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2013	2012	2013	2012	2013	2012
Land and Land Improvements	\$ 9,828,692	\$9,108,873	\$668,531	\$ 631,109	\$10,497,223	\$9,739,982
Infrastructure - Nondepreciable	53,714,534	50,661,186	1,764,586	1,629,379	55,479,120	52,290,565
Infrastructure - Depreciable	8,788,455	8,567,495	366,622	331,751	9,155,077	8,899,246
Construction in Progress	5,482,471	5,684,374			5,482,471	5,684,374
Buildings and Building Improvements	269,020	274,244	5,686	6,047	274,706	280,291
Furniture and Equipment	54,794	51,583			54,794	51,583
Vehicles, Boats and Aircraft	285,076	290,360			285,076	290,360
Other Capital Assets	5,828	5,793			5,828	5,793
Land Use Rights - Permanent	65,763	67,495	19,466	16,526	85,229	84,021
Land Use Rights - Term	12,164	14,671			12,164	14,671
Computer Software	9,116	6,205			9,116	6,205
Total Capital Assets	\$78,515,913	\$74,732,279	\$2,824,891	\$2,614,812	\$81,340,804	\$77,347,091

TxDOT adopted the modified approach for reporting the state's highway system. As required by the modified approach, TxDOT conducts condition assessments on the highway system through the Texas Maintenance Assessment Program (TxMAP). TxMAP is conducted on a yearly basis and results in overall condition levels for the Interstate and Non-Interstate highway systems and the Central Texas Turnpike System (CTTS). In conjunction with TxMAP, the Texas Transportation Commission adopted condition levels of 80 percent for the Interstate system, 75 percent for the Non-Interstate system and 80 percent for the CTTS. The condition assessment results for Fiscal 2013 reflect condition levels of 80.3 percent for the Interstate system and 77.4 percent for the Non-Interstate system. For the CTTS, the condition assessment result for Fiscal 2013 reflects a condition level of 85.1 percent.

The modified approach also requires that TxDOT estimate the expenditures required to maintain the highway system at or above the adopted condition levels. For Fiscal 2013, TxDOT computed estimates of \$277.8 million for the Interstate system, \$2.6 billion for the Non-Interstate system and \$14.0 million for the CTTS. Actual expenditures were \$304.0 million for the Interstate system, \$2.1 billion for the Non-Interstate system and \$13.1 million for the CTTS.

To ensure future availability of essential services and to finance capital improvements, TxDOT made commitments for construction contracts, comprehensive development agreements and pass-through toll agreements totaling an estimated \$27.6 billion. These commitments extend beyond the end of the fiscal year and represent future costs to TxDOT. Note 2 provides detail about TxDOT's capital assets activity and Note 15 details TxDOT's significant commitments related to future capital expenditures.

Debt Administration

The Commission, on behalf of TxDOT, has issued both general obligation bonds and revenue bonds. Each series of revenue bonds are backed by pledged revenues and restricted assets specified in the bond resolutions. Note 4 discloses details on TxDOT's long-term liabilities and Note 5 provides detail information on TxDOT's bonded indebtedness.

Outstanding Bonded Debt					
As of August 31, 2013 (Amounts In Thousands)					
		Governmental Activities		Business-Type Activities	
		<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
General Obligation Bonds Payable	\$	8,120,785	7,113,145	\$	
Revenue Bonds Payable		3,927,927	4,054,445	4,545,103	1,616,750
Total Bonds Payable	\$	<u>12,048,712</u>	<u>11,167,590</u>	<u>4,545,103</u>	<u>1,616,750</u>

Bond Credit Ratings

Long-Term Credit Ratings as of August 31, 2013			
	<u>Fitch</u>	<u>Moody's</u>	<u>Standard & Poor's</u>
Governmental Activities			
General Obligation Bonds	AAA	Aaa	AA+
Revenue Bonds	n/a	Aaa	AAA
Business-Type Activities			
Revenue Bonds-CTTS	BBB+	Baa1	A-
Revenue Bonds-GPTC 2013-A	BBB+	n/a	BBB
Revenue Bonds-GPTC 2013-B:E	AA-	n/a	AA

Short term ratings are usually reliant upon the supporting liquidity facility and its strength. The following variable rate demand bonds carried short term credit ratings as of Aug. 31, 2013.

Short-Term Credit Ratings as of August 31, 2013			
	<u>Fitch</u>	<u>Moody's</u>	<u>Standard & Poor's</u>
Governmental Activities			
General Obligation Bonds	F1+	VMIG 1	A-1+
TMF Series 2005-B Variable Rate Interest Bonds	F1+	VMIG 1	n/a
Revenue Bonds			
SHF Series 2006B Variable Rate Interest Bonds	n/a	VMIG 3	A-3

An explanation of the significance of such ratings may be obtained from the company furnishing the rating. The ratings reflect only the respective views of such organizations 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 any or all of such rating companies, if in the judgment of any or all companies, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the bonds.

Contacting TxDOT's Financial Management

This financial report is designed to provide a general overview of the TxDOT's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the TxDOT Finance Division at the following address:

Texas Department of Transportation
Finance Division - Accounting
125 East 11th Street
Austin, Texas 78701-2483

Basic Financial Statements

Texas Department of Transportation
STATEMENT OF NET POSITION
August 31, 2013 (Amounts in Thousands)

	Primary Government		
	Governmental Activities	Business Type Activities	Total
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 5,277,895	\$ 177,935	\$ 5,455,830
Restricted:			
Cash and Cash Equivalents		1,026,532	1,026,532
Legislative Appropriations	19,269		19,269
Short-Term Investments (Note 3)		356,419	356,419
Restricted:			
Short-Term Investments (Note 3)		766,640	766,640
Due from Other Agencies (Note 11)	200,806		200,806
Receivable:			
Taxes	213,949		213,949
Federal	337,213		337,213
Interest and Dividends	7,041	721	7,762
Accounts Receivable	33,204	4,769	37,973
Other Intergovernmental	61,364	200	61,564
Prepaid Items		102	102
Loans and Contracts	18,644		18,644
Consumable Inventory	142,180	613	142,793
Total Current Assets	6,311,565	2,333,931	8,645,496
Noncurrent Assets:			
Internal Balances (Note 11)	80,628	(80,628)	0
Loans and Contracts	375,544		375,544
Restricted:			
Investments (Note 3)		502,418	502,418
Deferred Charges	32,103	12,356	44,459
Receivable:			
Federal	26,704		26,704
Other Intergovernmental		250	250
Intangible Assets (Note 21)		610,305	610,305
Capital Assets:			
Non-Depreciable Capital Assets (Note 2)	69,091,460	2,452,583	71,544,043
Depreciable Capital Assets, Net (Note 2)	9,424,453	372,308	9,796,761
Total Noncurrent Assets	79,030,892	3,869,592	82,900,484
Total Assets	85,342,457	6,203,523	91,545,980

Concluded on the following page

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

Texas Department of Transportation
STATEMENT OF NET POSITION (concluded)
August 31, 2013 (Amounts in Thousands)

	Primary Government		
	Governmental Activities	Business Type Activities	Total
LIABILITIES			
Current Liabilities:			
Payables			
Accounts	1,350,421	13,370	1,363,791
Payroll	61,989		61,989
Interest	232,228	12,116	244,344
Contract Retainage	33,640		33,640
Due to Other Agencies (Note 11)	56,555		56,555
Unearned Revenue	493,528	1,009	494,537
Employees' Compensable Leave (Note 4)	60,186		60,186
Notes and Loans Payable (Note 4)	142,298		142,298
General Obligation Bonds Payable (Note 4, 5)	121,493		121,493
Revenue Bonds Payable (Note 4, 5)	132,358	12,531	144,889
Pollution Remediation Obligation (Note 4)	5,277		5,277
Total Current Liabilities	2,689,973	39,026	2,728,999
Noncurrent Liabilities:			
Employees' Compensable Leave (Note 4)	13,021		13,021
Notes and Loans Payable (Note 4)	1,044,202	1,082,609	2,126,811
General Obligation Bonds Payable (Note 4, 5)	7,999,292		7,999,292
Revenue Bonds Payable (Note 4, 5)	3,795,570	4,532,572	8,328,142
Pollution Remediation Obligation (Note 4)	2,302		2,302
Total Noncurrent Liabilities	12,854,387	5,615,181	18,469,568
Total Liabilities	15,544,360	5,654,207	21,198,567
DEFERRED INFLOWS OF RESOURCES			
Service Concession Arrangements (Note 21)	5,254,633		5,254,633
Total Deferred Inflow of Resources	5,254,633	0	5,254,633
NET POSITION			
Net Investment in Capital Assets	62,876,219	690,124	63,566,343
Restricted for:			
Capital Projects	288,831		288,831
Debt Service	485,222	34,988	520,210
Unrestricted	893,192	(175,796)	717,396
Total Net Position	64,543,464	549,316	65,092,780
TOTAL LIABILITIES, DEFERRED INFLOWS, AND NET POSITION	\$ 85,342,457	\$ 6,203,523	\$ 91,545,980

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

Texas Department of Transportation**STATEMENT OF ACTIVITIES**

For the Fiscal Year Ended August 31, 2013 (Amounts in Thousands)

Functions	Expenses	PROGRAM REVENUES		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities:				
Transportation	\$ 5,277,846	\$ 741,905	\$ 2,870,390	\$ 30,157
Interest on General Long-Term Debt	550,587			
Total Governmental Activities	5,828,433	741,905	2,870,390	30,157
Business-Type Activities:				
Transportation	228,788	119,152	1	40
Total Business-Type Activities	228,788	119,152	1	40
Total Primary Government	\$ 6,057,221	\$ 861,057	\$ 2,870,391	\$ 30,197

GENERAL REVENUES:

Original Appropriation
 Additional Appropriation
 Lapsed Appropriation
 Motor Fuel Tax
 Lubricant Sales Tax
 Unrestricted Investment Earnings
 Settlement of Claims
 Gain on Sale of Capital Assets
 Other Revenues
 Transfers - Internal Activities (Note 11)
 Transfers In (Out) to other State Agencies (Note 11)
 Total General Revenues and Transfers
 Changes in Net Position
 Net Position, September 1, 2012
 Restatements (Note 14)
 Net Position, September 1, 2012, As Restated
 Net Position, August 31, 2013

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

**NET (EXPENSE) REVENUE AND
CHANGES IN NET POSITION**

Governmental Activities	Business- Type Activities	Total
\$ (1,635,394)	\$	\$ (1,635,394)
(550,587)		(550,587)
(2,185,981)	0	(2,185,981)
	(109,595)	(109,595)
	(109,595)	(109,595)
\$ (2,185,981)	\$ (109,595)	\$ (2,295,576)
12,163		12,163
262		262
(71)		(71)
2,364,292		2,364,292
42,526		42,526
28,626	6,172	34,798
11,616	482	12,098
810		810
2,124		2,124
(225,057)	225,057	0
615,988		615,988
2,853,279	231,711	3,084,990
667,298	122,116	789,414
63,760,877	427,169	64,188,046
115,289	31	115,320
63,876,166	427,200	64,303,366
\$ 64,543,464	\$ 549,316	\$ 65,092,780

Texas Department of Transportation
Balance Sheet – Governmental Funds
August 31, 2013 (Amounts in Thousands)

	State Highway Fund*	Texas Mobility Fund*	Nonmajor Funds*	Total
ASSETS				
Cash and Cash Equivalents				
Cash on Hand	\$ 290,642	\$	\$	\$ 290,642
Cash in Bank	229		359	588
Cash in State Treasury	2,875,468	1,198,318	912,879	4,986,665
Legislative Appropriations			19,269	19,269
Receivables:				
Taxes	213,949			213,949
Federal	339,998	8,866	15,053	363,917
Other Intergovernmental	61,363			61,363
Interest and Dividends	7,041			7,041
Accounts Receivable	33,204			33,204
Due from Other Funds (Note 11)	94,836	909	216	95,961
Due from Other Agencies (Note 11)	200,587		219	200,806
Consumable Inventories	142,180			142,180
Loans and Contracts	393,988		200	394,188
Total Assets	<u>4,653,485</u>	<u>1,208,093</u>	<u>948,195</u>	<u>6,809,773</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Payables:				
Accounts Payable	1,220,985	10,346	119,090	1,350,421
Contracts Payable	33,640			33,640
Payroll Payable	61,872		117	61,989
Due to Other Funds (Note 11)	13,627	1,290	416	15,333
Due to Other Agencies (Note 11)	56,555			56,555
Deferred Revenues	3,279,609		486,446	3,766,055
Total Liabilities	<u>4,666,288</u>	<u>11,636</u>	<u>606,069</u>	<u>5,283,993</u>
Fund Balances (Deficits):				
Nonspendable (Note 13)	142,180		154	142,334
Restricted (Note 13)	533,472	1,196,457	319,174	2,049,103
Assigned (Note 13)			2,082	2,082
Unassigned (Note 13)	(688,455)		20,716	(667,739)
Total Fund Balances	<u>(12,803)</u>	<u>1,196,457</u>	<u>342,126</u>	<u>1,525,780</u>
Total Liabilities and Fund Balances	<u>\$ 4,653,485</u>	<u>\$ 1,208,093</u>	<u>\$ 948,195</u>	<u>\$ 6,809,773</u>

* See Combining Statements in the Other Supplementary Information section of this report for more details.

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

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position

August 31, 2013 (Amounts in Thousands)

Total Fund Balance - Governmental Funds \$ 1,525,780

Amounts reported for governmental activities in the statement of net position
are different because:

Capital assets less accumulated depreciation and amortization are included in the
statement of net position (Note 2).

Capital Assets - Non-Depreciable or Non-Amortizable	\$ 69,091,460	
Capital Assets - Depreciable or Amortizable, Net	<u>9,424,453</u>	78,515,913

Some of TxDOT's resources are not currently available and are not
reported in the funds

Deferred charges for unamortized bond issuance cost	<u>32,103</u>	32,103
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Some of TxDOT's revenues will be collected after year-end but are not
available soon enough to pay current year's expenditures and therefore are
deferred in the funds.

<u>27,113</u>	27,113
---------------	--------

Long-term liabilities applicable to TxDOT's governmental activities are
not due and payable in the current period and accordingly are not reported in
the funds. These liabilities, however, are included in the statement
of net position (Note 4 and Note 5). *

Employees' Compensable Leave	(73,207)	
Notes and Loans Payable	(1,186,500)	
General Obligation Bonds Payable	(8,120,785)	
Revenue Bonds Payable	(3,927,927)	
Pollution Remediation Obligations	<u>(7,580)</u>	(13,315,999)

* current portion = \$461,612 and non-current portion = \$12,854,387

Deferred inflows of resources recognized related to service concession arrangements that are not reported in the funds.	(2,009,218)
--	-------------

Interest payable applicable to TxDOT's governmental activities are not due and payable in the current period and accordingly are not reported in the funds. These liabilities, however, are included in the statement of net position.	(232,228)
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Net Position of Governmental Activities \$ 64,543,464

Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds

For the Fiscal Year Ended, August 31, 2013 (Amounts in Thousands)

	State Highway Fund*	Texas Mobility Fund*	Nonmajor Funds*	Total
REVENUES:				
Legislative Appropriations:				
Original Appropriations	\$	\$	\$ 12,163	\$ 12,163
Additional Appropriations			262	262
Taxes	2,419,421			2,419,421
Federal Revenues	2,815,224	21,445	36,962	2,873,631
Federal Grant Pass-Through Revenues (Note 11)	1,412			1,412
Licenses, Fees and Permits	85,417	383,422		468,839
Interest and Investment Income	21,825	27,984	2,736	52,545
Land Income	15,637			15,637
Settlement of Claims	11,616			11,616
Sales of Goods and Services	53,108		162,997	216,105
Other Revenues	713		1,411	2,124
Total Revenues	<u>5,424,373</u>	<u>432,851</u>	<u>216,531</u>	<u>6,073,755</u>
EXPENDITURES:				
Transportation (Note 18)	4,456,471	93,606	15,915	4,565,992
Capital Outlay	2,128,007	55,356	1,041,420	3,224,783
Principal on State Bonds		53,190	141,175	194,365
Principal on Pass-Through Tolls	105,113			105,113
Interest on State Bonds		287,771	249,278	537,049
Other Financing Fees	1,977	469	3,311	5,757
Total Expenditures	<u>6,691,568</u>	<u>490,392</u>	<u>1,451,099</u>	<u>8,633,059</u>
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	<u>(1,267,195)</u>	<u>(57,541)</u>	<u>(1,234,568)</u>	<u>(2,559,304)</u>
OTHER FINANCING SOURCES (USES):				
Operating Transfers In (Note 11)	1,565,247		300,034	1,865,281
Operating Transfers Out (Note 11)	(1,082,000)		(162,897)	(1,244,897)
Bond & Note Issued			1,103,524	1,103,524
Sale of Capital Assets	4,318		2,202	6,520
Appropriations Lapsed			(71)	(71)
Total Other Financing Sources (Uses)	<u>487,565</u>	<u>0</u>	<u>1,242,792</u>	<u>1,730,357</u>
Net Change in Fund Balances	<u>(779,630)</u>	<u>(57,541)</u>	<u>8,224</u>	<u>(828,947)</u>
Fund Balances, September 1, 2012	730,524	1,108,827	333,901	2,173,252
Restatements	36,303	145,171	1	181,475
Fund Balances, August 31, 2013	<u>\$ (12,803)</u>	<u>\$ 1,196,457</u>	<u>\$ 342,126</u>	<u>\$ 1,525,780</u>

* See Combining Statements in the Other Supplementary Information section of this report for more details.

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

Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities

For the Fiscal Year Ended August 31, 2013 (Amounts in Thousands)

Net Change in Fund Balances \$ (828,947)

Governmental funds report capital outlays as expenditures. In the statement of activities, however, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The amount by which capital outlay exceeds depreciation in the current period is:

Capital Outlay	\$ 3,224,783	
Depreciation and Amortization Expense (Note 2)	<u>(680,061)</u>	
		2,544,722

The effect of various miscellaneous transactions involving capital assets (i.e. sales, donations and transfers) is to decrease net position.

	<u>(205,005)</u>	(205,005)
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Revenues and changes in the fair value of investment derivatives that do not provide current financial resources are not reported in the governmental funds, but are reported in the statement of activities.

Concession Revenues	41,323	
Decrease in Fair Value of Investment Derivatives	(25,121)	
Federal Revenue	(3,452)	
Motor Fuel Tax Revenue	<u>(12,603)</u>	
		147

Bond proceeds provide current financial resources to governmental funds, but increase long-term liabilities in the statement of net assets. Repayment of long-term debt consumes current financial resources and is an expenditure in the governmental funds, but reduces long-term liabilities in the statement of net position.

Bonds & Notes Issued	(1,103,524)	
Repayment of Bond and Note Principal	<u>299,478</u>	
		(804,046)

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

(39,573)

Change in Net Position of Governmental Activities	<u>\$ 667,298</u>	
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Statement of Net Position – Proprietary Funds

August 31, 2013 (Amounts in Thousands)

	Business-Type Activities - Enterprise Funds*		
	Central Texas Turnpike System	Grand Parkway Transportation Corporation	Totals
ASSETS			
Current Assets:			
Cash and Cash Equivalents:			
Money Market and Similar Funds (Note 3)	\$ 20,771	\$ 4,942	\$ 25,713
Restricted Cash and Cash Equivalents:			
Cash and Cash Equivalents in State Treasury	51		51
Cash in Bank	524	(22)	502
Money Market and Similar Funds (Note 3)	30,456	996,047	1,026,503
US Treasury Bills (Note 3)		151,698	151,698
Short-Term Investments (Note 3)	261,392	95,027	356,419
Restricted:			
Short-Term Investments (Note 3)		766,640	766,640
Interest and Dividends Receivable	283	438	721
Accounts Receivable	4,769		4,769
Other Intergovernmental Receivable	200		200
Due from Other Funds (Note 11)	13,411		13,411
Prepaid Items	86	16	102
Consumable Inventory	613		613
Total Current Assets	<u>332,556</u>	<u>2,014,786</u>	<u>2,347,342</u>
Noncurrent Assets:			
Restricted Investments	114,999	387,419	502,418
Intangible Assets (Note 21)		610,305	610,305
Deferred Charges	12,355		12,355
Other Intergovernmental Receivable	250		250
Capital Assets:			
Non-Depreciable Capital Assets (Note 2)	2,452,583		2,452,583
Depreciable Capital Assets, Net (Note 2)	372,308		372,308
Total Noncurrent Assets	<u>2,952,495</u>	<u>997,724</u>	<u>3,950,219</u>
Total Assets	<u>3,285,051</u>	<u>3,012,510</u>	<u>6,297,561</u>
LIABILITIES			
Current Liabilities:			
Vouchers Payable		13,370	13,370
Due to Other Funds (Note 11)	19	94,020	94,039
Revenue Bonds Payable (Notes 4, 5)	10,855	1,676	12,531
Interest Payable	3,307	8,809	12,116
Unearned Revenues	1,009		1,009
Total Current Liabilities	<u>15,190</u>	<u>117,875</u>	<u>133,065</u>
Noncurrent Liabilities:			
Revenue Bonds Payable (Notes 4, 5)	1,622,060	2,910,511	4,532,571
Notes and Loans Payable (Note 4)	1,082,609		1,082,609
Total Noncurrent Liabilities	<u>2,704,669</u>	<u>2,910,511</u>	<u>5,615,180</u>
Total Liabilities	<u>2,719,859</u>	<u>3,028,386</u>	<u>5,748,245</u>
NET POSITION			
Net Investment in Capital Assets	690,124		690,124
Restricted for Debt Service	34,969		34,969
Unrestricted	<u>(159,901)</u>	<u>(15,876)</u>	<u>(175,777)</u>
Total Net Position	<u>\$ 565,192</u>	<u>\$ (15,876)</u>	<u>\$ 549,316</u>

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

* Central Texas Turnpike System (Appropriated Fund 0865) and Grand Parkway Transportation Corporation (Appropriated Fund 9999) are the only enterprise funds. Combining statements are not presented.

Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds

For the Fiscal Year Ended August 31, 2013 (Amounts in Thousands)

	Business-Type Activities - Enterprise Funds*		
	Central Texas Turnpike System	Grand Parkway Transportation Corporation	Totals
OPERATING REVENUES			
Toll Revenue	\$ 105,848	\$	\$ 105,848
Fee Revenue	13,290		13,290
Total Operating Revenues	119,138	0	119,138
OPERATING EXPENSES			
Professional Fees and Services	6,671	1	6,672
Salaries	1,188		1,188
Materials and Supplies	4,805		4,805
Communication and Utilities	1,074		1,074
Repairs and Maintenance	16,247	7	16,254
Printing and Reproduction	4		4
Contracted Services	12,975		12,975
Advertising	889		889
Depreciation Expense	19,792		19,792
Other Operating Expenses	3,526		3,526
Total Operating Expenses	67,171	8	67,179
Operating Income (Loss)	51,967	(8)	51,959
NONOPERATING REVENUES (EXPENSES)			
Lease Revenue	13		13
Interest and Investment Income	6,335	19	6,354
Net Decrease in Fair Value of Investments		(182)	(182)
Interest and Amortization	(71,332)		(71,332)
Accretion on Capital Appreciation Bonds and TIFIA Note	(69,392)		(69,392)
Bond Issuance Expenses	(5,099)	(15,704)	(20,803)
Other Financing Fees	(61)	(1)	(62)
Other Nonoperating Revenues	464		464
Total Nonoperating Revenues (Expenses)	(139,072)	(15,868)	(154,940)
Loss before Capital Contributions and Transfers	(87,105)	(15,876)	(102,981)
CAPITAL CONTRIBUTIONS AND TRANSFERS			
Capital Contributions	229,451		229,451
Operating Transfers Out (Note 11)	(4,354)		(4,354)
Total Capital Contributions and Transfers	225,097	0	225,097
Change in Net Position	137,992	(15,876)	122,116
Net Position, September 1, 2012	427,169		427,169
Restatements (Note 14)	31		31
Net Position, September 1, 2012, as Restated	427,200	0	427,200
Net Position, August 31, 2013	\$ 565,192	\$ (15,876)	\$ 549,316

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

* Central Texas Turnpike System (Appropriated Fund 0865) and Grand Parkway Transportation Corporation (Appropriated Fund 9999) are the only enterprise funds. Combining statements are not presented.

Statement of Cash Flows – Proprietary Funds

For the Fiscal Year Ended August 31, 2013 (Amounts in Thousands)

	Business-Type Activities - Enterprise Funds*		
	Central Texas Turnpike System	Grand Parkway Transportation Corporation	Totals
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from Customers	\$ 114,933	\$	\$ 114,933
Payments to Suppliers for Goods and Services	(46,658)	(17)	(46,675)
Payments to Employees	(1,188)		(1,188)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	67,087	(17)	67,070
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Proceeds from Transfers from Other Funds	47,954		47,954
Proceeds from issuing Revenue Bonds		2,913,431	2,913,431
Payments to Issuance Costs		(14,545)	(14,545)
Payments to Developer for Construction		(32,436)	(32,436)
Reimbursement to HCTRA for Segment E ROW and Engineering		(65,482)	(65,482)
Reimbursement to TxDOT for Construction and ROW Acquisition		(398,707)	(398,707)
Payments for Transfers to Other Funds	(62,946)		(62,946)
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	(14,992)	2,402,261	2,387,269
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Proceeds from Lease Revenue	13		13
Proceeds from Capital Contributions	846		846
Payments for Additions to Land and Roadways	(436)		(436)
Payments from Debt Issuance, Net of Issuance Costs	856,648		856,648
Payments for Other Financing Costs	(61)		(61)
Payments for Debt Refunding	(857,150)		(857,150)
Payments for Principal on Debt	(7,710)		(7,710)
Payments on Debt Interest	(71,779)		(71,779)
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	(79,629)	0	(79,629)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from Sales of Investments	50,043		50,043
Proceeds from Interest and Investment Income, Net of Fees	6,335	22	6,357
Proceeds from Judgments & Settlements	483		483
Amortization of Cash Equivalents		3	3
Payments to Accrued Interest on Purchase of Investment		(358)	(358)
Payments to Acquire Investments	(4,855)	(1,249,245)	(1,254,100)
NET CASH PROVIDED BY (USED) BY INVESTING ACTIVITIES	52,006	(1,249,578)	(1,197,572)
NET INCREASE IN CASH AND CASH EQUIVALENTS	24,472	1,152,666	1,177,138
CASH AND CASH EQUIVALENTS - September 1, 2012	27,330		27,330
CASH AND CASH EQUIVALENTS – August 31, 2013	\$ 51,802	\$ 1,152,666	\$ 1,204,468

Concluded on the following page

Statement of Cash Flows – Proprietary Funds (concluded)

For the Fiscal Year Ended August 31, 2013 (Amounts in Thousands)

	Business-Type Activities - Enterprise Funds*		
	Central Texas Turnpike System	Grand Parkway Transportation Corporation	Totals
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:			
Operating Income	\$ 51,967	\$ (8)	\$ 51,959
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:			
Depreciation Expense	19,792		19,792
Changes in Assets and Liabilities:			
(Increase)Decrease in Accounts Receivable	(4,205)		(4,205)
(Increase)Decrease in Prepaid Expenses	(467)	(16)	(483)
Increase in Payables for Maintenance		7	7
Total Adjustments	15,120	(9)	15,111
Net Cash Provided by Operating Activities	<u>\$ 67,087</u>	<u>\$ (17)</u>	<u>\$ 67,070</u>
NONCASH TRANSACTIONS			
Transfer in of major capital asset from other Fund	\$ 229,410	\$	\$ 229,410
	<u>\$ 229,410</u>	<u>\$ 0</u>	<u>\$ 229,410</u>
Reconciliation of Cash and Cash Equivalents			
Cash in Bank	\$ 524	\$ (22)	\$ 502
Money Market and Similar Funds	51,227	1,000,990	1,052,217
Cash Equivalents in US Treasury		151,698	151,698
Restricted Cash and Cash Equivalents in State Treasury	51		51
Cash and Cash Equivalents	<u>\$ 51,802</u>	<u>\$ 1,152,666</u>	<u>\$ 1,204,468</u>

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

* Central Texas Turnpike System (Appropriated Fund 0865) and Grand Parkway Transportation Corporation (Appropriated Fund 9999) are the only enterprise funds. Combining statements are not presented.

Statement of Fiduciary Net Position

August 31, 2013 (Amounts in Thousands)

	AGENCY FUNDS
ASSETS	
Cash on Hand	\$ 18
Cash in Bank	20,064
Cash in State Treasury	556
Total Assets	<u>20,638</u>
LIABILITIES	
Funds Held for Others	20,638
Total Liabilities	<u>\$ 20,638</u>

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

Texas Department of Transportation Notes to Financial Statements

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES***Reporting Entity***

The accompanying financial statements reflect the financial position of the Texas Department of Transportation (TxDOT). TxDOT is an agency of the state of Texas and is charged with developing and maintaining a statewide multimodal transportation network and other transportation related duties. The Texas Transportation Commission (the Commission), the governing body of TxDOT, has the authority to commit TxDOT to various legal agreements.

The financial activities of TxDOT, which consist of both governmental and proprietary activities, are reported under the transportation function in the state of Texas' Comprehensive Annual Financial Report (CAFR).

Three Texas Transportation Corporations, authorized by Transportation Code Chapter 431 to perform certain functions normally undertaken by TxDOT, are reported as blended component units because TxDOT exercises sufficient authority over the assets, operations and management of such entities to warrant their inclusion. Even though Texas Transportation Corporations are a part of the TxDOT reporting entity, the state is not liable for debts of these corporations, nor entitled to the assets of these corporations. See Note 19 for more information.

No component units have been identified which require discrete presentation in the accompanying financial statements.

Basis of Presentation

The accompanying financial statements were prepared in conformance with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). Financial reporting for TxDOT is based on all GASB pronouncements. The data in this report is combined and consolidated by the Texas Comptroller's office with similar data from other state agencies and universities to prepare the state of Texas CAFR.

Financial Reporting Structure

The basic financial statements include government-wide financial statements and fund financial statements. The reporting model based on GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, focuses on TxDOT as a whole in the government-wide financial statements and major individual funds in the fund financial statements.

Government-wide Financial Statements

The government-wide financial statements (statement of net position and statement of activities) display information about TxDOT as a whole and the change in aggregate financial position resulting from the activities of the fiscal period on all non-fiduciary activities. These statements include separate columns for the governmental and business-type activities of TxDOT (including its blended component units). In the statement of net position, both the governmental and business-type activities columns are presented on a consolidated basis by column and are reflected on an accrual basis, economic measurement focus, which incorporates noncurrent investments, capital assets and long-term debt and obligations.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements

The fund financial statements are presented after the government-wide financial statements. They display information about major funds individually and in the aggregate for governmental and proprietary funds. In governmental and fiduciary funds, assets are presented in order of relative liquidity. In proprietary funds, assets and liabilities are presented in a classified format that distinguishes between all current and noncurrent assets and liabilities. Current liabilities are obligations to be paid within the next fiscal year.

The major governmental funds in the fund financial statements are presented on a current financial resources measurement focus and modified accrual basis of accounting. This presentation is deemed most appropriate to demonstrate compliance with legal and covenant requirements, the source and use of financial resources and how TxDOT's actual experience conforms to the budget. Since the governmental fund financial statements are presented using a different measurement focus and basis of accounting than the government-wide financial statements, governmental activities column, a reconciliation is presented. The reconciliation explains the adjustments required to restate the fund based financial statements for the government-wide financial statements' governmental funds column.

TxDOT uses funds to report its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. TxDOT is granted appropriations based on appropriated funds. For operational and statutory reasons TxDOT has created several lower level funds that are presented as part of the indicated appropriated fund.

Governmental Fund Types

Governmental funds focus on the sources and uses of funds. Included in the governmental fund financial statements are general, special revenue, debt service and capital projects funds. The general fund is used to account for the departmental operations funded by legislative appropriations. Special revenue funds account for specific revenue sources that are restricted or committed for specific purposes other than debt service or capital projects. Debt service funds are used to account for financial resources that are restricted, committed or assigned to expenditure for principal and interest. Capital projects funds are used to account for financial resources that are restricted, committed or assigned to expenditure for capital outlays.

TxDOT reports the following major governmental funds.

State Highway Fund (Appropriated Fund 0006)

The state highway fund is TxDOT's main operating fund. TxDOT reports the following accounts/sub-funds, which are consolidated into the state highway fund for GAAP reporting purposes.

- State Highway Fund Accounts – These funds contain the activity related to public road construction, maintenance and monitoring of the state's highway system. The significant ongoing revenue sources are federal revenues and motor fuels taxes, which are constitutionally restricted and dedicated to the highway fund.
- State Infrastructure Bank– This fund operates as a revolving loan program that makes loans to public and private entities to encourage the development of transportation projects and facilities.
- Federal American Recovery and Reinvestment Fund – This fund was created to record, track and report the receipt and disbursement of American Recovery and Reinvestment Act (ARRA) funding.

Texas Mobility Fund (Appropriated Fund 0365)

This fund operates as a revolving fund to provide a method of financing construction, reconstruction, acquisition and expansion of state highways and other transportation projects. The principal ongoing revenue source of the fund is fees committed by the Legislature under the authority of the Texas Constitution, Article III, Section 49-k. Other inflows to the fund include bond proceeds. The mobility fund is composed of a debt service fund and a capital projects fund.

Additionally, TxDOT reports the following non-major governmental funds.

General Revenue Fund:

TxDOT reports the following accounts, which are consolidated into the general revenue fund for GAAP reporting purposes.

- General Fund Account (Appropriated Fund 0001) – This account is used to account for all financial resources of the state except those required to be accounted for in another fund.
- Traffic Safety-Crash Records Information Systems Account (Appropriated Fund 0036) – This account is used to account for expenditures pertaining to the crash records information system.
- Texas Highway Beautification Fund Account (Appropriated Fund 0071) – This account was established to implement the Texas highway beautification program. Revenues are obtained from outdoor advertising license and permit fees.
- Colonias Project Fund Account (Appropriated Fund 7604) – This account provides financial assistance to counties for roadway projects serving border colonias. Funding is provided from the sale of bonds or commercial paper, which are issued and reported by the Texas Public Finance Authority.
- Suspense Fund (Appropriated Fund 0900) – This fund is used to temporarily hold and account for receipts until the correct disposition of items is determined.

Special Revenue Fund:

- Texas Transportation Corporations (Appropriated Fund 9999) – This fund presents the activity of the Grand Parkway Association, which is a blended component unit of TxDOT.

Debt Service Fund:

- Proposition 14/State Highway Fund Debt Service (Appropriated Fund 0008) – This fund receives transfers in from the state highway fund for debt service on state highway fund revenue bonds.

Capital Projects Funds:

- Proposition 12/Highway Improvement Project Fund (Appropriated Fund 0307) – This fund receives the proceeds of general obligation bonds issued for highway improvement projects under the provisions of the Texas Constitution, Article III, Section 49-p. The fund reports the construction activity supported by such funding.
- County/Political Subdivision/Local Government Road/Airport Trust Account (Appropriated Fund 0927) – This fund holds contributions by counties/political subdivisions for expenditure by the Commission in development/construction of public roads and airports within such counties or political subdivisions.

Proprietary Fund Type

Proprietary funds focus on determining operating income, changes in financial position and cash flows. Generally accepted accounting principles similar to those used by private sector businesses are applied in accounting for these funds. Enterprise funds may be used to report any activity for which a fee is charged to external users for goods or services. TxDOT reports the following major proprietary funds.

Central Texas Turnpike System Fund (Appropriated Fund 0865)

This fund reports the activity and debt associated with the Central Texas Turnpike System toll roads.

Grand Parkway Transportation Corporation (Appropriated Fund 9999)

This fund reports the activity and debt associated with the development of Segments D (Harris County), E, F-1, F-2 and G of the Grand Parkway (State Highway 99) toll road construction as reported by Grand Parkway Transportation Corporation.

Fiduciary Fund Types

Fiduciary funds account for assets held in either a trustee capacity or as an agent for other outside individuals or entities. Agency funds report assets that TxDOT holds on behalf of others in a purely custodial capacity.

Agency Funds have no equity, assets equal liabilities and do not include revenues or expenditures. The agency funds used by TxDOT during fiscal 2013 included the general revenue fund, child support deductions suspense account, employees' savings bond account, toll revenue custodial account and the direct deposit correction accounts.

Component Units

All component units of TxDOT are reported as nonmajor component units. The Grand Parkway Association, Texas Private Activity Bond Surface Transportation Corporation, and Grand Parkway Transportation Corporation are presented in TxDOT's financial statements as blended component units. See Note 19 for more details.

Basis of Accounting

Government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Under the economic resources measurement focus, all economic resources and obligations of the reporting entity, both current and noncurrent are reported in the government-wide financial statements. Under the accrual basis of accounting, revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Non-exchange transactions, in which TxDOT gives (or receives) value without directly receiving (or giving) equal value in exchange, include intergovernmental grants. Revenue for grants and similar items are recognized in the fiscal year in which all eligibility requirements imposed by the provider have been met.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Governmental funds use the flow of current financial resources focus and the modified accrual basis of accounting. Under the modified accrual basis, revenues are recognized when they become both measurable and available. For this purpose, revenues are considered to be available if they are collected within 60 days of the end of the current fiscal year. Expenditures are generally recognized when the related fund liability is incurred. However, principal and interest on bonds is recorded only when due and compensated absences and claims and judgments are recorded when they are expected to be liquidated with expendable available financial resources. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of long-term debt are reported as other financing sources.

Proprietary funds are accounted for on the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned and expenses are recognized at the time liabilities are incurred. A proprietary fund distinguishes operating from non-operating items. Operating revenues and expenses result from providing services or producing and delivering goods in connection with the proprietary fund's principal ongoing operations. Operating expenses for an enterprise fund include cost of sales and services, administrative expenses and depreciation on capital assets.

Although agency funds use the accrual basis of accounting, they do not have a measurement focus because they do not recognize revenues and expenses.

Shared Fund Presentation

The financial statement presentation for the state highway fund and general fund represent only the portion of shared funds that can be directly attributed to the operations of TxDOT. Financial statements for total fund operations of shared state funds are presented in the state of Texas CAFR.

In presenting these financial statements, certain unique accounts are used for the presentation of shared funds. The following accounts are used in these financial statements to present TxDOT's portion of shared funds.

Legislative Appropriations

This "asset" account represents TxDOT's remaining legislative appropriation authority at fiscal year-end.

Original/Additional Appropriations

Amount reported as revenue that is the total appropriation authority given to TxDOT for the current fiscal year.

Appropriations Lapsed

Unencumbered appropriations balances that have been lapsed during the fiscal year.

Budgetary Information

TxDOT's budget is prepared on a performance-based concept and is represented by biennial appropriations authorized by the Legislature and approved by the governor. The governmental funds with legally adopted budgets are the general fund, the state highway fund and nonmajor special revenue funds.

Change in Accounting Policies

The Texas Mobility fund was established as a single appropriated fund, for Fiscal 2013 is reported as governmental Debt Service fund and Capital Projects Fund types. See Note 20 for more information.

Assets, Liabilities, Deferred Inflows, and Fund Balances/Net Position

Cash and Cash Equivalents

Cash held in the state treasury, cash deposited in local banks, cash on hand and short-term highly liquid investments.

Investments

Amounts invested associated with the Central Texas Turnpike System and Grand Parkway Transportation Corporation. See Note 3 for more details.

Inventories and Prepaid Items

Inventory items are reported at a weighted average cost. The inventory consists of supplies and roadway materials on hand for future use. The consumption method of accounting is used to account for inventories and prepaid items. The costs of these items are expensed when the items are consumed. TxDOT reported prepaid postage of \$817.7 thousand as of Aug. 31, 2013.

Receivables

The major receivables for TxDOT are federal and other intergovernmental. Receivables represent amounts due to TxDOT at Aug. 31, 2013, for revenues earned in the current fiscal year that will be collected in the future. Amounts expected to be collected in the next fiscal year are classified as current and amounts expected to be collected beyond the next fiscal year are classified as noncurrent. All receivables are recorded net of allowances for uncollectable accounts.

Notes and Loans Receivable

TxDOT makes loans to various local governments and regional mobility authorities. The state infrastructure bank (SIB) operates as a revolving loan fund, where the account balance grows through the monthly interest earned and repaid principal and interest payments. SIB financial assistance can be provided to any public or private entity authorized to construct, maintain or finance an eligible transportation project.

Notes and Loans Receivable		
August 31, 2013 (Amounts in Thousands)		
Fund	Loans Receivable	Due Within One Year
General Fund	\$ 200	\$ 46
Highway Fund – Toll Equity Loans	90,784	
Highway Fund – NTTA	138,263	2,193
Highway Fund – State Infrastructure Bank	164,940	16,405
Governmental Funds Total	<u>\$ 394,187</u>	<u>\$ 18,644</u>

Restricted Assets

Restricted assets include monies or other resources restricted by legal or contractual requirements. These assets include proceeds from revenue bonds, as well as certain revenues, set aside for statutory or contractual requirements.

Deferred Inflows

Deferred inflows of resources are an acquisition of net assets by TxDOT that is applicable to a future reporting period. Deferred inflows have a negative effect on net position, similar to liabilities. TxDOT reports deferred inflows of resources as the offset account to assets received under a service concession arrangement in financial statements prepared using the economic resources measurement focus. See Note 21 for additional information.

Intangible Assets

Our blended component unit, GPTC is operating under a service concession agreement (SCA) with TxDOT. As a governmental operator, GPTC records an intangible asset for its cost of design and construction of Segments D (Harris County), E, F-1, F-2 and G of the Grand Parkway toll road. Additionally, GPTC is capitalizing interest and

accretion paid during the construction period to the intangible asset. Amortization of the intangible asset will begin upon the completion of construction and the opening to traffic of the System. Intangible assets associated with SCAs are not considered capital assets. See Note 21 for more information about GPTC's SCA with TxDOT.

Capital Assets

Capital assets, which include land, infrastructure, furniture, equipment and intangible assets are capitalized and reported in the financial statements using the accrual basis of accounting. Capital assets are recorded as expenditures at the time of purchase in the governmental funds.

Capital assets are assets with a cost above a set minimum capitalization threshold that, when acquired, have an estimated useful life of more than one year. Land, permanent land-use rights, non-depreciable infrastructure and construction in progress do not have a capitalization threshold and are not depreciated. The capitalization thresholds and useful lives of TxDOT's depreciable capital assets are as follows.

Capitalization Thresholds by Class of Asset		
Classification	Capitalization Threshold	Estimated Useful Life
Buildings and Building Improvements	\$ 100,000	5-30 years
Infrastructure, Depreciable	500,000	10-50 years
Facilities and Other Improvements	100,000	10-69 years
Furniture and Equipment	5,000	3-15 years
Vehicles, Boats and Aircraft	5,000	5-40 years
Internally Generated Computer Software	1,000,000	3-10 years
Other Computer Software	100,000	3-10 years
Land Use Rights – Term/Temporary	100,000	10-60 years

All capital assets acquired or constructed by TxDOT are capitalized at cost or estimated historical cost if actual historical cost is not available. Donated capital assets are recorded at estimated fair value at the date of donation. A facility constructed or improved under a qualifying service concession arrangement is reported as a capital asset at fair value when it is placed in operation. Costs of normal maintenance and repairs that do not add value to the asset or materially extend the asset's useful life are not capitalized.

TxDOT reports the state's highway infrastructure assets using the modified approach. This approach reflects a reasonable value of the asset and cost required to maintain the service potential at established minimum standards in lieu of depreciation. TxDOT developed and implemented an asset management system that establishes minimum standards and makes a yearly determination whether the minimum standards are being met. Disclosures of the minimum standards and the current status of the system are included in the required supplementary information section of this report.

All other capital assets, including bridges, with determinable useful lives are depreciated on the straight line basis over their estimated lives. See Note 2 for details of TxDOT's capital asset activity for fiscal 2013.

Deferred Revenues

TxDOT has received up-front payments related to the development and future toll-road operations of State Highway 121, State Highway 130 Sections 5-6 and the Katy Managed Lanes project on Interstate 10. These agreements exchange an up-front payment for the right to operate these toll roads for a period determined in the agreement. Under each of these agreements the toll road reverts back to the state at the end of the term or upon certain reimbursement conditions. TxDOT is recognizing revenue on a straight-line basis over the term of the agreement beginning when the roadway is placed into operation. See Note 21 for more information.

Long-Term Liabilities

Long-term liabilities include employees' compensable leave, general obligation bonds payable, revenue bonds payable, notes payable and pollution remediation obligations. Bonds payable are reported net of the applicable bond premium or discount. For debt issued prior to Sept. 1, 2012, deferred issuance costs are reported as deferred charges and amortized over the term of the debt. For debt issued during fiscal 2013, issuance costs were expensed as incurred.

In the governmental fund financial statements, bond premiums, discounts and bond issuance costs are recognized during the current period. The face amount of the debt is reported as an other financing source while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received are reported as debt service expenditures.

A state employee is entitled to be paid for all unused vacation time accrued, in the event of the employee's resignation, dismissal or separation from state employment, provided the employee has had continuous employment with the state for six months. Expenditures for accumulated annual leave balances are recognized in the period paid or taken in the governmental fund financial statements. See Notes 4 and 5 for more information.

Fund Balance/Net Position

In the government-wide and proprietary statements, the net position is the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources. The net position is displayed in three components. The potential categories of net position include:

- *Net Investment in Capital Assets*— capital assets, net of accumulated depreciation and reduced by the outstanding balances of bonds, notes or other borrowings that are attributed to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included.
- *Restricted* – restricted assets reduced by liabilities and deferred inflows or resources related to those assets. When both restricted and unrestricted resources are available for use, generally it is TxDOT's policy to use restricted resources first, then unrestricted resources when they are needed.
- *Unrestricted* – amounts not required to be reported in the other components of net position, deferred outflows of resources, liabilities, and deferred inflows of resources, and deficit amounts that are not included in the determination of net investment in capital assets or the restricted component of net position.

Fund balances for governmental funds are displayed in five components. The potential categories of fund balance include:

- *Nonspendable fund balance* – amounts not available to be spent because they are either (1) not in spendable form or (2) legally or contractually required to be maintained intact. The primary component of nonspendable fund balance is the balance in consumable inventories.
- *Restricted fund balance* – resources that have constraints placed on their use through external parties or by law through constitutional provisions.

- *Committed fund balance* – can be used only for specific purposes pursuant to constraints imposed by a formal action of the Legislature, the state’s highest level of decision making authority.
- *Assigned fund balance* – amounts constrained by the Commission’s intent to be used for specific purposes, but are neither restricted nor committed.
- *Unassigned fund balance* – residual classification for the general fund. The classification represents fund balance that was not assigned to other funds and was not restricted, committed or assigned to specific purposes within the general fund.

Positive unassigned fund balance can only exist within the general fund. Deficit fund balances in a fund are reported as unassigned fund balance.

As described previously, TxDOT has received substantial up-front concession payments. The deferral of revenue recognition on these payments has a significant impact on the state highway fund’s fund balance composition. TxDOT is statutorily committed to utilizing such payments received for the benefit of the region impacted by the concession project. Deficit unassigned fund balances are reported because annual expenditures utilizing the up-front money received under these arrangements exceed the amount of revenue recognized. Governmental activities net position is also significantly affected by the effect of deferring the recognition of revenue from up-front payments received and capital assets recognized related to service concession arrangements. Portions of the deferred inflow of resources balance at Aug. 31, 2013 are impacting the governmental activities balances of net investment in capital assets and unrestricted net position as follows.

Deferred Inflow of Resources Impact to Net Position		
August 31, 2013 (Amounts in Thousands)		
GOVERNMENTAL ACTIVITIES		
NET POSITION	Total	Deferred Inflow of Resources
Net Investment in Capital Assets	\$ 62,876,220	\$ (2,929,451)
Restricted Net Position	774,053	
Unrestricted Net Position	893,191	(2,325,182)
Total	\$ 64,543,464	\$ (5,254,633)

The balance of the deferred inflow of resources at Aug. 31, 2013 will be recognized as revenue and increase the respective categories of net position over the remaining years of the agreements. See Note 21 for more information on service concession arrangements.

Revenue Sources

TxDOT’s principal revenue sources are federal and tax revenue. As the state’s transportation agency, TxDOT receives reimbursements from the Federal Highway Administration (FHWA) for certain costs incurred for engineering, construction, right-of-way acquisition, research activities and general administrative costs. Federal reimbursement is based on a percentage of the costs expended from state funds on approved projects. The percentage of reimbursement for allowable costs varies from 50 to 100 percent. TxDOT receives these reimbursements based on the state’s apportionment from the Federal Highway Trust Fund on a federal fiscal year basis.

TxDOT receives federal funding from other federal agencies for specific transportation related projects. See Schedule 1-A for more information on federal receipts and expenditures.

TxDOT reports its constitutionally dedicated share of taxes on motor fuels sold in Texas as tax revenues. Generally this constitutionally dedicated share is 75 percent of net collections, after reductions for collection expenses and refunds. In general, 20 cents per gallon is collected on gasoline and diesel sold for highway use. Liquefied gas sold for highway use is generally taxed at 15 cents per gallon and is required to be prepaid. TxDOT also receives and reports the state sales tax from the sale of lubricants, which is deposited to the state highway fund.

Major sources of pledged revenue for the Texas mobility fund include driver license fees, motor vehicle inspection fees, certificate of title fees and driver record information fees.

Interfund Activity and Transactions

Interfund activity refers to financial interaction between funds (including blended component units) and is related to internal events. Interfund transactions refer to interactions with other state agencies.

Interfund receivables and payables are eliminated from the statement of net position except for amounts due between governmental and business-type activities. These amounts are reported as internal balances on the statement of net position. See Note 11 for more details.

NOTE 2 – CAPITAL ASSETS

The tables below and on the following page present the composition of TxDOT's capital assets, adjustments, reclassifications, additions and deletions during fiscal 2013. The adjustment column includes assets not previously reported, accounting errors and other changes. The reclassifications column presents completed construction projects and transfers of capital assets between agencies and between the governmental and business-type activities of TxDOT. The additions column includes current year purchases, depreciation and amortization. The deletions column represents assets removed during the current fiscal year via sale or disposition.

Capital Asset Activity						
For the Fiscal Year Ended August 31, 2013 (Amounts in Thousands)						
	Balance 9/1/12	Adjustments	Reclass- ifications	Additions	Deletions	Balance 8/31/13
BUSINESS TYPE ACTIVITIES						
Non-Depreciable & Non-Amortizable Assets						
Land and Land Improvements	\$ 631,109	\$ (16)	\$ 36,962	\$ 476	\$	\$ 668,531
Infrastructure	1,629,379		135,207			1,764,586
Land Use Rights - Permanent	16,526		2,940			19,466
Total Non-Depreciable & Non-Amortizable Assets	2,277,014	(16)	175,109	476	0	2,452,583
Depreciable Assets						
Buildings and Building Improvements	8,360					8,360
Infrastructure	422,810		63,141			485,951
Total Depreciable Assets	431,170	0	63,141	0	0	494,311
Less Accumulated Depreciation for:						
Buildings and Building Improvements	(2,313)			(361)		(2,674)
Infrastructure	(91,059)		(8,839)	(19,431)		(119,329)
Total Accumulated Depreciation	(93,372)	0	(8,839)	(19,792)	0	(122,003)
Depreciable Assets, Net	337,798	0	54,302	(19,792)	0	372,308
Business-Type Activities Capital Assets, Net	\$ 2,614,812	\$ (16)	\$ 229,411	\$ (19,316)	\$ 0	\$ 2,824,891

Concluded on Following Page

Capital Asset Activity (concluded)

For the Fiscal Year Ended August 31, 2013 (Amounts in Thousands)

	Balance 9/1/12	Adjustments	Reclass- ifications	Additions	Deletions	Balance 8/31/13
GOVERNMENTAL ACTIVITIES						
Non-Depreciable & Non-Amortizable Assets						
Land and Land Improvements	\$ 9,108,873	\$ (671)	\$ (36,962)	\$ 758,419	\$ (967)	\$ 9,828,692
Infrastructure	50,661,186	1,886	2,004,122	1,047,340		53,714,534
Construction in Progress	5,684,374	(169,856)	(2,696,242)	2,664,195		5,482,471
Land Use Rights - Permanent	67,495		(2,941)	1,210	(1)	65,763
Total Non-Depreciable & Non-Amortizable Assets	65,521,928	(168,641)	(732,023)	4,471,164	(968)	69,091,460
Depreciable Assets						
Buildings and Building Improvements	461,604	18,084	4,665			484,353
Infrastructure	20,312,800	82,193	482,829	256,511	(12,891)	21,121,442
Furniture and Equipment	169,609	211		12,449	(4,234)	178,035
Vehicles and Aircraft	698,900	294	819	24,953	(15,412)	709,554
Other Capital Assets	10,804	(41)	782			11,545
Total Depreciable Assets	21,653,717	100,741	489,095	293,913	(32,537)	22,504,929
Less Accumulated Depreciation for:						
Buildings and Building Improvements	(187,360)	(11,388)		(16,585)		(215,333)
Infrastructure	(11,745,305)	11,472	8,839	(618,990)	10,997	(12,332,987)
Furniture and Equipment	(118,025)	12		(9,181)	3,953	(123,241)
Vehicles and Aircraft	(408,541)	(95)	56	(28,769)	12,871	(424,478)
Other Capital Assets	(5,011)	(141)		(565)		(5,717)
Total Accumulated Depreciation	(12,464,242)	(140)	8,895	(674,090)	27,821	(13,101,756)
Depreciable Assets, Net	9,189,475	100,601	497,990	(380,177)	(4,716)	9,403,173
Intangible Capital Assets - Amortizable						
Land Use Rights - Term	23,487			870	(1,004)	23,353
Computer Software	24,192		4,581	951	(500)	29,224
Total Amortizable Assets	47,679	0	4,581	1,821	(1,504)	52,577
Less Accumulated Amortization for:						
Land Use Rights - Term	(8,816)			(3,377)	1,004	(11,189)
Computer Software	(17,987)			(2,594)	473	(20,108)
Total Accumulated Amortization	(26,803)	0	0	(5,971)	1,477	(31,297)
Amortizable Assets, Net	20,876	0	4,581	(4,150)	(27)	21,280
Governmental Activities Capital Assets, Net	\$ 74,732,279	\$ (68,040)	\$ (229,452)	\$ 4,086,837	\$ (5,711)	\$ 78,515,913

Depreciation and amortization expense was charged to the transportation function in the accompanying statement of activities.

NOTE 3 – DEPOSITS, INVESTMENTS & REPURCHASE AGREEMENTS

TxDOT is authorized by statute to make investments following the “prudent person rule.” TxDOT has complied, in all material respects, with statutory authorization, bond documents, constraints and commission policies during the period. Our blended component unit, Grand Parkway Transportation Corporation (GPTC) has an investment policy in accordance with the laws of the state of Texas. GPTC may purchase investments as authorized by the Trust Agreement and as further authorized by the revised investment and strategy approved by its Board of Directors in July 2013.

Deposits

The following amounts consist of all cash and cash equivalents in local banks. These amounts are included on the combined statement of net position as part of the “cash and cash equivalents” accounts.

Cash In Bank		
August 31, 2013 (Amounts in Thousands)		
	Carrying Amount	Bank Balance
Governmental and Business-Type Activities		
Governmental Current Assets Cash in Bank – Depository Accounts	\$ 588	\$ 588
Business-Type Funds (CTTS) Current Assets Cash In Bank – Depository Accounts	525	525
Business-Type Funds (GPTC) Restricted Current Assets Cash in Bank – Depository Accounts	(22)	(22)
Total	\$ 1,091	\$1,091
Fiduciary Funds		
Fiduciary Fund Current Assets Cash in Bank – Depository Accounts	\$ 363	\$ 363
Fiduciary Fund Current Assets Cash in Bank – Sweep Account	19,701	19,701
Total	\$20,064	\$20,064

Custodial Credit Risk – Deposits

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, deposits or collateral securities in the possession of an outside party will not be recovered. All of TxDOT’s deposits are protected by insurance provided by the Federal Deposit Insurance Corporation (FDIC).

Regular depository accounts are insured by the FDIC up to \$250 thousand per depositor, per insured bank. As of Aug. 31, 2012, the fiduciary funds sweep account was protected by temporary unlimited insurance coverage by the FDIC. The unlimited coverage provisions became effective Dec. 31, 2010, and terminated on Dec. 31, 2012. As of Aug. 31, 2013, the sweep account is subjected to the same \$250 thousand coverage provided to a regular depository account.

Treasury Pool

TxDOT’s governmental funds are established in the state Treasury, thus all monies are pooled with other state funds and invested under the direction of the Comptroller of Public Accounts Treasury Operations Division (Treasury). Governmental and business-type activities deposits in the state treasury totaled \$5.3 billion at Aug. 31, 2013.

The Treasury obtains direct access to the services of the Federal Reserve System through the Texas Treasury Safekeeping Trust Company (Trust Company). The Federal Reserve Bank requires that the Trust Company maintain a positive cash balance in the account during and at the end of the day. The Trust Company met those requirements throughout fiscal 2013. The Comptroller has delegated investment authority to the Trust Company and utilizes the Trust Company to manage and invest funds in the Treasury Pool.

State statutes authorize the Treasury to invest state funds in fully collateralized time deposits; direct security repurchase agreements; reverse repurchase agreements; obligations of the United States and its agencies and instrumentalities; banker's acceptances; commercial paper; and contracts written by the Comptroller, which are commonly known as covered call options. Funds held in the treasury pool have not been categorized as to credit risk because TxDOT does not own individual securities. Details on the nature of these deposits and investments are available within the state of Texas Comprehensive Annual Financial Report.

Investments

As of Aug. 31, 2013, the fair value of TxDOT's and GPTC investments and maturities are as presented below:

Investment Fair Values			
August 31, 2013 (Amounts in Thousands)			
Governmental and Business Type Activities			
Investment Type	Maturities (in Years)		Fair Value Total
	Less than 1	1 Yr. or More	
Money Market Mutual Funds	\$ 377,193	\$	\$ 377,193
Government Securities	419,674	273,141	692,815
Government Sponsored Entities	593,691	114,277	707,968
Government Investment Pools	936,415		936,415
Repurchase Agreements		115,000	115,000
Total	\$ 2,326,973	\$ 502,418	\$ 2,829,391

Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the Commission will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Commission's and GPTC's investment policies state that all securities purchased by the Commission shall be designated as assets of the Commission shall be protected through the use of a third-party custody/safekeeping agent, which may be a Trustee. Additionally, GPTC conducts securities on a delivery-versus-payment (DVP) basis.

As of Aug. 31, 2013, the Commission's repurchase agreement is collateralized with U.S. Government and agency securities. Collateral for the repurchase agreement is held by the Bank of New York Mellon Trust Company with the underlying securities being the property of the Citigroup Global Markets Inc., (the direct counterparty), held in trust for the Commission. Bank of New York Mellon Trust Company is rated Aa1, AA- and AA- by Moody's Investor Services, Standard and Poor's and Fitch Ratings respectively.

Credit Risk

Direct credit risk for investments is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Commission's and GPTC's investment policies prohibit the Commission and GPTC from entering into long-term investment agreements or other non-DVP investment transactions with a final maturity or termination date of longer than six months with any financial institution that initially has a long-term rating category of less than "A" and that does not have at least one long-term rating of at least "AA" by a nationally recognized statistical rating organizations (NRSRO). All investments made by the Commission and GPTC have been through the list of qualified financial institutions approved by the Commission and GPTC.

The Commission's policy does not limit the amount of investment in obligations of the United States or its agencies. The repurchase agreement is a guaranteed investment contract (GIC) with Citigroup Global Markets Inc. as the counterparty. Citigroup Global Markets Inc. has collateralized the GIC with U.S. Government and agency securities. As of Aug. 31, 2013, TxDOT's and GPTC's investments had the following ratings.

Investment Credit Ratings				
August 31, 2013 (Amounts in Thousands)				
Governmental and Business-Type Activities				
Investment Type	Fair Value	Moody's	Standard & Poor's	Fitch
Money Market Mutual Funds				
JPMorgan US Government MMKT Cap 3164	\$ 51,227	Aaa-mf	AAAm	AAAmmf
JPMorgan US Government MMKT	60,805	Aaa-mf	AAAm	AAAmmf
First American Government Obligations Fund	183,569	Aaa-mf	AAAm	NR
Morgan Stanley Institutional Liquidity Funds	51,448	Aaa-mf	AAAm	NR
Fidelity Intuitional Money Market Government	30,143	Aaa-mf	AAAm	NR
Government Sponsored Entities:				
Federal Home Loan Banks	325,844	Aaa	AA+	NR
Federal National Mortgage Association	78,932	Aaa	AA+	AAA
Federal Home Loan Mortgage Corporation	303,192	Aaa	AA+	AAA
U.S. Treasury Securities	692,816	Aaa	AA+	AAA
Government Investment Pools				
Lone Star	87,142	NR	AAAm	NR
TexPool	762,167	NR	AAAm	NR
TexPool Prime	87,106	NR	AAAm	NR
Repurchase Agreement	115,000	Baa2	A	A
Total	<u>\$ 2,829,391</u>			
*NR= Not Rated				

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. Assets held in the particular funds shall be diversified to minimize the risk of loss resulting from over concentration of assets in a specific maturity, a specific issuer or a specific class of securities. As of Aug. 31, 2013,

TexPool, First American Government Obligation Fund exceeded 5 percent of the total TxDOT portfolio. As of Aug. 31, 2013, the following investments exceeded 5 percent of the total GPTC portfolio: TexPool, First American Government Obligation Fund, Federal Home Loan Bank, Federal Home Loan Mortgage Corporation and US Treasuries.

The Commission and GPTC both address diversification in their investment policies. Assets held in particular funds shall be diversified to eliminate the risk of loss resulting from over concentration of assets in a specific maturity, a specific issuer or a specific class of securities. Diversification strategies shall be determined and revised periodically by the investment officer for all funds.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Commission and GPTC have addressed interest rate risk in its various accounts by matching as closely as possible anticipated cash flows with income and return of principal on investments. In general, all securities held by the Commission and GPTC are anticipated to be held to maturity, thereby avoiding interest rate risk due to an early redemption. Investment maturities are noted in the investment fair value table.

NOTE 4 – SUMMARY OF LONG-TERM LIABILITIES

Long-Term Liabilities

Long-term liabilities for fiscal 2013 are presented in the table below:

Long-Term Liabilities Activity							
For the Fiscal Year Ended August 31, 2013 (Amounts in Thousands)							
	Beginning Balance 09/01/2012	Additions	Reductions	Other Changes	Ending Balance 08/31/2013	Amounts Due Within One Year	Amounts Due Thereafter
Governmental Activities							
Primary Government							
Compensable Leave	\$ 72,578	\$114,131	\$ 113,502	\$	\$ 73,207	\$ 60,186	\$ 13,021
General Obligation Bonds	7,113,145	918,205	74,210	163,645	8,120,785	121,493	7,999,292
Revenue Bonds	4,054,445		120,155	(6,362)	3,927,928	132,358	3,795,570
Pollution Remediation Obligations	6,726	9,361	8,508		7,579	5,277	2,302
Pass Through Tolls Payable	1,128,227	158,197	105,113	4,339	1,185,650	142,298	1,043,352
Contracts Payable	0	850			850		850
Governmental Activities Long-Term Liabilities	\$12,375,121	\$1,200,744	\$421,488	\$161,622	\$13,315,999	\$461,612	\$12,854,387
Business-Type Activities							
Revenue Bonds Payable	\$ 1,616,750	\$3,775,497	\$864,860	\$17,716	\$ 4,545,103	\$ 12,531	\$ 4,532,572
Notes and Loans Payable	1,057,877	24,732			1,082,609		1,082,609
Business-Type Activities Long-Term Liabilities	\$ 2,674,627	\$3,800,229	\$864,860	\$17,716	\$ 5,627,712	\$ 12,531	\$ 5,615,181

Employees' Compensable Leave

Annual leave, commonly referred to as vacation leave, and other compensated absences with similar characteristics are accrued as a liability as the benefits are earned by TxDOT employees. Employees accrue vacation time at a rate of eight to 21 hours per month depending on years of state employment. The maximum number of hours that may be carried forward to the next fiscal year ranges from 180 hours to 532 hours based on years of state service.

Overtime, under the Fair Labor Standards Act and state laws, can be accumulated in lieu of immediate payment as compensatory leave (at one-and-one-half hours for each overtime hour worked) for nonexempt, nonemergency employees to a maximum of 240 hours. All overtime exceeding 240 hours must be paid with the next regular payroll. At termination or death, all overtime balances must be paid in full. Unpaid overtime is included in the calculation of the current portion of long-term liabilities for each employee because it may be used like compensatory time or be paid.

Compensatory leave is allowed for exempt employees not eligible for overtime pay. This leave is accumulated on an hour-for-hour basis and must be taken within one year from date earned or it lapses. There is no death or termination benefit for compensatory leave. Compensatory leave is reported as part of the current portion of long-term liabilities.

No liability is recorded for non-vesting accumulating rights to receive sick leave benefits.

Notes and Loans Payable

The balance of notes and loans payable represents secured loans made to the Commission by the United States Department of Transportation (USDOT) under the Transportation Infrastructure Finance and Innovation Act of 1998 (TIFIA). USDOT has agreed to lend the Commission up to \$916.8 million to pay or reimburse a portion of the Central Texas Turnpike System's (CTTS) costs. As of Aug. 31, 2012, the Commission has drawn down \$900 million under the secured loan agreement.

The loan will be paid from revenues of CTTS as they are sufficient to pay (a) all interest, which will become due and payable on each such date and (b) the principal, if any, of the secured loan which will become due and payable on each such date. For these reasons the debt service requirements are subject to change each year as actual revenues are received. Per the agreement, principal and interest can be deferred (negatively amortized) depending on the availability of revenues. The principal amount of the loan may increase over time as deferrals are made. As of Aug. 31, 2013, the secured loan agreement's debt service requirements are as follows.

TIFIA Loan – Debt Service Requirements (Amounts in Thousands)			
Business-Type Activities			
Year	Principal	Interest*	Total
2014	\$	\$ 35,023	\$ 35,023
2015		36,443	36,443
2016		43,188	43,188
2017		45,478	45,478
2018		47,969	47,969
2019-2023		281,642	281,642
2024-2028	48,730	336,601	385,331
2029-2033	179,131	311,349	490,480
2034-2038	363,117	244,304	607,421
2039-2042	648,702	96,739	745,441
Total	1,239,680	1,478,736	2,718,416
Unamortized			
Accretion	(157,071)		(157,071)
Total			
Requirements	\$1,082,609	\$1,478,736	\$2,561,345

* Fixed interest rates vary from 3.125 percent to 5.510 percent depending on maturities.

Pass-Through Tolls Payable

The balance recorded as pass-through tolls payable relates to the Commission's obligations under executed pass-through financing agreements. As of Aug. 31, 2013, there were 41 active pass-through financing agreements finalized and executed by the Commission. Under these agreements, an outside party (usually a local government) pays for all or a portion of a highway project. In return, TxDOT contractually agrees to make reimbursements after the improvement is open for traffic. Reimbursements are subject to minimum and maximum annual thresholds and are variable within those thresholds based on the volume of traffic on the project roadway. The agreements with multiple projects generally contain a provision allowing for reimbursements to begin as each project is open for traffic.

The obligation to make future reimbursement payments is recognized as pass-through tolls payable as the underlying highway project is constructed. Accruals of payables continue until the liability amount reaches the total TxDOT reimbursement obligation specified in the agreement. If the cost of the completed underlying highway project is less than the total TxDOT reimbursement obligation, TxDOT will accrue the additional obligation amount upon that project's completion and acceptance. The estimated debt service requirements related to pass-through toll contracts executed as of Aug. 31, 2013 are as follows. The timing of actual payments may differ substantially from this estimate, but the total amount paid is linked to contractually established levels. The estimates are updated monthly to account for these variations.

Pass-Through Tolls Payable - Debt Service Requirements (Amounts in Thousands)	
	Governmental Activities
Year	Principal*
2014	\$142,298
2015	178,997
2016	193,097
2017	188,532
2018	182,555
2019-2023	658,332
2024-2026	72,549
Total**	1,616,360
Unrealized Payable	(430,710)
Total Requirements	\$1,185,650
* There is not an interest component to the pass-through toll reimbursements.	
** This projection assumes TxDOT's maximum potential obligation.	

Contracts Payable

TxDOT is party to a financial assistance arrangement with Fort Bend County related to the expansion of Farm to Market Road 1093. The terms of this agreement are such that in return for Fort Bend County funding the costs of the project up-front, TxDOT will reimburse Fort Bend County \$4 million per year for 10 years beginning upon substantial completion of the project. As of Aug. 31, 2013, the project is under construction. The obligation to make future reimbursements is recognized as contracts payable as the project is constructed. The estimated date of substantial completion is in fiscal 2017. The estimated debt service requirements related to this arrangement are as follows.

Contracts Payable - Debt Service Requirements (Amounts in Thousands)	
	Governmental Activities
Year	Principal*
2014	\$
2015	
2016	
2017	4,000
2018	4,000
2019-2023	20,000
2024-2026	12,000
Total	40,000
Unrealized Payable	(39,150)
Total Requirements	\$ 850
*There is not an interest component to this contract payable.	

Pollution Remediation Obligations

TxDOT is responsible for the cleanup and remediation of several polluted sites. Regulatory requirements established by federal and state law obligate TxDOT to perform these pollution remediation activities. Historical cost averages were used to calculate the estimated pollution remediation obligation liabilities. The table on the following page details the various compliance requirements under which TxDOT is incurring pollution remediation costs and is recording a pollution remediation liability.

Pollution Remediation Obligations - Disaggregation of Total Liability	
As of August 31, 2013 (Amounts in Thousands)	
Comply with asbestos regulations	\$4,257
Remove contamination to allow construction of a detention pond	1,197
Manage contamination associated with Superfund sites	440
Comply with Federal Safe Drinking Water Act requirements	700
Comply with state Leaking Petroleum Storage Tank (LPST) cleanup requirements	902
Comply with state cleanup requirements for releases from non-LPST sources	83
Total	<u>\$7,579</u>

Federal reimbursements are expected to offset a portion of these estimated costs. When realizable, the federal reimbursements are recognized as federal revenue. The potential for changes due to price increases or reductions, technology or applicable laws or regulations was incorporated into these estimates.

Claims and Judgments

TxDOT's involvement in claims and judgments is discussed in detail in Note 15. Management's opinion is that the probable outcome of claims and judgments against TxDOT will not materially affect the financial position of TxDOT; therefore, no liability amount has been accrued.

NOTE 5 – BONDED INDEBTEDNESS

As discussed more fully in the sections that follow, the Commission and TxDOT's blended component units are authorized through various statutory and constitutional provisions to issue general obligation and revenue bonds as well as private activity bonds.

As of Aug. 31, 2013, the Commission had 22 bond issues outstanding. The Texas Private Activity Bond Surface Transportation Corporation (TxPABST), a blended component unit of TxDOT, had two conduit debt bond issues outstanding as of Aug. 31, 2013. The Grand Parkway Transportation Corporation (GPTC), another blended component unit of TxDOT, had five revenue bond issuances outstanding as of Aug. 31, 2013. The debt service payments associated with debt issued by TxPABST and GPTC are not the responsibility of the state of Texas, however due to the relationship between TxDOT and these entities, their disclosures and as appropriate financial balances associated with the outstanding bonds are included in this report.

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Miscellaneous Bond Information (Amounts in Thousands)

Description of Issue	Bonds Issued to Date	Date Issued	Range of Interest Rates		Maturities		First Call Date
					First Year	Last Year	
GOVERNMENTAL ACTIVITIES							
General Obligation Bonds							
Texas Mobility Fund							
Series 2005-A Fixed Rate Bonds	\$ 900,000	06/08/2005	3.9000%	5.0000%	2006	2035	04/01/2015
Series 2005-B Variable Rate Bonds	100,000	06/08/2005	variable		2006	2030	*
Series 2006 Fixed Rate Bonds	750,000	06/08/2006	3.6250%	5.0000%	2007	2036	04/01/2016
Series 2006-A Fixed Rate Bonds	1,040,275	10/31/2006	4.0000%	5.0000%	2007	2035	04/01/2017
Series 2006-B Variable Rate Bonds	150,000	12/13/2006	variable		2036	2036	*
Series 2007 Fixed Rate Bonds	1,006,330	06/21/2007	4.0000%	5.0000%	2008	2037	04/01/2017
Series 2008 Fixed Rate Bonds	1,100,000	02/28/2008	4.0000%	5.0000%	2009	2037	04/01/2018
Series 2009-A Taxable Fixed Rate Bonds	1,208,495	08/26/2009	5.3670%	5.5170%	2029	2039	*
Texas Highway Improvement							
Series 2010-A Taxable Fixed Rate Bonds	815,420	09/29/2010	3.2030%	4.6810%	2019	2040	*
Series 2010-B Fixed Rate Bonds	162,390	09/29/2010	2.0000%	5.0000%	2012	2018	n/a
Series 2012-A Fixed Rate Bonds	818,635	12/18/2012	5.0000%	5.0000%	2019	2042	04/01/2042
Series 2012-B Taxable Fixed Rate Bonds	99,570	12/18/2012	0.3000%	1.5000%	2014	2019	04/01/2019
Revenue Bonds							
State Highway Fund							
Series 2006 Fixed Rate Bonds	600,000	05/03/2006	4.0000%	5.0000%	2007	2026	04/01/2016
Series 2006-A Fixed Rate Bonds	852,550	11/21/2006	4.0000%	5.2500%	2008	2025	04/01/2016
Series 2006-B Variable Rate Bonds	100,000	11/08/2006	variable		2026	2026	*
Series 2007 Fixed Rate Bonds	1,241,845	10/25/2007	4.0000%	5.0000%	2009	2027	04/01/2017
Series 2008 Fixed Rate Bonds	162,995	08/19/2008	3.5000%	5.2500%	2010	2028	04/01/2018
Series 2010 Taxable Fixed Rate Bonds	1,500,000	08/05/2010	5.0280%	5.1780%	2026	2030	*
Governmental Activities Total	12,608,505						
BUSINESS-TYPE ACTIVITIES							
Revenue Bonds							
Central Texas Turnpike Authority							
First Tier Revenue Bonds Series 2002-A							
Non-Callable Capital Appreciation Bonds	521,343	08/29/2002	4.4700%	5.7500%	2012	2030	n/a
Callable Capital Appreciation Bonds	298,840	08/29/2002	6.0000%	6.1000%	2025	2038	08/15/2012
First Tier Revenue Refunding Bonds, Series 2012-A	585,330	11/27/2012	4.0000%	5.0000%	2038	2041	08/15/2022
First Tier Revenue Refunding Put Bonds, Series 2012-B	225,000	11/27/2012	1.2500%	1.2500%	2041	2042	02/15/2015
Concluded on the following page.							

Concluded on the following page.

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Miscellaneous Bond Information (Amounts in Thousands) (concluded)								
Description of Issue	Bonds Issued to Date	Date Issued	Range of Interest Rates		Maturities		First Call Date	
					First Year	Last Year		
Grand Parkway Transportation Corporation								
First Tier Revenue Bonds								
Series 2013-A	\$ 200,000	08/01/2013	5.1250%	5.5000%	2031	2053	10/01/2023	
Subordinate Tier Toll Revenue Bonds								
Series 2013-B								
Convertible Capital Appreciation Bonds	277,432	08/01/2013	4.9500%	5.8500%	2029	2048	10/01/2028	
Current Interest Bonds	1,137,935	08/01/2013	5.0000%	5.2500%	2048	2053	10/01/2023	
Series 2013-E	361,810	08/01/2013	5.1840%	5.1840%	2036	2042	*	
Subordinate Tier Revenue Tender Bonds								
Series 2013-C	836,440	08/01/2013	2.0000%	2.0000%	2014	2017	n/a	
Series 2013-D	106,890	08/01/2013	1.0000%	1.0000%	2014	2017	n/a	
Business-Type Activities Total	4,551,020							
Total	\$17,159,525							
* Bonds are subject to redemption prior to their respective maturities at the option of the Commission.								

* Bonds are subject to redemption prior to their respective maturities at the option of the Commission.

Changes in Bonds Payable						
For the Fiscal Year Ended August 31, 2013 (Amounts in Thousands)						
Description	Bonds Outstanding 08/31/2012	Bonds Issued*	Bonds Matured or Retired	Bonds Refunded	Bonds Outstanding 08/31/2013	Due Within One Year
Governmental Activities						
General Obligation Bonds	\$ 7,113,145	\$1,081,850	\$ 74,210	\$	\$8,120,785	\$ 121,493
Revenue Bonds	4,054,445	(6,362)	120,155		3,927,928	132,358
Total Governmental Activities	<u>11,167,590</u>	<u>1,075,488</u>	<u>194,365</u>	<u>0.00</u>	<u>12,048,713</u>	<u>253,851</u>
Business-Type Activities						
Revenue Bonds	1,616,750	3,793,213	7,710	857,150	4,545,103	12,531
Total	<u>\$12,784,340</u>	<u>\$4,868,701</u>	<u>\$202,075</u>	<u>\$857,150</u>	<u>\$16,593,816</u>	<u>\$ 266,382</u>

*Includes current year amortization of premiums, discounts and accretion.

General Obligation Bonds – General Comments

The Texas Constitution authorizes the Commission to issue general obligation bonds backed by the full faith and credit of the state. As of Aug. 31, 2013, two general obligation bond programs are active. The purpose and the sources of debt service for each program are summarized below. All general obligation bond issuances must be approved by the Texas Bond Review Board prior to issuance.

Texas Mobility Fund

Texas Constitution, Article III, Section 49-k and Transportation Code, Chapter 201, Subchapter M authorize the Commission to issue general obligation bonds payable from a pledge of and lien on all or part of the money in the mobility fund. The mobility fund bonds are designed to be self-supporting, but the full faith and credit of the state is pledged in the event the revenue and money dedicated to the mobility fund is insufficient to pay debt service on the bonds. As of Aug. 31, 2013, major sources of pledged revenue for the Mobility Fund include driver license fees, motor vehicle inspection fees, certificate of title fees and driver record information fees.

Prior to a mobility fund debt issuance, the Texas Comptroller of Public Accounts must certify that there will be sufficient future resources on deposit in the mobility fund to ensure 110 percent coverage of debt service requirements during the period that the debt will be outstanding. As of Aug. 31, 2013, the approved debt capacity of the Mobility Fund is \$7.2 billion. As of Aug. 31, 2013, the Commission is authorized but has not issued approximately \$1.2 billion of the approved debt capacity of the mobility fund.

Bond proceeds are to be used for the purpose of paying or reimbursing the state highway fund for the costs of constructing, reconstructing, acquiring and expanding state highways and providing participation by the state in certain publicly owned toll roads and other public transportation projects.

Texas Highway Improvement/Proposition 12

Texas Constitution, Article III, Section 49-p and Transportation Code, Section 222.004, authorizes the Commission to issue general obligation bonds of the state of Texas for the costs of highway construction, reconstruction and major maintenance, including any necessary design and the acquisition of right-of-way. These bonds are not self-supporting and are considered a general obligation of the state of Texas. As of Aug. 31, 2013, the Commission is authorized but has not issued approximately \$2.9 billion of remaining bond authority under the Texas highway improvement general obligation bond program.

Debt Service Requirements – Governmental Activities			
General Obligation Bonds (Amounts in Thousands)			
Year	Principal	Interest	Total
2014	\$100,530	\$369,034	\$469,564
2015	109,205	365,223	474,428
2016	118,375	360,959	479,334
2017	128,260	356,107	484,367
2018	139,050	351,063	490,113
2019-2023	877,065	1,655,194	2,532,259
2024-2028	1,276,195	1,414,730	2,690,925
2029-2033	1,798,495	1,062,221	2,860,716
2034-2038	2,468,515	581,193	3,049,708
2039-2042	796,865	60,940	857,805
	7,812,555	6,576,664	14,389,219
Premium	308,387		308,387
Discount	(157)		(157)
Total	\$8,120,785	\$6,576,664	\$14,697,449

Revenue Bonds – General Comments

The Texas Constitution and Transportation Code authorize the Commission to issue revenue bonds backed by pledged revenue sources and restricted funds. The active revenue bond programs of TxDOT and the Grand Parkway Transportation Corporation are summarized as follows.

State Highway Fund/Proposition 14

Texas Constitution, Article III, Section 49-n and Transportation Code, Section 222.003 authorizes the Commission to issue revenue bonds to finance highway improvement projects. The bonds are payable from pledged revenues deposited to the credit of the state highway fund, including dedicated taxes, dedicated federal revenues and amounts collected or received pursuant to other state highway fund revenue laws and any interest or earning from the investment of these funds. As of Aug. 31, 2013, the Commission is authorized but has not issued approximately \$1.4 billion of remaining bond authority under the state highway revenue bond program.

Debt Service Requirements – Governmental Activities			
Revenue Bonds (Amounts in Thousands)			
State Highway Fund			
Year	Principal	Interest	Total
2013	\$125,995	\$188,855	\$314,850
2014	132,200	182,646	314,846
2015	138,510	176,332	314,842
2016	145,165	169,687	314,852
2017	152,340	162,510	314,850
2018-2022	954,345	690,390	1,644,735
2023-2027	1,508,330	401,718	1,910,048
2028-2031	686,895	53,651	740,546
	3,843,780	2,025,789	5,869,569
Premium	84,148		84,148
Total	\$3,927,928	\$2,025,789	\$5,953,717

Central Texas Turnpike System

Transportation Code, Section 228.102 authorized the Commission to issue revenue bonds to pay a portion of the costs of planning, designing, engineering, developing and constructing the initial phase of the Central Texas Turnpike System (CTTS) located in the greater Austin metropolitan area in Travis and Williamson counties. The bond obligations are payable from and secured solely by a first lien on and pledge of the trust estate. The trust estate consists of all project revenues and investment earnings. Neither the state, the Commission, TxDOT or any other agency or political subdivision of the state is obligated to pay the debt service on the CTTS revenue bonds.

Grand Parkway Transportation Corporation

Transportation Code, Section 222.103 authorized the Commission to participate, by spending money from any available source in the acquisition, construction, maintenance, or operation of a toll facility of a public or private entity on terms and conditions established by the Commission. In March 2012, the Commission adopted a resolution creating the Grand Parkway Transportation Corporation (GPTC). GPTC is authorized to assist and act on behalf of the Commission in the development, financing, design, construction, reconstruction, expansion, operation and/or maintenance of the Grand Parkway toll project. The bond obligations are payable from tolls and other revenues of the GPTC held by the trustee. Neither the state, the Corporation nor any other agency or political subdivision of the state is obligated to pay the debt service on the GPTC bonds.

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Debt Service Requirements – Business-Type Activities			
Revenue Bonds (Amounts in Thousands)			
Year	Principal	Interest	Total
2014	\$ 10,155	\$ 100,922	\$ 111,077
2015	297,605	135,474	433,079
2016	265,805	135,655	401,460
2017	259,655	133,660	393,315
2018	221,830	131,904	353,734
2019-2023	237,705	635,978	873,683
2024-2028	425,580	760,887	1,186,467
2029-2033	623,900	772,061	1,395,961
2034-2038	925,590	741,870	1,667,460
2039-2043	1,010,350	560,621	1,570,971
2044-2048	353,360	390,329	743,689
2049-2053	1,275,905	220,085	1,495,990
	5,907,440	4,719,446	10,626,886
Accretion	(1,368,635)		(1,368,635)
Premium	60,652		60,652
Discount	(19,492)		(19,492)
Loss on Refunding	(34,862)		(34,862)
Total	\$4,545,103	\$4,719,446	\$9,264,549

Pledged Future Revenues

Pledged revenues are those specific revenues that are formally committed to directly secure the payment of bond debt service. The table below provides information on pledged revenue and pledged future revenue of the self-supporting general obligation and revenue bonds.

Pledged Future Revenue				
(Amounts in Thousands)				
	Governmental Activities		Business-Type Activities	
	Texas Mobility Fund General Obligation Bonds	State Highway Fund Revenue Bonds	Central Texas Turnpike System	Grand Parkway Transportation Corporation
Pledged Revenue Required for Future Principal and Interest on Existing Bonds	\$11,047,004	\$5,869,569	\$3,832,633	\$6,794,253
Term of Commitment Year Ending Aug. 31	2039	2030	2042	2053
Percentage of Revenue Pledged	100%	100%	99%	100%
Current Year Pledged Revenue	\$430,659	\$6,761,664	\$125,259	\$127
Current Year Principal and Interest Paid	\$340,961	\$314,941	\$45,357	\$0

Build America Bonds

The American Recovery and Reinvestment Act of 2009 granted municipal debt issuers access to a broader investor base in the taxable market by providing a federal interest rate subsidy payment to offset debt service costs through the Build America Bonds (BABs) program. Direct Payment BABs provide a federal reimbursement to TxDOT equal to 35 percent of the interest paid on the bonds.

As a result of budget sequestration, the federal government reduced subsidy payments for BABs by 8.7 percent effective Mar. 1, 2013 through Sept. 30, 2013. The subsidy reduction rate will change to 7.2 percent effective Oct. 1, 2013. See the table below for details on the Commission's Direct Payment BABs outstanding at Aug. 31, 2013.

Direct Payment Build America Bonds (Amounts in Thousands)			
	Issue Date	Par Amount	Amount Outstanding at 08/31/13
Governmental Activities			
General Obligation Bonds			
Texas Mobility Fund Series 2009-A	08/26/2009	\$1,208,495	\$1,208,495
Texas Highway Improvement Bonds Series 2010-A	09/29/2010	815,420	815,420
Revenue Bonds			
State Highway Fund Series 2010	08/05/2010	1,500,000	1,500,000
Total		<u>\$3,523,915</u>	<u>\$3,523,915</u>

Variable Rate Bonds

The Commission and GPTC have six variable rate bond issues outstanding at Aug. 31, 2013. The interest rates in effect as of Aug. 31, 2013 for the Texas Mobility Fund Series 2005-B, Texas Mobility Fund Series 2006-B and State Highway Fund Series 2006-B used to calculate the interest debt service requirements were 0.07, 0.06 and 0.40 percent, respectively. These rates reset every seven days. The Central Texas Turnpike System Series 2012-B refunding put bonds debt service was calculated based upon the initial 1.25 percent interest rate, which expires Feb. 14, 2015. GPTC Series 2013-C and 2013-D tender bonds debt service was calculated based upon the initial 2.00 and 1.00 percent interest rates, respectively. These rates expire on Feb. 15, 2014 for both issues. The potential volatility for related debt service increases with these interest rate reset provisions.

Put/Tender Bonds

The Commission and GPTC have put and tender bonds. The put and tender bonds were issued in a multiannual mode which terminates on a mandatory tender date. At the termination of the initial multiannual period, the bonds are subject to mandatory tender and purchase. Upon such mandatory tender and purchase, the bonds are expected to be remarketed unless otherwise redeemed. The Commission and GPTC have not provided any credit or liquidity facility for the payment of the purchase price of the bonds payable upon the mandatory tender date. The principal portion of the purchase price for the bonds is expected to be obtained from the remarketing proceeds. The obligation of the Commission and GPTC to purchase the bonds on the mandatory tender date is subject to the successful remarketing of such bonds. The Commission and GPTC have no obligation to purchase bonds except from remarketing proceeds. If the bonds are not remarketed or otherwise redeemed, the interest rate on the bonds will be increased to the stepped coupon rate.

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Put/Tender Bonds (Amounts in Thousands)					
Description of Issue	Mandatory Tender Date	Initial Multiannual Rate	Initial Period Interest	Stepped Coupon Rate	Stepped Rate Period Interest
Business-Type Activities					
Central Texas Turnpike System					
First Tier Revenue Refunding Put Bonds Series 2012-B	02/15/2015	1.25% per annum	\$2,813	10.00% per annum	\$22,500
Grand Parkway Transportation Corporation					
Subordinate Tier Revenue Tender Bonds					
Series 2013-C*	02/15/2014	2.00% per annum	\$16,729	8.00% per annum	\$66,915
Series 2013-D*	02/15/2014	1.00% per annum	\$1,069	10.00% per annum	\$10,689
*Assumes a full year of interest					

Demand Bonds

The Texas Mobility Fund Series 2005-B, Series 2006-B and the State Highway Fund Series 2006-B variable rate bonds are demand bonds. A bond holder may tender any of these bonds for repurchase prior to maturity at a price equal to principal plus accrued interest. Any bonds so tendered will be purchased either by the proceeds of the remarketing of such bonds or, if not successfully remarketed, from amounts drawn under the standby bond purchase agreements. The following tables provide details for outstanding demand bonds and related standby bond purchase agreements as of Aug. 31, 2013.

Demand Bonds (Amounts in Thousands)		
Governmental Activities	Bonds Held by Liquidity Providers	Principal Balance Outstanding
General Obligation Bonds		
Series 2005-B	None	\$ 75,840
Series 2006-B	None	150,000
Revenue Bonds		
Series 2006-B	None	100,000
Total		\$325,840

Demand Bonds – Standby Bond Purchase Agreement Provisions			
Governmental Activities	Counterparties	Annual Liquidity Fee	Agreement Termination Date
General Obligation Bonds			
Series 2005-B	Royal Bank of Canada	0.30%	03/01/2015
Series 2006-B	State Street Bank and Trust Company & California Public Employees' Retirement System	0.10%	12/13/2013
Revenue Bonds			
Series 2006-B	Banco Bilbao Vizcaya Argentaria, S.A.	0.0875%	11/07/2016

Liquidity facilities provide liquidity in the event demand bonds are tendered for purchase and such bonds are not remarketed by the remarketing agent. The standby bond purchase agreements contain takeout provisions, which provide an alternative debt instrument to replace any repurchased bonds that are not remarketed within the prescribed time constraints. The table on the following page provides the estimated impact of such an event.

Demand Bonds – Takeout Provisions (Amounts in Thousands)				
Governmental Activities	Estimated Debt Service	Rate	Basis	Replacement Debt Terms
General Obligation Bonds				
Series 2005-B	\$87,203	10.00%	2% + the greater of: Bank Prime rate + 1.5%, Daily Fed Fds Rate +2% or 8%	Semi-annual payments over three years starting on the first day of the third month of that period
Series 2006-B	160,009	4.25%	1% + greater of: 0.5% + Daily Fed Fds Rate or Bank Prime rate	Semi-annual payments over three years starting the first day of the second month of that period
Revenue Bonds				
Series 2006-B	109,181	5.25%	2% + greater of : 0.5% + Daily Fed Fds Rate or Bank Prime rate	Semi-annual payments over three years starting the first day of the sixth month of that period
Total	<u>\$356,393</u>			

Refunding

On Aug. 30, 2012, the Commission approved the CTTS Sixth Supplemental Indenture which authorized issuance of revenue refunding bonds to refund certain outstanding Series 2002 bonds and all of the Series 2009 bonds. The Commission issued First Tier Revenue Refunding Bonds, Series 2012-A, with a par value of \$585.33 million, and First Tier Revenue Refunding Put Bonds, Series 2012-B, with a par value of \$225 million, for a total par amount of \$810.33 million. The Series 2012-A bonds were issued at a premium of \$51.4 million and the underwriter's discount amounted to \$3.8 million, resulting in a net proceeds amount of \$858 million. The issuance closed on Nov. 27, 2012.

Refunding Issues Amounts in Thousands							
Description	Type of Refunding	Redemption Date	Par Value Refunded	Par Value of Refunding Issue (Series 2012-A)	Par Value of Refunding Issue (Series 2012-B)	Cash Flow (Increase)/ Decrease	Economic Gain/(Loss)*
First Tier Bonds Series 2002-A CIBs	Current Refunding	12/31/2012	\$707,875	\$585,330	\$ 72,965	\$203,457	\$105,214
First Tier Refunding Put Bonds Series 2009	Current Refunding	02/15/2013	149,275		152,035	9,677	9,773
Total			<u>\$857,150</u>	<u>\$585,330</u>	<u>\$225,000</u>	<u>\$213,134</u>	<u>\$114,987</u>
*Net present value change of approximately \$115 million partially offset by contribution of funds on hand towards redemption in the amount of \$5 million; economic gain net of this payment is approximately \$110 million.							

Interest Rate Swaps

In January 2013, the Commission decided to terminate the swap agreements. See Notes 3 and 6 for detailed information.

Conduit Debt

Transportation Code, Section 431.070, provides the authority for transportation corporations to issue bonds. The Texas Private Activity Bond Surface Transportation Corporation (TxPABST), a blended component unit, has issued private activity revenue bonds to finance costs and construction of the Interstate Highway 635 managed lanes project located in Dallas County and the North Tarrant Express Facility in Tarrant County.

Conduit Debt Obligations - Miscellaneous Information (Amounts in Thousands)		
	NTE Mobility Partners LLC	LBJ Infrastructure Group LLC
Bonds Issued	\$400,000	\$615,000
Date Issued	12/10/2009	6/15/2010
Range of Interest Rates	6.875% - 7.500%	7.000% - 7.500%
Maturities (First Year - Last Year)	2031 - 2039	2032 - 2040
First Call Date	12/31/2019	06/30/2020

The proceeds from TxPABST bonds were loaned to LBJ Infrastructure Group LLC and NTE Mobility Partners LLC. These bonds are special limited obligations of TxPABST, payable solely from and secured by loan and interest repayments from the borrowers. The bonds do not constitute a debt or pledge of the faith and credit of TxPABST, TxDOT or the state of Texas.

As of Aug. 31, 2013, TxPABST private activity revenue bonds outstanding aggregated \$1 billion. TxPABST is authorized but has not issued \$85 million of remaining bond authority. The debt service schedule for the outstanding TxPABST conduit debt is disclosed below.

Conduit Debt Obligations – Debt Service (Amounts in Thousands)			
TxPABST Bonds – Conduit Debt			
Year	Principal	Interest	Total
2014		\$71,631	\$71,631
2015		71,631	71,631
2016		71,632	71,632
2017		71,631	71,631
2018		71,632	71,632
2019-2023		358,158	358,158
2024-2028		358,158	358,158
2029-2033	\$234,660	341,004	575,664
2034-2038	518,405	205,089	723,494
2039-2042	261,935	29,959	291,894
	1,015,000	1,650,525	2,665,525
Premium	6,740		6,740
Discount	(16,998)		(16,998)
Total	\$1,004,742	\$1,650,525	\$2,655,267

NOTE 6 – DERIVATIVE INSTRUMENTS

In October 2006, the Commission entered into constant maturity basis swap transactions (CMS basis swaps) with the expectation of reducing the interest to be paid by the Commission over the term of the Texas Mobility Fund 2006-A fixed-rate bonds. Under the original terms the Commission paid the tax-exempt SIFMA index (a weekly rate) and received 69.42 percent of the 10-year LIBOR swap rate, with both rates reset weekly. The basis swaps were scheduled to terminate on Sept. 1, 2027, which was before the final maturity of the related bonds.

In January 2013, the Commission decided to reduce exposure to credit and interest rate risk and terminated all three swap agreements. Prior to termination of the swaps, \$1.4 million of investment income was recognized in fiscal 2013. Termination payments from the swap counterparties totaled \$22.5 million. These payments served to reduce the net interest expense paid on the related bonds. The Commission has no outstanding derivatives as of Aug. 31, 2013.

NOTE 7 – LEASES***Capital Leases***

TxDOT is financing the acquisition of certain capital assets via the Master Lease Purchase Program (MLPP) which is administered by the Texas Public Finance Authority (TPFA). The liabilities associated with these leases are reported in the financial statements of TPFA. The capital assets associated with these leases are reported in TxDOT's financial statements. TPFA holds the title to the property until the lease is fully paid, at which point title will transfer to TxDOT.

Operating Leases

To minimize long-term costs, and to ensure future availability of essential services, TxDOT, in routine transactions, enters into leases which extend beyond a single fiscal year. Operating lease payments are recorded as expenditures or expenses during the life of the lease. Included in the expenditures reported in the state highway fund is \$10,365,089.74 of rent paid or due under operating lease obligations.

Noncancelable Operating Lease Obligations	
August 31, 2013	
(Amounts in Thousands)	
Fiscal Year	Minimum Future Lease Payments
2014	\$8,521
2015	7,443
2016	6,425
2017	3,086
2018	2,939
2019-2023	12,994
2024-2028	3,078
TOTAL	\$44,486

NOTE 8 - EMPLOYEES' RETIREMENT PLAN

TxDOT employees, as state employees, are enrolled in the Employees Retirement System of Texas defined benefit pension plan (ERS Plan). The financial statements of the ERS Plan are included in the audited annual financial report of the Employees Retirement System of Texas (ERS). Audited financial statements and detailed actuarial information for the ERS Plan may be obtained by calling (512) 476-6431 or writing:

Employees Retirement System of Texas
P.O. Box 13207
Austin, Texas, 78711-3207

Plan Description

The ERS Plan is a cost-sharing, multiple-employer, defined benefit pension plan. The ERS Plan provides service retirement benefits, disability retirement benefits and death benefits to plan members and beneficiaries.

The ERS Plan, established in the Texas Government Code, Chapters 811-815, covers elected class members and employee class members. The monthly benefit is determined by the years and months of service multiplied by a statutorily determined percentage and may vary by class. All TxDOT employees are considered members of the employee class. The monthly standard annuity equals the statutory percentage of 2.3 percent of the average monthly compensation multiplied by the number of years of service. The minimum monthly standard annuity is \$150; the maximum standard annuity is 100 percent of the average monthly compensation. Changes to the employee class plan provisions were instituted for members hired on or after Sept. 1, 2009.

- Employee class retirement benefits for employees hired on or before Aug. 31, 2009, vest after five years of service credit and employees may retire at age 60 with five years of service credit or at any age when the sum of age and service credit (including months) total 80. The average monthly compensation is the average of the highest 36 months of compensation.
- Employee class retirement benefits for employees hired on or after Sept. 1, 2009, may retire at age 65 with 10 years of service credit or at any age when the sum of age and service credit (including months) equals or exceeds 80. The average monthly compensation is the average of the highest 48 months of compensation. The standard retirement annuity is reduced by five percent for each year the member retires before the member reaches age 60, with a maximum possible reduction of 25 percent.

A Partial Lump Sum Payment Option is available to members of the employee class. A one-time partial lump sum of up to three years of the standard annuity at retirement can be taken and the annuity is reduced for life.

Funding Policy

Contribution requirements are not actuarially determined, but are set by legislation. Plan members are required to contribute 6.5 percent of their annual covered salary and TxDOT contributes an amount equal to 6.95 percent of TxDOT's covered payroll. TxDOT and TxDOT employees contributed \$73.1 million to the ERS Plan for the year ended Aug. 31, 2013, which equaled the required contribution. State statutes prohibit benefit improvements if as a result of the action the time required to amortize the ERS plan unfunded actuarial liabilities would be increased to a period that exceeds 30 years by one or more years.

There are no separate actuarial valuations of pension liabilities by individual state agency. Pension obligation amounts are recorded and disclosed in the audited state of Texas Comprehensive Annual Financial Report.

NOTE 9 - DEFERRED COMPENSATION

The state of Texas offers two deferred compensation plans to all state employees. One was established in accordance with Internal Revenue Code, Section 457. The second was established in accordance with Internal Revenue Code, Section 401(k). All costs of administering and funding these programs are the responsibility of plan participants. The assets of the two plans remain the property of the contributing employees and are not presented in the accompanying financial statements. TxDOT makes no contributions to either plan, the assets do not belong to TxDOT and TxDOT has no liability related to the plans.

NOTE 10 - POSTEMPLOYMENT HEALTH CARE AND LIFE INSURANCE BENEFITS

Eligible TxDOT retirees are provided postemployment health care and life insurance benefits through the State Retiree Health Plan (SRHP). The financial statements of the SRHP are included in the audited annual financial report of the Employees Retirement System of Texas (ERS). Audited financial statements and detailed actuarial information for the SRHP may be obtained by calling (512) 476-6431 or writing:

Employees Retirement System of Texas
P.O. Box 13207
Austin, Texas, 78711-3207

Plan Description

The SRHP is a cost-sharing multiple-employer defined benefit plan. The SRHP provides postemployment health care, life and dental insurance benefits to retirees through the Texas Employees Group Benefits Program as authorized by the Texas Insurance Code, Section 1551.102.

Retirees must meet certain age and service requirements and have at least 10 years of service at retirement to participate in the plan. Surviving spouses and dependents of retirees are also covered by the SRHP. Benefit and contribution provisions of SRHP are authorized by state law and may be amended by the Legislature.

Funding Policy

The Legislature sets and has the power to amend annual state contributions to SRHP. Currently, the state pays 100 percent of eligible retiree health insurance premiums and 50 percent of dependents' premiums. The retiree contributes any premium over and above state contributions. State contributions to the SRHP are directly appropriated to ERS. The maximum monthly state contribution toward the health and basic life premiums of eligible retirees is disclosed in the following table.

Employer Contribution Rates – Retiree Health and Basic Life Premium	
For the Fiscal Year Ended August 31, 2013	
<u>Level of Coverage</u>	<u>ERS SRHP</u>
Retiree Only	\$ 470.38
Retiree/Spouse	739.58
Retiree/Children	650.62
Retiree/Family	919.82

NOTE 11 – INTERFUND ACTIVITY AND TRANSACTIONS

Interfund activity refers to financial interactions between funds and/or blended component units and is restricted to internal events. Interfund transactions refer to financial interactions between TxDOT and another agency of the state of Texas.

Interfund services are sales and purchases of goods and services between funds for a price approximating their external exchange value. This activity is reported as revenues in seller funds and expenditures or expenses in purchaser funds. Unpaid amounts are reported as receivables and payables.

Interfund transfers represent the flow of assets (cash or goods) without equivalent flow of assets in return or a requirement for repayment. In governmental funds, transfers are reported as other financing uses or sources. Transfers are reported in proprietary funds after nonoperating revenues and expenses in the statement of revenues, expenses and changes in fund net position.

As a general rule, the effect of interfund activity within TxDOT funds is eliminated from the government-wide financial statements, with exception of activities between governmental activities and business-type activities. Interfund activity with fiduciary funds is reclassified and reported as an external activity.

Interfund Activity

TxDOT's operations are primarily managed through the state highway fund. As such, several routine transfers are reported between the state highway fund and TxDOT's other major and nonmajor funds. The following tables detail the principal purposes of TxDOT's significant routine interfund transfers as well as provide a summary of interfund transfers by individual major fund, nonmajor funds in the aggregate and fiduciary funds.

Interfund Transfers In/Out by Purpose			
August 31, 2013 (Amounts in Thousands)			
Purpose	Interfund Transfer In (Fund)	Interfund Transfer Out (Fund)	Fiscal 2013 Amount
Reimburse the state highway fund for costs incurred on projects funded by local government contributions.	Major Fund: State Highway Fund	Nonmajor Fund: County/Political Subdivision/Local Government Road/Airport Trust Account	\$ 162,567
Provide funds to pay debt service principal and interest payments on outstanding Proposition 14/State Highway Fund Revenue Bonds	Nonmajor Fund: Proposition 14 Debt Service Fund	Major Fund: State Highway Fund	\$ 287,905

Interfund Transfers In/Out			
August 31, 2013 (Amounts in Thousands)			
	<u>Transfers In</u> Other Funds	<u>Transfers Out</u> Other Funds	
Governmental Funds			
Major Funds:			
State Highway Fund	\$ 167,251	\$ 287,905	
Nonmajor Funds	287,905	162,897	
	<u>455,156</u>	<u>450,802</u>	
Proprietary Funds			
Central Texas Turnpike System		4,354	
	<u>0</u>	<u>4,354</u>	
Total	\$ <u>455,156</u>	\$ <u>455,156</u>	

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Interfund reimbursements are repayments from funds responsible for payment of expenditures or expenses to the funds that actually made the payment. Reimbursements are not displayed in the financial statements.

Amounts not transferred at fiscal year-end are accrued as due to/due from other funds. Due to/due from amounts between governmental or business-type activities and fiduciary funds are reported as due to/due from amounts between funds in the fund financial statements and are reclassified to receivables from fiduciary funds/payables to fiduciary funds, as if they were external transactions on the government-wide financial statements.

Due From/To			
August 31, 2013			
(Amounts in Thousands)			
	<u>Due From</u>		<u>Due To</u>
	<u>Other Funds</u>		<u>Other Funds</u>
Governmental Funds			
Major Funds:			
State Highway Fund	\$ 94,836	\$	13,627
Mobility Fund	909		1,290
Nonmajor Funds	216		416
	<u>95,961</u>		<u>15,333</u>
Proprietary Funds			
Central Texas Turnpike System	13,411		19
Grand Parkway Transportation Corp.			94,020
	<u>13,411</u>		<u>94,039</u>
Total	\$ <u>109,372</u>	\$	<u>109,372</u>

Activity occurring within the same fund is eliminated. Certain reclassifications and eliminations are made between the fund financial statements and the government-wide financial statements. Transfers between the governmental or business-type activities and the fiduciary funds are reported as transfers on the fund financial statements and are reclassified to revenues and expenses, as if they were external transactions on the government-wide financial statements. Additional eliminations are made and transfers in and out are netted and presented in the government-wide statement of activities as “transfers-internal activities.” In fiscal 2013, the SH 45 SE toll road was incorporated into the Central Texas Turnpike System. As a result, a transfer of \$229.4 million in capital assets was made out of TxDOT’s governmental activities and into TxDOT’s business-type activities. This balance is the primary component of the amounts shown as interfund transfers in/out on the statement of activities.

Interfund Transfers In/Out Per the Government-Wide Financial Statements		
August 31, 2013		
(Amounts in Thousands)		
<u>Fund Category</u>		<u>Other Funds</u>
Governmental Activities	\$ (225,057)	
Business-Type Activities	\$ 225,057	

Internal Balances per the Government-wide Financial Statements			
August 31, 2013			
(Amounts in Thousands)			
	Governmental Activities	Business-Type Activities	Total
CURRENT LIABILITIES			
Internal Balances - Payables	\$ 80,628	\$ (80,628)	\$ 0

Interfund Transactions

The state highway fund is considered a shared fund and is appropriated for use by multiple state of Texas agencies. TxDOT is considered the controlling agency for the state highway fund and reports the total cash in state treasury balance for the fund at fiscal year-end. TxDOT reports interagency transfers in and out with the other agencies that collect and deposit to or expend out of the state highway fund.

The following tables detail the balances of transfers to/from and due to/from other state agencies and TxDOT. Approximately \$1.4 billion of the interagency transfers-in balance for the state highway fund is related to the net amount of cash collected by Texas Department of Motor Vehicles for certificate of title fees and motor vehicle registration fees. The transfer-in entry resulted in an increase to the TxDOT highway fund cash in state treasury balance. The majority of the interagency transfer-out balance for the highway fund relates to the total cash expended out of the state highway fund by the Texas Department of Public Safety, which is charged with patrolling the state highway system and monitoring compliance with statutes related to vehicle weight, motor carrier safety and the registration and transportation of persons, hazardous material and other property. Amounts not transferred at fiscal year-end are accrued as due to/from other agencies.

Transfers In/Out to Other State Agencies			
August 31, 2013			
(Amounts in Thousands)			
	Transfers In Other Agencies	Transfers Out Other Agencies	
Governmental Funds			
Major Funds:			
State Highway Fund	\$ 1,397,996	\$ 794,095	
Nonmajor Funds	12,129		
Total	\$ 1,410,125	\$ 794,095	

Due From/To Other State Agencies		
August 31, 2013 (Amounts in Thousands)		
	<u>Due From Other Agencies</u>	<u>Due To Other Agencies</u>
Governmental Funds		
Major Funds:		
State Highway Fund	\$ 200,587	\$ 56,555
Nonmajor Funds	219	
Total	<u>\$ 200,806</u>	<u>\$ 56,555</u>

TxDOT also has interagency activity with federal funds and state grants. See Schedules 1A and 1B of this report for more details.

Pass-Throughs To/From Other State Agencies		
August 31, 2013 (Amounts in Thousands)		
		<u>State Highway Fund</u>
Federal Pass-throughs:		
Revenue	\$	1,412
Expenditures		(24,157)
Total	\$	<u>(22,745)</u>
State Pass-throughs:		
Expenditures	\$	(2,508)
Total	\$	<u>(2,508)</u>

NOTE 12 – CONTINUANCE SUBJECT TO REVIEW

TxDOT is currently subject to a continuance review. Under the Texas Sunset Act, TxDOT will be abolished effective Sept. 1, 2017, unless continued in existence by the 85th Legislature as provided by the Act. If abolished, TxDOT may continue until Sept. 1, 2018 to wind down its operations. In the event that TxDOT is abolished pursuant to the Texas Sunset Act or other law, Texas Government Code, Section 325.017(f), acknowledges that such action will not alter the obligation of the state to pay bonded indebtedness and all other obligations of the abolished agency.

NOTE 13 – CLASSIFICATION OF FUND BALANCES AND NET POSITION

The table on the following page presents a summary of the Aug. 31, 2013, governmental fund balances by major and nonmajor governmental funds. With the exception of nonspendable fund balances, fund balance is presented based on specific purpose for which the funds are restricted, committed, assigned or unassigned.

Restrictions of net position are listed on the face of the government-wide and proprietary statements of net position. Balances reported as restricted in the fund financial statements are reported as restricted in the statement of net position. All other fund financial balances are reported as unrestricted in the statement of net position.

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Disaggregation of Nonspendable, Restricted, Committed, Assigned and Unassigned Fund Balances

August 31, 2013

(Amounts in Thousands)

MAJOR FUNDS	State Highway Fund	Texas Mobility Fund	Total Major Funds		
Nonspendable:					
Inventory	\$ 142,180	\$	\$ 142,180		
Restricted For:					
Capital Projects	533,472	634,104	1,167,576		
Debt Service		562,353	562,353		
Unassigned	(688,455)		(688,455)		
Total	\$ (12,803)	\$ 1,196,457	\$ 1,183,654		
NONMAJOR FUNDS	General Fund	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Nonmajor Funds
Nonspendable:					
Long-Term Receivables	\$ 154	\$	\$	\$	\$ 154
Restricted For:					
Capital Projects				164,077	164,077
Debt Service			155,097		155,097
Assigned To:					
Transportation	1,685				1,685
Grand Parkway Assoc.		397			397
Unassigned	20,716				20,716
Total	\$ 22,555	\$ 397	\$ 155,097	\$164,077	\$ 342,126
ALL GOVERNMENTAL FUNDS					
Nonspendable	\$ 142,334				
Restricted	2,049,103				
Assigned	2,082				
Unassigned	(667,739)				
Total Fund Balances	\$ 1,525,780				

NOTE 14 – ADJUSTMENTS TO FUND BALANCES AND NET POSITION

During fiscal 2013, certain accounting changes and adjustments were made that required the restatement of fund balances or net position. The impact of these adjustments is summarized below and discussed on the following pages.

Restatements to Fund Balances/Net Position (Amounts in Thousands)			
GOVERNMENTAL FUNDS AND GOVERNMENTAL ACTIVITIES	September 1, 2012, As Previously Reported	Restatements	September 1, 2012 As Restated
Major Funds:			
State Highway Fund	\$ 730,524	\$ 36,303 (A)	\$ 766,827
Texas Mobility Fund	1,108,827	145,171 (B)	1,253,998
Total Major Funds	1,839,351	181,474	2,020,825
Nonmajor Funds:			
General Fund Accounts	76,080		76,080
Special Revenue Funds	170	1 (D)	171
Debt Service Funds	156,728		156,728
Capital Projects Fund	100,923		100,923
Total Nonmajor Funds	333,901	1	333,902
Governmental Activities Adjustments			
Capital Assets	74,732,279	(68,040) (C)	74,664,239
Long-Term Liabilities	(13,212,941)	1,854	(13,211,087)
Other Adjustments	68,287		68,287
Total Governmental Activities Adjustments	61,587,625	(66,186)	61,521,439
Total Governmental Activities	63,760,877	115,289	63,876,166
BUSINESS-TYPE ACTIVITIES			
Central Texas Turnpike System	427,169	31	427,200
Total Business-Type Activities	427,169	31	427,200
Total Primary Government	\$ 64,188,046	\$ 115,320	\$ 64,303,366

Restatements are grouped into the following four categories:

- A) The majority of the restatements to the state highway fund include the restatement of a \$34.6 million accounts payable amount to reimburse Harris County for costs incurred related to Segment E of the Grand Parkway. Such costs were in fact paid by the Grand Parkway Transportation Corporation in fiscal 2013. Additionally, a \$2.1 million restatement was recorded to remove prepaid items related to the fiscal 2012 prepayment of lease obligation amounts for the buildings comprising TxDOT's Austin headquarters. Research concluded in fiscal 2013 requires this transaction to be reported as an adjustment of capital assets from the Texas Facility Commission.

- B) On Aug. 1, 2013, the Grand Parkway Transportation Corporation (GPTC), a blended component unit of TxDOT, issued bonds to fund the design, construction, operation and maintenance of segments D (Harris County), E, F-1, F-2 and G of the Grand Parkway (State Highway 99) in the Houston area. As directed by the project agreement between GPTC and TxDOT, GPTC reimbursed the Texas Mobility Fund for its prior costs incurred on these projects. The Texas Mobility Fund did not accrue a due from GPTC in prior periods because the reimbursement was contingent upon the successful issuance of the GPTC bonds and the timing and amount of such issuance was not estimable at prior reporting dates. The impact of the reimbursement related to prior fiscal year costs resulted in a restatement of beginning fund balance.
- C) These restatements are for adjustments to capital assets and accumulated depreciation or amortization. The restatements include an amount of \$149 million to remove assets previously capitalized that are now under a service concession arrangement and have been reimbursed by the Grand Parkway Transportation Corporation. In addition, the restatements include an addition of \$82.2 million primarily related to errors in reporting bridges (depreciable infrastructure) upon their completion. Accumulated depreciation related to depreciable infrastructure was reduced as a result of the implementation of GASB 60 for bridges maintained and operated under qualifying service concession arrangements.
- D) This restatement was necessary to correct accounting errors in the prior period related to the Grand Parkway Association.

NOTE 15 – COMMITMENTS AND CONTINGENCIES

Contingencies

Unpaid Claims and Lawsuits

The type and volume of activity for which TxDOT is responsible exposes it to a large number of claims and lawsuits. TxDOT has vigorously contested lawsuits brought against it and has usually prevailed or made settlements substantially less than the amounts originally sought.

TxDOT is exposed to claims by contractors. TxDOT will most likely settle these claims at substantially less than the amount originally sought. However, if a settlement between TxDOT's claims committee and the contractor cannot be reached, these claims will result in future litigation. As of Aug. 31, 2013 outstanding contractor claims pending at the TxDOT claims committee totaled \$9.3 million.

Settlements are paid by the Texas Comptroller of Public Accounts from the claims and refunds appropriation. The Attorney General's office indicates that the lawsuits listed below were pending as of Aug. 31, 2013. TxDOT management's opinion is that the probable outcome of these cases will not materially affect the financial position of TxDOT.

<u>Type of Suit</u>	<u>Amounts in Controversy</u>
Eminent Domain	Over 850 cases ranging from \$0 to \$7.5 million. Total claims with amounts indicated came to approximately \$219.2 million.
Contract	Amounts claimed range from \$34 thousand to \$3.2 million. Total claims with amounts indicated came to approximately \$6.2 million.
Inverse Condemnation	Monetary amounts have not been specified for any of the 23 cases.

Declaratory Judgment	Monetary amounts have not been specified in three of the five cases. Amounts claimed range from \$150 thousand to \$10 million. Total claimed with amounts indicated is \$10.1 million.
Employment Law and Related Lawsuits	Monetary amounts have not been specified in the any of the 11 cases. Liability against TxDOT is limited to \$300 thousand. However, there is no limit on attorney fees and front pay.
Tort Claims	Statutory limits of liability on these cases are \$250 thousand per person or \$500 thousand per accident. Amounts claimed range from \$750.00 to \$500,000. Total claims, including estimates of liability limits where no amounts were specified, came to approximately \$18.8 million.

Arbitrage

Rebatable arbitrages defined by Internal Revenue Code (IRC), Section 148, is earnings on tax exempt bond proceeds in excess of the yield on the bond. The rebatable arbitrage must be repaid to the federal government. Pursuant to the applicable bond Indenture of Trust, a Rebate Fund will be established under the Indenture to which deposits will be made upon the determination by a verification agent that a rebate payment may be due. The amount of rebate due to the federal government is determined and payable during each five-year period and upon final payment of the tax-exempt bonds. IRC Section 148 also provides for certain rebate exceptions, including an exception if certain spend-out requirements of the bond proceeds are met. TxDOT estimates that rebatable arbitrage liability, if any, will be immaterial to the agency's overall financial condition.

Federal Reimbursements and Grants

TxDOT receives federal financial assistance for specific purposes that are subject to review or audit by the federal grantor agencies. Entitlement to this assistance is generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal regulations, including the expenditure of assistance for allowable purposes. Such audits could lead to requests for reimbursements to grantor agencies for expenditures disallowed under the terms of the grant. Based on prior experience, management believes such disallowance, if any, will be immaterial.

On Dec. 16, 2011, TxDOT and the Federal Highway Administration (FHWA) approved and executed a Memorandum of Understanding (MOU) for FHWA participation in TxDOT's pass through funding program. This MOU will apply to all pass through finance (PTF) projects approved by TxDOT after Feb. 26, 2009 with some stipulations as detailed within the agreement. This agreement was done in order to facilitate maximum Federal reimbursement on TxDOT PTF projects. The MOU is not applicable to any PTF project agreements executed prior to Feb. 26, 2009. Federal reimbursement for these projects will be set up on an individual basis in separate agreements between TxDOT and FHWA and with compliance reviews being performed on each project.

Significant Commitments*Construction Related Contracts*

As of Aug. 31, 2013, TxDOT had outstanding contractual commitments related to the award of construction contracts, terms of outstanding design-build contracts and terms requiring contribution of public funds to provide for a portion of construction costs related to service concession arrangements (SCAs). Of the amounts committed under these contracts, TxDOT expects to receive future reimbursements from the Federal Highway Administration (FHWA). In addition, the Grand Parkway Transportation Corporation (GPTC), our blended component unit, has outstanding construction commitments. Disclosure of these construction related commitments and potential FHWA reimbursement is displayed below.

Construction Related Contract Commitments		
August 31, 2013		
(Amounts in Thousands)		
	Total Remaining Commitment	FHWA Reimbursements
Construction Contracts	\$ 6,584,925	\$ 3,298,668
Design-Build Projects	1,536,325	617,304
SCA Projects	935,277	674,150
GPTC Project	941,548	
Totals	\$ 9,998,075	\$ 4,590,122

Pass-Through Toll Agreements

Transportation Code, Section 222.104 authorizes TxDOT to enter into an agreement with a public or private entity that provides for the payment of pass-through tolls to the public or private entity as reimbursement for the design, development, financing, construction, maintenance, or operation of a toll or non-toll facility on the state highway system by the public or private entity. As of Aug. 31, 2013 there were 41 active pass-through financing agreements.

TxDOT recognizes liabilities associated with pass-through toll projects as notes payable as the projects are being constructed. Notes payable amounts are determined by contractually negotiated agreements with pass-through toll partners. See Note 4 for details on the payables recognized related to pass-through toll repayment obligations.

The maximum total repayment obligation for pass-through toll projects executed as of Aug. 31, 2013, was approximately \$1.6 billion. Approximately \$200 million of this amount was repaid as of Aug. 31, 2013. The actual repayment obligation for each agreement is not determinable until total construction costs are known.

Toll Equity Grants and Loan Agreements

Transportation Code, Section 222.103 authorizes TxDOT to participate, by spending money from any available source, in the cost of acquisition, construction, maintenance or operation of a toll facility of a public or private entity. The Commission adopted administrative rules (toll equity rules) to prescribe conditions for the Commission's financing of such toll facilities. Under these guidelines the Commission has committed funds in the form of toll equity grants and toll equity loans. As of Aug. 31, 2013, the Commission has outstanding toll equity grant commitments and toll equity loan commitments totaling \$323.6 million and \$15.63 billion, respectively. Payments of these amounts are made subject to executed financial assistance agreements between TxDOT and the applicable public or private entity.

Of the outstanding toll equity loan commitment, \$6.02 billion is related to a toll equity loan agreement (TELA) with the North Texas Tollway Authority (NTTA) and \$9.6 billion is related to a TELA with the GPTC. The NTTA funds are to be used to enhance project feasibility and expedite delivery of the State Highway 161 (also known as the President George Bush Western Extension) and Chisholm Trail Parkway projects in the Dallas/Fort Worth area. These roads comprise NTTA's Special Projects System and are separate from the NTTA system as a whole. Under the TELA, TxDOT has agreed to lend a negotiated amount each year should revenues of the projects be insufficient to cover operations and maintenance, including debt service. The GPTC funds are to be used to pay for certain costs relating to the development, construction, operation, maintenance and financing of Segments D (Harris County), E, F1, F2 and G and the predevelopment of possible extensions or expansions of the Grand Parkway. The maximum amount of money that can be paid by TxDOT to GPTC under the TELA is equal to the aggregate amount of costs that are authorized under Article 8, Section 7-a of the Texas Constitution and Section 222.103 of the Texas Transportation Code, i.e. the "Eligible Costs".

As of Aug. 31, 2013, no drawdowns of funding have been requested by NTTA or GPTC under these agreements.

NOTE 16 – SUBSEQUENT EVENTS

Bond and TIFIA Loan Activity

The Commission has no plans for issuance of additional bonds as of the date of this report, through February 2014. The following TxDOT blended component units plan to issue or have issued the following bonds as of the date of this report, through February 2014:

Entity	Series	Estimated/Actual Par Amount (Amounts in Thousands)	Estimated/ Actual Date of Issuance	Purpose
Texas Private Activity Bond Surface Transportation Corporation	2013	\$274,030	09/12/2013	Issuance of conduit debt related to financing of the NTE 3A project.
Grand Parkway Transportation Corporation	Subordinate Tier Revenue 2013C & D	\$943,330	02/14/2014	To provide for refunding or remarketing of the 2013C and D bonds.

On Sept. 27, 2013 Standard & Poor's upgraded the financial strength of the State of Texas to "AAA" from "AA+" As a result on Sept. 30, 2013 Standard & Poor's also issued an upgrade to "AAA" from "AA+" for the Commission's outstanding Texas Mobility Fund Bonds and the Highway Improvement General Obligation Bonds. On Sept. 30, 2013 Standard & Poor's also upgraded the financial strength of our blended component unit Grand Parkway Transportation Corporation (GPTC) from "AA" to "AA+" related to Subordinate Tier Obligations of GPTC Series 2013B-2013E.

Our blended component unit, GPTC has submitted an application with the Transportation Infrastructure Finance and Innovation Act (TIFIA) for a loan in the amount of \$840,645,000.00 to fund and reimburse for eligible costs of the Grand Parkway system. The loan agreement is currently being negotiated. It is expected the TIFIA loan will close by the end of calendar year 2013.

Legislative Changes

Results from the 83rd Legislative Session included changes to the retirement contribution by employers of 6.5 percent plus 1 percent from fiscal 2013 unexpended balances for fiscal 2014; 7.5 percent for fiscal 2015. Additionally, new employees starting employment after Aug. 31, 2013 must meet the minimum retirement age of 62 and meet the rule of 80 for retirement eligibility. If these members retire before age 62, there is a 5 percent per year permanent retirement reduction factor in the retiree's pension benefit.

A new fund, the Transportation Infrastructure Fund, was established as part of changes made by SB 1747, which directs TxDOT to administer a grant program from the fund to provide funding to counties for transportation infrastructure projects located in areas of the state affected by increased oil and gas production. The provisions of the bill took effect Sept. 1, 2013.

Transfer of Loop 49 Toll Facility

On Sept. 23, 2013 the Governor of Texas approved the transfer of Segments 1, 2, 3A and 5 of the Loop 49 toll facility comprising the roadway facilities and the underlying right of way, and the right of way underlying Segment 3B of Loop 49, from SH 100 to I-20 in Smith County to the North East Texas Regional Mobility Authority (Net RMA). The transferred segments of the Loop 49 project will be utilized by the Net RMA for the operation and maintenance of a turnpike project under Transportation Code, Chapter 370.

NOTE 17 – RISK MANAGEMENT

TxDOT is exposed to various risks of loss related to property, general and employer liability, net income, and personnel. TxDOT and its employees are covered by various immunities and defenses that limit some of these risks of loss, particularly in liability actions brought against TxDOT or its employees. Remaining exposures are managed by self-insurance arrangements.

Property and Liability

TxDOT administers a self-insured workers compensation program. Due to the nature of worker compensation claims, amounts are not reasonably estimable. Claims are paid as they become due.

Health, Life and Dental

Insurance coverage is provided to active state employees and their dependents by one of three health plan administrators. All TxDOT employees are included in the Texas Employees Group Benefits Program (GBP) administered by the Employees Retirement System of Texas (ERS).

Claims for health, life, accidental death and dismemberment (AD&D), disability and dental insurance coverages are established under the GBP. These coverages are provided through a combination of insurance contracts, a self-funded health plan, a self-funded dental indemnity plan, HMO contracts and dental health maintenance organizations (DHMO) contracts.

Commitments

TxDOT incurs commitments related to outstanding construction contracts and comprehensive development agreements. Further detail of these commitments is provided in Note 15.

NOTE 18 – MATRIX OF EXPENDITURES REPORTED BY FUNCTION

For the year ended Aug. 31, 2013, the table on the following page represents governmental fund expenditures for both natural and functional classifications. As stated on the reconciliation of the governmental funds statement of revenues, expenditures and changes in fund balances to the statement of activities, certain governmental fund expenditures are converted to increases and decreases in assets, liabilities or deferred inflows of resources in the statement of net position. Thus those expenditures are not reported by function on the statement of activities.

Matrix of Expenditures Reported by Function - Governmental Funds				
For the Fiscal Year Ended August 31, 2013 (Amounts in Thousands)				
	State Highway Fund	Texas Mobility Fund	Nonmajor Funds	Transportation Total
Salaries & Wages	\$ 607,666	\$	\$ 1,068	\$ 608,734
Payroll Related Costs	237,488		268	237,756
Professional Fees & Services	431,175	280	3,027	434,482
Federal Pass-Through expenditures	24,157			24,157
State Grant Pass-Through Expenditures	2,508			2,508
Travel	4,923		34	4,957
Materials and Supplies	392,472		238	392,710
Communications and Utilities	45,514		4	45,518
Repairs and Maintenance	1,888,871		265	1,889,136
Rentals and Leases	10,022		(64)	9,958
Printing and Reproduction	1,754		3	1,757
Claims and Judgements	6,155			6,155
Intergovernmental Payments	542,733	93,418	8,351	644,502
Public Assistance Payments	10,236		500	10,736
Other Expenditures	250,797	(92)	2,221	252,926
Total Expenditures	\$ 4,456,471	\$ 93,606	\$ 15,915	\$ 4,565,992

NOTE 19 - THE FINANCIAL REPORTING ENTITY

As required by Generally Accepted Accounting Principles, the financial statements present TxDOT, a state agency, and its component units. The component units discussed in this note are included in TxDOT's reporting entity because of the significance of their operational and financial relationships with TxDOT.

Blended Component Units

The Commission is authorized to create Transportation Corporations in Transportation Code, Chapter 431. The Commission approves the creation of transportation corporations, approves the articles of incorporation, appoints directors and approves by-laws. At any time, the Commission may terminate and dissolve a transportation corporation. In the event of dissolution or liquidation of a corporation, all assets shall be turned over to TxDOT. As of Aug. 31, 2013, three such transportation corporations were authorized by the Commission. In all instances TxDOT contains the voting majority, is able to impose its will upon the transportation corporations, and the services of all three transportation corporations benefit TxDOT. Furthermore, the following three transportation corporations are classified as blended component units.

The Grand Parkway Association (GPA) facilitates the efficient development of Houston's third outer highway loop to serve the regional mobility needs of the metropolitan Houston area. GPA operates on funds received from various sources including TxDOT, METRO, Harris County, Fort Bend County, Chambers County, Galveston County and Brazoria County. GPA is required to make semi-annual reports to TxDOT detailing the status and

financial information of the various project segments. The financial activity is reported as a Special Revenue fund within appropriated fund 9999 in the accompanying financial statements of TxDOT. GPA has a fiscal year end as of Aug. 31, 2013, consistent with TxDOT. Complete financial statements for the GPA may be obtained by writing:

Grand Parkway Association
4544 Post Oak Place, Suite 222
Houston, Texas 77027

The Texas Private Activity Bond Surface Transportation Corporation. (TxPABST) acts on behalf of TxDOT in the promotion and development of transportation facilities by issuing private activity bonds for projects developed under comprehensive development agreements (CDA) entered into by TxDOT. Bonds issued by TxPABST are not legal obligations of the state of Texas and are payable solely from payments received or on behalf of a CDA developer. See Note 5 for additional details about the TxPABST private activity bond issuances as of Aug. 31, 2013. TxPABST does not publish financial statements. Further information can be obtained by writing:

Texas Private Activity Bond Surface Transportation Corporation
125 East 11th St.
Austin, Texas 78701

The Grand Parkway Transportation Corporation (GPTC) acts on behalf of TxDOT in the development, construction, financing, operation, maintenance and expansion of the Grand Parkway as the authority delegated by the Commission to develop, construct, finance, operate and maintain certain segments of the Grand Parkway as a system. GPTC undertakes these responsibilities under the supervision of a three member board of directors composed of TxDOT employees appointed by the Commission. GPTC is the governmental party to major contracts relating to the development, construction and maintenance of the Grand Parkway Segments D through G and has issued bonds supported by toll revenues of the system and, in certain cases, by the TELA with TxDOT. Bonds issued by GPTC are not legal obligations of the state of Texas and are payable solely from the revenues of the Grand Parkway system. See Note 5 for additional details about the GPTC bond issuances as of Aug. 31, 2013. GPA has a fiscal year end as of Aug. 31, 2013, consistent with TxDOT. The financial activity of GPTC is reported as a Proprietary fund within appropriated fund 9999 in the accompanying financial statements of TxDOT. Further information can be obtained by writing:

Grand Parkway Transportation Corporation
125 East 11th St.
Austin, Texas 78701

NOTE 20– STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Fund Type Changes

The presentation of The Texas Mobility Fund (0365) was revisited in 2013 and changed to more clearly report the dual purpose of activities taking place within the Mobility Fund. The Mobility Fund bonds issued are used for transportation projects, while the revenues dedicated to the fund are restricted for payment of debt service on the outstanding debt. To aid in the distinction of these different activities, the Mobility Fund activity are now split into two fund types. While the Mobility Fund is established as a single appropriated fund, it is reported in the following governmental fund types:

- Debt Service fund – Debt service funds are used to account for financial resources that are restricted, committed or assigned to expenditures for principal and interest. Dedicated revenues received and debt service related expenditures paid are recorded in these funds.

- Capital Projects fund – Capital projects funds are used to account for and report financial resources that are restricted, committed or assigned to expenditure for capital outlays. Bond proceeds associated with Mobility Fund bond issuances as well as the related expenditure of the bond proceeds for eligible transportation projects are recorded in these funds.

Deficit Fund Balances/Net Position

The \$12.8 million deficit fund balance in the state highway fund is caused primarily by the balance of deferred revenues recorded as offset to up-front concession payments received. The recognition of revenue related to these up-front payments occurs over their term, while the use of the funds received are spent as eligible projects are identified.

The \$15.9 million deficit net position related to the Grand Parkway Transportation Corporation (GPTC) fund is due to the payment of bond issuance costs. None of the segments of the Grand Parkway to be operated by GPTC were opened to traffic at Aug. 31, 2013, thus the GPTC did not collect enough revenues to offset the reduction of net position caused by payment of the bond issuance costs.

Upcoming GASB Pronouncements

GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, GASB Statement No. 61, *The Financial Reporting Entity Omnibus-An Amendment of GASB Statements 14 and 34*, GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* and GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*, have been implemented by TxDOT in this fiscal 2013 report. The implementation of GASB Statement No. 60 consisted of additional disclosures for reporting the status of construction projects where a Service Concession Arrangement (SCA) exists, the general nature of and objectives of each SCA, nature and amount of assets, liabilities, and deferred inflows of resources related to service concession arrangements, see Note 21. Additionally, GASB 61 implementation included reporting of additional requirements for inclusion of component units in the financial reporting entity. Implementation of GASB 62 was a codification of pre-November 30, 1989 FASB and AICPA Pronouncements did not have an impact on the presentation of the financial statement. Implementation of GASB No. 63 required modifications of the financial statement structure by incorporating deferred inflows and outflows into the report and reclassifying the Statement of Net Assets to the Statement of Net Position.

The GASB has issued several statements that will become effective and be implemented by TxDOT in fiscal 2014. TxDOT is still in the process of determining the effects of implementing these new GASB Statements.

- GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*,
- GASB Statement No. 66, *Technical Corrections-2012-an amendment of GASB Statements No. 10 and No. 62*,
- GASB Statement No. 67, *Financial Reporting for Pensions Plans-An Amendment of GASB Statement No. 25*,
- GASB Statement No. 68, *Accounting and Financial Reporting for Pensions-An Amendment of GASB Statement No. 2*, and
- GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*.

NOTE 21 – SERVICE CONCESSION ARRANGEMENTS

As of Aug. 31, 2013, TxDOT has entered into seven agreements that are service concession arrangements (SCA) under the definition established by the Governmental Accounting Standards Board (GASB). An SCA is an arrangement between TxDOT and an Operator in which all of the following criteria are met:

- a. TxDOT conveys to the Operator the right and related obligation to provide public services through the use and operation of an infrastructure asset in exchange for significant consideration, such as up-front payments, a new infrastructure asset, or improvements to an existing infrastructure asset.
- b. The Operator collects and is compensated by fees from third parties, in all of the active TxDOT SCAs these fees are in the form of tolls.
- c. TxDOT determines or has the ability to modify or approve what services the Operator is required to provide, to whom the Operator is required to provide the services and the rates that can be charged for the services.
- d. TxDOT is entitled to significant residual interest in the service utility of the infrastructure asset at the end of the arrangement.

SCA projects have/will improve mobility by expanding existing road capacity and introducing managed toll lanes, traditional toll lanes and other strategies aimed at reducing traffic congestion. Structuring as an SCA enables TxDOT to deliver these projects faster than would be possible using traditional funding sources. Additionally these projects shift the majority of the financial risk to the Operator. TxDOT may enter into SCAs with both public and private Operators. At the end of these arrangements, operations and maintenance of the projects will transfer to TxDOT. The state of Texas retains ownership rights and title to all assets associated with an SCA.

The structure of each SCA is different due to the unique financial aspects of each arrangement. In all cases, TxDOT receives a benefit due to our retention of ownership of the project at end of the concession term. The table below summarizes the status, term and duration of each currently active SCA.

Service Concession Arrangements				
As of August 31, 2013				
Arrangement Name	Construction Status	Term of Concession	Concession Begin	Concession End
IH 10 "Katy Managed Lanes"	Complete	46 years	2010	2055
SH 130 Segments 5 and 6	Complete	50 years	2012	2062
SH 121 Concession	Complete	50 years	2009	2059
North Tarrant Exp Seg 1 and 2-West	Under Construction	52 years	2009	2061
North Tarrant Exp Seg 3A and 3B	Preliminary Activity	52 years	2009	2061
LBJ/IH-635 Managed Lanes	Under Construction	52 years	2009	2061
Grand Parkway Seg D, E, F1, F2, G	Under Construction	40 years	2013	2053
* Estimated. Concession period extends until Harris County/GPTC is fully reimbursed for costs of construction and debt service.				

Governmental accounting standards permit TxDOT to defer recognition of capital assets acquired by an Operator under an SCA until the project is placed into operations by opening for traffic. In the year in which an SCA project opens for traffic TxDOT records the capital assets acquired under the SCA at their fair value with a corresponding entry to deferred inflow of resources. The deferred inflow of resources balance will then be reduced and revenue will be recognized in a systematic manner over the term of the arrangement, beginning when the infrastructure asset is placed into operations. Up-front concession payments received are recorded as assets (cash in state treasury) with an offset to deferred inflow of resources. Revenue is recognized and the deferred inflow of resources is reduced in a systematic and rational manner over the term of the arrangement.

Service Concession Arrangements - Amounts Recognized in Financial Statements – Governmental Activities			
August 31, 2013 (Amounts in Thousands)			
Arrangement Name	Cash in State Treasury*	Capital Assets	Deferred Inflows of Resources**
IH 10 "Katy Managed Lanes"	\$	\$ 250,000	\$ 228,261
SH 130 Segments 5 and 6	126,701	1,434,228	1,498,580
SH 121 Concession	1,756,073	1,338,296	3,489,021
North Tarrant Exp Seg 1 and 2-West		472,177	38,771
North Tarrant Exp Seg 3A and 3B		72,941	
LBJ/IH-635 Managed Lanes		75,070	
Grand Parkway Seg D, E, F1, F2, G		36,327	
Total	\$ 1,882,774	\$3,679,039	\$5,254,633
* The balance of cash in state treasury is the amount of unspent up-front concession payments.			
** The deferred inflows of resources balance, that relates to up-front payments received and recorded in the governmental fund financials, is recorded as deferred revenues.			

In some cases, TxDOT is obligated to make contributions of public funds to the SCA project during the construction period for portions of the project's design, construction or right-of-way costs. Outlays of TxDOT funds related to SCA projects are recorded as additions to construction in progress as they are incurred. In addition, TxDOT has committed funds in the form of a toll equity loan to the Grand Parkway Transportation Corporation (GPTC) and North Texas Tollway Authority (NTTA). Refer to Note 15 for further detail on TxDOT commitments related to SCAs.

Grand Parkway Transportation Corporation

In fiscal 2013 the GPTC entered into an agreement with TxDOT which fits the criteria for a service concession arrangement. Pursuant to this agreement, GPTC is responsible for the design, build, financing and operation of Segments D (Harris County), E, F-1, F-2 and G of the Grand Parkway for a period until such time as the bonds or other debt secured is fully repaid. GPTC will be entitled to all toll revenues during the operations period. At the end of the arrangement, operation of the roadway will be transferred to TxDOT. GPTC entered into this agreement to deliver this important project in partnership with TxDOT more quickly than would be possible under a traditional structure. GPTC has recognized an intangible asset in the amount of \$610,305,445.36 for its costs of design, construction and right-of-way acquisition through Aug. 31, 2013. This amount is reported in the business-type activities.

**Required Supplementary Information
Other Than MD&A (unaudited)**

MODIFIED APPROACH TO REPORTING INFRASTRUCTURE ASSETS

TxDOT adopted the modified approach for reporting the state's highway system. Under the modified approach, depreciation is not reported and all preservation and maintenance costs are expensed.

The modified approach requires that TxDOT:

- Maintain an asset management system that includes an up-to-date inventory of eligible infrastructure assets,
- Perform condition assessments of the eligible infrastructure assets and summarize the results using a measurement scale in order to document that the eligible infrastructure assets are being preserved approximately at (or above) the condition level established and disclosed by the government, and
- Estimate each year the annual amount needed to maintain and preserve the eligible infrastructure assets at the condition level established and disclosed by the government.

Although bridges are an integral part of the highway system, TxDOT has elected to depreciate bridges. Therefore, they are not reported using the modified approach.

Condition Assessments

TxDOT performs yearly condition assessments through the Texas Maintenance Assessment Program (TxMAP). Under this program, visual inspections are conducted on approximately 10 percent of the Interstate system, 5 percent of the Non-Interstate system (national, state, and farm-to-market roadways) and 20 percent of the Central Texas Turnpike System toll roads. For each section of highway observed, 21 elements separated into three highway components are assessed scores from 0 to 5 (0 = N/A, 1 = Failed, 2 = Poor, 3 = Fair, 4 = Good, 5 = Excellent) in order to determine the condition of the highways. Each element within a component is weighted according to importance and each component is weighted according to importance to determine the overall condition of the highways. The overall score is converted to a percentage measurement for reporting (1 = 20 percent, 2 = 40 percent, 3 = 60 percent, 4 = 80 percent, 5 = 100 percent).

Assessed Conditions

TxDOT has adopted a minimum condition level of 80 percent for the Interstate System, 75 percent for the Non-Interstate system, and 80 percent for the Central Texas Turnpike System based on TxMAP assessments.

Fiscal	Interstate Condition (Minimum 80%)	Non-Interstate Condition (Minimum 75%)	Central Texas Turnpike System (Minimum 80%)
2013	80.3%	77.4%	85.1%
2012	82.0%	77.7%	86.2%
2011	83.0%	78.5%	89.9%
2010	83.6%	77.9%	87.9%
2009	81.4%	76.5%	90.5%

Estimated and Actual Costs for Maintenance

The table below provides a comparison between TxDOT's estimate of maintenance expenditures required to maintain the highway system at or above the adopted condition levels and the actual expenditures. The estimates for the Interstate and Non-Interstate highways reflect the estimated expenditures necessary to achieve the Commission's goal to increase pavement conditions to 90 percent within the next 20 years. In addition, TxDOT has been working to increase the return on maintenance dollars through the implementation of cost saving measures.

Interstate Highways		Fiscal 2013	Fiscal 2012	Fiscal 2011	Fiscal 2010	Fiscal 2009
Estimate		\$277,770,138	\$191,441,584	\$604,837,150	\$568,455,968	\$534,263,128
Actual		\$303,958,758	\$346,326,141	\$361,824,722	\$333,253,166	\$326,304,671
Non-Interstate Highways		Fiscal 2013	Fiscal 2012	Fiscal 2011	Fiscal 2010	Fiscal 2009
Estimate		\$2,628,535,253	\$2,224,821,895	\$3,282,946,244	\$3,005,712,533	\$2,687,869,178
Actual		\$2,067,090,830	\$1,594,432,159	\$1,517,603,665	\$1,423,734,251	\$1,519,109,684
Central Texas Turnpike System		Fiscal 2013	Fiscal 2012	Fiscal 2011	Fiscal 2010	Fiscal 2009
Estimate		\$13,987,845	\$10,050,181	\$11,577,672	\$11,371,334	\$9,178,651
Actual		\$13,109,474	\$10,627,758	\$11,438,932	\$6,972,452	\$7,261,987

Factors Affecting Condition Assessments

TxDOT continues to develop its methods for determining such estimates. As additional experience is acquired in the estimation and reporting processes, TxDOT hopes to achieve a greater correlation between the estimated maintenance expenditures needed to maintain the highway system at or above the adopted condition levels and the condition level of the highways. In comparing actual expenditures to estimated expenditures, factors such as increases in traffic, legislative mandates, budgetary constraints, and environmental effects (rainfall, drought, hurricane, freeze thaw, etc) should be considered as they may have a major impact on needed funds and the condition of Texas roads.

Other Condition Assessments

A separate annual inspection report is performed on the Central Texas Turnpike System in accordance with Section 707 of the Indenture of Trust. Those inspections are performed by the general engineering consultant (GEC) of the Central Texas Turnpike System. The fiscal 2013 inspection noted that the Central Texas Turnpike System roadways were in an overall excellent condition, achieving an overall score of 96 percent. While the GEC inspection uses the same general criteria as TxMAP, both parties have different areas of focus when performing their evaluations resulting in slight differences. In addition, there are other differences in evaluation timing and methodology which may contribute to the difference in scores; it is performed at a different time of the year, covers all 65 miles of the system instead of using a random sample of 20 percent, and uses a more detailed breakdown of each criteria.

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Other Supplementary Information

State Highway Fund Accounts

Combining Financial Statements

TxDOT reports the following accounts/sub-funds, which are consolidated into the state highway fund for the financial statements.

- **State Highway Fund Accounts** – These funds contain the activity related to public road construction, maintenance and monitoring of the state’s highway system. The significant ongoing revenue sources are federal revenues and motor fuels taxes, which are constitutionally restricted and dedicated to the highway fund.

Appropriated Fund: 0006

USAS D23 Funds: 0006, 0016-0019, 0121-0122, 0130, 0513-0515, 0161-0162, 0820, 8006 and 9000

- **State Infrastructure Bank Accounts** – This fund operates as a revolving loan program that makes loans to public and private entities to encourage the development of transportation projects and facilities.

Appropriated Fund: 0006

USAS D23 Fund: 0099

- **Federal American Recovery and Reinvestment Fund** – This fund was created to record, track and report the receipt and disbursement of American Recovery and Reinvestment Act (ARRA) funding.

Appropriated Fund: 0369

USAS D23 Fund: 0369

Texas Department of Transportation
Combining Balance Sheet – State Highway Fund
August 31, 2013 (Amounts in Thousands)

State Highway Fund - Major Special Revenue Fund				
	State Highway Fund Accounts	State Infrastructure Bank	Federal American Recovery & Reinvestment Fund	TOTAL
ASSETS:				
Cash and Cash Equivalents:				
Cash on Hand	\$ 19	\$ 290,623	\$	\$ 290,642
Cash in Bank	229			229
Cash in State Treasury	2,875,468			2,875,468
Receivables:				
Taxes	213,949			213,949
Federal	339,998			339,998
Other Intergovernmental	61,363			61,363
Interest and Dividends	3,871	3,170		7,041
Accounts Receivable	33,204			33,204
Due from Other Funds	94,836			94,836
Due from Other Agencies	200,587			200,587
Consumable Inventories	142,180			142,180
Loans and Contracts	229,047	164,941		393,988
Total Assets	<u>4,194,751</u>	<u>458,734</u>	<u>0</u>	<u>4,653,485</u>
LIABILITIES AND FUND BALANCES:				
Liabilities:				
Payables:				
Accounts Payable	1,220,985			1,220,985
Contracts Payable	33,640			33,640
Payroll Payable	61,872			61,872
Due to Other Funds	13,627			13,627
Due to Other Agencies	56,555			56,555
Deferred Revenues	3,279,609			3,279,609
Total Liabilities	<u>4,666,288</u>	<u>0</u>	<u>0</u>	<u>4,666,288</u>
Fund Balances (Deficits):				
Nonspendable				
Inventory	142,180			142,180
Restricted	74,738	458,734		533,472
Unassigned	(688,455)			(688,455)
Total Fund Balances	<u>(471,537)</u>	<u>458,734</u>	<u>0</u>	<u>(12,803)</u>
Total Liabilities and Fund Balances	<u>\$ 4,194,751</u>	<u>\$ 458,734</u>	<u>\$ 0</u>	<u>\$ 4,653,485</u>

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

Texas Department of Transportation
Combining Statement of Revenues, Expenditures and
Changes in Fund Balances – State Highway Fund
For the Fiscal Year Ended August 31, 2013 (Amounts in Thousands)

	State Highway Fund - Major Special Revenue Fund			
	State Highway Fund Accounts	State Infrastructure Bank	Federal American Recovery & Reinvestment Fund	TOTAL
REVENUES:				
Taxes	\$ 2,419,421	\$	\$	\$ 2,419,421
Federal Revenues	2,653,415		161,809	2,815,224
Federal Pass-Through Revenues	1,412			1,412
Licenses, Fees and Permits	85,417			85,417
Interest & Investment Income	16,275	5,550		21,825
Land Income	15,637			15,637
Settlement of Claims	11,616			11,616
Sales of Goods and Services	53,108			53,108
Other Revenues	713			713
Total Revenues	5,257,014	5,550	161,809	5,424,373
EXPENDITURES:				
Transportation	4,449,911		6,560	4,456,471
Capital Outlay	1,972,758		155,249	2,128,007
Principal on Pass-Through Tolls	105,113			105,113
Other Financing Fees	1,977			1,977
Total Expenditures	6,529,759	0	161,809	6,691,568
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,272,745)	5,550	0	(1,267,195)
OTHER FINANCING SOURCES (USES):				
Operating Transfers In	1,565,247			1,565,247
Operating Transfers Out	(1,082,000)			(1,082,000)
Sale of Capital Assets	4,318			4,318
Total Other Financing Sources (Uses)	487,565	0	0	487,565
Net Change in Fund Balances	(785,180)	5,550	0	(779,630)
Fund Balances, September 1, 2012	277,340	453,184		730,524
Restatements	36,303			36,303
Fund Balances, August 31, 2013	\$ (471,537)	\$ 458,734	\$ 0	\$ (12,803)

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

Texas Mobility Fund Accounts

Combining Financial Statements

TxDOT reports the following accounts/sub-funds, which are consolidated into the Texas mobility fund for the financial statements.

- **Debt Service Fund Accounts** – These funds report the activity related the payment of debt service on outstanding mobility fund bonds.
Appropriated Fund: 0365
USAS D23 Funds: 0365, 0367, 0373
- **Capital Projects Fund Accounts** – These funds report the activity related to the expenditure of the mobility fund bond proceeds on eligible transportation projects.
Appropriated Fund: 0365
USAS D23 Fund: 0375, 0377

Texas Department of Transportation
Combining Balance Sheet – Texas Mobility Fund
August 31, 2013 (Amounts in Thousands)

<u>Texas Mobility Fund - Major Debt Service & Capital Projects Fund</u>			
	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>TOTAL</u>
ASSETS:			
Cash and Cash Equivalents:			
Cash in State Treasury	\$ 552,997	\$ 645,321	\$ 1,198,318
Receivables:			
Federal	8,866		8,866
Due from Other Funds	890	19	909
Total Assets	<u>562,753</u>	<u>645,340</u>	<u>1,208,093</u>
LIABILITIES AND FUND BALANCES:			
Liabilities:			
Payables:			
Accounts Payable		10,346	10,346
Due to Other Funds	400	890	1,290
Total Liabilities	<u>400</u>	<u>11,236</u>	<u>11,636</u>
Fund Balances (Deficits):			
Restricted	562,353	634,104	1,196,457
Total Fund Balances	<u>562,353</u>	<u>634,104</u>	<u>1,196,457</u>
Total Liabilities and Fund Balances	\$ <u>562,753</u>	\$ <u>645,340</u>	\$ <u>1,208,093</u>

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

Texas Department of Transportation
Combining Statement of Revenues, Expenditures and
Changes in Fund Balances – Texas Mobility Fund
For the Fiscal Year Ended August 31, 2013 (Amounts in Thousands)

	<u>Texas Mobility Fund - Major Debt Service & Capital Projects Fund</u>		
	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>TOTAL</u>
REVENUES:			
Taxes	\$	\$	\$
Federal Revenues	21,445		21,445
Licenses, Fees and Permits	383,422		383,422
Interest & Investment Income	25,792	2,192	27,984
Total Revenues	<u>430,659</u>	<u>2,192</u>	<u>432,851</u>
EXPENDITURES:			
Transportation		93,606	93,606
Capital Outlay		55,356	55,356
Principal on State Bonds	53,190		53,190
Interest on State Bonds	287,771		287,771
Other Financing Fees		469	469
Total Expenditures	<u>340,961</u>	<u>149,431</u>	<u>490,392</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>89,698</u>	<u>(147,239)</u>	<u>(57,541)</u>
OTHER FINANCING SOURCES (USES):			
Operating Transfers In			
Operating Transfers Out			
Insurance Recoveries			
Sale of Capital Assets			
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balances	<u>89,698</u>	<u>(147,239)</u>	<u>(57,541)</u>
Fund Balances, September 1, 2012	1,108,827		1,108,827
Restatements	(636,172)	781,343	145,171
Fund Balances, August 31, 2013	<u>\$ 562,353</u>	<u>\$ 634,104</u>	<u>\$ 1,196,457</u>

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

Texas Department of Transportation
Combining Balance Sheet – Nonmajor Governmental Funds
August 31, 2013 (Amounts in Thousands)

	General Fund	Special Revenue Fund*	Debt Service Fund**	Capital Projects Funds	Total Nonmajor Funds
ASSETS					
Cash and Cash Equivalents:					
Cash in Bank	\$	\$ 359	\$	\$	\$ 359
Cash in State Treasury	416		144,815	767,648	912,879
Legislative Appropriations	19,269				19,269
Federal Receivables	4,771		10,282		15,053
Due from Other Funds		216			216
Due from Other Agencies	219				219
Loans and Contracts	200				200
Total Assets	<u>24,875</u>	<u>575</u>	<u>155,097</u>	<u>767,648</u>	<u>948,195</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Payables:					
Accounts Payable	1,787	178		117,125	119,090
Payroll Payable	117				117
Due to Other Funds	416				416
Deferred Revenues				486,446	486,446
Total Liabilities	<u>2,320</u>	<u>178</u>	<u>0</u>	<u>603,571</u>	<u>606,069</u>
Fund Balances:					
Nonspendable	154				154
Restricted			155,097	164,077	319,174
Assigned	1,685	397			2,082
Unassigned	20,716				20,716
Total Fund Balances	<u>22,555</u>	<u>397</u>	<u>155,097</u>	<u>164,077</u>	<u>342,126</u>
Total Liabilities and Fund Balances	<u>\$ 24,875</u>	<u>\$ 575</u>	<u>\$ 155,097</u>	<u>\$ 767,648</u>	<u>\$ 948,195</u>

* Texas Transportation Corporations (Appropriated Fund 9999) - no combining statements presented.

** Proposition 14/State Highway Fund Debt Service (Appropriated Fund 0008) - no combining statements presented.

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

Texas Department of Transportation
Combining Statement of Revenues, Expenditures and
Changes in Fund Balances – Nonmajor Governmental Funds
For the Fiscal Year Ended August 31, 2013 (Amounts in Thousands)

	General Fund	Special Revenue Fund*	Debt Service Fund**	Capital Projects Funds	Total Nonmajor Funds
REVENUES:					
Legislative Appropriations:					
Original Appropriations	\$ 12,163	\$	\$	\$	\$ 12,163
Additional Appropriations	262				262
Federal Revenues	12,088		24,874		36,962
Interest and Investment Income			531	2,205	2,736
Sales of Goods and Services	430			162,567	162,997
Other Revenues		1,411			1,411
Total Revenues	<u>24,943</u>	<u>1,411</u>	<u>25,405</u>	<u>164,772</u>	<u>216,531</u>
EXPENDITURES:					
Transportation	12,840	1,185		1,890	15,915
Capital Outlay	4,501			1,036,919	1,041,420
Principal on State Bonds	21,020		120,155		141,175
Interest on State Bonds	54,492		194,786		249,278
Other Financing Fees	(455)			3,766	3,311
Total Expenditures	<u>92,398</u>	<u>1,185</u>	<u>314,941</u>	<u>1,042,575</u>	<u>1,451,099</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(67,455)</u>	<u>226</u>	<u>(289,536)</u>	<u>(877,803)</u>	<u>(1,234,568)</u>
OTHER FINANCING SOURCES (USES):					
Operating Transfers In	12,129		287,905		300,034
Operating Transfers Out	(330)			(162,567)	(162,897)
Bond & Note Issued				1,103,524	1,103,524
Sale of Capital Assets	2,202				2,202
Appropriations Lapsed	(71)				(71)
Total Other Financing Sources (Uses)	<u>13,930</u>	<u>0</u>	<u>287,905</u>	<u>940,957</u>	<u>1,242,792</u>
Net Change in Fund Balances	<u>(53,525)</u>	<u>226</u>	<u>(1,631)</u>	<u>63,154</u>	<u>8,224</u>
Fund Balances, September 1, 2012	76,080	170	156,728	100,923	333,901
Restatements		1			1
Fund Balances, August 31, 2013	<u>\$ 22,555</u>	<u>\$ 397</u>	<u>\$ 155,097</u>	<u>\$ 164,077</u>	<u>\$ 342,126</u>

* Texas Transportation Corporations (Appropriated Fund 9999) - no combining statements presented.

** Proposition 14/State Highway Fund Debt Service (Appropriated Fund 0008) - no combining statements presented.

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

Texas Department of Transportation
Combining Balance Sheet – General Fund Accounts
August 31, 2013 (Amounts in Thousands)

	General Fund	Traffic Safety- Crash Records Information	Texas Highway Beautification	Colonias Projects Fund	Suspense Fund	TOTAL
ASSETS:						
Cash and Cash Equivalents:						
Cash in State Treasury	\$	\$	\$	\$	\$ 416	\$ 416
Legislative Appropriations	19,269					19,269
Federal Receivables	4,771					4,771
Due from Other Agencies		114		105		219
Loans and Contracts	200					200
Total Assets	<u>24,240</u>	<u>114</u>	<u>0</u>	<u>105</u>	<u>416</u>	<u>24,875</u>
LIABILITIES AND FUND BALANCES:						
Liabilities:						
Payables:						
Accounts Payable	1,568	114		105		1,787
Payroll Payable	117					117
Due to Other Funds					416	416
Total Liabilities	<u>1,685</u>	<u>114</u>	<u>0</u>	<u>105</u>	<u>416</u>	<u>2,320</u>
FUND BALANCES:						
Nonspendable	154					154
Assigned	1,685					1,685
Unassigned	20,716					20,716
Total Fund Balances	<u>22,555</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>22,555</u>
Total Liabilities and Fund Balance	<u>\$ 24,240</u>	<u>\$ 114</u>	<u>\$ 0</u>	<u>\$ 105</u>	<u>\$ 416</u>	<u>\$ 24,875</u>

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

Texas Department of Transportation
Combining Statement of Revenues, Expenditures and
Changes in Fund Balances – General Fund Accounts
For the Fiscal Year Ended August 31, 2013 (Amounts in Thousands)

	General Fund	Traffic Safety- Crash Records Information Systems	Texas Highway Beautification	Colonias Projects Fund	Suspense Fund	TOTAL
REVENUES:						
Legislative Appropriations:						
Original Appropriations	\$ 12,163	\$	\$	\$	\$	\$ 12,163
Additional Appropriations	262					262
Federal Revenue	12,088					12,088
Sale of Goods & Services	430					430
Total Revenues	<u>24,943</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>24,943</u>
EXPENDITURES:						
Transportation	3,280	743		8,817		12,840
Capital Outlay	4,501					4,501
Principal on State Bonds	21,020					21,020
Interest on State Bonds	54,492					54,492
Other Financing Fees	(455)					(455)
Total Expenditures	<u>82,838</u>	<u>743</u>	<u>0</u>	<u>8,817</u>	<u>0</u>	<u>92,398</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(57,895)</u>	<u>(743)</u>	<u>0</u>	<u>(8,817)</u>	<u>0</u>	<u>(67,455)</u>
OTHER FINANCING SOURCES (USES):						
Operating Transfers In	2,569	743		8,817		12,129
Operating Transfers Out			(330)			(330)
Sale of Capital Assets	2,202					2,202
Appropriations Lapsed	(71)					(71)
Total Other Financing Sources (Uses)	<u>4,700</u>	<u>743</u>	<u>(330)</u>	<u>8,817</u>	<u>0</u>	<u>13,930</u>
Net Change in Fund Balances	<u>(53,195)</u>	<u>0</u>	<u>(330)</u>	<u>0</u>	<u>0</u>	<u>(53,525)</u>
Fund Balances, September 1, 2012	75,750		330			76,080
Restatements						
Fund Balances, August 31, 2013	<u>\$ 22,555</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 22,555</u>

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

Texas Department of Transportation
Combining Balance Sheet – Nonmajor Capital Projects Funds
August 31, 2013 (Amounts in Thousands)

	Proposition 12 Highway Improvement Project Fund	Local Government, Political Subdivision Road/Airport Account	TOTAL
ASSETS			
Cash and Cash Equivalents:			
Cash in State Treasury	\$ 281,202	\$ 486,446	\$ 767,648
Total Assets	<u>281,202</u>	<u>486,446</u>	<u>767,648</u>
LIABILITIES AND FUND BALANCES:			
Liabilities:			
Payables:			
Accounts Payable	117,125		117,125
Deferred Revenues		486,446	486,446
Total Liabilities	<u>117,125</u>	<u>486,446</u>	<u>603,571</u>
FUND BALANCES:			
Restricted	<u>164,077</u>		<u>164,077</u>
Total Fund Balances	<u>164,077</u>	<u>0</u>	<u>164,077</u>
Total Liabilities and Fund Balances	\$ <u>281,202</u>	\$ <u>486,446</u>	\$ <u>767,648</u>

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

Texas Department of Transportation
Combining Statement of Revenues, Expenditures and
Changes in Fund Balances – Nonmajor Capital Projects Funds
For the Fiscal Year Ended August 31, 2013 (Amounts in Thousands)

	Proposition 12 Highway Improvement Project Fund	Local Government, Political Subdivision Road/Airport Account	TOTAL
REVENUES:			
Interest & Investment Income	\$ 2,205	\$	\$ 2,205
Sales of Goods & Services		162,567	162,567
Total Revenues	2,205	162,567	164,772
EXPENDITURES:			
Transportation	1,890		1,890
Capital Outlay	1,036,919		1,036,919
Other Financing Fees	3,766		3,766
Total Expenditures	1,042,575	0	1,042,575
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,040,370)	162,567	(877,803)
OTHER FINANCING SOURCES (USES):			
Operating Transfer In (Out)		(162,567)	(162,567)
Bond & Note Issued	1,103,524		1,103,524
Total Other Financing Sources (Uses)	1,103,524	(162,567)	940,957
Net Change in Fund Balances	63,154	0	63,154
Fund Balances, September 1, 2012	100,923		100,923
Fund Balances, August 31, 2013	\$ 164,077	\$ 0	\$ 164,077

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

Texas Department of Transportation
Combining Statement of Changes in Assets and Liabilities –
Agency Funds

For the Fiscal Year Ended August 31, 2013 (Amounts in Thousands)

	Balances September 1, 2012	Additions	Deductions	Balances August 31, 2013
	\$	\$	\$	\$
UNAPPROPRIATED RECEIPTS				
<u>General Revenue Fund (0001), U/F (1001) *</u>				
Assets:				
Cash on Hand	0	1,890	1,890	0
Total Assets	0	1,890	1,890	0
Liabilities:				
Funds Held for Others	0	1,890	1,890	0
Total Liabilities	0	1,890	1,890	0
OTHER AGENCY FUNDS				
<u>Child Support-Employee Deduction</u>				
<u>Account (0807), U/F (8070) *</u>				
Assets:				
Cash in State Treasury	255	3,748	3,712	291
Total Assets	255	3,748	3,712	291
Liabilities:				
Funds Held for Others	255	3,748	3,712	291
Total Liabilities	255	3,748	3,712	291
<u>Direct Deposit Correction</u>				
<u>Account (0980), U/F (0980 and 9014) *</u>				
Assets:				
Cash in State Treasury	345	54,507	54,587	265
Total Assets	345	54,507	54,587	265
Liabilities:				
Funds Held for Others	345	54,507	54,587	265
Total Liabilities	345	54,507	54,587	265

Concluded on the following page.

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

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

Texas Department of Transportation
Combining Statement of Changes in Assets and Liabilities –
Agency Funds (concluded)

For the Fiscal Year Ended August 31, 2013 (Amounts in Thousands)

	Balances September 1, 2012	Additions	Deductions	Balances August 31, 2013
	\$	\$	\$	\$
OTHER AGENCY FUNDS				
Toll Revenue Custodial Account				
<u>Account (9999), U/F (0997)*</u>				
Assets:				
Cash on Hand	33	18	33	18
Cash in Bank	19,704	669,669	669,309	20,064
Total Assets	19,737	669,687	669,342	20,082
Liabilities:				
Funds Held for Others	19,737	669,687	669,342	20,082
Total Liabilities	19,737	669,687	669,342	20,082
TOTALS - ALL AGENCY FUNDS				
Assets:				
Cash on Hand	33	1,908	1,923	18
Cash in Bank	19,704	669,669	669,309	20,064
Cash in State Treasury	600	58,255	58,299	556
Total Assets	20,337	729,832	729,531	20,638
Liabilities:				
Funds Held for Others	20,337	729,832	729,531	20,638
Total Liabilities	\$ 20,337	\$ 729,832	\$ 729,531	\$ 20,638

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Other Information

Schedules*

1A – Schedule of Expenditures of Federal Awards (unaudited)

1B – Schedule of State Grant Pass-Throughs (unaudited)

2A – Miscellaneous Bond Information

2B – Changes in Bonded Indebtedness

2C – Debt Service Requirements

2D– Analysis of Funds Available for Debt Service

2F – Early Extinguishment and Refunding

* All schedules are presented unrounded (in dollars and cents).

Texas Department of Transportation
Schedule 1A – Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended August 31, 2013

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through From			Direct Program Amount
		Agency Number	State Entities	Other Entities	
		\$	\$	\$	
<u>Federal Aviation Administration (FAA):</u>					
Direct Program:					
Airport Improvement Program	20.106				63,328,638.83
Pass-Through Funds to Other Entities:					
Airport Improvement Program	20.106				150,534.98
Total FAA:			0.00	0.00	63,479,173.81
<u>Federal Motor Carrier Safety Administration:</u>					
Direct Program:					
Commercial Vehicle Information Systems and Networks	20.237				161,344.57
Total Federal Motor Carrier Safety Administration:			0.00	0.00	161,344.57
<u>Federal Railroad Administration:</u>					
Direct Program:					
High-Speed Rail Corridors and Intercity Passenger Rail					
Service-Capital Assistance Grants - ARRA	20.319				1,118,516.08
Rail Line Relocation and Improvement	20.320				4,175,072.52
Total Federal Railroad Administration:			0.00	0.00	5,293,588.60
<u>Federal Transit Administration (FTA):</u>					
Direct Program:					
Formula Grants For Other Than Urbanized Areas	20.509				1,455,171.92
Public Transportation Research	20.514				12,451.42
State Planning and Research	20.515				739,934.87
Pass-Through Funds:					
Formula Grants For Other Than Urbanized Areas	20.509				80,338.34
Pass-Through Funds to Other Entities:					
Federal Transit Metropolitan Planning Grants	20.505				7,686,926.96
Formula Grants For Other Than Urbanized Areas - ARRA	20.509				84,843.68
Formula Grants For Other Than Urbanized Areas	20.509				34,924,126.00
State Planning and Research	20.515				1,021,814.83
Total FTA:			0.00	0.00	46,005,608.02
<u>National Highway Traffic Safety Admin. (NHTSA):</u>					
Pass-Through Funds to Other Entities:					
NHTSA Discretionary Safety Grants	20.614				208,278.33
Total NHTSA:			0.00	0.00	208,278.33
<u>General Services Administration (GSA):</u>					
Pass-Through Funds:					
Donation of Federal Surplus Personal Property (NON-MONETARY)					
Pass-Through from Texas Facilities Commission	39.003	303	17,313.96		
Total GSA:			17,313.96	0.00	0.00
<u>Environmental Protection Agency (EPA):</u>					
Pass-Through Funds:					
Performance Partnership Grants					
Pass-Through from Texas Comm. On Environmental Qualit	66.605	582	100,000.00		
Total EPA:			100,000.00	0.00	0.00

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Annual Financial Report (UNAUDITED)

Total Pass-Through From and Direct Program	Pass-Through To			Expenditures	Total Pass-Through To and Expenditures Amount
	Agency Number	State	Other		
		Entities	Entities		
		\$	\$	\$	\$
63,328,638.83				63,328,638.83	63,328,638.83
150,534.98			150,534.98		150,534.98
63,479,173.81		0.00	150,534.98	63,328,638.83	63,479,173.81
161,344.57				161,344.57	161,344.57
161,344.57		0.00	0.00	161,344.57	161,344.57
1,118,516.08				1,118,516.08	1,118,516.08
4,175,072.52				4,175,072.52	4,175,072.52
5,293,588.60		0.00	0.00	5,293,588.60	5,293,588.60
1,455,171.92				1,455,171.92	1,455,171.92
12,451.42				12,451.42	12,451.42
739,934.87				739,934.87	739,934.87
80,338.34	711	80,338.34			80,338.34
7,686,926.96			7,686,926.96		7,686,926.96
84,843.68			84,843.68		84,843.68
34,924,126.00			34,924,126.00		34,924,126.00
1,021,814.83			1,021,814.83		1,021,814.83
46,005,608.02		80,338.34	43,717,711.47	2,207,558.21	46,005,608.02
208,278.33			208,278.33		208,278.33
208,278.33		0.00	208,278.33	0.00	208,278.33
17,313.96				17,313.96	17,313.96
17,313.96		0.00	0.00	17,313.96	17,313.96
100,000.00				100,000.00	100,000.00
100,000.00		0.00	0.00	100,000.00	100,000.00

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Texas Department of Transportation
Schedule 1A – Schedule of Expenditures of Federal Awards (Continued)
For the Fiscal Year Ended August 31, 2013

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through From			Direct Program Amount
		Agency Number	State Entities	Other Entities	
		\$	\$	\$	
<i>Other Clusters</i>					
<i>Public Assistance Cluster:</i>					
<u>Department of Homeland Security (DHS):</u>					
Pass-Through Funds:					
Disaster Grants - Public Assistance					
Pass-Through from Texas Department of Public Safety	97.036	405	924,232.59		
Fire Management Assistance Grants					
Pass-Through from Texas Department of Public Safety	97.046	405	387,767.74		
Total DHS:			<u>1,312,000.33</u>	<u>0.00</u>	<u>0.00</u>
<i>Federal Transit Cluster:</i>					
<u>Federal Transit Administration (FTA):</u>					
Pass-Through Funds to Other Entities:					
Federal Transit - Capital Investment Grants	20.500				3,875,301.03
Total FTA:			<u>0.00</u>	<u>0.00</u>	<u>3,875,301.03</u>
<i>Transit Services Programs Cluster:</i>					
<u>Federal Transit Administration (FTA):</u>					
Direct Program:					
Capital Assistance Program for Elderly Persons and Persons with Disabilities	20.513				459,544.90
Job Access - Reverse Commute	20.516				184,302.26
New Freedom Program	20.521				70,285.08
Pass-Throughs to Other Entities:					
Capital Assistance Program for Elderly Persons and Persons with Disabilities	20.513				7,199,536.71
Job Access - Reverse Commute	20.516				9,030,810.52
New Freedom Program	20.521				3,443,968.85
Total FTA:			<u>0.00</u>	<u>0.00</u>	<u>20,388,448.32</u>
<i>Highway Planning and Construction Cluster:</i>					
<u>Federal Highway Administration (FHWA):</u>					
Direct Program:					
Highway Planning and Construction - ARRA	20.205				119,625,910.30
Highway Planning and Construction	20.205				2,216,184,020.04
Pass-Through Funds:					
Highway Planning and Construction					
Texas A & M University	20.205				13,055,515.21
University of Texas at Arlington	20.205				298,825.93
Prairie View A & M University	20.205				80,149.82
Texas Southern University	20.205				34,746.95
University of Texas - Austin	20.205				81,727.31
University of Texas - El Paso	20.205				14,303.92
Texas Historical Commission	20.205				1,720,433.30
Pass-Through to Other Entities - ARRA	20.205				40,979,472.26
Pass-Through to Other Entities	20.205				246,394,767.03
Total FHWA:			<u>0.00</u>	<u>0.00</u>	<u>2,638,469,872.07</u>

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Total Pass-Through From and Direct Program	Pass-Through To			Expenditures	Total Pass-Through To and Expenditures Amount
	Agency Number	State Entities	Other Entities		
\$	\$	\$	\$	\$	\$
924,232.59				924,232.59	924,232.59
387,767.74				387,767.74	387,767.74
1,312,000.33		0.00	0.00	1,312,000.33	1,312,000.33
3,875,301.03			3,875,301.03		3,875,301.03
3,875,301.03		0.00	3,875,301.03	0.00	3,875,301.03
459,544.90				459,544.90	459,544.90
184,302.26				184,302.26	184,302.26
70,285.08				70,285.08	70,285.08
7,199,536.71			7,199,536.71		7,199,536.71
9,030,810.52			9,030,810.52		9,030,810.52
3,443,968.85			3,443,968.85		3,443,968.85
20,388,448.32		0.00	19,674,316.08	714,132.24	20,388,448.32
119,625,910.30				119,625,910.30	119,625,910.30
2,216,184,020.04				2,216,184,020.04	2,216,184,020.04
13,055,515.21	711	13,055,515.21			13,055,515.21
298,825.93	714	298,825.93			298,825.93
80,149.82	715	80,149.82			80,149.82
34,746.95	717	34,746.95			34,746.95
81,727.31	721	81,727.31			81,727.31
14,303.92	724	14,303.92			14,303.92
1,720,433.30	808	1,720,433.30			1,720,433.30
40,979,472.26			40,979,472.26		40,979,472.26
246,394,767.03			246,394,767.03		246,394,767.03
2,638,469,872.07		15,285,702.44	287,374,239.29	2,335,809,930.34	2,638,469,872.07

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Texas Department of Transportation
Schedule 1A – Schedule of Expenditures of Federal Awards (Concluded)
For the Fiscal Year Ended August 31, 2013

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through From			Direct Program Amount
		Agency Number	State Entities	Other Entities	
		\$	\$	\$	
<i>Highway Safety Cluster:</i>					
<i>National Highway Traffic Safety Admin. (NHTSA):</i>					
Pass-Through Funds:					
State and Community Highway Safety Program					
Texas Department of Public Safety	20.600				846,710.80
Texas Department of State Health Services	20.600				930,061.98
Texas Cooperative Extension	20.600				387,735.58
University of Texas at Arlington	20.600				523,672.97
Texas A & M Engineering Extension Service	20.600				480,245.19
Texas Transportation Institute	20.600				1,768,922.94
Texas A & M University - Corpus Christi	20.600				52,307.52
Alcohol Impaired Driving Countermeasures					
Incentive Grants					
Texas Department of Public Safety	20.601				1,016,566.03
Texas Alcoholic Beverage Commission	20.601				267,268.18
Texas Cooperative Extension	20.601				287,303.88
Texas Transportation Institute	20.601				439,174.34
University of Texas - Permian Basin	20.601				4,000.00
Sam Houston State University	20.601				638,769.91
Texas State University	20.601				120,050.77
University of Houston - Downtown	20.601				198,530.00
Safety Belt Performance Grants					
Texas Transportation Institute	20.609				21,556.35
State Traffic Safety Information System Improvement Grants					
Texas Department of State Health Services	20.610				808,214.89
Pass-Through to Other Entities					
State and Community Highway Safety Program	20.600				14,910,330.57
Alcohol Impaired Driving Countermeasures					
Incentive Grants					
Occupant Protection Incentive Grants	20.601				11,918,358.83
Incentive Grant Program to Increase Motorcyclist Safety	20.602				459,179.57
Child Safety and Child Booster Seats Incentive Grants	20.612				409,787.87
	20.613				853,401.66
Total NHTSA:		0.00	0.00		37,342,149.83
Total Other Clusters		1,312,000.33	0.00		2,700,075,771.25
TOTAL FEDERAL ASSISTANCE		\$ 1,429,314.29	\$ 0.00	\$	2,815,223,764.58

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Total Pass-Through From and Direct Program	Pass-Through To			Expenditures	Total Pass-Through To and Expenditures Amount
	Agency Number	State	Other		
		Entities	Entities		
		\$	\$	\$	\$
846,710.80	405	846,710.80			846,710.80
930,061.98	537	930,061.98			930,061.98
387,735.58	555	387,735.58			387,735.58
523,672.97	714	523,672.97			523,672.97
480,245.19	716	480,245.19			480,245.19
1,768,922.94	727	1,768,922.94			1,768,922.94
52,307.52	760	52,307.52			52,307.52
1,016,566.03	405	1,016,566.03			1,016,566.03
267,268.18	458	267,268.18			267,268.18
287,303.88	555	287,303.88			287,303.88
439,174.34	727	439,174.34			439,174.34
4,000.00	742	4,000.00			4,000.00
638,769.91	753	638,769.91			638,769.91
120,050.77	754	120,050.77			120,050.77
198,530.00	784	198,530.00			198,530.00
21,556.35	727	21,556.35			21,556.35
808,214.89	537	808,214.89			808,214.89
14,910,330.57			14,910,330.57		14,910,330.57
11,918,358.83			11,918,358.83		11,918,358.83
459,179.57			459,179.57		459,179.57
409,787.87			409,787.87		409,787.87
853,401.66			853,401.66		853,401.66
37,342,149.83		8,791,091.33	28,551,058.50	0.00	37,342,149.83
2,701,387,771.58		24,076,793.77	339,474,914.90	2,337,836,062.91	2,701,387,771.58
2,816,653,078.87		\$ 24,157,132.11	\$ 383,551,439.68	\$ 2,408,944,507.08	\$ 2,816,653,078.87

Notes to the Schedule of Expenditures of Federal Awards

For the Fiscal Year Ended August 31, 2013

Note 1 - Nonmonetary Assistance

The "Donation of Federal Surplus Personal Property" is presented at 23.3% of the federal acquisition cost of \$ 74,308.86. The surplus property is passed through from the Texas Facilities Commission. The federal grantor agency is the General Services Administration (GSA) and the federal CFDA number is 39.003. The estimated fair value for fiscal year 2013 is \$ 17,313.96. The difference of the values of the surplus property recorded on the federal schedule and the financial statements is a reconciling item under Note 2.

Note 2 - Reconciliation

Per Combined Statement of Revenues, Expenditures, and Changes in Fund
Balances Governmental Funds:

Federal Revenues before Other Adjustments	\$ 2,873,631,144.61
Federal Pass Through Revenues	<u>1,412,000.33</u>
Subtotal	<u>\$ 2,875,043,144.94</u>

Reconciling Items:

Federal Surplus Personal Property Donation (Non-Monetary)	\$ 17,313.96
Build America Bonds Federal Subsidy	<u>(58,407,380.03)</u>

Total Pass-Through and Expenditures per Federal Schedule	<u><u>\$ 2,816,653,078.87</u></u>
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Note 3 - Federal Deferred Revenue

Federal Deferred Revenue 9/1/12	\$ 30,156,028.39
Increase (Decrease)	<u>(3,451,763.95)</u>
Federal Deferred Revenue 8/31/13	<u><u>\$ 26,704,264.44</u></u>

The federal deferred revenue ending balance of \$ 26,704,264.44 pertains to federal expenditures which were incurred and are reimbursable from the Federal Highway Administration but the federal revenue is not collectable within 60 days after the end of the fiscal year. Federal CFDA number 20.205 applies to this \$ 26,704,264.44

Texas Department of Transportation
Schedule 1B – Schedule of State Pass-Through Grants From/To State Agencies
For the Fiscal Year Ended August 31, 2013

Pass-Through To:

Research and Development Grants

University of Texas at Arlington (Agency #714)

\$ 2,508,116.90

Total Pass-Through To Other Agencies

\$ 2,508,116.90

Texas Department of Transportation
Schedule 2A – Miscellaneous Bond Information
For the Fiscal Year Ended August 31, 2013

Governmental Activities

Description of Issue	Bonds Issued to Date	Range of Interest Rates		Terms of Variable Interest Rates *	Scheduled Maturities		First Call Date	Final Maturity Date
					First Year	Last Year		
General Obligation Bonds:								
Texas Mobility Fund (Self-Supporting)								
Series 2005-A Fixed Rate Bonds	\$900,000,000.00	3.9000%	5.0000%	Weekly	2006	2035	4/1/2015	4/1/2035
Series 2005-B Variable Rate Bonds	100,000,000.00	VAR	VAR		2006	2030	**	4/1/2030
Series 2006 Fixed Rate Bonds	750,000,000.00	3.6250%	5.0000%		2007	2036	4/1/2016	4/1/2036
Series 2006-A Fixed Rate Bonds	1,040,275,000.00	4.0000%	5.0000%	Weekly	2007	2035	4/1/2017	4/1/2035
Series 2006-B Variable Rate Bonds	150,000,000.00	VAR	VAR		2036	2036	**	4/1/2036
Series 2007 Fixed Rate Bonds	1,006,330,000.00	4.0000%	5.0000%		2008	2037	4/1/2017	4/1/2037
Series 2008 Fixed Rate Bonds	1,100,000,000.00	4.0000%	5.0000%		2009	2037	4/1/2018	4/1/2037
Series 2009-A Taxable Fixed Rate Bonds	1,208,495,000.00	5.3670%	5.5170%		2029	2039	**	4/1/2039
Total General Obligation Bonds (Self-Supporting)	6,255,100,000.00							
Texas Highway Improvement (Non-Self-Supporting)								
Series 2010-A Taxable Fixed Rate Bonds	815,420,000.00	3.2030%	4.6810%		2019	2040	**	4/1/2040
Series 2010-B Fixed Rate Bonds	162,390,000.00	2.0000%	5.0000%		2012	2018	n/a	4/1/2018
Series 2012-A Fixed Rate Bonds	818,635,000.00	5.0000%	5.0000%		2019	2042	4/1/2022	4/1/2042
Series 2012-B Fixed Rate Bonds	99,570,000.00	.3000%	1.5000%		2014	2019	n/a	4/1/2019
Total General Obligation (Non-Self-Supporting)	1,896,015,000.00							
Revenue Bonds:								
State Highway Fund (Self-Supporting)								
Series 2006 Fixed Rate Bonds	600,000,000.00	4.0000%	5.0000%	Weekly	2007	2026	4/1/2016	4/1/2026
Series 2006-A Fixed Rate Bonds	852,550,000.00	4.0000%	5.2500%		2008	2025	4/1/2016	4/1/2025
Series 2006-B Variable Rate Bonds	100,000,000.00	VAR	VAR		2026	2026	**	4/1/2026
Series 2007 Fixed Rate Bonds	1,241,845,000.00	4.0000%	5.0000%		2009	2027	4/1/2017	4/1/2027
Series 2008 Fixed Rate Bonds	162,995,000.00	3.5000%	5.2500%		2010	2028	4/1/2018	4/1/2028
Series 2010 Taxable Fixed Rate Bonds	1,500,000,000.00	5.0280%	5.1780%		2026	2030	**	4/1/2030
Total Revenue Bonds (Self-Supporting)	4,457,390,000.00							
Total Governmental Activities	\$12,608,505,000.00							

* The variable rate bonds were variable based on weekly interest rate resets throughout fiscal 2013. These bonds may be converted to a daily mode, term rate mode, fixed rate mode, auction rate mode or a commercial paper mode at the option of the Commission or under certain conditions detailed in the applicable official statement.

** Bonds are subject to redemption prior to their respective maturities at the option of the Commission.

*** The Texas Private Activity Bond Surface Transportation Corporation Bonds are not obligations of the state and are not included in this schedule.

Concluded on the following page.

Texas Department of Transportation
Schedule 2A – Miscellaneous Bond Information (concluded)
For the Fiscal Year Ended August 31, 2013

Business-Type Activities

Description of Issue	Bonds Issued to Date	Range of Interest Rates		Terms of Variable Interest Rates	Scheduled Maturities		First Call Date	Final Maturity Date
					First Year	Last Year		
Revenue Bonds (Self-Supporting):								
First Tier Revenue Bonds Series 2002-A								
Non-Callable Capital Appreciation Bonds ***	\$521,342,734.94	4.4700%	5.7500%		2012	2030	n/a	8/15/2030
Callable Capital Appreciation Bonds ***	298,840,336.04	6.0000%	6.1000%		2025	2038	8/15/2012	8/15/2038
First Tier Revenue Refunding Bonds Series 2012-A	585,330,000.00	4.0000%	5.0000%		2038	2041	08/15/2022	08/15/2041
First Tier Revenue Refunding Put Bonds, Series 2012-B	225,000,000.00	1.2500%	1.2500%		2041	2042	02/15/2015	08/15/2042
Blended Component Unit-Grand Parkway Transportation Corporation****								
First Tier Toll Revenue Bonds, Series 2013-A	200,000,000.00	5.1250%	5.5000%		2031	2053	10/01/2023	04/01/2053
First Tier Toll Revenue Bonds, Series 2013-B								
Convertible Capital Appreciation Bonds***	277,432,160.43	4.9500%	5.8500%		2029	2048	10/01/2028	10/01/2048
Current Interest Bonds	1,137,935,000.00	5.0000%	5.2500%		2048	2053	10/01/2023	04/01/2053
Subordinate Tier Revenue Tender Bonds, Series 2013-C	836,440,000.00	2.0000%	2.0000%		2014	2017	n/a	10/01/2017
Subordinate Tier Revenue Tender Bonds, Series 2013-D	106,890,000.00	1.0000%	1.0000%		2014	2017	n/a	10/01/2017
Subordinate Tier Toll Revenue Bonds, Series 2013-E	361,810,000.00	5.1840%	5.1840%		2036	2042	**	10/01/2042
Total Business-Type Activities	\$4,551,020,231.41							

** Bonds are subject to redemption prior to their respective maturities at the option of the Corporation.

*** Bonds issued to date include interest accreted to principal through Aug. 31, 2013.

****Grand Parkway Transportation Corporation bonds are not obligations of the state.

Texas Department of Transportation
Schedule 2B – Changes in Bonded Indebtedness
For the Fiscal Year Ended August 31, 2013

Governmental Activities

Description	Bonds Outstanding 9/01/2012	Bonds Issued	Bonds Matured or Retired	Bonds Refunded or Extinguished	Bonds Outstanding 8/31/2013
General Obligation Bonds:					
Texas Mobility Fund					
Series 2005-A	\$783,495,000.00		\$18,735,000.00		\$764,760,000.00
Series 2005-B	79,130,000.00		3,290,000.00		75,840,000.00
Series 2006	664,130,000.00		15,485,000.00		648,645,000.00
Series 2006-A	1,032,890,000.00		4,185,000.00		1,028,705,000.00
Series 2006-B	150,000,000.00				150,000,000.00
Series 2007	1,004,185,000.00		250,000.00		1,003,935,000.00
Series 2008	1,088,585,000.00		11,245,000.00		1,077,340,000.00
Series 2009-A	1,208,495,000.00				1,208,495,000.00
Texas Highway Improvement					
Series 2010-A	815,420,000.00				815,420,000.00
Series 2010-B	142,230,000.00		21,020,000.00		121,210,000.00
Series 2012-A		818,635,000.00			818,635,000.00
Series 2012-B		99,570,000.00			99,570,000.00
Total	6,968,560,000.00	918,205,000.00	74,210,000.00	0	7,812,555,000.00
Revenue Bonds:					
State Highway Fund					
Series 2006	473,930,000.00		24,240,000.00		449,690,000.00
Series 2006-A	678,630,000.00		40,075,000.00		638,555,000.00
Series 2006-B	100,000,000.00				100,000,000.00
Series 2007	1,065,415,000.00		49,585,000.00		1,015,830,000.00
Series 2008	145,960,000.00		6,255,000.00		139,705,000.00
Series 2010	1,500,000,000.00				1,500,000,000.00
Total	3,963,935,000.00		120,155,000.00	0	3,843,780,000.00
TOTAL	\$10,932,495,000.00	\$918,205,000.00	\$194,365,000.00	\$0	\$11,656,335,000.00

Continued on the following page.

Texas Department of Transportation
Schedule 2B – Changes in Bonded Indebtedness (continued)
For the Fiscal Year Ended August 31, 2013

Governmental Activities

	Unamortized Premium	Unamortized Discount	Unamortized Gain/(Loss) on Refunding	Net Bonds Outstanding 8/31/2013	Amounts Due Within One Year
General Obligation Bonds:					
Texas Mobility Fund					
Series 2005-A	\$25,364,192.09	\$157,260.75	\$	\$789,966,931.34	\$21,613,029.75
Series 2005-B				75,840,000.00	3,400,000.00
Series 2006	13,940,644.09			662,585,644.09	17,282,109.03
Series 2006-A	24,290,060.26			1,052,995,060.26	6,744,974.11
Series 2006-B				150,000,000.00	
Series 2007	15,482,573.37			1,019,417,573.37	3,224,599.53
Series 2008	43,563,834.11			1,120,903,834.11	16,469,821.07
Series 2009-A				1,208,495,000.00	
Texas Highway Improvement					
Series 2010-A				815,420,000.00	
Series 2010-B	9,877,557.70			131,087,557.70	25,234,990.44
Series 2012-A	175,478,449.62			994,113,449.62	9,277,262.73
Series 2012-B	389,926.44			99,959,926.44	18,246,578.94
Total	308,387,237.68	157,260.75	0	8,120,784,976.93	121,493,365.60
Revenue Bonds:					
State Highway Fund					
Series 2006				449,690,000.00	25,435,000.00
Series 2006-A	32,521,734.51			671,076,734.51	44,780,144.55
Series 2006-B				100,000,000.00	
Series 2007	44,275,783.30			1,060,105,783.30	55,122,555.95
Series 2008	7,349,711.25			147,054,711.25	7,019,980.75
Series 2010				1,500,000,000.00	
Total	84,147,229.06	0	0	3,927,927,229.06	132,357,681.25
TOTAL	\$392,534,466.74	\$157,260.75	\$ 0	\$12,048,712,205.99	\$253,851,046.85

Continued on the following page.

Texas Department of Transportation
Schedule 2B – Changes in Bonded Indebtedness (continued)
For the Fiscal Year Ended August 31, 2013

Business-Type Activities

Description	Bonds Outstanding 9/01/2012	Bonds Issued*	Bonds Matured or Retired	Bonds Refunded or Extinguished	Bonds Outstanding 8/31/2013
Revenue Bonds:					
First Tier Bonds Series 2002-A					
Non-Callable CABs	\$489,544,170.34	\$27,293,564.60	\$7,710,000.00		\$509,127,734.94
Callable CABs	281,474,152.07	17,366,183.97			298,840,336.04
CIBs	707,875,000.00			\$707,875,000.00	0.00
First Tier Bonds Series 2012-A		585,330,000.00			585,330,000.00
First Tier Bonds Series 2012-B		225,000,000.00			225,000,000.00
First Tier Refunding Put Bonds Series 2009	149,275,000.00			149,275,000.00	0.00
Blended Component Unit-Grand Parkway Transportation Corp.:					
First Tier Toll Revenue Bonds, Series 2013-A		200,000,000.00			200,000,000.00
Subordinate Tier Toll Revenue Bonds, Series 2013-B					
Callable CAB		277,432,160.43			277,432,160.43
Current Interest Bonds		1,137,935,000.00			1,137,935,000.00
Subordinate Tier Toll Revenue Bonds, Series 2013-C		836,440,000.00			836,440,000.00
Subordinate Tier Toll Revenue Bonds, Series 2013-D		106,890,000.00			106,890,000.00
Subordinate Tier Toll Revenue Bonds, Series 2013-E		361,810,000.00			361,810,000.00
TOTAL	\$1,628,168,322.41	\$3,775,496,909.00	\$7,710,000.00	\$857,150,000.00	\$4,538,805,231.41

*Grand Parkway Transportation debt issuances are not obligations of the State

**Due to annual principal accretion.

Concluded on the following page

Texas Department of Transportation
Schedule 2B – Changes in Bonded Indebtedness (concluded)
For the Fiscal Year Ended August 31, 2013

Business-Type Activities

	Unamortized Premium	Unamortized Discount	Gain/(Loss) on Refunding	Net Bonds Outstanding 8/31/2013	Amounts Due Within One Year
First Tier Bonds Series 2002-A Non-Callable CABs				\$509,127,734.94	\$10,155,000.00
Callable CABs				298,840,336.04	
CIBs				0.00	
First Tier Bonds Series 2012-A	49,479,792.18		(28,668,564.18)	606,141,228.00	913,641.19
First Tier Bonds Series 2012-B			(6,193,908.36)	218,806,091.64	(213,583.05)
First Tier Refunding Put Bonds Series 2009				0.00	
Blended Component Unit-Grand Parkway Transportation Corporation*:					
First Tier Toll Revenue Bonds, Series 2013-A Subordinate Tier Toll Revenue Bonds, Series 2013-B Callable Capital Appreciation Bonds**		3,029,814.62		196,970,185.38	(89,510.39)
Current Interest Bonds	6,556,415.95	16,462,427.50		277,432,160.43	
Subordinate Tier Toll Revenue Bonds, Series 2013-C	4,531,981.35			1,128,028,988.45	(248,788.46)
Subordinate Tier Toll Revenue Bonds, Series 2013-D	84,145.44			840,971,981.35	1,983,886.24
Subordinate Tier Toll Revenue Bonds, Series 2013-E				106,974,145.44	30,226.87
				361,810,000.00	
TOTAL	\$60,652,334.92	\$19,492,242.12	(\$34,862,472.54)	\$4,545,102,851.67	\$12,530,872.40

Texas Department of Transportation
Schedule 2C – Debt Service Requirements

For the Fiscal Year Ended August 31, 2013

Governmental Activities

Description of Issue	Year	Principal	Interest
TMF General Obligation Bonds			
Series 2005-A	2014	\$ 19,670,000.00	\$ 36,596,952.50
	2015	20,655,000.00	35,613,452.50
	2016	21,690,000.00	34,580,702.50
	2017	22,775,000.00	33,496,202.50
	2018	23,660,000.00	32,607,977.50
	2019-2023	134,180,000.00	147,160,767.50
	2024-2028	170,415,000.00	110,933,937.50
	2029-2033	235,710,000.00	63,333,750.00
	2034-2038	116,005,000.00	8,329,362.50
		<u>\$ 764,760,000.00</u>	<u>\$ 502,653,105.00</u>
Series 2005-B	2014	\$ 3,400,000.00	\$ 52,096.33
	2015	3,510,000.00	49,684.25
	2016	3,625,000.00	47,193.71
	2017	3,745,000.00	44,621.21
	2018	3,870,000.00	41,963.25
	2019-2023	21,350,000.00	166,760.42
	2024-2028	25,100,000.00	85,866.67
	2029-2033	11,240,000.00	8,586.66
		<u>\$ 75,840,000.00</u>	<u>\$ 496,772.50</u>
Series 2006	2014	\$ 16,225,000.00	\$ 32,115,562.50
	2015	16,940,000.00	31,405,037.50
	2016	17,770,000.00	30,572,037.50
	2017	18,630,000.00	29,714,162.50
	2018	19,560,000.00	28,782,662.50
	2019-2023	113,490,000.00	128,227,312.50
	2024-2028	144,545,000.00	97,175,325.00
	2029-2033	184,245,000.00	57,469,750.00
	2034-2038	117,240,000.00	10,871,250.00
		<u>\$ 648,645,000.00</u>	<u>\$ 446,333,100.00</u>
Series 2006-A	2014	\$ 5,115,000.00	\$ 49,339,500.00
	2015	6,045,000.00	49,134,900.00
	2016	6,955,000.00	48,893,100.00
	2017	8,895,000.00	48,614,900.00
	2018	12,490,000.00	48,170,150.00
	2019-2023	124,510,000.00	227,491,000.00
	2024-2028	252,315,000.00	184,776,900.00
	2029-2033	418,080,000.00	109,458,000.00
	2034-2038	194,300,000.00	12,622,500.00
		<u>\$ 1,028,705,000.00</u>	<u>\$ 778,500,950.00</u>

Texas Department of Transportation
Schedule 2C – Debt Service Requirements (continued)
For the Fiscal Year Ended August 31, 2013

Governmental Activities

Description of Issue	Year	Principal	Interest
TMF General Obligation Bonds			
Series 2006-B	2014	\$	\$ 90,000.00
	2015		90,000.00
	2016		90,000.00
	2017		90,000.00
	2018		90,000.00
	2019-2023		450,000.00
	2024-2028		450,000.00
	2029-2033		450,000.00
	2034-2038	150,000,000.00	220,566.00
		<u>\$ 150,000,000.00</u>	<u>\$ 2,020,566.00</u>
Series 2007	2014	\$ 2,350,000.00	\$ 48,729,262.50
	2015	5,130,000.00	48,635,262.50
	2016	8,125,000.00	48,430,062.50
	2017	10,890,000.00	48,105,062.50
	2018	12,420,000.00	47,560,562.50
	2019-2023	88,230,000.00	226,804,062.50
	2024-2028	141,375,000.00	200,109,700.00
	2029-2033	208,830,000.00	160,967,937.50
	2034-2038	526,585,000.00	84,183,000.00
		<u>\$ 1,003,935,000.00</u>	<u>\$ 913,524,912.50</u>
Series 2008	2014	\$ 13,625,000.00	\$ 52,229,825.00
	2015	15,645,000.00	51,548,575.00
	2016	17,765,000.00	50,766,325.00
	2017	19,465,000.00	49,878,075.00
	2018	21,935,000.00	48,904,825.00
	2019-2023	140,815,000.00	226,062,625.00
	2024-2028	207,730,000.00	184,517,625.00
	2029-2033	293,630,000.00	125,263,575.00
	2034-2038	346,730,000.00	44,939,275.00
		<u>\$ 1,077,340,000.00</u>	<u>\$ 834,110,725.00</u>

Texas Department of Transportation
Schedule 2C – Debt Service Requirements (continued)
For the Fiscal Year Ended August 31, 2013

Governmental Activities

Description of Issue	Year	Principal	Interest
TMF General Obligation Bonds			
Series 2009-A	2014	\$	\$ 66,582,669.16
	2015		66,582,669.16
	2016		66,582,669.16
	2017		66,582,669.16
	2018		66,582,669.16
	2019-2023	6,800,000.00	332,654,924.74
	2024-2028	39,970,000.00	327,779,005.24
	2029-2033	90,265,000.00	311,854,509.94
	2034-2038	584,530,000.00	279,577,836.92
	2039-2043	486,930,000.00	26,863,928.10
		<u>\$ 1,208,495,000.00</u>	<u>\$ 1,611,643,550.74</u>
Texas Highway Improvement General Obligation Bonds			
Series 2010-A	2014	\$	\$ 35,837,342.50
	2015		35,837,342.50
	2016		35,837,342.50
	2017		35,837,342.50
	2018		35,837,342.50
	2019-2023	144,810,000.00	169,647,372.50
	2024-2028	163,800,000.00	140,435,853.92
	2029-2033	189,380,000.00	101,126,042.42
	2034-2038	219,835,000.00	54,330,728.66
	2039-2043	97,595,000.00	6,886,921.26
		<u>\$ 815,420,000.00</u>	<u>\$ 651,613,631.26</u>
Series 2010-B	2014	\$	\$ 5,681,150.00
	2015		4,600,150.00
	2016		3,502,150.00
	2017		2,359,400.00
	2018		1,249,000.00
	2019-2023		
		<u>\$ 121,210,000.00</u>	<u>\$ 17,391,850.00</u>
Series 2012-A	2014	\$	40,931,750.00
	2015		\$ 40,931,750.00
	2016		40,931,750.00
	2017		40,931,750.00
	2018		40,931,750.00
	2019-2023	94,945,000.00	196,429,750.00
	2024-2028	130,945,000.00	168,466,250.00
	2029-2033	167,115,000.00	132,289,000.00
	2034-2038	213,290,000.00	86,118,250.00
	2039-2043	212,340,000.00	27,189,500.00
		<u>\$ 818,635,000.00</u>	<u>\$ 815,151,500.00</u>

Texas Department of Transportation
Schedule 2C – Debt Service Requirements (continued)
For the Fiscal Year Ended August 31, 2013

Governmental Activities

Description of Issue	Year	Principal	Interest
Series 2012-B	2014	\$ 18,105,000.00	\$ 848,072.50
	2015	18,160,000.00	793,757.50
	2016	18,225,000.00	725,657.50
	2017	18,500,000.00	452,282.50
	2018	18,645,000.00	304,282.50
	2019-2023	7,935,000.00	99,187.50
		<u>\$ 99,570,000.00</u>	<u>\$ 3,223,240.00</u>
Total General Obligation Bonds		<u>\$ 7,812,555,000.00</u>	<u>\$ 6,576,663,903.00</u>
SHF Revenue Bonds			
Series 2006	2014	\$ 25,435,000.00	\$ 22,429,850.00
	2015	26,680,000.00	21,184,850.00
	2016	27,985,000.00	19,876,500.00
	2017	29,385,000.00	18,479,500.00
	2018	30,855,000.00	17,010,250.00
	2019-2023	179,005,000.00	60,309,750.00
	2024-2028	130,345,000.00	13,246,500.00
		<u>\$ 449,690,000.00</u>	<u>\$ 172,537,200.00</u>
Series 2006-A	2014	\$ 42,070,000.00	\$ 31,130,175.00
	2015	44,185,000.00	29,015,250.00
	2016	46,170,000.00	27,026,925.00
	2017	48,255,000.00	24,949,275.00
	2018	50,665,000.00	22,536,525.00
	2019-2023	293,950,000.00	72,054,125.00
	2024-2028	113,260,000.00	7,386,775.00
		<u>\$ 638,555,000.00</u>	<u>\$ 214,099,050.00</u>
Series 2006-B	2014	\$	\$ 400,000.00
	2015		400,000.00
	2016		400,000.00
	2017		400,000.00
	2018		400,000.00
	2019-2023		2,000,000.00
	2043-2028	100,000,000.00	930,313.33
		<u>\$ 100,000,000.00</u>	<u>\$ 4,930,313.33</u>
Series 2007	2014	\$ 51,960,000.00	\$ 50,625,875.00
	2015	54,500,000.00	48,084,750.00
	2016	57,200,000.00	45,386,000.00
	2017	60,035,000.00	42,552,250.00
	2018	62,980,000.00	39,606,750.00
	2019-2023	365,395,000.00	147,530,500.00
	2024-2028	363,760,000.00	46,578,750.00
		<u>\$ 1,015,830,000.00</u>	<u>\$ 420,364,875.00</u>

Texas Department of Transportation
Schedule 2C – Debt Service Requirements (continued)
For the Fiscal Year Ended August 31, 2013

Governmental Activities

Description of Issue	Year	Principal	Interest
SHF Revenue Bonds			
Series 2008	2014	\$ 6,530,000.00	\$ 7,042,625.00
	2015	6,835,000.00	6,735,250.00
	2016	7,155,000.00	6,416,437.50
	2017	7,490,000.00	6,080,237.50
	2018	7,840,000.00	5,730,637.50
	2019-2023	45,500,000.00	22,364,937.50
	2023-2028	58,355,000.00	9,503,812.50
		<u>\$ 139,705,000.00</u>	<u>\$ 63,873,937.50</u>
Series 2010	2014	\$	\$ 77,226,067.50
	2015		77,226,067.50
	2016		77,226,067.50
	2017		77,226,067.50
	2018		77,226,067.50
	2019-2023	70,495,000.00	386,130,337.50
	2024-2028	742,610,000.00	324,072,508.80
	2029-2033	686,895,000.00	53,650,552.50
		<u>\$ 1,500,000,000.00</u>	<u>\$ 1,149,983,736.30</u>
TOTAL Revenue Bonds		<u>\$ 3,843,780,000.00</u>	<u>\$ 2,025,789,112.13</u>
TOTAL GOVERNMENTAL ACTIVITIES		<u>\$ 11,656,335,000.00</u>	<u>\$ 8,602,453,015.13</u>

Texas Department of Transportation
Schedule 2C – Debt Service Requirements (continued)
For the Fiscal Year Ended August 31, 2013

Business-Type Activities

Description of Issue	Year	Principal	Interest
CTTS Revenue Bonds Series 2002-A	2014	\$ 10,155,000.00	\$
	2015	12,605,000.00	
	2016	25,805,000.00	
	2017	29,655,000.00	
	2018	33,500,000.00	
	2019-2023	237,705,000.00	
	2024-2028	425,580,000.00	
	2029-2033	584,045,000.00	
	2034-2038	605,825,000.00	
		<u>\$ 1,964,875,000.00</u>	<u>\$ 0.00</u>
Series 2012-A	2014	\$	\$ 28,034,150.00
	2015		28,034,150.00
	2016		28,034,150.00
	2017		28,034,150.00
	2018		28,034,150.00
	2019-2023		140,170,750.00
	2024-2028		140,170,750.00
	2029-2033		140,170,750.00
	2034-2038	123,235,000.00	140,170,750.00
	2039-2041	462,095,000.00	45,003,500.00
		<u>\$ 585,330,000.00</u>	<u>\$ 745,857,250.00</u>
Series 2012-B	2014	\$	\$ 2,812,500.00
	2015		7,031,250.00
	2016		11,250,000.00
	2017		11,250,000.00
	2018		11,250,000.00
	2019-2023		56,250,000.00
	2024-2028		56,250,000.00
	2029-2033		56,250,000.00
	2034-2038		56,250,000.00
	2039-2042	225,000,000.00	42,977,000.00
		<u>\$ 225,000,000.00</u>	<u>\$ 311,570,750.00</u>

Texas Department of Transportation
Schedule 2C – Debt Service Requirements (continued)
For the Fiscal Year Ended August 31, 2013

Business-Type Activities

Description of Issue	Year	Principal	Interest
Grand Parkway Transportation Corporation*			
Series 2013-A	2014	\$	\$ 7,214,008.33
	2015		10,821,012.50
	2016		10,821,012.50
	2017		10,821,012.50
	2018		10,821,012.50
	2019-2023		54,105,062.50
	2024-2028		54,105,062.50
	2029-2033	1,070,000.00	54,060,731.25
	2034-2038	11,090,000.00	52,686,462.51
	2039-2043	27,505,000.00	47,866,528.14
	2044-2048	51,315,000.00	37,651,490.63
	2049-2053	109,020,000.00	19,070,837.50
		<u>\$ 200,000,000.00</u>	<u>\$ 370,044,233.36</u>
Series 2013-B	2014	\$	\$ 38,889,500.00
	2015		58,334,250.00
	2016		58,334,250.00
	2017		58,334,250.00
	2018		58,334,250.00
	2019-2023		291,671,250.00
	2024-2028		416,580,236.25
	2029-2033	38,785,000.00	427,798,196.25
	2034-2038	119,380,000.00	401,481,236.25
	2039-2043	0.00	387,728,837.50
	2044-2048	302,045,000.00	352,677,236.25
	2049-2053	1,166,885,000.00	201,014,362.50
		<u>\$ 1,627,095,000.00</u>	<u>\$ 2,751,177,855.00</u>
Series 2013-C	2014	\$	\$ 10,618,141.11
	2015	265,000,000.00	10,559,100.00
	2016	220,000,000.00	6,921,600.00
	2017	200,000,000.00	5,140,870.00
	2018	151,440,000.00	3,786,000.00
		<u>\$ 836,440,000.00</u>	<u>\$ 37,025,711.11</u>

Texas Department of Transportation
Schedule 2C – Debt Service Requirements (concluded)
For the Fiscal Year Ended August 31, 2013

Business-Type Activities

Description of Issue	Year	Principal	Interest
Series 2013-D	2014	\$	\$ 849,181.67
	2015	20,000,000.00	1,937,800.00
	2016	20,000,000.00	1,537,800.00
	2017	30,000,000.00	1,323,697.50
	2018	36,890,000.00	922,250.00
		<u>\$ 106,890,000.00</u>	<u>\$ 6,570,729.17</u>
Series 2013-E	2014	\$	\$ 12,504,153.60
	2015		18,756,230.40
	2016		18,756,230.40
	2017		18,756,230.40
	2018		18,756,230.40
	2019-2023		93,781,152.00
	2024-2028		93,781,152.00
	2029-2033		93,781,152.00
	2034-2038	66,060,000.00	91,281,168.00
	2039-2043	295,750,000.00	37,045,382.40
		<u>\$ 361,810,000.00</u>	<u>\$ 497,199,081.60</u>
TOTAL BUSINESS-TYPE ACTIVITIES		<u>\$ 5,907,440,000.00</u>	<u>\$ 4,719,445,610.24</u>

*Grand Parkway Transportation Corporation bonds is a blended component unit of TxDOT, these are not obligations of the state.

Texas Department of Transportation
Schedule 2D – Analysis of Funds Available for Debt Service
For the fiscal Year Ended August 31, 2013

Governmental Activities

Description of Issue	Application of Funds			
	Principal	Interest		
Texas Mobility General Obligation Bonds	\$53,190,000.00	\$288,301,058.67		
	\$53,190,000.00	\$288,301,058.67		
Pledged and Other Sources and Related Expenditures for FY 2013				
Net Available for Debt Service			Debt Service	
Description of Issue	Total Pledged and Other Sources	Operating Expenses/Expenditures and Capital Outlay	Principal	Interest
State Highway Fund Revenue Bonds	\$6,761,663,573.25	(A)	\$120,155,000.00	\$194,788,723.13
	\$6,761,663,573.25		\$120,155,000.00	\$194,788,723.13

(A) State Highway Fund expenditures associated with pledged sources were \$6,691,568.00.

Business-Type and Blended Component Unit Activities

	Pledged and Other Sources and Related Expenditures for FY 2013			
	Net Available for Debt Service		Debt Service	
Description of Issue	Total Pledged and Other Sources	Operating Expenses/Expenditures and Capital Outlay	Principal	Interest
Series 2002-A and Series 2012A&B Revenue Bonds	\$125,259,299.08	(B)	\$7,710,000.00	\$37,646,781.14
Grand Parkway Transportation Corporation Series 2013A-E	\$126,749.50	(C)		
	\$125,386,048.58		\$7,710,000.00	\$37,646,781.14

(B) Expenditures associated with pledged sources were \$47,379,801.03

(C) Expenditures associated with pledged sources were \$8,195.00

Texas Department of Transportation
Schedule 2F – Early Extinguishment and Refunding
For the fiscal Year Ended August 31, 2013

Business-Type Activities

Description	Category	Amount Extinguished or Refunded	Refunding Issued Par Value	Cash Flow (Increase)/ Decrease	Economic Gain/(Loss)
First Tier Bonds Series 2002-A CIBs*	Current Refunding	707,875,000.00	658,295,000.00	203,456,795.00	105,214,438.59
First Tier Refunding Put Bonds Series 2009**	Current Refunding	149,275,000.00	152,035,000.00	9,677,070.32	9,772,946.97
TOTAL		\$857,150,000.00	\$810,330,000.00	\$213,133,865.32	\$114,987,385.56

*CTTS 2002-A (CIB) was partially refunded by CTTS First Tier Revenue Refunding Bonds, Series 2012A and B. \$49.4 million of the premium on issuance of 2012-A results makes up the difference between the amount refunded and the par amounts issued.

**CTTS 2009 was refunded by CTTS Series 2012-B, with a par value issuance of \$225 million. Series 2012-B refunded both \$73.440 million from 2002-A (CIB) and all of CTTS 2009 par value of \$149.275 million.

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APPENDIX C

DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE TRUST AGREEMENT AND THE FOURTH SUPPLEMENTAL AGREEMENT

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

Definitions

"Accounting Principles" – the "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 Corporation or the State, as applicable, may be required to employ from time to time, in order to comply with the terms of the Trust Agreement, or pursuant to State law or regulation or as the Corporation may otherwise elect, provided such election does not cause a violation of the Rule.

"Acts" – Subchapters A-C of Chapter 431 of the Texas Transportation Code, as amended, Chapters 1207 and 1371, Texas Government Code, as amended, Section 228.053, Texas Transportation Code, as amended, and the Nonprofit Corporations Act, Business Organization Code, Chapter 22, as amended.

"Additional Obligation Security" – any credit enhancement for specified Obligations and any funds received or obligations payable to the Corporation, other than Senior Net Revenues or Junior Net Revenues, which the Corporation chooses to include as security for specified First Tier Obligations, Second Tier Obligations, Subordinate Tier Obligations and/or TELA/Other Tier Obligations pursuant to a Supplemental Agreement as provided in the Master Trust Agreement. Additional Obligation Security does not include a Toll Equity Loan Agreement.

"Additional Obligations" – any First Tier Obligations, Second Tier Obligations, Subordinate Tier Obligations and TELA/Other Tier Obligations issued after the issuance and initial delivery of the Initial Obligations.

"Annual Budget" – the budget adopted or in effect for each Fiscal Year as provided in "SUMMARY OF MASTER TRUST AGREEMENT PROVISIONS – Budget," as may be amended.

"Balloon Indebtedness" – a series of Obligations of which 25% or more of the original Principal matures or is otherwise due in the same annual period and is not required by the documents pursuant to which such Obligations were issued to be amortized by payment or redemption prior to that annual period (excluding any contingent mandatory redemptions), provided that such Obligations will not constitute Balloon Indebtedness and will be assumed to amortize in accordance with its stated terms if the Trustee is provided a certificate of a Corporation Representative certifying that such Obligations are not to be treated as Balloon Indebtedness.

"Bankruptcy Related Event" – (a) an involuntary proceeding shall be commenced or an involuntary petition shall be filed seeking (i) if applicable, liquidation, receivership, reorganization or other relief in respect of the Corporation or any of its debts, or of a substantial part of the assets of the Corporation, under any Insolvency Law, or (ii) the appointment of a receiver, trustee, liquidator, custodian, sequestrator, conservator or similar official for the Corporation or for a substantial part of the assets of the Corporation, and, in any case referred to in the foregoing subclauses (i) and (ii), such proceeding or petition shall continue undismissed for 60 days or an order or decree approving or ordering any of the foregoing shall be entered; or (b) the Corporation shall (i) apply for or consent to the appointment of a receiver, trustee, liquidator, custodian, sequestrator, conservator, or similar official for the Corporation or for a substantial part of the assets of the System or the Corporation, or (ii) become unable to pay its debts generally as they become due, or (iii) make a general assignment for the benefit of creditors, or (iv) be adjudicated a bankrupt or insolvent, or (v) commence a voluntary case under any Insolvency Law or file a voluntary petition seeking liquidation, reorganization, an arrangement with creditors or an order for relief or otherwise seeking to take advantage of any Insolvency Law or admit the material allegations of a petition filed against the Corporation in any proceeding referred to in the foregoing clauses of this definition, or (vi) take any action for the purpose of effecting any of the foregoing.

"Bond Counsel" - A firm of attorneys of nationally recognized standing in the field of law relating to municipal bond law and the exemption from federal income taxation of interest on state or local bonds, selected by the Corporation.

"Bond Insurer" - The municipal bond insurance company or companies, if any, which have issued a municipal bond insurance policy or policies insuring the scheduled payment of principal and interest of a Series of Obligations.

"Bond Insurance Policy" – an insurance policy issued upon the initial issuance of the Obligations with the consent of the Corporation by a Bond Insurer insuring or guaranteeing the payment of Principal of and interest on any Obligations.

"Book-Entry 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 herein pursuant to which Obligations are registered in book-entry form.

"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 or the New York Stock Exchange is closed.

"Capitalized Interest Account" – any capitalized interest account established (i) in connection with the issuance of the Initial Obligations or (ii) under subparagraph (g) of "SUMMARY OF MASTER TRUST AGREEMENT PROVISIONS – Issuance of First Tier Obligations," "- Issuance of Second Tier Obligations," and "- Issuance of Subordinate Tier Obligations" within an Interest Account or the Construction Fund, as the case may be, funded in whole or in part with proceeds from the sale of the Initial Obligations or Additional Obligations for the purpose, to the extent permitted by law, of paying all or a portion of the debt service on the Initial Obligations or such Additional Obligations, as the case may be, during the applicable Construction and Ramp-Up Period.

"Code" - The Internal Revenue Code of 1986, as amended.

"Commission" – the Texas Transportation Commission and its successors and assigns.

"Commission Rate Covenant" – the toll rate covenants of the Commission as set forth in the Toll Rate Agreement.

"Completion Obligations" – the First Tier Obligations and/or the Subordinate Tier Obligations issued pursuant to subparagraph (j) of "SUMMARY OF MASTER TRUST AGREEMENT PROVISIONS – Issuance of First Tier Obligations" and/or "- Issuance of Subordinate Tier Obligations."

"Construction Fund" – the Construction Fund created and established by the Trust Agreement.

"Construction and Ramp-Up Period" – the period (i) commencing with the delivery of Initial Obligations and ending thirty-six (36) months after Substantial Completion of the Initial Project or (ii) commencing with the delivery of any Additional Obligations to finance the Costs of any additional System Segment and ending thirty-six (36) months after Substantial Completion of such System Segment.

"Corporation" - The Grand Parkway Transportation Corporation and its successors and assigns.

"Corporation-Held Obligations" - Obligations owned by or held in the name of the Corporation or its designee or held by the Trustee for the account of the Corporation or its designee.

"Corporation Representative" – the President or the Secretary/Treasurer of the Board of Directors of the Corporation, the Deputy Director of the Innovative Financing/Debt Management Office of the Department or such other individuals designated by the Corporation to perform the duties of a Corporation Representative under the Master Trust Agreement, each as evidenced by a written signature identification and incumbency certificate, furnished to the Trustee, signed on behalf of the Corporation by the President, any Vice President, the Secretary/Treasurer or any Assistant Secretary of the Corporation.

"Cost" – all obligations and expenses and all items of cost with respect to any project or facility and include all costs related to such project or facility set forth below or as otherwise authorized to be incurred or paid under the Acts or State law. For the purpose of the Trust Agreement, the term "cost" when used with respect to any project or facility shall mean and include all costs related to such project or facility, and, without intending thereby to limit or restrict any such definition, shall include the following:

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

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

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

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

(e) as to toll collection equipment, it is recognized that some manufacturers of such equipment will not sell such equipment outright, and that some manufacturers will sell it; but that it will not be known, until bids are received by the Corporation for the acquisition of such equipment, which manufacturer will offer the most advantageous terms to the Corporation. The acquisition of toll collection equipment is hereby determined and declared to be a capital expenditure, and a proper "cost". It is specially provided, however, that if, in the discretion of the Corporation, it will be to the advantage of the Corporation to do so, and upon the written recommendation of the General Engineering Consultant, the Corporation may enter into lease-purchase or lease-rental agreements for the acquisition of such equipment with a term not to exceed three years from the date of acceptance of such equipment by the Corporation. In such event the Corporation shall so advise the Trustee, and the Trustee shall set aside and retain the amounts required for the payments under such agreements in the Construction Fund, and shall make such payments as so required, upon requisitions as provided for in the Master Trust Agreement. Any such payments shall constitute proper items of "cost" for all purposes;

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

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

(h) the cost of preparing and issuing Obligations, including refunding Obligations, and all legal, accounting and other professional expenses and fees and financing charges in connection with any Obligations and/or any facility, and expenses of administration properly chargeable to the construction of a facility, including salaries and all payments and deductions as provided by law pertaining to retirement system;

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

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

(k) utility relocations, buildings and other structures, fencing, landscaping, illumination, communication systems, and safety devices; and

(l) all other items of cost and expense not elsewhere in this definition specified, incident to the construction and equipment of a facility, the financing thereof and the costs of placing a facility in operation, including all costs as defined under the term "Cost" in the Acts and State law.

"Counsel to the Corporation" – an attorney or law firm acting as counsel to the Corporation (who may be general counsel to TxDOT).

"Credit Agreement" – a First Tier Credit Agreement, a Second Tier Credit Agreement or a Subordinate Tier Credit Agreement, as applicable.

"Credit Provider" – any Bank, financial institution, insurance company, surety bond provider, or other public or private entity which provides, executes, issues, or otherwise is a party to or provider of a Credit Agreement and shall include TxDOT as the provider of the Toll Equity Loan Agreement.

"Debt Service Funds" – the First Tier Debt Service Fund, the Second Tier Debt Service Fund, the Subordinate Tier Debt Service Fund and, when appropriate, the TELA/Other Tier Payment Fund.

"Debt Service Requirements" – for any annual period (any Fiscal Year, or any other consecutive twelve calendar month period), the aggregate amount of interest on and Principal of Outstanding Obligations specified for the purposes for which Debt Service Requirements is to be calculated, other than any Credit Agreement, and, with respect to any Credit Agreement, the Payment Obligations relating thereto due in such period, as limited and calculated in the following manner; provided, however, that this definition shall never be applied in a manner which results in Debt Service Requirements for any Fiscal Year being an amount that is less than the aggregate amount actually required to be paid in such Fiscal Year with respect to Outstanding Obligations:

(a) Except as modified below, (i) for any Fiscal Year while the Corporation's Fiscal Year is the same as TxDOT's fiscal year, the aggregate amount of interest on and Principal of the Obligations, including Payment Obligations, which was paid or redeemed or is scheduled to accrue and be paid or redeemed on September 1 of such Fiscal Year shall be excluded from the calculation of debt service for such Fiscal Year, and the aggregate amount of interest on and Principal of the Obligations, including Payment Obligations, which was paid or redeemed or is scheduled to accrue and be paid or redeemed on September 1 immediately following such Fiscal Year shall be included in the calculation of debt service for such Fiscal Year; and (ii) for any consecutive twelve calendar month period other than the TxDOT's fiscal year, whether or not such period constitutes any future Corporation Fiscal Year, the aggregate amount of interest on and Principal of the Obligations, including Payment Obligations, which was paid or redeemed or is scheduled to accrue and be paid or redeemed during such consecutive twelve month period;

(b) 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 year 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 as Additional Obligations;

(c) Notwithstanding the foregoing, all amounts which are deposited to the credit of the Interest Accounts, including any Capitalized Interest Accounts created therein or any Capitalized Interest Accounts created in the Construction Fund from original proceeds from the sale of any First Tier Obligations, Second Tier Obligations or Subordinate Tier Obligations, as applicable, any investment income from the Interest Accounts, the Redemption Accounts, the Reserve Accounts, any Capitalized Interest Accounts and the Construction Fund which is deposited to the credit of the Interest Accounts or from any other lawfully available source (other than from the Revenue Fund and advances under any Toll Equity Loan Agreement), and which are used or scheduled to be used to pay interest on such Obligations during any annual period, shall be deemed to reduce the Debt Service Requirements for any such annual period to the extent of such

deposits; and the amount of such deposits shall be excluded from and shall not constitute Debt Service Requirements for any such annual period;

(d) If any of the Obligations or proposed Additional Obligations bear interest at a Variable Rate, the interest rate on such Obligations or Additional Obligations for all periods for which the interest rate is not known, shall be assumed and deemed to be the Assumed Variable Rate;

(e) If any of the Obligations or proposed Additional Obligations constitute Balloon Indebtedness or Short-Term Indebtedness, then such amounts thereof as constitute Balloon Indebtedness or Short-Term Indebtedness shall be treated as if such Obligations are to be amortized in substantially equal annual installments of Principal and interest over the useful life of the improvements financed with the proceeds of such Balloon Indebtedness or Short-Term Indebtedness as calculated by, and set forth in, a certificate of a Corporation Representative. Anything to the contrary herein notwithstanding, during the annual period preceding any annual period in which 25% or more of the original Principal of such Balloon Indebtedness is payable or, in the case of Short-Term Indebtedness, in each annual period, all of the Principal thereof shall be considered to be due on the Stated Maturity or due date of such Balloon Indebtedness or Short-Term Indebtedness unless the Corporation provides to the Trustee, prior to the beginning of such annual period, a certificate of a Financial Consultant certifying that, in its judgment, the Corporation will be able to refund such Balloon Indebtedness or Short-Term Indebtedness through the issuance of Additional Obligations, in which event the Balloon Indebtedness or Short-Term Indebtedness shall be amortized over the term of such proposed refunding Additional Obligations and shall be deemed to bear the interest rate specified in the certificate of the Financial Consultant;

(f) Notwithstanding anything to the contrary in clause (e) above, with respect to Short-Term Indebtedness that is part of a commercial paper or similar program of the Corporation, the amount of debt service of such Short-Term Indebtedness taken into account during any annual period shall be equal to the Principal component of debt service calculated using the outstanding Principal amount of such Short-Term Indebtedness on the date of calculation amortized over the period ending on the date of the maximum maturity date under such program on a level debt service basis at an interest rate deemed to be the Assumed Variable Rate determined as if such Short-Term Indebtedness were Obligations bearing interest at a Variable Rate; and

(g) Notwithstanding anything to the contrary contained in clauses (a) through (e) above, the Debt Service Requirements for each annual period for a series of Additional Obligations issued (i) in conjunction with one or more Qualified Credit Agreements shall be deemed to be the total net payments which a Corporation Representative certifies the Corporation expects to pay in such annual period with respect to such series of Additional Obligations after taking into account the Principal and interest payments and the Payment Obligations under such Qualified Credit Agreements made or to be made in such annual period and the amounts received or to be received from the Qualified Credit Provider under such Qualified Credit Agreement in such annual period or (ii) as a series of variable rate obligations, or one or more maturities within a series, of equal par amounts, issued simultaneously with inverse floating interest rates providing a composite fixed interest rate for such Obligations taken as a whole, such composite fixed rate shall be used in determining the Debt Service Requirement with respect to such Obligations;

(h) Debt Service Requirements shall exclude any termination or similar payments owed or paid by the Corporation under any Credit Agreement.

"Defeased Debt" – as defined in "SUMMARY OF MASTER TRUST AGREEMENT PROVISIONS – Release of Trust Agreement" and any applicable Supplemental Agreement.

"Department" or "TxDOT" - The Texas Department of Transportation and its successors and assigns.

"Depository" – any Bank selected by the Corporation as a depository of moneys under the provisions of the Master Trust Agreement, which may include the Trustee.

"Design-Build Contract" – the Development Agreement Grand Parkway Project bearing contract No. 86-XXDB002, with respect to Segments F-1, F-2 and G, dated as of March 22, 2013, as amended from time to time, between TxDOT and the Zachry-Odebrecht Parkway Builders and assigned by TxDOT to the Corporation.

"Draw Request" – as defined in the Master Trust Agreement.

"Estimated Date of Completion" – for any System Segment, the estimated date on which the System Segment will be placed in operation.

"Event of Default" – as defined in "SUMMARY OF MASTER TRUST AGREEMENT PROVISIONS – Events of Default."

"Favorable Opinion" - An opinion of Bond Counsel addressed to the Corporation for the related Series of Obligations, and the Trustee to the effect that the action proposed to be taken is authorized or permitted by the Acts and the Trust Agreement and will not adversely affect the excludability from gross income for federal income tax purposes of interest on a Series of Obligations.

"Financial Consultant" – a nationally recognized firm of independent professional financial consultants knowledgeable in the financial operation of toll roads and having a favorable reputation for skill and experience in the field of financial consultation relating to toll roads.

"Financing Documents" – the Master Trust Agreement, the Toll Equity Loan Agreement, the Master Custodial Agreement (and related joinder agreements), the Project Agreement, the Toll Rate Agreement, the Initial Obligations, the Fourth Supplemental Agreement and the Second Supplemental Agreement.

"Fourth Supplemental Agreement" - the Fourth Supplemental Agreement, dated as of February 1, 2014, between the Corporation and the Trustee.

"First Tier Credit Agreement" – collectively, an obligation entered into on a parity with Outstanding First Tier Obligations in the form of a loan agreement, revolving credit agreement, agreement establishing a line of credit, letter of credit, reimbursement agreement, insurance contract, commitments to purchase obligations, purchase or sale agreement, interest rate swap, cap and floor agreement, or commitment or other contract or agreement authorized, recognized and approved by the Corporation as a First Tier Credit Agreement, whether authorized or approved in anticipation of, simultaneously with, or subsequent to, the authorization of the First Tier Obligations in connection with which it is executed.

"First Tier Debt Service Fund" – the First Tier Debt Service Fund created by the Master Trust Agreement.

"First Tier Interest Account" – an account in the First Tier Debt Service Fund created by the Master Trust Agreement.

"First Tier Non-TELA Obligations" – any Series of First Tier Obligations and any First Tier Credit Agreement that are not supported by a Toll Equity Loan Agreement.

"First Tier Obligations" – the Series 2013A Bonds and, unless otherwise specifically stated, any bond, bonds, note, notes, other obligation or obligations, including any First Tier Credit Agreement, issued, incurred or entered into pursuant to "SUMMARY OF MASTER TRUST AGREEMENT PROVISIONS – Issuance of First Tier Obligations" as First Tier Obligations, or all of the foregoing, as the case may be, authorized by law and issued under and secured by the provisions of the Master Trust Agreement and any Supplemental Agreement.

"First Tier Payment Obligations" – unless otherwise specifically stated in a Supplemental Agreement, all amounts payable by the Corporation under a First Tier Credit Agreement less any amounts of Principal or interest payable with respect to any First Tier Obligations pledged under a First Tier Credit Agreement as collateral for the amounts due thereunder and any payment obligations evidenced by a First Tier Obligation; and all such First Tier Payment Obligation payments shall be deemed to constitute Principal payments of First Tier Obligations, and shall be paid from the First Tier Redemption Account as provided in the Master Trust Agreement; provided, however, that, if so provided in a First Tier Credit Agreement or in the proceedings approved by the Corporation in connection therewith, some or all of the amounts payable under a First Tier Credit Agreement may be designated to be Second Tier Payment Obligations or Subordinate Tier Payment Obligations.

"First Tier Redemption Account" – an account in the First Tier Debt Service Fund created by the Master Trust Agreement.

"First Tier Reserve Account" – an account in the First Tier Debt Service Fund created by the Trust Agreement.

"First Tier Reserve Requirement" – The lesser of (i) the maximum annual Debt Service Requirements of all the First Tier Obligations, (ii) 1.25 times the average annual Debt Service Requirements of all First Tier Obligations or (iii) ten (10) percent of the aggregate principal amount of the Outstanding First Tier Obligations, as determined on the date each Series of First Tier Obligations is issued.

"First Tier TELA Obligations" – any Series of First Tier Obligations and any First Tier Credit Agreement that are supported by a Toll Equity Loan Agreement.

"Fiscal Year" – presently, September 1 through August 31 of the following year; or any other period hereafter designated by the Corporation as its Fiscal Year in accordance with law.

"Fitch" - Fitch Ratings, or, if such corporation is dissolved or liquidated or otherwise ceases to perform securities rating services, such other nationally recognized securities rating agency as may be designated in writing by a Corporation Representative.

"General Counsel" - general counsel to the Corporation acting through the Office of General Counsel to the Department.

"General Engineering Consultant" or "GEC" – an engineer or engineering firm or corporation at the time employed by the Corporation pursuant to the provisions of subparagraph (a) of "SUMMARY OF MASTER TRUST AGREEMENT PROVISIONS - Employment of General Engineering Consultant and Traffic Consultant" to carry out the duties imposed by the Master Trust Agreement on the General Engineering Consultant.

"Governmental Lender" – a federal agency or instrumentality, federal government-sponsored enterprise or federal government corporation.

"Government Obligations" – as defined in subparagraph (e) of "SUMMARY OF MASTER TRUST AGREEMENT PROVISIONS – Release of Trust Agreement."

"Grand Parkway Enhancement Fund" – the Grand Parkway Enhancement Fund created by the Trust Agreement.

"Grand Parkway Project" – the State Highway 99 (Grand Parkway) is the proposed approximately 184 mile circumferential highway traversing seven counties and encircling the Greater Houston MSA region as set forth in Exhibit A to the Market Valuation Waiver Agreement, as may be amended from time to time.

"Initial Obligations" – the Series 2013A Bonds, issued as First Tier Non-TELA Obligations, the Series 2013B Bonds, the Series 2013C Bonds, the Series 2013D Bonds and the Series 2013E Bonds, each issued as Subordinate Tier TELA Obligations, and the Initial Toll Equity Note, issued as a TELA/Other Tier Obligation.

"Initial Project" – the initial project of the Grand Parkway System, financed through the issuance of the Initial Obligations under the Trust Agreement and the Second Supplemental Agreement that includes Segments D (from 0.72 miles north of Kingsland Boulevard to 0.30 miles north of Colonial Parkway), E, F-1, F-2 and G and a portion of the Costs related to the development, , acquisition and construction of possible extensions and expansions of the Grand Parkway System or the Grand Parkway Project, all as described in the General Engineering Consulting Report or the Design-Build Contract.

"Initial Toll Equity Loan Agreement" – the Toll Equity Loan Agreement, dated as of July 17, 2013, as supplemented and amended from time to time, between the Corporation and TxDOT, authorized by the Second Supplemental Agreement, which agreement is intended to be a credit agreement under Chapter 1371, Texas Government Code, and a contract providing revenue and security to pay the Initial Obligations that constitute Toll Equity Loan Supported Obligations, and is, for purposes of the Master Trust Agreement, a TELA/Other Tier Credit Agreement.

"Initial Toll Equity Note" – the note entitled "Grand Parkway Transportation Corporation Grand Parkway System TELA/Other Tier Toll Revenue Note, Series 2013 (Toll Equity Loan Agreement)" authorized by the Second Supplemental Agreement and issued as a TELA/Other Tier Debt Obligation to evidence a Toll Equity Loan, as may be amended or supplemented pursuant to "SUMMARY OF MASTER TRUST AGREEMENT PROVISIONS - TELA/Other Tier Obligations."

"Interest Accounts" – the First Tier Interest Account, the Second Tier Interest Account and the Subordinate Tier Interest Account.

"Junior Net Revenues" – with respect to any consecutive 12-month period or any Fiscal Year, the Senior Net Revenues for such period or year, less the Debt Service Requirements for such period or year for all then Outstanding First Tier Obligations, Second Tier Obligations and Subordinate Tier Obligations and less the Junior Operating Expenses for any such period or year.

"Junior Operating Expenses" – consisting of TELA Supported Junior Operating Expenses and Non-TELA Supported Junior Operating Expenses, the Corporation's reasonable and necessary accrued operating expenses of maintaining, repairing and operating (a) the System Segments and portions of System Segments comprising a portion of the Initial Project and the portion of Segment D within Harris County and (b) any additional System Segments (or portions thereof) as determined by the Corporation, which includes, without limiting the generality of the foregoing, any repair or replacement of any part of such portions of the System relating to any insurance or condemnation proceeds, expenses (including reasonably allocated portions thereof) for toll collection, all premiums for insurance and payments into any self-insurance reserve fund, all administration and engineering expenses relating to operation of (a) the System Segments and portions of System Segments comprising a portion of the Initial Project and the portion of Segment D within Harris County and (b) any additional System Segments (or portions thereof) as determined by the Corporation, fees and expenses of the Traffic Consultant, the General Engineering Consultant, 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 Corporation as shown in the Annual Budget for (a) the System Segments and portions of System Segments comprising a portion of the Initial Project and the portion of Segment D within Harris County and (b) any additional System Segments (or portions thereof) as determined by the Corporation. Any allocation of expenses between TELA Supported Junior Operating Expenses and Non-TELA Supported Junior Operating Expenses shall be on a consistent and rational basis.

"Junior Operation and Maintenance Fund" – the Junior Operation and Maintenance Fund created by the Master Trust Agreement.

"Major Maintenance Expenses" – the reasonable and necessary expenses (but excluding non-cash expenses such as depreciation, depletion and amortization) of repair and maintenance of the System, including the Initial Project, that do not occur at annual or shorter periods, as determined by the Corporation, 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 such expenses and any other maintenance expenses required to be paid by the Corporation; provided, however, that Major Maintenance Expenses shall exclude Operating Expenses.

"Major Maintenance Fund" – the Major Maintenance Fund created by the Master Trust Agreement.

"Major Maintenance Requirement" – an amount each Fiscal Year as recommended by the General Engineering Consultant.

"Market Valuation Waiver Agreement" – the Market Valuation Waiver Agreement for SH 99 (Grand Parkway) among TxDOT and each of Brazoria County, Texas, Chambers County, Texas, Fort Bend County, Texas, Galveston County, Texas, Harris County, Texas, Liberty County, Texas, and Montgomery County, Texas, effective as of March 25, 2009, as amended, supplemented or superseded by any similar agreement among such parties.

"Master Custodial Agreement" – the Master Lockbox and Custodial Account Agreement dated as of November 9, 2007 between TxDOT and The Bank of New York Mellon Trust Company, N.A., as successor to the Bank of New York Trust Company, N.A., as custodian, amended by the Amendment No. 1 to such agreement, dated as of September 22, 2009 and Amendment No. 2 to such agreement, dated as of September 2, 2012 and as extended by a letter agreement dated November 2, 2012, and the various joinder agreements thereto, all as may be further amended from time to time.

"Master Trust Agreement" - The Trust Agreement dated as of August 1, 2013 between the Corporation and U.S. Bank National Association, as trustee.

"Maximum Available Aggregate Amount" – has the meaning assigned to such term in the applicable Toll Equity Loan Agreement.

"Maximum Available Annual Amount" – has the meaning assigned to such term in the applicable Toll Equity Loan Agreement.

"Mode" - The period for and the manner in which the interest rates on the Obligations, or any portion of the Obligations, are set and includes the Daily Mode, the Flexible Mode, the Weekly Mode, the Monthly Mode, the Quarterly Mode, the Semiannual Mode, the Multiannual Mode, the Index Floating Rate Mode, the Fixed Rate Mode and the Bank Rate Mode.

"Moody's" - Moody's Investors Service, Inc. or any successor thereto maintaining a rating on the Obligations.

"Non-Appropriation Event" – the failure of TxDOT to honor a Draw Request by the Trustee for an advance under a Toll Equity Loan Agreement due solely to the fact that funds had not been appropriated to TxDOT by the Texas State Legislature in a manner that would allow its use for such purpose.

"Non-TELA Supported Junior Operating Expenses" – the Junior Operating Expenses of or allocable to any additional System Segments (or portions thereof) as determined by the Corporation and which are not supported by a Toll Equity Loan Agreement.

"Non-Toll Equity Loan Supported Obligations" – any Series of First Tier Obligations, Second Tier Obligations or Subordinate Tier Obligations, respectively, which are not Toll Equity Loan Supported.

"Obligation" and "Obligations" – the Initial Obligations and any Additional Obligations.

"Operating Expenses" – the Senior Operating Expenses and the Junior Operating Expenses.

"Operation and Maintenance Reserve Fund" – the Operation and Maintenance Reserve Fund created by the Master Trust Agreement.

"Operation and Maintenance Reserve Requirement" – the amount equal to one quarter (1/4) of the then current Annual Budget's Operating Expenses.

"Outstanding" – when used with reference to Obligations, at any date of which the amount of the Outstanding Obligations is to be determined, the aggregate of all Obligations secured by the Trust Agreement, except:

- (a) Obligations paid, cancelled or delivered to the Paying Agent for cancellation at or prior to such date;
- (b) Obligations for the full payment of the Principal of, premium, if any, and interest on which cash shall have been theretofore deposited with the Paying Agent and which (i) shall have matured by their terms, or otherwise shall have become payable, but shall not have been surrendered for payment or (ii) shall have been purchased by the Trustee but shall not have been presented for payment;
- (c) Obligations which are deemed paid pursuant to subparagraph (b) of "SUMMARY OF MASTER TRUST AGREEMENT PROVISIONS - Release of Trust Agreement;" and
- (d) Obligations in exchange or in lieu of which other Obligations have been delivered under the Trust Agreement.

"Owner" – (i) the registered owner of any bond, note of other obligation as shown on the Trustee's Obligation registration records and books provided for in the applicable Supplemental Agreement and (ii) the Credit Provider of any Credit Agreement.

"Paying Agent" – the Trustee.

"Payment Obligations" – First Tier Payment Obligations, Second Tier Payment Obligations, Subordinate Tier Payment Obligations and TELA/Other Tier Payment Obligations.

"Permitted Investments" – any security or obligation or combination thereof permitted under the Public Funds Investment Act, Chapter 2256, Texas Government Code, as may be amended from time to time, and the Corporation's duly approved investment policy, including forward purchase agreements and guaranteed investment contracts to the extent permitted by such investment policy.

"Person" – an individual, partnership, corporation (including a business trust), limited or unlimited liability company, joint stock company, trust, unincorporated association, joint venture, governmental authority or other entity.

"Policy Costs" – a periodic fee or charge required to be paid to maintain a Reserve Surety Agreement.

"Preliminary Budget" – the preliminary budget prepared pursuant to "SUMMARY OF MASTER TRUST AGREEMENT PROVISIONS – Budget."

"Principal" – (i) the principal amount of an Obligation or (ii) when used in connection with determining whether owners of a percentage of the principal amount of Outstanding Obligations has given any consent, order, request, direction or other act (1) with respect to any Obligation that evidences one or more financial hedge obligations, the amount, if any, that would be payable by the Corporation if the transaction in respect of which such financial hedge obligations are payable were terminated as of a recent date (within 30 days of the date of determination) specified by the Corporation, and (2) with respect to any other Obligation, means the Outstanding unpaid principal sum or amount of such Obligation.

"Principal Office" – when used with respect to the Trustee, the business office of the Trustee specified in writing by the Trustee to the Corporation as the principal office of the Trustee for the administration of the Master Trust Agreement and, initially, shall be 5555 San Felipe, Suite 1150, Houston, Texas 77056, telephone (713) 235-9208.

"Project Agreement" – the Project Agreement, effective July 17, 2013, as supplemented and amended from time to time, between the Corporation and TxDOT relating to the Initial Project and the System.

"Project Budget" – the Project Budget as defined and set forth in the applicable Toll Equity Loan Agreement.

"Public Safety Officers" – licensed public safety officers, if any, in the employment of or under contract to TxDOT for the purpose of performing public safety duties in connection with the System.

"Qualified Credit Agreement" – a First Tier Credit Agreement, a Second Tier Credit Agreement or a Subordinate Tier Credit Agreement, as applicable, entered into with a Qualified Credit Provider.

"Qualified Credit Provider" – a Credit Provider (or its corporate parent as guarantor of its obligations under a Credit Agreement) whose long term debt is rated or whose credit rating is, at the time the Qualified Credit Agreement is entered into, in one of the three highest rating categories by Moody's or S&P or Fitch, without regard to rating sub-categories.

"Rate Stabilization Fund" – the Rate Stabilization Fund created by the Master Trust Agreement.

"Rating Agencies" - Any or all of S&P, Moody's and Fitch then providing a rating for the Obligations; and provided that if none of such rating agencies then rates the Obligations, the term "Rating Agencies" shall refer to any national rating agency (if any) which provides such rating.

"Redemption Accounts" – the First Tier Redemption Account, the Second Tier Redemption Account and the Subordinate Tier Redemption Account.

"Refunded Bonds" - The portion of the Series 2013C Bonds, as further described in "PLAN OF FINANCE" herein.

"Reserve Accounts" - The First Tier Debt Service Reserve Fund, the Second Tier Debt Service Reserve Fund, the Third Tier Reserve Fund and the Subordinate Tier Debt Service Reserve Fund as may be applicable in connection with the issuance of Additional Obligations.

"Reserve Surety Agreement" – any substitute for cash and Permitted Investments in any respective Reserve Account as may be provided in a Supplemental Agreement.

"Revenue Fund" – the Revenue Fund created by the Master Trust Agreement.

"Revenues of the System" – (a) the aggregate revenues and all other receipts and income collected, received or derived by the Corporation from the operation of the System in any period, or estimated aggregate revenues and other receipts and income estimated to be collected, received or derived by the Corporation from the operation of the System in any period, including all such revenues, receipts and income assigned to the Corporation by the Commission and the Department pursuant to the Toll Rate Agreement and the Project Agreement, and all investment income from the Revenue Fund, the

Senior Operation and Maintenance Fund, the Junior Operation and Maintenance Fund, the Operation and Maintenance Reserve Fund, the Construction Fund (excluding investment income from any Capitalized Interest Account within the Construction Fund and any other investment income from the Construction Fund that is deposited or estimated to be deposited to the credit of the Interest Accounts), the Rate Stabilization Fund, the Major Maintenance Fund and the Grand Parkway Enhancement Fund and (b) any other sources of revenues or funds of the Corporation that the Corporation chooses to designate as "Revenues of the System" pursuant to a Supplemental Agreement or as designated, from time to time, by the Corporation Representative in a written certificate provided to the Trustee. Revenues of the System do not include (i) payments or revenues received by the Corporation or the Trustee from TxDOT pursuant to a Toll Equity Loan Agreement for such Fiscal Year, (ii) the investment income from the Interest Accounts, including any Capitalized Interest Accounts within the Interest Accounts, the Redemption Accounts, the Reserve Accounts, the TELA/Other Tier Payment Fund and any Capitalized Interest Account within the Construction Fund, (iii) any investment income from the Construction Fund which is deposited or estimated to be deposited to the credit of the Interest Accounts and (iv) any of the amounts described above collected or received by the Corporation and required to be paid to TxDOT or other Persons as revenue sharing payments pursuant to the Project Agreement or other agreement.

"Rule" – United States Securities Exchange Commission Rule 15c2-12, as amended from time to time.

"Second Supplemental Agreement" – the Second Supplemental Agreement, dated as of August 1, 2013, between the Corporation and the Trustee.

"Second Tier Credit Agreement" – collectively, an obligation entered into on a parity with Outstanding Second Tier Obligations in the form of a loan agreement, revolving credit agreement, agreement establishing a line of credit, letter of credit, reimbursement agreement, insurance contract, commitments to purchase obligations, purchase or sale agreement, interest rate swap, cap and floor agreement, or commitment or other contract or agreement authorized, recognized and approved by the Corporation as a Second Tier Credit Agreement, whether authorized or approved in anticipation of, simultaneously with, or subsequent to, the authorization of the Second Tier Obligations in connection with which it is executed.

"Second Tier Debt Service Fund" – the Second Tier System Debt Service Fund created by the Master Trust Agreement.

"Second Tier Interest Account" – an account in the Second Tier Debt Service Fund created by the Master Trust Agreement.

"Second Tier Non-TELA Obligations" – any Series of Second Tier Obligations and any Second Tier Credit Agreement that are not supported by a Toll Equity Loan Agreement.

"Second Tier Obligations" – unless otherwise specifically stated, any bond, bonds, note, notes, other obligation or obligations, including any Second Tier Credit Agreement, issued, incurred or entered into pursuant to "SUMMARY OF MASTER TRUST AGREEMENT PROVISIONS - Issuance of Second Tier Obligations" as Second Tier Obligations, or all of the foregoing, as the case may be, authorized by law and issued under and secured by the provisions of the Master Trust Agreement and any Supplemental Agreement.

"Second Tier Payment Obligations" – unless otherwise specifically stated in a Supplemental Agreement, all amounts payable by the Corporation under a Second Tier Credit Agreement less any amounts of Principal or interest payable with respect to any Second Tier Obligations pledged under a Second Tier Credit Agreement as collateral for the amounts due thereunder and any payment obligations evidenced by a Second Tier Obligation; and all such Second Tier Payment Obligation payments shall be deemed to constitute Principal payments of Second Tier Obligations, and shall be paid from the Second Tier Redemption Account as provided in the Master Trust Agreement provided, however, that, if so provided in a Second Tier Credit Agreement or in the proceedings approved by the Corporation in connection therewith, some or all of the amounts payable under a Second Tier Credit Agreement may be designated to be Subordinate Tier Payment Obligations and all payment obligations under a First Tier Credit Agreement which are designated to be Second Tier Payment Obligations shall be treated as and constitute Second Tier Payment Obligations for all purposes under the Master Trust Agreement.

"Second Tier Redemption Account" – an account in the Second Tier Debt Service Fund created by the Master Trust Agreement.

"Second Tier Reserve Account" – an account in the Second Tier Debt Service Fund created by the Trust Agreement.

"Second Tier TELA Obligations" – any Series of Second Tier Obligations and any Second Tier Credit Agreement that are supported by a Toll Equity Loan Agreement.

"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.

"Senior Net Revenues" – with respect to any consecutive 12-month period or any Fiscal Year, the Revenues of the System in any such period or year, less the Senior Operating Expenses for any such period or year.

"Senior Operating Expenses" – the Corporation's reasonable and necessary accrued operating expenses of maintaining, repairing and operating the System, excluding (a) the System Segments and portions of System Segments comprising a portion of the Initial Project and the portion of Segment D within Harris County and (b) any additional System Segments (or portions thereof) as determined by the Corporation, which includes, without limiting the generality of the foregoing, any repair or replacement of any part of such portions of the System relating to any insurance or condemnation proceeds, expenses (including reasonably allocated portions thereof) for toll collection, all premiums for insurance and payments into any self-insurance reserve fund, all administration and engineering expenses relating to operation of the System, excluding (a) the System Segments and portions of System Segments comprising a portion of the Initial Project and the portion of Segment D within Harris County and (b) any additional System Segments (or portions thereof) as determined by the Corporation, fees and expenses of the Traffic Consultant, the General Engineering Consultant, 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 Corporation as shown in the Annual Budget for the System, excluding (a) the System Segments and portions of System Segments comprising a portion of the Initial Project and the portion of Segment D within Harris County and (b) any additional System Segments (or portions thereof) as determined by the Corporation.

"Senior Operation and Maintenance Fund" – the Senior Operation and Maintenance Fund created by the Master Trust Agreement.

"Series" - one or more Obligations issued at the same time and having the same parity insofar as the lien of the Trust Estate is concerned and any Obligations thereafter authenticated and delivered in lieu of or in substitution for such Obligations, or sharing some other common term or characteristic, and designated as a separate Series of Obligations.

"Series 2013A Bonds" – the Grand Parkway Transportation Corporation Grand Parkway System First Tier Toll Revenue Bonds, Series 2013A issued in the original aggregate principal amount of \$200,000,000.

"Series 2013B Bonds" – the Grand Parkway Transportation Corporation Grand Parkway System Subordinate Tier Toll Revenue Bonds, Series 2013B (TELA Supported) issued in the original aggregate principal amount of \$1,414,934,856.15.

"Series 2013C Bonds" – the Grand Parkway Transportation Corporation Grand Parkway System Subordinate Tier Toll Revenue Tender Bonds, Series 2013C (TELA Supported - Interim Construction Financing) issued in the original aggregate principal amount of \$836,440,000.

"Series 2013D Bonds" – the Grand Parkway Transportation Corporation Grand Parkway System Subordinate Tier Toll Revenue Tender Bonds, Taxable Series 2013D (TELA Supported) issued in the original aggregate principal amount of \$106,890,000.

"Series 2013E Bonds" – the Grand Parkway Transportation Corporation Grand Parkway System Subordinate Tier Toll Revenue Bonds, Taxable Series 2013E (TELA Supported) issued in the original aggregate principal amount of \$361,810,000.

"Series 2014B Bonds" – the Grand Parkway Transportation Corporation Grand Parkway System Subordinate Tier Toll Revenue Refunding Bonds, Series 2014B (TELA Supported) issued in the original aggregate principal amount of \$106,800,000*.

*Preliminary, subject to change.

"Series 2014C Bonds" – the Grand Parkway Transportation Corporation Grand Parkway System Subordinate Tier Toll Revenue Refunding Bonds, Taxable Series 2014C (TELA Supported) issued in the original aggregate principal amount of \$107,515,000*.

"Short-Term Indebtedness" – all Obligations that mature in less than 365 days and are issued as Short-Term Indebtedness. In the event a Credit Provider has extended a line of credit or the Corporation 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.

"Standard & Poor's" or "S&P" – Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC business, or, if such corporation is dissolved or liquidated or otherwise ceases to perform securities rating services, such other nationally recognized securities rating agency as may be designated in writing by a Corporation Representative.

"State" - The State of Texas.

"Stated Maturity" – for any Obligation, the scheduled maturity date or final mandatory sinking fund redemption date of such Obligation.

"Subordinate Tier Credit Agreement" – collectively, an obligation entered into on a parity with the Outstanding Subordinate Tier Obligations in the form of a loan agreement, revolving credit agreement, agreement establishing a line of credit, letter of credit, reimbursement agreement, insurance contract, commitments to purchase obligations, purchase or sale agreement, interest rate swap, cap and floor agreement, or commitment or other contract or agreement authorized, recognized and approved by the Corporation as a Subordinate Tier Credit Agreement, whether authorized or approved in anticipation of, simultaneously with, or subsequent to, the authorization of the Subordinate Tier Obligations in connection with which it is executed.

"Subordinate Tier Debt Service Fund" – the Subordinate Tier Debt Service Fund created by the Master Trust Agreement.

"Subordinate Tier Interest Account" – an account in the Subordinate Tier Debt Service Fund created by the Trust Agreement.

"Subordinate Tier Non-TELA Obligations" – any Series of Subordinate Tier Obligations and any Subordinate Tier Credit Agreement that are not supported by a Toll Equity Loan Agreement.

"Subordinate Tier Obligations" – the Notes, the Series 2013B Bonds, the Series 2013E Bonds, the Series 2014B Bonds, the Series 2014C Bonds and, unless otherwise specifically stated, any bond, bonds, note, notes, other obligation or obligations, including any Subordinate Tier Credit Agreement, issued, incurred or entered into pursuant to "SUMMARY OF MASTER TRUST AGREEMENT PROVISIONS – Issuance of Subordinate Tier Obligations" as Subordinate Tier Obligations, or all of the foregoing, as the case may be, authorized by law and issued under and secured by the provisions of the Master Trust Agreement and any Supplemental Agreement.

"Subordinate Tier Payment Obligations" – unless otherwise specifically stated in a Supplemental Agreement, all amounts payable by the Corporation under a Subordinate Tier Credit Agreement less any amounts of Principal or interest payable with respect to any Subordinate Tier Obligations pledged under a Subordinate Tier Credit Agreement as collateral for the amounts due thereunder and any payment obligations evidenced by a Subordinate Tier Obligation; and all such Subordinate Tier Payment Obligation payments shall be deemed to constitute Principal payments of Subordinate Tier Obligations, and shall be paid from the Subordinate Tier Redemption Account or sub-account therein as provided in the Master Trust Agreement and specified in a Supplemental Agreement; and all payment obligations under a First Tier Credit Agreement or Second Tier Credit Agreement which are designated to be Subordinate Tier Payment Obligations shall be treated as and constitute Subordinate Tier Payment Obligations for all purposes under the Master Trust Agreement.

"Subordinate Tier Redemption Account" – an account in the Subordinate Tier Debt Service Fund created by the Trust Agreement.

*Preliminary, subject to change.

"Subordinate Tier Reserve Account" – an account in the Subordinate Tier Debt Service Fund created by the Trust Agreement.

"Subordinate Tier TELA Obligations" – any Series of Subordinate Tier Obligations and any Subordinate Tier Credit Agreement that are supported by a Toll Equity Loan Agreement.

"Substantial Completion" – as evidenced by the certificate of a Corporation Representative, pursuant to the Master Trust Agreement, (i) with respect to the Initial Project, the date which Segments F-1, F-2 and G reach "substantial completion" under the terms of the development agreement related to the acquisition and construction of such portions of the Initial Project and (ii) with respect to any additional System Segment financed with Additional Obligations, the date which such additional System Segments reach "substantial completion" under the terms of the development or construction agreement related to the acquisition and construction of such additional System Segments.

"Supplemental Agreement" or "Supplement" – any supplemental agreement to the Master Trust Agreement, now or hereafter duly authorized and entered into in accordance with the Master Trust Agreement, together with, to the extent applicable, the related award certificate of the Corporation.

"System" - Certain portions of the Grand Parkway Project designated as such by the Corporation, initially the Initial Project, and any System Segment or other toll project or facilities added to, grouped with, or otherwise constituted and declared to be a part of the System by the Corporation in accordance with State law and pursuant to an order or orders adopted by the Corporation.

"System Segment" – the meaning given such term in the Master Trust Agreement.

"Tax-Exempt Obligations" - Any Obligation the interest on which is excludable from gross income for federal income tax purposes.

"TELA Supported Junior Operating Expenses" – the Junior Operating Expenses of or allocable to (a) the System Segments and portions of System Segments comprising a portion of the Initial Project and the portion of Segment D within Harris County and (b) any additional System Segments (or portions thereof) as determined by the Corporation and which are supported by a Toll Equity Loan Agreement.

"TELA Coverage Deficit" – the meaning given such term in "SUMMARY OF MASTER TRUST AGREEMENT PROVISIONS - TELA/Other Tier Obligations."

"TELA/Other Tier Credit Agreement" – the Toll Equity Loan Agreement.

"TELA/Other Tier Debt Obligations" – a Toll Equity Note and any amendment or supplement, if any, thereunder incurred or entered into pursuant to "SUMMARY OF MASTER TRUST AGREEMENT PROVISIONS – Issuance of First Tier Obligations," "-Issuance of Second Tier Obligations," and "-Issuance of Subordinate Tier Obligations" as additional TELA/Other Tier Debt Obligations.

"TELA/Other Tier Obligations" – collectively, the TELA/Other Tier Debt Obligations and the TELA/Other Tier Payment Obligations.

"TELA/Other Tier Payment Fund" – the TELA/Other Tier Payment Fund created by the Master Trust Agreement.

"TELA/Other Tier Payment Obligations" – unless otherwise specifically stated in a Supplemental Agreement, all amounts payable by the Corporation under a TELA/Other Tier Credit Agreement, other than payment obligations evidenced by a TELA/Other Tier Debt Obligation; and all such TELA/Other Tier Payment Obligations shall be deemed to constitute Principal payment of TELA/Other Tier Obligations, and shall be paid from the TELA/Other Tier Payment Fund and specified in a Supplemental Agreement.

"Tier" – the designation of priority of an Obligation, with First Tier Obligations being the most senior, Second Tier Obligations being the second most senior, Subordinate Tier Obligations being the third most senior and, subject to subsection (f) of "SUMMARY OF MASTER TRUST AGREEMENT PROVISIONS – Supplemental Agreements by Corporation and Trustee," TELA/Other Tier Obligations being the fourth most senior.

"TIFIA Obligation" – an Obligation initially delivered to and owned by USDOT or other Governmental Lender related to a TIFIA Loan Agreement.

"Toll Equity Loan" – the loan or loans consisting of advances from time to time from TxDOT incurred by the Corporation and paid to the Trustee pursuant to a Toll Equity Loan Agreement and evidenced by a Toll Equity Note. For the avoidance of doubt, as of any date of determination, the Outstanding amount under a Toll Equity Loan shall be the aggregate outstanding amount of all advances drawn under such Toll Equity Loan commitment plus the aggregate outstanding amount of interest compounded in accordance therewith as of such date.

"Toll Equity Loan Agreement" – (i) the Initial Toll Equity Loan Agreement and (ii) any other Toll Equity Loan Agreement, each as supplemented and amended from time to time, between the Corporation and TxDOT, which shall be a credit agreement under Chapter 1371, Texas Government Code, and a contract providing revenue and security to pay certain Additional Obligations, as determined in such agreement, and, for purposes of the Master Trust Agreement, shall be a TELA/Other Tier Credit Agreement.

"Toll Equity Loan Supported Obligations" – any Series of the First Tier TELA Obligations, Second Tier TELA Obligations and Subordinate Tier TELA Obligations, respectively.

"Toll Equity Note" – (i) the Initial Toll Equity Note and (ii) any note executed and delivered pursuant to a Supplemental Agreement relating to a new Toll Equity Loan Agreement and issued as a TELA/Other Tier Obligation to evidence a Toll Equity Loan, all as may be amended, supplemented or delivered pursuant to "SUMMARY OF MASTER TRUST AGREEMENT PROVISIONS - TELA/Other Tier Obligations."

"Toll Rate Agreement" – the Toll Rate Agreement, dated as of August 1, 2013, as supplemented and amended from time to time, between the Corporation and the Commission which, among other matters, the Commission covenants with respect to certain rates and charges relating to the System for the benefit of the Corporation, the Trustee and the Owners of any Obligations.

"Toll Rate Schedule" – the schedule of tolls, fees or charges to be collected for the use of the System established by the Commission pursuant to the Toll Rate Agreement, any changes in such tolls, rates and charges and any changes in design of the overall configuration and toll road plans of the System from that included in the Comprehensive Traffic and Revenue Study Update Final Report dated June 26, 2013 by CDM Smith Inc. and the General Engineering Consulting Report in connection with the issuance of the Initial Obligations.

"Traffic Consultant" – the traffic engineer or engineering firm or corporation at the time employed by the Corporation pursuant to the provisions of subparagraph (b) of "SUMMARY OF MASTER TRUST AGREEMENT PROVISIONS - Employment of General Engineering Consultant and Traffic Consultant" to carry out the duties imposed by the Master Trust Agreement on the Traffic Consultant.

"Transfer Date" – the meaning given such term in "SUMMARY OF MASTER TRUST AGREEMENT PROVISIONS – Flow of Funds."

"Trust Agreement" - Collectively, the Master Trust Agreement as supplemented by the Fourth Supplemental Agreement.

"Trust Estate" – the meaning given such term in the granting clauses of the recitals of the Master Trust Agreement.

"Trustee" – U.S. Bank National Association, or its permitted successors and assigns under the Master Trust Agreement. "Principal Office" of the Trustee shall mean the business address specified in writing by the Trustee to the Corporation as its principal office for its duties under the Master Trust Agreement.

"TxDOT" or "Department" – the Texas Department of Transportation, or any successor thereto.

"Unanimous Voting Matters" - the meaning given such term in "SUMMARY OF MASTER TRUST AGREEMENT PROVISIONS - Modification of Trust Agreement and Supplemental Agreements with Consent of a Majority of Owners of Obligations; Restrictions on Modifications; Notice of Supplemental Agreements."

"USDOT" – the United States Department of Transportation, or any successor thereto.

"Variable Rate" – interest on an Obligation which does not have a predetermined fixed rate or rates to maturity.

SUMMARY OF MASTER TRUST AGREEMENT PROVISIONS

Issuance of First Tier Obligations.

(a) This section shall not be applicable to the issuance of any First Tier Obligations which constitute all or a portion of the Initial Obligations.

(b) To the extent and in the manner provided in this section, the Corporation reserves and shall have the right and power to issue or incur, at one time or from time to time, First Tier Obligations, including First Tier Credit Agreements, which First Tier Obligations, when issued or incurred, shall be secured by and payable from a lien on and pledge of the Senior Net Revenues. First Tier Obligations shall be in all respects of equal dignity and on parity with any then Outstanding First Tier Obligations.

(c) First Tier Obligations may be issued for any purpose then authorized by law, including the refunding of Obligations or other debt and/or the interest thereon at any time authorized. Such First Tier Obligations shall be designated as First Tier Non-TELA Obligations or First Tier TELA Obligations, dated, bear interest (either fixed, variable, or a combination thereof), mature, and shall or may be subject to mandatory or optional redemption prior to maturity with moneys from the First Tier Debt Service Fund, shall be payable from such source or sources, further secured by any reserve fund or other funds, if any, and shall be executed, sold, and delivered, all as is provided in the resolution and the Supplemental Agreement authorizing the issuance of such First Tier Obligations, provided that the provisions of such Obligations shall not be in conflict with the provisions of the Master Trust Agreement. Such First Tier Obligations shall be issued, executed, and delivered in the form and manner as prescribed in the resolution and the Supplemental Agreement authorizing same, and such First Tier Obligations shall be secured and payable as in the Master Trust Agreement and the resolution provided, and shall be on parity with any then Outstanding First Tier Non-TELA Obligations and First Tier TELA Obligations with respect to the Senior Net Revenues.

(d) First Tier Obligations shall be issued and delivered only after adoption by the Corporation of a resolution and Supplemental Agreement which shall (i) authorize the Obligations as either First Tier Non-TELA Obligations or First Tier TELA Obligations and direct their delivery, (ii) describe in brief and general terms the purpose or purposes for which such Obligations are to be issued, (iii) specify and determine the title and other provisions of such Obligations in accordance with paragraph (c) of this section, (iv) set forth or provide for the approval of the form of the Obligation, (v) authorize any reserve fund or other funds for such Obligations pursuant to subparagraph (g) of this section and (vi) provide for the retirement of such Obligations from the First Tier Redemption Account or otherwise, provided that the provisions with respect to such Obligations shall not be in conflict with the provisions of the Master Trust Agreement.

(e) Upon their authorization by resolution of the Corporation as described above, the First Tier Obligations of a Series issued under this section shall be issued in the manner hereinabove set forth or referred to, and shall be delivered to the purchasers thereof, but before, or concurrently with, the delivery of such Obligations to such purchasers there shall have been filed with the Trustee the following:

(i) a copy, certified by an official of the Corporation, of the resolution of the Corporation authorizing the First Tier Obligations and directing their delivery to the purchasers;

(ii) an original executed counterpart of the Supplemental Agreement;

(iii) a certificate signed by a Corporation Representative to the effect that (1) (A) no default has occurred and is continuing under the Master Trust Agreement or (B) after the issuance of the proposed Obligations to cure an existing default under the Master Trust Agreement, no default will have occurred and be continuing under the Master Trust Agreement and (2) (A) no default by the Commission has occurred and is continuing under the Toll Rate Agreement or (B) after the issuance of the proposed Obligations, no default by the Commission will have occurred and be continuing under the Toll Rate Agreement;

(iv) a certificate of a Corporation Representative regarding transfers from the Revenue Fund required under the Master Trust Agreement;

(v) a certificate by the General Engineering Consultant setting forth their opinions as to: (1) the aggregate estimated amount of the cost of the acquisition or construction of the System Segment for which the First Tier Obligations are to be issued, (2) the Estimated Date of Completion for such System Segment, and (3) the estimated amount of the Senior Operating Expenses and Junior Operating Expenses for each of the Fiscal Years through the repayment of all Outstanding First Tier Obligations, Second Tier Obligations, Subordinate Tier Obligations and TELA/Other Tier Obligations (excluding any Obligations being refunded), including the First Tier Obligations proposed to be issued (provided that items (1) and (2) shall not be applicable with respect to First Tier Obligations issued solely for refunding purposes and item (3) shall not be applicable in the case of First Tier Obligations issued to refund Outstanding First Tier Obligations which do not cause, in any Fiscal Year, an increase in then existing annual Debt Service Requirements of the First Tier Obligations);

(vi) a certificate by the Traffic Consultant setting forth their opinion as to the aggregate amount of projected Revenues of the System (which may include appropriate investment income as estimated by a Corporation Representative) under the Toll Rate Schedule then in effect and referred to, set forth in, or attached to, such certificate, for each of the Fiscal Years through the repayment of all Outstanding First Tier Obligations, Second Tier Obligations, Subordinate Tier Obligations and TELA/Other Tier Obligations (excluding any Obligations being refunded), including the First Tier Obligations proposed to be issued;

(vii) a certificate by a Corporation Representative, derived, in part, from the certificates described in subparagraphs (e)(v) and (vi) of "SUMMARY OF MASTER TRUST AGREEMENT PROVISIONS – Issuance of First Tier Obligations," stating (1) the projected Senior Net Revenues and projected Junior Operating Expenses for each Fiscal Year through the repayment of all Outstanding First Tier Obligations, Second Tier Obligations, Subordinate Tier Obligations and TELA/Other Tier Obligations (excluding any Obligations being refunded), including the First Tier Obligations proposed to be issued; (2) the annual Debt Service Requirements (which may account for appropriate investment income as estimated by a Corporation Representative) for all Outstanding First Tier Obligations, Second Tier Obligations, Subordinate Tier Obligations and TELA/Other Tier Obligations (excluding any Obligations being refunded), including the First Tier Obligations proposed to be issued; (3) the projected balance of the Rate Stabilization Fund for each Fiscal Year during any Construction and Ramp-up Period; and (4) in the case of First Tier Obligations proposed to be issued to refund Outstanding First Tier Obligations, (A) the annual Debt Service Requirements for all Outstanding First Tier Obligations (including any First Tier Obligations being refunded but excluding the First Tier Obligations then proposed to be delivered) and (B) the annual Debt Service Requirements for all Outstanding First Tier Obligations (excluding any First Tier Obligations being refunded) and the First Tier Obligations then proposed to be delivered;

(viii) for the issuance of a Series of First Tier TELA Obligations, (1) an original executed counterpart of any amendment or supplement to any outstanding Toll Equity Loan Agreement, if necessary, providing for, in each Fiscal Year such First Tier TELA Obligations are to be Outstanding, any necessary or related adjustment in (A) the Maximum Available Aggregate Amount and the Maximum Available Annual Amount, respectively, and (B) the TELA Supported Junior Operating Expenses or other amounts in the Project Budget or (2) an original executed counterpart of any new Toll Equity Loan Agreement providing for, in each Fiscal Year such First Tier TELA Obligations are to be Outstanding, any necessary or related adjustment in or establishment of (A) the particular Maximum Available Aggregate Amount and the particular Maximum Available Annual Amount, respectively, and (B) the particular Project Budget;

(ix) for the issuance of a Series of First Tier TELA Obligations, a certificate of a Corporation Representative, demonstrating with reasonable detail that the annual Debt Service Requirements for all Outstanding First Tier TELA Obligations, Second Tier TELA Obligations and Subordinate Tier TELA Obligations (excluding any Obligations being refunded), including the First Tier TELA Obligations proposed to be issued plus the projected TELA Supported Junior Operating Expenses, for the current Fiscal Year and in each Fiscal Year thereafter is less than or equal to the applicable aggregate Maximum Available Annual Amount for each such Fiscal Year as set forth any outstanding Toll Equity Loan Agreements (as may have been amended or supplemented); and

(x) for the issuance of a Series of First Tier TELA Obligations, an opinion or opinions of general counsel to TxDOT and Counsel to the Corporation to the effect that the Toll Equity Loan Agreement or any amendment or supplement thereto described in clause (viii) above has been duly authorized, executed and delivered and is a valid, binding and enforceable obligation of TxDOT and the Corporation, respectively,

subject to sovereign immunity, bankruptcy, equitable principles and other standard legal opinion exceptions.

(f) For the issuance of a Series of First Tier Obligations, except as provided in subparagraphs (a) and (j) of this section, when the documents mentioned above shall have been filed with the Trustee and when the First Tier Obligations authorized by the resolution provided in subparagraph (e)(i) of this section shall have been executed in accordance with the Master Trust Agreement and the resolution, the Corporation may deliver such Obligations at one time to or upon the order of the purchasers named in such resolution, upon receipt by the purchasers and the Trustee of an opinion of Bond Counsel that the issuance of such Obligations has been duly authorized and that all conditions precedent to the delivery of such Obligations have been fulfilled; provided that, except in the case of refunding First Tier Obligations being issued to refund Outstanding First Tier Obligations which do not cause an increase in the then existing annual Debt Service Requirements of the First Tier Obligations in any Fiscal Year, such Obligations shall not be delivered unless there shall have been filed with the Trustee an additional certificate by a Corporation Representative (based on the above described certificates of the General Engineering Consultant, the Traffic Consultant, and the Corporation Representative, as applicable) certifying that:

(i) the projected Senior Net Revenues for the current and each Fiscal Year after the date of such certificate are at least 1.50 times the annual Debt Service Requirements for each such Fiscal Year for all then Outstanding First Tier Obligations and any then Outstanding Second Tier Obligations and Subordinate Tier Obligations for which "SUMMARY OF MASTER TRUST AGREEMENT PROVISIONS - Effect of Bankruptcy Related Event on TIFIA Obligations" is applicable (excluding any such First Tier Obligations, Second Tier Obligations and Subordinate Tier Obligations being refunded) and the First Tier Obligations then proposed to be delivered;

(ii) the projected Senior Net Revenues for the current and each Fiscal Year after the date of such certificate are at least 1.30 times the annual Debt Service Requirements for each such Fiscal Year for all then Outstanding First Tier Obligations and Second Tier Obligations (excluding any First Tier Obligations or Second Tier Obligations being refunded) and the First Tier Obligations then proposed to be delivered; and

(iii) the projected Senior Net Revenues for the current and each Fiscal Year after the date of such certificate are at least 1.10 times the annual Debt Service Requirements for each such Fiscal Year for all then Outstanding First Tier Obligations, Second Tier Obligations and Subordinate Tier Obligations (excluding any First Tier Obligations, Second Tier Obligations or Subordinate Tier Obligations being refunded) and the First Tier Obligations then proposed to be delivered; provided that for this clause (iii), the Corporation Representative may assume that Senior Net Revenues include the amounts forecasted to be on deposit in the Rate Stabilization Fund during any Construction and Ramp-up Period.

(g) The Corporation may establish a reserve account, a Capitalized Interest Account and/or any other fund or funds pursuant to the provisions of the applicable Supplemental Agreement for the purpose of paying or securing a particular Series of First Tier Obligations, any specific group or Series of First Tier Obligations or, for a Capitalized Interest Account, any specific group of Obligations authorized by the same particular Supplemental Agreement. Any reserve account shall be segregated into a separate subaccount and separately identified within the First Tier Reserve Account. Any reserve account or other fund so established shall be held solely for the benefit of the Owners of the particular Series or group of Series of First Tier Obligations for which such subaccount or fund was established. Each such reserve account shall be designated in such manner as is necessary to identify the First Tier Obligations it secures and to distinguish such subaccount from any other accounts or subaccounts within the First Tier Reserve Account created for the benefit of any other First Tier Obligations. Any Capitalized Interest Account shall be segregated into a separate subaccount and separately identified within the First Tier Interest Account or the Construction Fund, as directed by the Corporation Representative. Any such Capitalized Interest Account so established shall be held for the benefit of the Owners of the particular Series, group of Series of First Tier Obligations or group of Obligations authorized by the same particular Supplemental Agreement, for which such account was established, as the case may be. Each such Capitalized Interest Account shall be designated in such manner as is necessary to identify the Obligations it secures and to distinguish such subaccount from any other subaccounts within (i) the First Tier Interest Account created for the benefit of any other First Tier Obligations or (ii) the Construction Fund. Any other fund created hereby shall be designated in such manner as is necessary to identify the First Tier Obligations it secures and to distinguish such subaccount from any other funds, account or subaccounts created for the benefit of any other First Tier Obligations. Prior to establishing any reserve account, Capitalized Interest Account or other fund hereby, a Corporation Representative shall deliver a certificate to the Trustee to the effect that the establishment and operation of such account or fund will not have a material adverse effect on the ability of the Corporation to comply with its covenants in the Master Trust Agreement or in the Supplemental Agreements authorizing the issuance of the Outstanding First Tier Obligations.

(h) Immediately after the delivery of any First Tier Obligations issued under this section, the Corporation shall deposit the proceeds thereof, if any, (including accrued interest, if any, collected at the time of the delivery of such Obligations) with the Trustee, which shall in turn deposit the proceeds as directed by a Corporation Representative in accordance with the purposes for which such First Tier Obligations were issued.

(i) Notwithstanding anything to the contrary contained in this section, the Corporation may enter into First Tier Credit Agreements constituting Qualified Credit Agreements in connection with First Tier Obligations and the First Tier Payment Obligations as specified thereunder may be secured by and made payable from a lien on and pledge of the pledged Senior Net Revenues on a parity with the Outstanding First Tier Obligations. In addition, the Trustee shall withdraw from the Revenue Fund for deposit into the First Tier Debt Service Fund such amounts as are necessary for the Corporation to pay such First Tier Payment Obligations in accordance with the Master Trust Agreement.

(j) To finance the costs of completion of the Initial Project, the Corporation may, without complying with the provisions of subparagraphs (e)(iv) through (vii), (e)(ix) and (f) of this section, issue First Tier Obligations in a Principal amount, together with any Subordinate Tier Obligations issued pursuant to subparagraph (j) of "SUMMARY OF MASTER TRUST AGREEMENT PROVISIONS - Issuance of Subordinate Tier Obligations," not in excess of 10% of the Principal amount of the Initial Obligations issued to finance the Initial Project, if prior to the issuance thereof there is delivered to the Trustee a certificate of the General Engineering Consultant stating: (i) that at the time the Initial Obligations were issued, the Corporation had reason to believe that the proceeds of such Initial Obligations, together with any other moneys then expected to be available, would provide sufficient moneys for the completion of the Initial Project (ii) the amount estimated to be needed to so complete the Initial Project; and (iii) that the proceeds of all such Completion Obligations to be applied to the completion of the Initial Project, together with a reasonable estimate by a Corporation Representative of (1) investment income to be earned on the proceeds of all such Completion Obligations and available to pay such costs, (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 in an amount not less than the estimated amount needed to complete the Initial Project set forth in such certificate of the General Engineering Consultant. The Principal amount of the Completion Obligations permitted in subparagraph (j) of this section may include the amount required to (I) provide completed and equipped facilities of substantially the same type and scope contemplated at the time the Initial Obligations were originally issued, (II) provide for capitalized interest during the period of construction, (III) provide the required deposit, if any, in any reserve fund permitted by subparagraphs (d) and (g) of this section and (IV) pay the costs and expenses of issuing such First Tier Obligations being issued as Completion Obligations.

(k) Notwithstanding anything in this section to the contrary, subparagraphs (e)(iv) through (vii), (e)(ix) and (f) shall not be applicable to the issuance of any First Tier Obligations (i) issued to refund the Notes, the Series 2014B Bonds and/or the Series 2014C Bonds or (ii) initially delivered to USDOT or other Governmental Lender for certain eligible costs, the proceeds of which are to be used to retire any of the Notes, the Series 2014B Bonds and/or the Series 2014C Bonds.

Issuance of Second Tier Obligations.

(a) This section shall not be applicable to the issuance of any Second Tier Obligations which constitute all or a portion of the Initial Obligations.

(b) To the extent and in the manner provided in this section, the Corporation reserves and shall have the right and power to issue or incur, at one time or from time to time, Second Tier Obligations, including Second Tier Credit Agreements, which Second Tier Obligations, when issued or incurred, shall be secured by and payable from a lien on and pledge of the Senior Net Revenues subordinate to any First Tier Obligations. Second Tier Obligations shall be in all respects of equal dignity and on parity with any then Outstanding Second Tier Obligations.

(c) Second Tier Obligations may be issued for any purpose then authorized by law, including the refunding of Obligations or other debt and/or the interest thereon, at any time authorized. Such Second Tier Obligations shall be designated Second Tier Non-TELA Obligations or Second Tier TELA Obligations, dated, bear interest (either fixed, variable, or a combination thereof), mature, and shall or may be subject to mandatory or optional redemption prior to maturity with moneys from the Second Tier Debt Service Fund, shall be payable from such source or sources, further secured by any reserve fund or other funds, if any, and shall be executed, sold, and delivered, all as is provided in the resolution and the Supplemental Agreement authorizing the issuance of such Second Tier Obligations, provided that the provisions of such Obligations shall not be in conflict with the provisions of the Master Trust Agreement. Such Second Tier Obligations shall be issued, executed, and delivered in the form and manner as prescribed in the resolution and the Supplemental Agreement

authorizing same, and such Second Tier Obligations shall be secured and payable as in the Master Trust Agreement and the resolution provided, and shall be on parity with any then Outstanding Second Tier Non-TELA Obligations or Second Tier TELA Obligations with respect to the Senior Net Revenues.

(d) Second Tier Obligations shall be issued and delivered only after adoption by the Corporation of a resolution and Supplemental Agreement which shall (i) authorize the Obligations as either Second Tier Non-TELA Obligations or Second Tier TELA Obligations and direct their delivery, (ii) describe in brief and general terms the purpose or purposes for which such Obligations are to be issued, (iii) specify and determine the title and other provisions of such Obligations in accordance with paragraph (c) of this section, (iv) set forth or provide for the approval of the form of the Obligation, (v) authorize any reserve fund or other funds for such Obligations pursuant to subparagraphs (g) and (vi) of this section provide for the retirement of such Obligations from the Second Tier Redemption Account or otherwise, provided that the provisions with respect to such Obligations shall not be in conflict with the provisions of the Master Trust Agreement.

(e) Upon their authorization by resolution of the Corporation as described above, the Second Tier Obligations of a Series issued under this section shall be issued in the manner hereinabove set forth or referred to, and shall be delivered to the purchasers thereof, but before, or concurrently with, the delivery of such Obligations to such purchasers there shall have been filed with the Trustee the following:

(i) a copy, certified by an official of the Corporation, of the resolution of the Corporation authorizing the Second Tier Obligations and directing their delivery to the purchasers;

(ii) an original executed counterpart of the Supplemental Agreement;

(iii) a certificate signed by a Corporation Representative to the effect that (1) (A) no default has occurred and is continuing under the Master Trust Agreement or (B) after the issuance of the proposed Obligations to cure an existing default under the Master Trust Agreement, no default will have occurred and be continuing under the Master Trust Agreement and (2) (A) no default by the Commission has occurred and is continuing under the Toll Rate Agreement or (B) after the issuance of the proposed Obligations, no default by the Commission will have occurred and be continuing under the Toll Rate Agreement;

(iv) a certificate of a Corporation Representative regarding transfers from the Revenue Fund required under the Master Trust Agreement;

(v) a certificate by the General Engineering Consultant setting forth their opinions as to: (1) the aggregate estimated amount of the cost of the acquisition or construction of the System Segment for which the Second Tier Obligations are to be issued, (2) the Estimated Date of Completion for such System Segment, and (3) the estimated amount of the Senior Operating Expenses and Junior Operating Expenses for each of the Fiscal Years through the repayment of all Outstanding First Tier Obligations, Second Tier Obligations, Subordinate Tier Obligations and TELA/Other Tier Obligations (excluding any Obligations being refunded), including the Second Tier Obligations proposed to be issued (provided that items (1) and (2) shall not be applicable with respect to Second Tier Obligations issued for refunding purposes and item (3) shall not be applicable in the case of Second Tier Obligations issued to refund Outstanding First Tier Obligations and/or Second Tier Obligations where the annual Debt Service Requirements of such refunding Second Tier Obligations in any Fiscal Year is less than the aggregated Debt Service Requirements in each such Fiscal Year of the First Tier Obligations and Second Tier Obligations being refunded);

(vi) a certificate by the Traffic Consultant setting forth their opinion as to the aggregate amount of projected Revenues of the System (which may include appropriate investment income as estimated by a Corporation Representative) under the Toll Rate Schedule then in effect and referred to, set forth in, or attached to, such certificate, for each of the Fiscal Years through the repayment of all Outstanding First Tier Obligations, Second Tier Obligations, Subordinate Tier Obligations and TELA/Other Tier Obligations (excluding any Obligations being refunded), including the Second Tier Obligations proposed to be issued;

(vii) a certificate by a Corporation Representative, derived, in part, from the certificates described in subparagraphs (e)(v) and (vi) of this section, stating (1) the projected Senior Net Revenues and projected Junior Operating Expenses for each Fiscal Year through the repayment of all Outstanding First Tier Obligations, Second Tier Obligations, Subordinate Tier Obligations and TELA/Other Tier Obligations (excluding any Obligations being refunded), including the Second Tier Obligations proposed to be issued;

(2) the annual Debt Service Requirements (which may account for appropriate investment income as estimated by a Corporation Representative) for all Outstanding First Tier Obligations, Second Tier Obligations, Subordinate Tier Obligations and TELA/Other Tier Obligations (excluding any Obligations being refunded), including the Second Tier Obligations proposed to be issued; (3) the projected balance of the Rate Stabilization Fund for each Fiscal Year during any Construction and Ramp-up Period; and (4) in the case of Second Tier Obligations proposed to be issued to refund Outstanding First Tier Obligations and/or Second Tier Obligations, (A) the annual Debt Service Requirements for all Outstanding First Tier Obligations and Second Tier Obligations (including any First Tier Obligations and Second Tier Obligations being refunded, as the case may be, but excluding the Second Tier Obligations then proposed to be delivered) and (B) the annual Debt Service Requirements for all Outstanding First Tier Obligations and Second Tier Obligations (excluding any First Tier Obligations and Second Tier Obligations being refunded) and the Second Tier Obligations then proposed to be delivered;

(viii) for the issuance of a Series of Second Tier TELA Obligations, (1) an original executed counterpart of any amendment or supplement to any outstanding Toll Equity Loan Agreement, if necessary, providing for, in each Fiscal Year such Second Tier TELA Obligations are to be Outstanding, any necessary or related adjustment in (A) the Maximum Available Aggregate Amount and the Maximum Available Annual Amount, respectively, and (B) the TELA Supported Junior Operating Expenses or other amounts in the Project Budget or (2) an original executed counterpart of any new Toll Equity Loan Agreement providing for, in each Fiscal Year such Second Tier TELA Obligations are to be Outstanding, any necessary or related adjustment in or establishment of (A) the particular Maximum Available Aggregate Amount and the particular Maximum Available Annual Amount, respectively, and (B) the particular Project Budget;

(ix) for the issuance of a Series of Second Tier TELA Obligations, a certificate of a Corporation Representative demonstrating with reasonable detail that the annual Debt Service Requirements for all Outstanding First Tier TELA Obligations, Second Tier TELA Obligations and Subordinate Tier TELA Obligations (excluding any Obligations being refunded), including the Second Tier TELA Obligations proposed to be issued, plus the projected TELA Supported Junior Operating Expenses, for the current Fiscal Year and in each Fiscal Year thereafter is less than or equal to the applicable aggregate Maximum Available Annual Amount for each such Fiscal Year as set forth in any outstanding Toll Equity Loan Agreements (as may have been amended or supplemented); and

(x) for the issuance of a Series of Second Tier TELA Obligations, an opinion or opinions of general counsel to TxDOT and Counsel to the Corporation to the effect that the Toll Equity Loan Agreement or any amendment or supplement thereto described in clause (viii) above has been duly authorized, executed and delivered and is a valid, binding and enforceable obligation of TxDOT and the Corporation, respectively, subject to sovereign immunity, bankruptcy, equitable principles and other standard legal opinion exceptions.

(f) For the issuance of a Series of Second Tier Obligations, except as provided in subparagraphs (a) and (j) of this section, when the documents mentioned above shall have been filed with the Trustee and when the Second Tier Obligations authorized by the resolution provided in subparagraph (e)(i) of this section shall have been executed in accordance with the Master Trust Agreement and the resolution, the Corporation may deliver such Obligations at one time to or upon the order of the purchasers named in such resolution, upon receipt by the purchasers and the Trustee of an opinion of Bond Counsel that the issuance of such Obligations has been duly authorized and that all conditions precedent to the delivery of such Obligations have been fulfilled; provided that, except in the case of refunding Second Tier Obligations being issued to refund Outstanding First Tier Obligations and/or Second Tier Obligations where the annual Debt Service Requirements of such refunding Second Tier Obligations in any Fiscal Year is less than the aggregated Debt Service Requirements in each such Fiscal Year of the First Tier Obligations and Second Tier Obligations being refunded, such Obligations shall not be delivered unless there shall have been filed with the Trustee an additional certificate by a Corporation Representative (based on the above described certificates of the General Engineering Consultant, the Traffic Consultant, and the Corporation Representative, as applicable) certifying that:

(i) for the issuance of Second Tier Obligations which are to be TIFIA Obligations for which "SUMMARY OF MASTER TRUST AGREEMENT PROVISIONS - Effect of Bankruptcy Related Event on TIFIA Obligations" could apply, the projected Senior Net Revenues for the current and each Fiscal Year after the date of such certificate are at least 1.50 times the annual Debt Service Requirements for each such Fiscal Year for all then Outstanding First Tier Obligations and any then Outstanding Second Tier Obligations and Subordinate Tier Obligations for which "SUMMARY OF MASTER TRUST

AGREEMENT PROVISIONS - Effect of Bankruptcy Related Event on TIFIA Obligations" is applicable (excluding any such First Tier Obligations, Second Tier Obligations and Subordinate Tier Obligations being refunded) and the Second Tier Obligations which are to be TIFIA Obligations then proposed to be delivered;

(ii) the projected Senior Net Revenues for the current and each Fiscal Year after the date of such certificate are at least 1.30 times the annual Debt Service Requirements for each such Fiscal Year for all then Outstanding First Tier Obligations and Second Tier Obligations (excluding any First Tier Obligations or Second Tier Obligations being refunded) and the Second Tier Obligations then proposed to be delivered; and

(iii) the projected Senior Net Revenues for the current and each Fiscal Year after the date of such certificate are at least 1.10 times the annual Debt Service Requirements for each such Fiscal Year for all then Outstanding First Tier Obligations, Second Tier Obligations and Subordinate Tier Obligations (excluding any First Tier Obligations, Second Tier Obligations or Subordinate Tier Obligations being refunded) and the Second Tier Obligations then proposed to be delivered; provided that for this clause (iii), the Corporation Representative may assume that Senior Net Revenues include the amounts forecasted to be on deposit in the Rate Stabilization Fund during any Construction and Ramp-up Period.

(g) The Corporation may establish a reserve account, a Capitalized Interest Account and/or any other fund or funds pursuant to the provisions of the applicable Supplemental Agreement for the purpose of paying or securing a particular Series of Second Tier Obligations, any specific group or Series of Second Tier Obligations or, for a Capitalized Interest Account, any specific group of Obligations authorized by the same particular Supplemental Agreement. Any reserve account shall be segregated into a separate subaccount and separately identified within the Second Tier Reserve Account. Any reserve account or other fund so established shall be held solely for the benefit of the Owners of the particular Series or group of Series of Second Tier Obligations for which such subaccount or fund was established. Each such reserve account shall be designated in such manner as is necessary to identify the Second Tier Obligations it secures and to distinguish such subaccount from any other accounts or subaccounts within the Second Tier Reserve Account created for the benefit of any other Second Tier Obligations. Any Capitalized Interest Account shall be segregated into a separate subaccount and separately identified within the Second Tier Interest Account or the Construction Fund, as directed by the Corporation Representative. Any such Capitalized Interest Account so established shall be held for the benefit of the Owners of the particular Series, group of Series of Second Tier Obligations or group of Obligations authorized by the same particular Supplemental Agreement, for which such account was established, as the case may be. Each such Capitalized Interest Account shall be designated in such manner as is necessary to identify the Second Tier Obligations it secures and to distinguish such subaccount from any other subaccounts within (i) the Second Tier Interest Account created for the benefit of any other Second Tier Obligations or (ii) the Construction Fund. Any other fund created hereby shall be designated in such manner as is necessary to identify the Second Tier Obligations it secures and to distinguish such subaccount from any other funds, account or subaccounts created for the benefit of any other Second Tier Obligations. Prior to establishing any reserve account, Capitalized Interest Account or other fund hereby, a Corporation Representative shall deliver a certificate to the Trustee to the effect that the establishment and operation of such account or fund will not have a material adverse effect on the ability of the Corporation to comply with its covenants in the Master Trust Agreement or in the Supplemental Agreements authorizing the issuance of the Outstanding Second Tier Obligations.

(h) Immediately after the delivery of any Second Tier Obligations issued under this section, the Corporation shall deposit the proceeds thereof, if any, (including accrued interest, if any, collected at the time of the delivery of such Obligations) with the Trustee, which shall in turn deposit the proceeds as directed by a Corporation Representative in accordance with the purposes for which such Second Tier Obligations were issued.

(i) Notwithstanding anything to the contrary contained in this section, the Corporation may enter into Second Tier Credit Agreements constituting Qualified Credit Agreements in connection with Second Tier Obligations and the Second Tier Payment Obligations as specified thereunder may be secured by and made payable from a lien on and pledge of the pledged Senior Net Revenues on a parity with the Outstanding Second Tier Obligations. In addition, the Trustee shall withdraw from the Revenue Fund for deposit into the Second Tier Debt Service Fund such amounts as are necessary for the Corporation to pay such Second Tier Payment Obligations in accordance with the Master Trust Agreement.

(j) Notwithstanding anything in this section to the contrary, subparagraphs (e)(iv) through (vii), (e)(ix) and (f) of this section shall not be applicable to the issuance of any Second Tier Obligations (i) issued to refund the Notes, the Series 2014B Bonds and/or the Series 2014C Bonds or (ii) initially delivered to USDOT or other Governmental Lender for certain

eligible costs and the proceeds of which are to be used to retire any of the Notes, the Series 2014B Bonds and/or the Series 2014C Bonds.

Issuance of Subordinate Tier Obligations.

(a) This section shall not be applicable to the issuance of any Subordinate Tier Obligations which constitute all or a portion of the Initial Obligations.

(b) To the extent and in the manner provided in this section, the Corporation reserves and shall have the right and power to issue or incur, at one time or from time to time, Subordinate Tier Obligations, including Subordinate Tier Credit Agreements, which Subordinate Tier Obligations, when issued or incurred, shall be secured by and payable from a lien on and pledge of the Senior Net Revenues subordinate to any First Tier Obligations and any Second Tier Obligations. Each Series of Subordinate Tier Obligations shall be created pursuant to a Supplemental Agreement and shall identify the level of subordination and the priority of payment to which such series is entitled relative to any other Series of Subordinate Tier Obligations, provided, however, that in no event shall the priority of payment be above that of any First Tier Obligations or any Second Tier Obligations. Subject to the foregoing sentence, Subordinate Tier Obligations shall be in all respects of equal dignity and on parity with any then Outstanding Subordinate Tier Obligations.

(c) Subordinate Tier Obligations may be issued for any purpose then authorized by law, including the refunding of Obligations or other debt and/or the interest thereon, at any time authorized. Such Subordinate Tier Obligations shall be designated Subordinate Tier Non-TELA Obligations or Subordinate Tier TELA Obligations, dated, bear interest (either fixed, variable, or a combination thereof), mature, and shall or may be subject to mandatory or optional redemption prior to maturity with moneys from the Subordinate Tier Debt Service Fund, shall be payable from such source or sources, further secured by any reserve fund or other funds, if any, and shall be executed, sold, and delivered, all as is provided in the resolution and the Supplemental Agreement authorizing the issuance of such Subordinate Tier Obligations, provided that the provisions of such Obligations shall not be in conflict with the provisions of the Master Trust Agreement and the priority of payment of such Obligations shall be established as set forth above. Such Subordinate Tier Obligations shall be issued, executed, and delivered in the form and manner as prescribed in the resolution and the Supplemental Agreement authorizing same, and such Subordinate Tier Obligations shall be secured and payable as in the Master Trust Agreement and the resolution provided.

(d) Subordinate Tier Obligations shall be issued and delivered only after adoption by the Corporation of a resolution and Supplemental Agreement which shall (i) authorize the Obligations as either Subordinate Tier Non-TELA Obligations or Subordinate Tier TELA Obligations and direct their delivery, (ii) describe in brief and general terms the purpose or purposes for which such Obligations are to be issued, (iii) specify and determine the title and other provisions of such Obligations in accordance with paragraph (b) of this section, including the level of subordination and priority of payment therefor, (iv) set forth or provide for the approval of the form of the Obligation, (v) authorize any reserve fund or other funds for such Obligations pursuant to subparagraph (g) of this section and (vi) provide for the retirement of such Obligations from the Subordinate Tier Redemption Account or otherwise, provided that the provisions with respect to such Obligations shall not be in conflict with the provisions of the Master Trust Agreement.

(e) Upon their authorization by resolution of the Corporation as described above, the Subordinate Tier Obligations of a Series issued under this section shall be issued in the manner hereinabove set forth or referred to, and shall be delivered to the purchasers thereof, but before, or concurrently with, the delivery of such Obligations to such purchasers there shall have been filed with the Trustee the following:

(i) a copy, certified by an official of the Corporation, of the resolution of the Corporation authorizing the Subordinate Tier Obligations and directing their delivery to the purchasers;

(ii) an original executed counterpart of the Supplemental Agreement;

(iii) a certificate signed by a Corporation Representative to the effect that (1) (A) no default has occurred and is continuing under the Master Trust Agreement or (B) after the issuance of the proposed Obligations to cure an existing default under the Master Trust Agreement, no default will have occurred and be continuing under the Master Trust Agreement and (2) (A) no default by the Commission has occurred and is continuing under the Toll Rate Agreement or (B) after the issuance of the proposed Obligations, no default by the Commission will have occurred and be continuing under the Toll Rate Agreement;

- (iv) a certificate of a Corporation Representative regarding transfers from the Revenue Fund required under the Master Trust Agreement;
- (v) a certificate by the General Engineering Consultant setting forth their opinions as to: (1) the aggregate estimated amount of the cost of the acquisition or construction of the System Segment for which the Subordinate Tier Obligations are to be issued, (2) the Estimated Date of Completion for such System Segment, and (3) the estimated amount of the Senior Operating Expenses and Junior Operating Expenses for each of the Fiscal Years through the repayment of all Outstanding First Tier Obligations, Second Tier Obligations, Subordinate Tier Obligations and TELA/Other Tier Obligations (excluding any Obligations being refunded), including the Subordinate Tier Obligations proposed to be issued (provided that items (1) and (2) shall not be applicable with respect to Subordinate Tier Obligations issued for refunding purposes and item (3) shall not be applicable in the case of Subordinate Tier Obligations issued to refund Outstanding First Tier Obligations, Second Tier Obligations and/or Subordinate Tier Obligations where the annual Debt Service Requirements of such refunding Subordinate Tier Obligations in any Fiscal Year is less than the aggregated Debt Service Requirements in each such Fiscal Year of the First Tier Obligations, Second Tier Obligations and Subordinate Tier Obligations being refunded);
- (vi) a certificate by the Traffic Consultant setting forth their opinion as to the aggregate amount of projected Revenues of the System (which may include appropriate investment income as estimated by a Corporation Representative) under the Toll Rate Schedule then in effect and referred to, set forth in, or attached to, such certificate, for each of the Fiscal Years through the repayment of all Outstanding First Tier Obligations, Second Tier Obligations, Subordinate Tier Obligations and TELA/Other Tier Obligations (excluding any Obligations being refunded), including the Subordinate Tier Obligations proposed to be issued;
- (vii) a certificate by a Corporation Representative, derived, in part, from the certificates described in subparagraphs (e)(v) and (vi) of this section, stating (1) the projected Senior Net Revenues and projected Junior Operating Expenses for each Fiscal Year through the repayment of all Outstanding First Tier Obligations, Second Tier Obligations, Subordinate Tier Obligations and TELA/Other Tier Obligations (excluding any Obligations being refunded), including the Subordinate Tier Obligations proposed to be issued; (2) the annual Debt Service Requirements (which may account for appropriate investment income as estimated by a Corporation Representative) for all Outstanding First Tier Obligations, Second Tier Obligations, Subordinate Tier Obligations and TELA/Other Tier Obligations (excluding any Obligations being refunded), including the Subordinate Tier Obligations proposed to be issued; (3) the projected balance of the Rate Stabilization Fund for each Fiscal Year during any Construction and Ramp-up Period; and (4) in the case of Subordinate Tier Obligations proposed to be issued to refund Outstanding First Tier Obligations, Second Tier Obligations and/or Subordinate Tier Obligations, (A) the annual Debt Service Requirements for all Outstanding First Tier Obligations, Second Tier Obligations and Subordinate Tier Obligations (including any First Tier Obligations, Second Tier Obligations and Subordinate Tier Obligations being refunded, as the case may be, but excluding the Second Tier Obligations then proposed to be delivered) and (B) the annual Debt Service Requirements for all Outstanding First Tier Obligations, Second Tier Obligations and Subordinate Tier Obligations (excluding any First Tier Obligations, Second Tier Obligations and Subordinate Tier Obligations being refunded) and the Subordinate Tier Obligations then proposed to be delivered;
- (viii) for the issuance of a Series of Subordinate Tier TELA Obligations, (1) an original executed counterpart of any amendment or supplement to any outstanding Toll Equity Loan Agreement, if necessary, providing for, in each Fiscal Year such Subordinate Tier TELA Obligations are to be Outstanding, any necessary or related adjustment in (A) the Maximum Available Aggregate Amount and the Maximum Available Annual Amount, respectively, and (B) the TELA Supported Junior Operating Expenses or other amounts in the Project Budget or (2) an original executed counterpart of any new Toll Equity Loan Agreement providing for, in each Fiscal Year such Subordinate Tier TELA Obligations are to be Outstanding, any necessary or related adjustment in or establishment of (A) the particular Maximum Available Aggregate Amount and the particular Maximum Available Annual Amount, respectively, and (B) the particular Project Budget;
- (ix) for the issuance of a Series of Subordinate Tier TELA Obligations, a certificate of a Corporation Representative demonstrating with reasonable detail that the annual Debt Service Requirements for all Outstanding First Tier TELA Obligations, Second Tier TELA Obligations and Subordinate Tier TELA

Obligations (excluding any Obligations being refunded), including the Subordinate Tier TELA Obligations proposed to be issued, plus the projected TELA Supported Junior Operating Expenses, for the current Fiscal Year and in each Fiscal Year thereafter is less than or equal to the applicable aggregate Maximum Available Annual Amount for each such Fiscal Year as set forth in any outstanding Toll Equity Loan Agreements (as may have been amended or supplemented); and

(x) for the issuance of a Series of Subordinate Tier TELA Obligations, an opinion or opinions of general counsel to TxDOT and Counsel to the Corporation to the effect that the Toll Equity Loan Agreement or any amendment or supplement thereto described in clause (viii) above has been duly authorized, executed and delivered and is a valid, binding and enforceable obligation of TxDOT and the Corporation, respectively, subject to sovereign immunity, bankruptcy, equitable principles and other standard legal opinion exceptions.

(f) For the issuance of a Series of Subordinate Tier Obligations, except as provided in subparagraphs (a), (j) and (k) of this section, when the documents mentioned above shall have been filed with the Trustee and when the Subordinate Tier Obligations authorized by the resolution provided in subparagraph (e)(i) of this section shall have been executed in accordance with the Master Trust Agreement and the resolution, the Corporation may deliver such Obligations at one time to or upon the order of the purchasers named in such resolution, upon receipt by the purchasers and the Trustee of an opinion of Bond Counsel that the issuance of such Obligations has been duly authorized and that all conditions precedent to the delivery of such Obligations have been fulfilled; provided that, except in the case of refunding Subordinate Tier Obligations being issued to refund Outstanding First Tier Obligations, Second Tier Obligations and/or Subordinate Tier Obligations where the annual Debt Service Requirements of such refunding Subordinate Tier Obligations in any Fiscal Year is less than the aggregated Debt Service Requirements in each such Fiscal Year of the First Tier Obligations, Second Tier Obligations and Subordinate Tier Obligations being refunded, such Obligations shall not be delivered unless there shall have been filed with the Trustee an additional certificate by a Corporation Representative (based on the above described certificates of the General Engineering Consultant, the Traffic Consultant, and the Corporation Representative, as applicable) certifying that:

(i) for the issuance of Subordinate Tier Obligations which are to be TIFIA Obligations for which "SUMMARY OF MASTER TRUST AGREEMENT PROVISIONS - Effect of Bankruptcy Related Event on TIFIA Obligations" could apply, the projected Senior Net Revenues for the current and each Fiscal Year after the date of such certificate are at least 1.50 times the annual Debt Service Requirements for each such Fiscal Year for all then Outstanding First Tier Obligations and any then Outstanding Second Tier Obligations and Subordinate Tier Obligations for which "SUMMARY OF MASTER TRUST AGREEMENT PROVISIONS - Effect of Bankruptcy Related Event on TIFIA Obligations" is applicable (excluding any such First Tier Obligations, Second Tier Obligations and Subordinate Tier Obligations being refunded) and the Subordinate Tier Obligations which are to be TIFIA Obligations then proposed to be delivered; and

(ii) the projected Senior Net Revenues for the current and each Fiscal Year after the date of such certificate are at least 1.10 times the annual Debt Service Requirements for each such Fiscal Year for all then Outstanding First Tier Obligations, Second Tier Obligations and Subordinate Tier Obligations (excluding any First Tier Obligations, Second Tier Obligations or Subordinate Tier Obligations being refunded) and the Subordinate Tier Obligations then proposed to be delivered; provided that for this clause (ii), the Corporation Representative may assume that Senior Net Revenues include the amounts forecasted to be on deposit in the Rate Stabilization Fund during any Construction and Ramp-up Period.

(g) The Corporation may establish a reserve account, a Capitalized Interest Account and/or any other fund or funds pursuant to the provisions of the applicable Supplemental Agreement for the purpose of paying or securing a particular Series of Subordinate Tier Obligations, any specific group or Series of Subordinate Tier Obligations or, for a Capitalized Interest Account, any specific group of Obligations authorized by the same particular Supplemental Agreement. Any reserve account shall be segregated into a separate subaccount and separately identified within the Subordinate Tier Reserve Account. Any reserve account or other fund so established shall be held solely for the benefit of the Owners of the particular Series or group of Series of Subordinate Tier Obligations for which such subaccount or fund was established. Each such reserve account shall be designated in such manner as is necessary to identify the Subordinate Tier Obligations it secures and to distinguish such subaccount from any other accounts or subaccounts within the Subordinate Tier Reserve Account created for the benefit of any other Subordinate Tier Obligations. Any Capitalized Interest Account shall be segregated into a separate subaccount and separately identified within the Subordinate Tier Interest Account or the Construction Fund, as directed by the Corporation Representative. Any such Capitalized Interest Account so established shall be held for the benefit

of the Owners of the particular Series, or group of Series of Subordinate Tier Obligations or group of Obligations authorized by the same particular Supplemental Agreement, for which such account was established, as the case may be. Each such Capitalized Interest Account shall be designated in such manner as is necessary to identify the Subordinate Tier Obligations it secures and to distinguish such subaccount from any other subaccounts within (i) the Subordinate Tier Interest Account created for the benefit of any other Subordinate Tier Obligations or (ii) the Construction Fund. Any other fund created hereby shall be designated in such manner as is necessary to identify the Subordinate Tier Obligations it secures and to distinguish such subaccount from any other funds, account or subaccounts created for the benefit of any other Subordinate Tier Obligations. Prior to establishing any reserve account, Capitalized Interest Account or other fund hereby, a Corporation Representative shall deliver a certificate to the Trustee to the effect that the establishment and operation of such account or fund will not have a material adverse effect on the ability of the Corporation to comply with its covenants in the Master Trust Agreement or in the Supplemental Agreements authorizing the issuance of the Outstanding Subordinate Tier Obligations.

(h) Immediately after the delivery of any Subordinate Tier Obligations issued under this section, the Corporation shall deposit the proceeds thereof, if any, (including accrued interest, if any, collected at the time of the delivery of such Obligations) with the Trustee, which shall in turn deposit the proceeds as directed by a Corporation Representative in accordance with the purposes for which such Subordinate Tier Obligations were issued.

(i) Notwithstanding anything to the contrary contained in this section, the Corporation may enter into Subordinate Tier Credit Agreements constituting Qualified Credit Agreements in connection with Subordinate Tier Obligations and the Subordinate Tier Payment Obligations as specified thereunder may be secured by and made payable from a lien on and pledge of the pledged Senior Net Revenues, subject to subparagraph (b) of this section, on parity with the Outstanding Subordinate Tier Obligations. In addition, the Trustee shall withdraw from the Revenue Fund for deposit into the Subordinate Tier Debt Service Fund such amounts as are necessary for the Corporation to pay such Subordinate Tier Payment Obligations in accordance with the Master Trust Agreement.

(j) To finance the costs of completion of the Initial Project, the Corporation may, without complying with the provisions of subparagraphs (e)(iv) through (vii), (e)(ix) and (f) of this section, issue Subordinate Tier Obligations in a Principal amount, together with any First Tier Obligations issued pursuant to subparagraph (j) of "SUMMARY OF MASTER TRUST AGREEMENT PROVISIONS - Issuance of First Tier Obligations," not in excess of 10% of the Principal amount of the Initial Obligations issued to finance the Initial Project, if prior to the issuance thereof there is delivered to the Trustee a certificate of the General Engineering Consultant stating: (i) that at the time the Initial Obligations were issued, the Corporation had reason to believe that the proceeds of such Initial Obligations, together with any other moneys then expected to be available, would provide sufficient moneys for the completion of the Initial Project (ii) the amount estimated to be needed to so complete the Initial Project; and (iii) that the proceeds of all such Completion Obligations to be applied to the completion of the Initial Project, together with a reasonable estimate by a Corporation Representative of (1) investment income to be earned on the proceeds of all such Completion Obligations and available to pay such costs, (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 in an amount not less than the estimated amount needed to complete the Initial Project set forth in such certificate of the General Engineering Consultant. The Principal amount of the Completion Obligations permitted in this section may include the amount required to (I) provide completed and equipped facilities of substantially the same type and scope contemplated at the time the Initial Obligations were originally issued, (II) provide for capitalized interest during the period of construction, (III) provide the required deposit, if any, in any reserve fund permitted by subparagraphs (d) and (g) of this section and (IV) pay the costs and expenses of issuing such Subordinate Tier Obligations being issued as Completion Obligations.

(k) Notwithstanding anything in this section to the contrary, subparagraphs (e)(iv) through (vii), (e)(ix) and (f) of this section shall not be applicable to the issuance of any Subordinate Tier Obligations (i) such as the Notes, the Series 2014B Bonds and the Series 2014C Bonds which are collectively being issued to refund the Series 2013C Bonds and the Series 2013D Bonds, (ii) issued to refund the Notes, the Series 2014B Bonds and/or the Series 2014C Bonds or (iii) initially delivered to USDOT or other Governmental Lender for certain eligible costs, the proceeds of which are to be used to retire any of the Notes, the Series 2014B Bonds and/or the Series 2014C Bonds.

Effect of Bankruptcy Related Event on TIFIA Obligations.

Notwithstanding any other provision to the contrary in the Master Trust Agreement or in any of the Financing Documents, upon the occurrence and during the continuance of any Bankruptcy Related Event of the Corporation, any TIFIA Obligations, if issued and outstanding, shall, if the Owner of such particular TIFIA Obligations is USDOT or another Governmental Lender requiring the same treatment, at such time, automatically and without action on the part of such owner

or any other Person immediately become, and be of equal rank and on parity with the First Tier Obligations and shall be entitled to all rights of an Owner of First Tier Obligations (including, without limitation, the right of payment pro rata with other First Tier Obligations pursuant to "SUMMARY OF MASTER TRUST AGREEMENT PROVISIONS - Pro Rata Application of Funds"); provided the benefit of any sub-account created within the First Tier Reserve Account shall be determined pursuant to the terms of the Supplemental Agreement establishing such sub-account. Upon such event, the money and investments held in any Debt Service Fund allocable to the payment of any TIFIA Obligation shall be transferred by the Trustee to the First Tier Debt Service Fund.

TELA/Other Tier Obligations.

Subject to "SUMMARY OF MASTER TRUST AGREEMENT PROVISIONS - Actions Relating to Certain Financing Documents," the Corporation, without the consent of any Owner, reserves the right to amend or supplement the Initial Toll Equity Note and the related Initial Toll Equity Loan Agreement, execute and deliver additional Toll Equity Notes and the related Toll Equity Loan Agreements and incur the related additional TELA/Other Tier Debt Obligations to evidence any Toll Equity Loan in connection with any Toll Equity Loan Agreement in accordance with subparagraph (e)(viii) of "SUMMARY OF MASTER TRUST AGREEMENT PROVISIONS - Issuance of First Tier Obligations," "- Issuance of Second Tier Obligations," and "- Issuance of Subordinate Tier Obligations." The Toll Equity Note, as so amended, supplemented or subsequently delivered, and any such additional TELA/Other Tier Debt Obligations shall be secured by and payable from a lien on and pledge of the Trust Estate equally and ratably with, and in the same manner and to the same extent as the Outstanding TELA/Other Tier Obligations, and shall be payable from and secured by the TELA/Other Tier Payment Fund and shall be in all respects of equal dignity and on a parity with any then Outstanding TELA/Other Tier Obligations.

Further, subject to "SUMMARY OF MASTER TRUST AGREEMENT PROVISIONS - Actions Relating to Certain Financing Documents," the Corporation, without the consent of any Owner, reserves the right to amend or supplement any Toll Equity Note and the related Toll Equity Loan Agreement, in any manner provided that, as certified by the Corporation Representative, (i) the annual Debt Service Requirements for all Outstanding First Tier TELA Obligations, Second Tier TELA Obligations and Subordinate Tier TELA Obligations and the estimated TELA Supported Junior Operating Expenses (as certified by the General Engineering Consultant) for the current Fiscal Year and in each Fiscal Year any Toll Equity Loan Supported Obligations are Outstanding is less than or equal to the applicable aggregate Maximum Available Annual Amount for each such Fiscal Year as set forth in any outstanding Toll Equity Loan Agreements, as amended or supplemented or (ii) if prior to any amendment or supplement, there is any Fiscal Year (including the then current Fiscal Year) in which the applicable aggregate Maximum Available Annual Amount for such Fiscal Year as set forth in any outstanding Toll Equity Loan Agreements is less than the annual Debt Service Requirements for all Outstanding First Tier TELA Obligations, Second Tier TELA Obligations and Subordinate Tier TELA Obligations and the estimated TELA Supported Junior Operating Expenses (as certified by the General Engineering Consultant for the current Fiscal Year and in each Fiscal Year any Toll Equity Loan Supported Obligations are Outstanding) for any such Fiscal Year (in each such Fiscal Year, a "TELA Coverage Deficit"), then the amendment or supplement to any outstanding Toll Equity Loan Agreements must (A) reduce the TELA Coverage Deficit in each Fiscal Year such a deficit occurs and (B) for all other Fiscal Years that do not have a TELA Coverage Deficit, not create a TELA Coverage Deficit in any such Fiscal Year.

Project Budget.

In the event that a particular Project Budget is amended or supplemented in connection with the issuance of Additional Obligations pursuant to "SUMMARY OF MASTER TRUST AGREEMENT PROVISIONS - Issuance of First Tier Obligations," "- Issuance of Second Tier Obligations," and "- Issuance of Subordinate Tier Obligations," and in accordance with "SUMMARY OF MASTER TRUST AGREEMENT PROVISIONS - Actions Relating to Certain Financing Documents," such amended and supplemented Project Budget shall replace and be substituted for the superseded Project Budget. In the event that a new discrete Project Budget established in connection with the issuance of Additional Obligations pursuant to "SUMMARY OF MASTER TRUST AGREEMENT PROVISIONS - Issuance of First Tier Obligations," "- Issuance of Second Tier Obligations," and "- Issuance of Subordinate Tier Obligations," and in accordance with "SUMMARY OF MASTER TRUST AGREEMENT PROVISIONS - Actions Relating to Certain Financing Documents," such new discrete Project Budget shall be added to the existing Project Budget.

Construction Fund.

A special fund is hereby created and designated System "Construction Fund," and established initially with the Trustee, and into which (i) any amounts as determined by a Corporation Representative, and (ii) any designated portion of the purchase price of the Initial Obligations or any Obligations issued under "SUMMARY OF MASTER TRUST AGREEMENT PROVISIONS - Issuance of First Tier Obligations," "- Issuance of Second Tier Obligations" and "- Issuance of Subordinate

Tier Obligations" shall be deposited. There also may be deposited to the credit of the Construction Fund or any subaccount therein any moneys received from any other source for paying Costs of a System Segment or for any other purpose authorized by law. A Supplemental Agreement or a Corporation Representative in writing may direct the Trustee to create accounts within the Construction Fund for particular sources of funds deposited into the Construction Fund.

Subject to the other provisions of the Master Trust Agreement, the moneys credited to the Construction Fund (including all obligations held as investments thereof and the proceeds of such investments) shall be applied to the payment of (i) the Costs of any System Segments or other improvements, extensions, enlargements, or additions to the System or the Grand Parkway Project, (ii) the interest on Obligations to the extent such money is credited to a Capitalized Interest Account within the Construction Fund or (iii) the cost of other purposes then authorized by law; and, pending such application, shall be subject to a lien and charge in favor of the Owners of all Obligations then Outstanding and for the further security of such owners until paid out or transferred as herein provided. Any liquidated damages for delayed completion under a construction contract relating to the acquisition or construction of a System Segment shall be deposited initially into the Construction Fund to be used for the Costs of related System Segment, Costs of the acquisition or construction of any other System Segment, and, if there are no such Costs, such amounts shall be transferred to the Debt Service Funds as directed by a Corporation Representative in writing to the Trustee.

Notwithstanding anything in the Master Trust Agreement to the contrary, the Corporation may contribute any amounts to the Construction Fund from any source other than proceeds of Obligations provided any such funds shall be maintained in a separate subaccount of the Construction Fund and shall not be comingled with proceeds of any Obligations. Any such amounts contributed to the Construction Fund (and investment earnings thereon) by the Corporation may be transferred out of the Construction Fund and no longer subject to the provisions of the Master Trust Agreement upon written direction of a Corporation Representative to the Trustee.

Progress Reports; Audits During Construction.

The Corporation covenants that, at least quarterly during the acquisition and construction of any portion of the System which it finances in whole or in part with Obligations, commencing within 120 days from the initial delivery of the Initial Obligations or Obligations financing an additional System Segment, as the case may be, it will cause the General Engineering Consultant to prepare a progress report, within 45 days after the end of each quarter, in connection with the acquisition or construction of such System Segment, including their then current estimates of:

- (i) the date on which such System Segment will be opened for traffic, unless such System Segment shall have been opened for traffic prior to the date of such System Segment,
- (ii) the Estimated Date of Completion and an estimated date of Substantial Completion of such System Segment,
- (iii) the cost of such System Segment but excluding any Obligation discount and the interest during construction and for one year after completion of construction, and
- (iv) the amount of funds required each six (6) months during the remaining estimated period of construction to meet the above described cost of such System Segment exclusive of funds provided for construction contingencies, and accompanied by a progress schedule for such construction, and further including, as to construction, comparisons between the actual times elapsed and the actual costs, and the original estimates of such times and costs.

Copies of such progress reports shall be filed with the Trustee and the Corporation. The Corporation shall file such progress reports with the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access system within 15 days of the Corporation's receipt of such reports.

A Corporation Representative shall deliver to the Trustee a report or certificate certifying when Substantial Completion of the Initial Project, or any additional System Segment, has occurred. In certifying Substantial Completion of the Initial Project and any additional System Segment, such Corporation Representative shall base such certification upon his or her review of the quarterly progress reports for such project prepared by the General Engineering Consultant and upon consultation with the Traffic Consultant. After a Corporation Representative has delivered a report or certificate certifying Substantial Completion of the Initial Project or any additional System Segment, as the case may be, to the Trustee, no further progress reports under this section shall be required to be prepared with respect to such project or segment.

Alternate Provisions for Construction Fund.

Notwithstanding any other provisions of the Master Trust Agreement, if Additional Obligations are issued, the Corporation may, in a Supplemental Agreement, provide that the Construction Fund shall be held, used, and drawn on for such purposes, in such manner, and under such circumstances as shall be directed and prescribed in such Supplemental Agreement, and all provisions of the Master Trust Agreement with respect to the Construction Fund shall be altered, modified, or abrogated accordingly. A Supplemental Agreement or a Corporation Representative in writing may direct the Trustee to create accounts within the Construction Fund for particular sources of funds deposited into the Construction Fund.

Covenants as to Tolls.

In the Toll Rate Agreement for the benefit of the Corporation, the Trustee and the Owners of the Obligations, the Commission has covenanted that it will (1) adopt and maintain in effect a Toll Rate Schedule for the System and (2) establish charges for other uses of the property constituting a part of the System such as property leases, designed, collectively, to produce Senior Net Revenues in each Fiscal Year in an amount in compliance with the Commission Rate Covenant. To the extent permitted by law, the Corporation covenants and agrees to take all such action necessary to cause the Commission to meet its obligations under the Toll Rate Agreement.

Revenue Fund.

A special fund held by the Trustee is hereby created and designated "Revenue Fund." The Corporation covenants that all Revenues of the System (excepting investment income from such funds and accounts that constitute a portion of the Revenues of the System, other than the Revenue Fund, which shall be retained in such funds and accounts except as otherwise required to be transferred as provided herein) will be collected by the Corporation and deposited daily, as far as practicable and within the control of the Corporation, with the Trustee for the credit of the Revenue Fund. It shall be the duty of the Trustee to provide the Corporation the ability to verify the amount of each such daily deposit separately.

To the extent authorized by law and subject to the Toll Rate Agreement, the Corporation may enter into an agreement, or consent to any agreements entered into by the Commission or the Department, with any other authority or other similar legal body operating a toll road whether or not connected to the System, for the collection and application of tolls charged for trips over all or a portion of one or more toll roads, which, on the basis of the revenues to be received by any such agreement, will result in the receipt by the Corporation of the allocable portion of such tolls relating to the System (less fees and expenses associated with such arrangement). Amounts relating to the System which constitute Revenues of the System received by the Corporation from such other authority or other similar legal body or pursuant to the Toll Rate Agreement, the Project Agreement and the Master Custodial Agreement, in accordance with such agreements, shall be deposited when received with the Trustee for credit to the Revenue Fund.

Duties of General Engineering Consultant.

The Corporation covenants that it will cause the General Engineering Consultant employed by it under the provisions of "SUMMARY OF MASTER TRUST AGREEMENT PROVISIONS - Employment of General Engineering Consultant and Traffic Consultant," to make an inspection of the System on or before the 90th day prior to the end of each Fiscal Year and to submit to the Corporation a report setting forth (a) their findings 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 an estimate of the amount of money necessary for such purposes, including their recommendations as to the total amounts and classifications of items and amounts that should be provided for Operating Expenses, Major Maintenance Expenses, Major Maintenance Requirement, capital expenditures and the Operation and Maintenance Reserve Fund in the Annual Budget for the next ensuing Fiscal Year and for Major Maintenance Expenses and capital expenditures for the next following three Fiscal Years. Copies of such reports shall be filed with the Trustee.

Budget.

The Corporation covenants that on or before the 60th day prior to the end of each Fiscal Year it will adopt a preliminary budget of Revenues of the System, Operating Expenses, Major Maintenance Expenses, capital expenditures (to include a projected budget of Major Maintenance Expenses and capital expenditures for an additional three Fiscal Years beyond the ensuing Fiscal Year) and payments into the Debt Service Funds, the Operation and Maintenance Reserve Fund, the Rate Stabilization Fund and the Major Maintenance Fund for the ensuing Fiscal Year (the "Preliminary Budget"). Such Preliminary Budget must separately account for TELA Supported Junior Operating Expenses, Non-TELA Supported Junior

Operating Expenses, Major Maintenance Expenses and capital expenditures between System Segments financed with Toll Equity Loan Supported Obligations, accounting among the respective Toll Equity Loan Agreements, and System Segments which were not so financed. Copies of each such Preliminary Budget shall be filed with the Trustee and mailed to the General Engineering Consultant.

The Corporation further covenants that on or before the fifth Business Day preceding the first day of each Fiscal Year it will finally adopt the budget of Revenues of the System, Operating Expenses, Major Maintenance Expenses, capital expenditures (to include a projected budget of Major Maintenance Expenses and capital expenditures for an additional three Fiscal Years beyond then beginning Fiscal Year) and payments into the Debt Service Funds, the Operation and Maintenance Reserve Fund, the Rate Stabilization Fund and the Major Maintenance Fund for such Fiscal Year (hereinafter sometimes called the "Annual Budget"). Such Annual Budget must separately account for TELA Supported Junior Operating Expenses, Non-TELA Supported Junior Operating Expenses, Major Maintenance Expenses and capital expenditures between System Segments financed with Toll Equity Loan Supported Obligations, accounting among the respective Toll Equity Loan Agreements, and System Segments which were not so financed. Copies of the Annual Budget shall be filed with the Trustee and mailed to the General Engineering Consultant. As no payment of Operating Expenses or payments from the Debt Service Funds will occur prior to October 15, 2013 and notwithstanding the preceding paragraph, the Corporation shall only be required to adopt its first Annual Budget by October 15, 2013 which budget shall include the period from the initial delivery date of the Initial Obligations through August 31, 2014.

If for any reason the Corporation shall not have adopted the Annual Budget before the first day of any Fiscal Year, the Preliminary Budget for such Fiscal Year or, if there is none prepared, the Annual Budget for the preceding Fiscal Year, shall, until the adoption of the Annual Budget, be deemed to be in force and shall be treated as the Annual Budget under the Master Trust Agreement.

The Corporation may at any time adopt an amended or supplemental Annual Budget for the remainder of the then current Fiscal Year, and when so adopted the Annual Budget as so amended or supplemented shall be treated as the Annual Budget under the provisions of the Master Trust Agreement; provided, however, that before the adoption of any such amended or supplemental Annual Budget, the Corporation shall have obtained and filed with the Trustee the recommendations of the General Engineering Consultant in connection therewith. Copies of any such amended or supplemental Annual Budget shall be filed with the Trustee and mailed to the General Engineering Consultant.

The Corporation covenants that all payments for maintenance, repair and operation in any Fiscal Year will not exceed the reasonable and necessary amount required therefor, and that it will not expend any amount or incur any obligations for maintenance, repair, and operation in excess of the amounts provided for Operating Expenses in the Annual Budget, or amended or supplemental Annual Budget, except as provided in the Master Trust Agreement and except amounts payable from the Operation and Maintenance Reserve Fund, the Rate Stabilization Fund, the Major Maintenance Fund and the Grand Parkway Enhancement Fund. Nothing in this section contained shall limit the amount which the Corporation may expend for Operating Expenses in any Fiscal Year provided any amounts expended therefor in excess of the Annual Budget shall be received by the Corporation from some source other than the Revenues of the System for such Fiscal Year.

Payment of Senior Operating Expenses.

(a) A special fund held by the Trustee and created and designated the "Senior Operation and Maintenance Fund" is hereby created. On each Transfer Date, the Trustee shall withdraw from the Revenue Fund and deposit to the Senior Operation and Maintenance Fund an amount required to make the total amount in the Senior Operation and Maintenance Fund equal to one-sixth (1/6) of the amount of the total Senior Operating Expenses scheduled for the then current Fiscal Year in the then current Annual Budget, plus all prior accruals for any insurance and other periodic or regularly recurring expenses. All Senior Operating Expenses shall be paid directly by the Trustee, upon written direction of a Corporation Representative, by drawing checks or drafts or by other means on the Senior Operation and Maintenance Fund as may be determined by the Trustee and the Corporation Representative and such fund shall be used for no other purpose.

(b) Notwithstanding the above paragraph and as an alternative to such paragraph, the Corporation may cause a Depository of the Corporation to create a special fund to be held by the Corporation and designated the "Senior Operation and Maintenance Fund" and, upon written direction from the Corporation Representative to the Trustee, the Trustee shall transfer all amounts in the Senior Operation and Maintenance Fund to the credit of the Senior Operation and Maintenance Fund held by such Depository and such fund will be maintained and administered by the Corporation and the Senior Operation and Maintenance Fund held by the Trustee shall be closed. On each Transfer Date, the Trustee shall withdraw from the Revenue Fund and deposit to the credit of the Corporation in the Senior Operation and Maintenance Fund, on written request of the Corporation, an amount which a Corporation Representative shall certify in such request to the Trustee at least one Business

Day prior to such Transfer Date to be required to make the total amount in the Senior Operation and Maintenance Fund equal to one-sixth (1/6) of the amount of the total Senior Operating Expenses scheduled for the then current Fiscal Year in the then current Annual Budget, plus all prior accruals for any insurance and other periodic or regularly recurring expenses. All Senior Operating Expenses shall be paid directly by the Corporation by drawing checks or drafts on the Senior Operation and Maintenance Fund in such manner as may be determined by the Corporation and such fund shall be used for no other purpose.

Creation of Rebate Fund; Debt Service Funds; Junior Operation and Maintenance Fund; Operation and Maintenance Reserve Fund; TELA/Other Tier Payment Fund; Rate Stabilization Fund; Major Maintenance Fund; and Grand Parkway Enhancement Fund.

- (a) A special fund held by the Trustee is created and designated the "Rebate Fund."
- (b) A special fund held by the Trustee is created and designated the "First Tier Debt Service Fund" and the three separate accounts are hereby designated the "First Tier Interest Account," "First Tier Redemption Account" and "First Tier Reserve Account," respectively. There may be created pursuant to a Supplemental Agreement sub-accounts within the First Tier Reserve Account necessary or convenient to the creation and method of funding a reserve fund for a series of First Tier Obligations.
- (c) A special fund held by the Trustee is created and designated "Second Tier Debt Service Fund." There are hereby created three separate accounts in the Second Tier Debt Service Fund, designated "Second Tier Interest Account," "Second Tier Redemption Account" and "Second Tier Reserve Account," respectively. There may be created pursuant to a Supplemental Agreement sub-accounts within the Second Tier Reserve Account necessary or convenient to the creation and method of funding a reserve fund for a series of Second Tier Obligations.
- (d) A special fund held by the Trustee is created and designated "Subordinate Tier Debt Service Fund." There are hereby created three separate accounts in the Subordinate Tier Debt Service Fund, designated "Subordinate Tier Interest Account," "Subordinate Tier Redemption Account" and "Subordinate Tier Reserve Account," respectively. There may be created pursuant to a Supplemental Agreement sub-accounts within the Subordinate Tier Interest Account, the Subordinate Tier Redemption Account and the Subordinate Tier Reserve Account necessary or convenient to the payment of Principal of or interest on a series of Subordinate Tier Obligations, priorities of such payment among series of Subordinate Tier Obligations and the creation and method of funding a reserve fund for a series of Subordinate Tier Obligations.
- (e) A special fund held by the Trustee is created and designated "Junior Operation and Maintenance Fund" is hereby created, subject to "SUMMARY OF MASTER TRUST AGREEMENT PROVISIONS – Payment of Junior Operating Expenses."
- (f) A special fund held by the Trustee is created and designated "Operation and Maintenance Reserve Fund."
- (g) A special fund held by the Trustee is created and designated "TELA/Other Tier Payment Fund."
- (h) A special fund held by the Trustee is created and designated "Rate Stabilization Fund."
- (i) A special fund held by the Trustee is created and designated "Major Maintenance Fund."
- (j) A special fund held by the Trustee is created and designated "Grand Parkway Enhancement Fund."

Flow of Funds.

- (a) Commencing on the fifth Business Day preceding the first day of November 2013 and each month thereafter (each such date, a "Transfer Date"), transfers from the Revenue Fund shall be made to the below-listed funds and accounts in the order of priority in which the funds and accounts are listed below.

In the event that in any month the Trustee submits a Draw Request solely with respect to (i) the First Tier TELA Obligations and the related First Tier Debt Service Fund, (ii) the Second Tier TELA Obligations and the related Second Tier Debt Service Fund, (iii) the Subordinate Tier TELA Obligations and the related Subordinate Tier Debt Service Fund, (iv) TELA Supported Junior Operating Expenses and the Junior Operation and Maintenance Fund and (v) the Major Maintenance Fund, under a Toll Equity Loan Agreement pursuant to "TRUST AGREEMENT – Toll Equity Loan Agreement Draw Requests," and the amount received by the Trustee pursuant to such Draw Request is insufficient to pay all amounts

requested in such Draw Request, the Trustee shall apply the amounts received under such Draw Request, (A) first, to any amounts required to be deposited in the First Tier Debt Service Fund on such date with respect to the First Tier TELA Obligations pursuant to "SUMMARY OF MASTER TRUST AGREEMENT PROVISIONS - Application and Pledge of Moneys in Debt Service Funds," "- Withdrawals from Interest Accounts" and "- Application of Moneys in Redemption Accounts; Payment of Obligations and Payment Obligations; Redemption of Obligations," (B) second, to any amounts required to be deposited in the Second Tier Debt Service Fund on such date with respect to the Second Tier TELA Obligations pursuant to "SUMMARY OF MASTER TRUST AGREEMENT PROVISIONS - Application and Pledge of Moneys in Debt Service Funds," "- Withdrawals from Interest Accounts" and "- Application of Moneys in Redemption Accounts; Payment of Obligations and Payment Obligations; Redemption of Obligations," (C) third, to any amounts required to be deposited in the Subordinate Tier Debt Service Fund on such date with respect to the Subordinate Tier TELA Obligations pursuant to "SUMMARY OF MASTER TRUST AGREEMENT PROVISIONS - Application and Pledge of Moneys in Debt Service Funds," "- Withdrawals from Interest Accounts" and "- Application of Moneys in Redemption Accounts; Payment of Obligations and Payment Obligations; Redemption of Obligations," (D) fourth, to any amounts required to be deposited in the Junior Operation and Maintenance Fund on such date pursuant to "SUMMARY OF MASTER TRUST AGREEMENT PROVISIONS - Payment of Junior Operating Expenses" and (E) fifth, to any amounts required to be deposited in the Major Maintenance Fund on such date pursuant to SUMMARY OF MASTER TRUST AGREEMENT PROVISIONS - Major Maintenance Fund."

- (1) Rebate Fund;
- (2) Senior Operation and Maintenance Fund;
- (3) First Tier Interest Account;
- (4) First Tier Redemption Account;
- (5) First Tier Reserve Account;
- (6) Second Tier Interest Account;
- (7) Second Tier Redemption Account;
- (8) Second Tier Reserve Account;
- (9) Subordinate Tier Interest Account;
- (10) Subordinate Tier Redemption Account;
- (11) Subordinate Tier Reserve Account;
- (12) Junior Operation and Maintenance Fund;
- (13) Operation and Maintenance Reserve Fund;
- (14) TELA/Other Tier Payment Fund;
- (15) Rate Stabilization Fund;
- (16) Major Maintenance Fund; and
- (17) Grand Parkway Enhancement Fund.

In recognition that (i) Obligations and the interest thereon, including Payment Obligations, may come due on various dates, (ii) First Tier Obligations have a security interest in the Senior Net Revenues senior to that securing the Second Tier Obligations and the Subordinate Tier Obligations and senior to the security interest in the Junior Net Revenues securing the TELA/Other Tier Obligations, (iii) Second Tier Obligations have a security interest in the Senior Net Revenues senior to that securing the Subordinate Tier Obligations and senior to the security interest in the Junior Net Revenues securing the TELA/Other Tier Obligations, (iv) Subordinate Tier Obligations have a security interest in the Senior Net Revenues senior to

the security interest in the Junior Net Revenues securing the TELA/Other Tier Obligations, (v) Second Tier 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, (vi) Subordinate Tier 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 a Second Tier Obligation, or the interest thereon, is due, (vii) a series of Subordinate Tier Obligations may have a priority of payment different than another series of Subordinate Tier Obligations, as may be provided in the applicable Supplemental Agreements and (viii) TELA/Other Tier 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, a Second Tier Obligation or a Subordinate Tier Obligation, or the interest thereon, is due, the Corporation covenants that no transfer from the Revenue Fund to any fund or account, other than the Senior Operation and Maintenance Fund or the First Tier Debt Service Fund), will be made in any Fiscal Year unless, in the opinion of a Corporation Representative (based on the Annual Budget for such Fiscal Year) set forth in a certificate delivered to the Trustee on or before the first business day of such Fiscal Year and updated on the date of delivery of any Additional Obligations issued during such year, such transfers during such Fiscal Year are not anticipated to result in the inability of the Corporation to make a later transfer, as required by the Master Trust Agreement, to a fund or account securing Obligations that have a security interest in the Senior Net Revenues or the Junior Net Revenues, as the case may be, senior to that securing the Obligations that are secured by the fund or account into which the transfer is scheduled to be made. If (A) a Corporation Representative fails to deliver the certificate described in the prior sentence for a Fiscal Year, or (B) at any time during a Fiscal Year the Corporation determines that transfers from the Revenue Fund to any fund or account may result in the inability of the Corporation to make a later transfer within the six (6) month period from the date of such determination, as required by the Master Trust Agreement, to a fund or account securing Obligations that have a security interest in the Senior Net Revenues or the Junior Net Revenues, as the case may be, senior to that securing the Obligations that are secured by the fund or account into which the transfer is scheduled to be made, a Corporation Representative shall deliver to the Trustee a certificate to that effect, then, in either case, for such Fiscal Year or the remainder of such Fiscal Year (i) transfers from the Revenue Fund to any fund or account shall be made strictly in the priority set forth in the first paragraph of subparagraph (a) of this section and subparagraph (b) of "SUMMARY OF MASTER TRUST AGREEMENT PROVISIONS - Issuance of Subordinate Tier Obligations," (ii) such transfers from the Revenue Fund shall be made once each month on each Transfer Date, and (iii) after each monthly deposit to the Senior Operation and Maintenance Fund, no transfer to a fund or account shall be made until all funds and accounts with a higher priority have on deposit therein all amounts to be deposited in such fund or account for such Fiscal Year.

(b) The Corporation covenants to calculate and to pay directly to the government of the United States all amounts due for payment of "arbitrage rebate" under Section 148(a) of the Code with respect to any Tax-Exempt Obligations. Nevertheless, the Corporation in the future may deposit with the Trustee or direct the Trustee to deposit in the Rebate Fund amounts held in any fund hereunder for any or all Series of First Tier Obligations, Second Tier Obligations, Subordinate Tier Obligations or TELA/Other Tier Obligations (which direction shall specify the procedures for collection and payment of amounts due in respect of arbitrage rebate) if (a) required under any amendments to Section 148(a) of the Code or (b) the Corporation otherwise determines that the funding of the Rebate Fund is necessary or appropriate. The Rebate Fund is a trust fund but the amounts therein do not constitute part of the Trust Estate. Amounts on deposit in the Rebate Fund may be used solely to make payments to the United States under Section 148 of the Code and to pay costs related to the calculation of the amounts due. Upon satisfaction of the Corporation's covenants described above, any amounts remaining in the Rebate Fund shall be deposited in the Revenue Fund.

(c) After first having made the deposits required by subparagraph (b) of this section prior to the transfer under this clause (c), if any, and subject to subparagraph (a) of this section, on each Transfer Date, the Trustee shall withdraw from the Revenue Fund and deposit to the credit of the Senior Operation and Maintenance Fund (whether maintained by the Trustee or the Corporation), the amount to be deposited into the Senior Operation and Maintenance Fund as determined pursuant to "SUMMARY OF MASTER TRUST AGREEMENT PROVISIONS - Payment of Senior Operating Expenses."

If at the time the Trustee is required to make a deposit to the credit of the Senior Operation and Maintenance Fund (whether maintained by the Trustee or the Corporation) from the Revenue Fund pursuant to the above paragraph the money therein shall not be sufficient for such purpose, the Trustee shall withdraw the amount of such deficiency from the money on deposit in the following funds or accounts and transfer the same to the credit of the Senior Operation and Maintenance Fund (whether maintained by the Trustee or the Corporation) in the following order of priority to the extent that funds are available therein: the Revenue Fund, the Grand Parkway Enhancement Fund, the Major Maintenance Fund, the Rate Stabilization Fund and the Operation and Maintenance Reserve Fund.

(d) After first having made the deposits required by subsections (b) and (c) of this section prior to the transfer under this clause (d), if any, and subject to subparagraph (a) of this section, on the Transfer Date preceding each interest, Principal or redemption payment date for the First Tier Obligations or such other day as set forth in a Supplemental Agreement, the Trustee shall withdraw from the Revenue Fund and deposit to the applicable account in the First Tier Debt

Service Fund (or to a fund or account created to pay or repay amounts owed under a First Tier Credit Agreement entered into in connection with a series of First Tier Obligations in lieu of the foregoing) the amounts due on any First Tier Obligation.

If at the time the Trustee is required to make a deposit into the First Tier Debt Service Fund from the Revenue Fund pursuant to the above paragraph, the money therein shall not be sufficient for paying amount then to be due on the First Tier Obligations (allocated on the basis provided in "SUMMARY OF MASTER TRUST AGREEMENT PROVISIONS – Pro Rata Application of Funds"), then the Trustee shall withdraw the amount of such deficiency from the money on deposit in the following funds or accounts and transfer the same to the First Tier Debt Service Fund in the following order of priority to the extent that funds are available therein: the Revenue Fund, the Grand Parkway Enhancement Fund, the Major Maintenance Fund, the Rate Stabilization Fund, the Operation and Maintenance Reserve Fund, any applicable reserve subaccount in the First Tier Reserve Account and the Junior Operation and Maintenance Fund. If, after making such transfers, the money in the First Tier Debt Service Fund allocated to the First Tier TELA Obligations is insufficient to make payment, when due, of interest on and/or the Principal or premium on such First Tier TELA Obligations, the Trustee shall make a draw under the applicable Toll Equity Loan Agreement by submitting a Draw Request in accordance with "TRUST AGREEMENT - Toll Equity Loan Agreement Draw Requests" in an amount sufficient to satisfy any shortfall relating to the First Tier TELA Obligations, to the extent that funds are available thereunder. Amounts drawn under the applicable Toll Equity Loan Agreement for the foregoing purpose as described in this clause (d) shall be deposited by the Trustee into the TELA Draw Clearing Account and then credited to the First Tier Debt Service Fund for application solely for the benefit of such First Tier TELA Obligations to which the Toll Equity Loan Agreement relates as set forth in this clause (d).

(e) After first having made the deposits required by subparagraphs (b) through (d) of this section prior to the transfer under this clause (e), if any, and subject to subparagraph (a) of this section, on each Transfer Date the Trustee shall transfer from the Revenue Fund to the credit of the First Tier Reserve Account or subaccount therein the amount, if any, required to accumulate any applicable reserve requirement or restore any deficiency in such account or subaccount due to a withdrawal or change in value of Permitted Investments in order to make the amount on deposit therein or reimbursement to an obligor of any Reserve Surety Agreement related thereto, as provided in any Supplemental Agreements.

(f) After first having made the deposits required by subparagraphs (b) through (e) of this section prior to the transfer under this clause (f), if any, and subject to subparagraph (a) of this section, on the Transfer Date preceding each interest, Principal or redemption payment date for any Second Tier Obligations or such other day as set forth in a Supplemental Agreement, the Trustee shall withdraw from the Revenue Fund and deposit to the applicable account in the Second Tier Debt Service Fund (or to a fund or account created to pay or repay amounts owed under a Second Tier Credit Agreement entered into in connection with a series of Second Tier Obligations in lieu of the foregoing) the amounts due on any Second Tier Obligation.

If at the time the Trustee is required to make a deposit into the Second Tier Debt Service Fund from the Revenue Fund pursuant to the above paragraph, the money therein shall not be sufficient for paying amount then to be due on the Second Tier Obligations (allocated on the basis provided in "SUMMARY OF MASTER TRUST AGREEMENT PROVISIONS – Pro Rata Application of Funds"), then the Trustee shall withdraw the amount of such deficiency from the money on deposit in the following funds or accounts and transfer the same to the Second Tier Debt Service Fund in the following order of priority to the extent that funds are available therein: the Revenue Fund, the Grand Parkway Enhancement Fund, the Major Maintenance Fund, the Rate Stabilization Fund, the Operation and Maintenance Reserve Fund, any applicable reserve subaccount in the Second Tier Reserve Account and the Junior Operation and Maintenance Fund. If, after making such transfers, the money in the Second Tier Debt Service Fund allocated to the Second Tier TELA Obligations is insufficient to make such payment relating to such Second Tier TELA Obligations, the Trustee shall make a draw under the applicable Toll Equity Loan Agreement by submitting a Draw Request in accordance with "TRUST AGREEMENT - Toll Equity Loan Agreement Draw Requests" in an amount sufficient to satisfy any shortfall relating to the Second Tier TELA Obligations, to the extent that funds are available thereunder. Amounts drawn under the applicable Toll Equity Loan Agreement for the foregoing purpose as described in this clause (f) shall be deposited by the Trustee into the TELA Draw Clearing Account and then credited to the Second Tier Debt Service Fund for application solely for the benefit of such Second Tier TELA Obligations to which the Toll Equity Loan Agreement relates as set forth in this clause (f).

(g) After first having made the deposits required by subparagraphs (b) through (f) of this section prior to the transfer under this clause (g), if any, and subject to subparagraph (a) of this section, on each Transfer Date the Trustee shall transfer from the Revenue Fund to the credit of the Second Tier Reserve Account or subaccount therein the amount, if any, required to accumulate any applicable reserve requirement or restore any deficiency in such account or subaccount due to a withdrawal or change in value of Permitted Investments in order to make the amount on deposit therein or reimbursement to an obligor of any Reserve Surety Agreement related thereto, as provided in any Supplemental Agreements.

(h) After first having made the deposits required by subparagraphs (b) through (g) of this section prior to the transfer under this clause (h), if any, and subject to subparagraph (a) of this section, on each Transfer Date preceding each interest, Principal or redemption payment date for any Subordinate Tier Obligations or such other day as set forth in a Supplemental Agreement and subject to subparagraph (b) of "SUMMARY OF MASTER TRUST AGREEMENT PROVISIONS - Issuance of Subordinate Tier Obligations," the Trustee shall withdraw from the Revenue Fund and deposit to the applicable account in the Subordinate Tier Debt Service Fund (or to a fund or account created to pay or repay amounts owed under a Subordinate Credit Agreement entered into in connection with a series of Subordinate Tier Obligations in lieu of the foregoing) the amounts due on any Subordinate Tier Obligation.

Subject to subparagraph (b) of "SUMMARY OF MASTER TRUST AGREEMENT PROVISIONS - Issuance of Subordinate Tier Obligations," if at the time the Trustee is required to make a deposit into the Subordinate Tier Debt Service Fund from the Revenue Fund pursuant to the above paragraph, the money therein shall not be sufficient for paying amount then to be due on the Subordinate Tier Obligations (allocated on the basis provided in "SUMMARY OF MASTER TRUST AGREEMENT PROVISIONS – Pro Rata Application of Funds"), then the Trustee shall withdraw the amount of such deficiency from the money on deposit in the following funds or accounts and transfer the same to the Subordinate Tier Debt Service Fund in the following order of priority to the extent that funds are available therein: the Revenue Fund, the Grand Parkway Enhancement Fund, the Major Maintenance Fund, the Rate Stabilization Fund, the Operation and Maintenance Reserve Fund, any applicable reserve subaccount in the Subordinate Tier Reserve Account and the Junior Operation and Maintenance Fund. If, after making such transfers, the money in the Subordinate Tier Debt Service Fund allocated to the Subordinate Tier TELA Obligations is insufficient to make payment, when due, of interest on and/or Principal of or premium on such Subordinate Tier TELA Obligations, the Trustee shall make a draw under the applicable Toll Equity Loan Agreement by submitting a Draw Request in accordance with "TRUST AGREEMENT - Toll Equity Loan Agreement Draw Requests" in an amount sufficient to satisfy any shortfall relating to the Subordinate Tier TELA Obligations, to the extent that funds are available thereunder. Amounts drawn under the applicable Toll Equity Loan Agreement for the foregoing purpose as described in this clause (h) shall be deposited by the Trustee into the TELA Draw Clearing Account and then credited to the Subordinate Tier Debt Service Fund for application solely for the benefit of such Subordinate Tier TELA Obligations to which the Toll Equity Loan Agreement relates as set forth in this clause (h).

(i) In each Fiscal Year, after first having made the deposits required by subparagraphs (b) through (h) of "SUMMARY OF MASTER TRUST AGREEMENT PROVISIONS – Flow of Funds" prior to the transfer under this clause (i), if any, and subject to subparagraph (a) of "SUMMARY OF MASTER TRUST AGREEMENT PROVISIONS – Flow of Funds," on each Transfer Date the Trustee shall transfer from the Revenue Fund to the credit of the Subordinate Tier Reserve Account or subaccount therein the amount, if any, required to accumulate any applicable reserve requirement or restore any deficiency in such account or subaccount due to a withdrawal or change in value of Permitted Investments in order to make the amount on deposit therein or reimbursement to an obligor of any Reserve Surety Agreement related thereto, as provided in any Supplemental Agreements.

(j) After first having made the deposits required by subparagraphs (b) through (i) of "SUMMARY OF MASTER TRUST AGREEMENT PROVISIONS – Flow of Funds" prior to the transfer under this clause (j), if any, and subject to subparagraph (a) of "SUMMARY OF MASTER TRUST AGREEMENT PROVISIONS – Flow of Funds," on each Transfer Date, the Trustee shall transfer from the Revenue Fund and deposit to the credit of the Junior Operation and Maintenance Fund (whether maintained by the Trustee or the Corporation), the amount to be deposited into the Junior Operation and Maintenance Fund as determined pursuant to "SUMMARY OF MASTER TRUST AGREEMENT PROVISIONS - Payment of Junior Operating Expenses."

If at the time the Trustee is required to make a deposit to the credit of the Junior Operation and Maintenance Fund (whether maintained by the Trustee or the Corporation) from the Revenue Fund pursuant to the above paragraph the money therein shall not be sufficient for such purpose, the Trustee shall withdraw the amount of such deficiency from the money on deposit in the following funds or accounts and transfer the same to the credit of the Junior Operation and Maintenance Fund (whether maintained by the Trustee or the Corporation) in the following order of priority to the extent that funds are available therein: the Revenue Fund, the Grand Parkway Enhancement Fund, the Major Maintenance Fund, the Rate Stabilization Fund and the Operation and Maintenance Reserve Fund for application, pro rata, between TELA Supported Junior Operating Expenses and Non-TELA Supported Junior Operating Expenses. If, after making such transfers, on the Transfer Date the money in the Junior Operation and Maintenance Fund allocated to the TELA Supported Junior Operating Expenses is insufficient to make such payment of such TELA Supported Junior Operating Expenses, the Trustee shall make a draw under the applicable Toll Equity Loan Agreement by submitting a Draw Request in accordance with "TRUST AGREEMENT - Toll Equity Loan Agreement Draw Requests" in an amount sufficient to satisfy any such shortfall, to the extent that funds are available thereunder. Amounts drawn under the applicable Toll Equity Loan Agreement for the foregoing purpose as described in this clause (j) shall be deposited by the Trustee into the TELA Draw Clearing Account and then credited to the

Junior Operation and Maintenance Fund (whether maintained by the Trustee or the Corporation) for application to TELA Supported Junior Operating Expenses as set forth in this clause (j) and "SUMMARY OF MASTER TRUST AGREEMENT PROVISIONS - Payment of Junior Operating Expenses."

(k) After first having made the deposits required by subparagraphs (b) through (j) of "SUMMARY OF MASTER TRUST AGREEMENT PROVISIONS – Flow of Funds" prior to the transfer under this clause (k), if any, and subject to subparagraph (a) of "SUMMARY OF MASTER TRUST AGREEMENT PROVISIONS – Flow of Funds," on each Transfer Date, the Trustee shall transfer from the Revenue Fund to the credit of the Operation and Maintenance Reserve Fund an amount sufficient to accumulate an amount equal to or restore the balance in the Operation and Maintenance Reserve Fund to an amount equal to the Operation and Maintenance Reserve Requirement.

(l) After first having made the deposits required by subparagraphs (b) through (k) of "SUMMARY OF MASTER TRUST AGREEMENT PROVISIONS – Flow of Funds" prior to the transfer under this clause (l), if any, and subject to subparagraph (a) of "SUMMARY OF MASTER TRUST AGREEMENT PROVISIONS – Flow of Funds," on the Transfer Date preceding each interest, Principal or redemption payment date for any TELA/Other Tier Obligations, the Trustee shall withdraw from the Revenue Fund and deposit to the TELA/Other Tier Payment Fund the amounts due on any TELA/Other Tier Obligation.

(m) After first having made the deposits required by subparagraphs (b) through (l) of "SUMMARY OF MASTER TRUST AGREEMENT PROVISIONS – Flow of Funds" prior to the transfer under this clause (m), if any, and subject to subparagraph (a) of "SUMMARY OF MASTER TRUST AGREEMENT PROVISIONS – Flow of Funds," on each Transfer Date, the Trustee shall transfer from the Revenue Fund, but only to the extent Revenues of the System in such fund are available and as provided in "SUMMARY OF MASTER TRUST AGREEMENT PROVISIONS - Rate Stabilization Fund," to the credit of the Rate Stabilization Fund amounts sufficient to accumulate an amount equal to or to restore the balance in the Rate Stabilization Fund to an amount equal to the Rate Stabilization Fund Requirement.

(n) After first having made the deposits required by subparagraphs (b) through (m) of "SUMMARY OF MASTER TRUST AGREEMENT PROVISIONS – Flow of Funds" prior to the transfer under this clause (n), if any, and subject to subparagraph (a) of "SUMMARY OF MASTER TRUST AGREEMENT PROVISIONS – Flow of Funds," on each Transfer Date the Trustee shall transfer from the Revenue Fund, but only to the extent Revenues of the System in such fund are available, to the credit of the Major Maintenance Fund amounts sufficient to accumulate an amount equal to or to restore the balance in the Major Maintenance Fund to an amount equal to the Major Maintenance Requirement.

(o) After first having made the deposits provided by subparagraphs (b) through (n) of "SUMMARY OF MASTER TRUST AGREEMENT PROVISIONS – Flow of Funds," subject to the following conditions, on or before the last Business Day of each Fiscal Year (or more frequently if every condition set forth below has been satisfied) the Trustee shall transfer from the Revenue Fund to the credit of the Grand Parkway Enhancement Fund all Revenues of the System remaining in the Revenue Fund (and accrued to such current Fiscal Year) that a Corporation Representative determines, in a certificate delivered to the Trustee, to be in excess of the amount required to be reserved therein for transfers expected to be made in the first two months of the following Fiscal Year to the First Tier Interest Account, the First Tier Redemption Account, the Second Tier Interest Account, the Second Tier Redemption Account, the Subordinate Tier Interest Account, the Subordinate Tier Redemption Account or the TELA/Other Tier Payment Fund. The certificate of a Corporation Representative must also state that, as of the date of the transfer:

(1) no Event of Default under "SUMMARY OF MASTER TRUST AGREEMENT PROVISIONS – Events of Default" currently exists, and

(2) every fund and account established by or required to be established by the Master Trust Agreement contains at least the amount required to be deposited therein in such Fiscal Year.

Application and Pledge of Moneys in Debt Service Funds.

(a) Subject to the terms and conditions set forth in the Master Trust Agreement, the First Tier Debt Service Fund shall be held in trust and disbursed by the Trustee for (1) after utilizing amounts available in any applicable Capitalized Interest Account for the related First Tier Obligations, the payment of interest upon the First Tier Obligations issued hereunder as such interest falls due, or (2) the payment of the Principal of such First Tier Obligations at maturity, or (3) the payment of First Tier Payment Obligations, or (4) the payment of the purchase price or redemption price of such First Tier Obligations before maturity, as provided in the Master Trust Agreement or any Supplemental Agreement, and such moneys are hereby pledged to and charged with the payment mentioned in this subparagraph.

(b) Subject to the terms and conditions set forth in the Master Trust Agreement, the Second Tier Debt Service Fund shall be held in trust and disbursed by the Trustee for (1) after utilizing amounts available in any applicable Capitalized Interest Account for the related Second Tier Obligations, the payment of interest upon the Second Tier Obligations issued hereunder as such interest falls due, or (2) the payment of the Principal of such Second Tier Obligations at maturity, or (3) the payment of Second Tier Payment Obligations, or (4) the payment of the purchase price or redemption price of such Second Tier Obligations before maturity, as provided in the Master Trust Agreement or any Supplemental Agreement, and such moneys are hereby pledged to and charged with the payment mentioned in this subparagraph.

(c) Subject to the terms and conditions set forth in the Master Trust Agreement, including subparagraph (b) of "SUMMARY OF MASTER TRUST AGREEMENT PROVISIONS - Issuance of Subordinate Tier Obligations," the Subordinate Tier Debt Service Fund shall be held in trust and disbursed by the Trustee for (1) after utilizing amounts available in any applicable Capitalized Interest Account for the related Subordinate Tier Obligations, the payment of interest upon the Subordinate Tier Obligations issued hereunder as such interest falls due, or (2) the payment of the Principal of such Subordinate Tier Obligations at maturity, or (3) the payment of Subordinate Tier Payment Obligations, or (4) the payment of the purchase price or redemption price of such Subordinate Tier Obligations before maturity, as provided in the Master Trust Agreement or any Supplemental Agreement, and such moneys are hereby pledged to and charged with the payment mentioned in this subparagraph.

Withdrawals from Interest Accounts.

(a) The Trustee shall, from time to time and after utilizing amounts available in any applicable Capitalized Interest Account for the related First Tier Obligations, withdraw from the First Tier Interest Account and remit to the respective Owners of First Tier Obligations the amounts required for paying interest upon the First Tier Obligations as such interest comes due on the dates and in the manner provided in the Master Trust Agreement or any Supplemental Agreement or other proceedings approved by the Corporation.

(b) The Trustee shall, from time to time and after utilizing amounts available in any applicable Capitalized Interest Account for the related Second Tier Obligations, withdraw from the Second Tier Interest Account and remit to the respective Owners of Second Tier Obligations the amounts required for paying interest upon the Second Tier Obligations as such interest comes due on the dates and in the manner provided in the Master Trust Agreement or any Supplemental Agreement or other proceedings approved by the Corporation.

(c) Subject to subparagraph (b) of "SUMMARY OF MASTER TRUST AGREEMENT PROVISIONS - Issuance of Subordinate Tier Obligations" and "SUMMARY OF MASTER TRUST AGREEMENT PROVISIONS - Flow of Funds," the Trustee shall, from time to time and after utilizing amounts available in any applicable Capitalized Interest Account for the related Subordinate Tier Obligations, withdraw from the Subordinate Tier Interest Account or any applicable sub-account therein and remit to the respective Owners of Subordinate Tier Obligations the amounts required for paying interest upon the Subordinate Tier Obligations as such interest comes due on the dates and in the manner provided in the Master Trust Agreement or any Supplemental Agreement or other proceedings approved by the Corporation.

Application of Moneys in Redemption Accounts; Payment of Obligations and Payment Obligations; Redemption of Obligations.

(a) To the extent of any moneys at any time in the First Tier Redemption Account, the Trustee shall retire or provide for the retirement of Principal of First Tier Obligations, including First Tier Payment Obligations, with money from the First Tier Redemption Account, and the Trustee shall pay, when due, the amount of Principal of all First Tier Obligations scheduled to mature and all First Tier Payment Obligations, and the Trustee shall redeem or purchase First Tier Obligations prior to maturity during each year specified in, and pursuant to, any optional or mandatory redemption or purchase provisions required for First Tier Obligations, and shall pay the Principal, any redemption premium required therefor, and all necessary and proper expenses in connection therewith, from the First Tier Redemption Account, but shall pay all accrued interest on First Tier Obligations from the First Tier Interest Account.

(b) To the extent of any moneys at any time in the Second Tier Redemption Account, the Trustee shall retire or provide for the retirement of Principal of Second Tier Obligations, including Second Tier Payment Obligations, with money from the Second Tier Redemption Account, and the Trustee shall pay, when due, the amount of Principal of all Second Tier Obligations scheduled to mature and all Second Tier Payment Obligations, and the Trustee shall redeem or purchase Second Tier Obligations prior to maturity during each year specified in, and pursuant to, any optional or mandatory redemption or purchase provisions required for Second Tier Obligations, and shall pay the Principal, any redemption premium required

therefor, and all necessary and proper expenses in connection therewith, from the Second Tier Redemption Account, but shall pay all accrued interest on Second Tier Obligations from the Second Tier Interest Account.

(c) Subject to subparagraph (b) of "SUMMARY OF MASTER TRUST AGREEMENT PROVISIONS – Issuance of Subordinate Tier Obligations" and the related Supplemental Agreements, to the extent of any moneys at any time in the Subordinate Tier Redemption Account or any sub-account therein, the Trustee shall retire or provide for the retirement of Principal of Subordinate Tier Obligations, including Subordinate Tier Payment Obligations, with money from the Subordinate Tier Redemption Account or the applicable sub-account therein, and the Trustee shall pay, when due, the amount of Principal of all Subordinate Tier Obligations scheduled to mature and all Subordinate Tier Payment Obligations, and the Trustee shall redeem or purchase Subordinate Tier Obligations prior to maturity during each year specified in, and pursuant to, any optional or mandatory redemption or purchase provisions required for Subordinate Tier Obligations, and shall pay the Principal, any redemption premium required therefor, and all necessary and proper expenses in connection therewith, from the Subordinate Tier Redemption Account or the applicable sub-account therein, but shall pay all accrued interest on Subordinate Tier Obligations from the Subordinate Tier Interest Account or the applicable sub-account therein.

Application of Moneys in Reserve Accounts.

(a) Moneys and investments held for the credit of any subaccounts of the First Tier Reserve Account shall be used finally to retire the last of the applicable Outstanding First Tier Obligations to which the subaccounts relate, respectively, and/or for the purpose of paying interest on and Principal of the First Tier Obligations to which the subaccounts relate whenever and to the extent that the moneys held for the credit of the First Tier Interest Account and the First Tier Redemption Account shall be insufficient for such purpose. The provision for any subaccount of the First Tier Reserve Account related to a Series of First Tier Obligations shall be set out in the Supplemental Agreement related thereto, including any reserve requirement, requirement to make up any deficiency in such account and disposition of any excess moneys and investments therein. If a Reserve Surety Agreement is used as a reserve for any Series of First Tier Obligations, any reimbursements required thereunder to be paid to an obligor as a result of a draw or demand thereunder and any expenses payable thereunder shall be made, as provided in the related Reserve Surety Agreement, from moneys deposited into the applicable subaccount of the First Tier Reserve Account until fully paid.

(b) Moneys and investments held for the credit of any subaccounts of the Second Tier Reserve Account shall be used finally to retire the last of the applicable Outstanding Second Tier Obligations to which the subaccounts relate, respectively, and/or for the purpose of paying interest on and Principal of the Second Tier Obligations to which the subaccounts relate whenever and to the extent that the moneys held for the credit of the Second Tier Interest Account and the Second Tier Redemption Account shall be insufficient for such purpose. The provision for any subaccount of the Second Tier Reserve Account related to a Series of Second Tier Obligations shall be set out in the Supplemental Agreement related thereto, including any reserve requirement, requirement to make up any deficiency in such account and disposition of any excess moneys and investments therein. If a Reserve Surety Agreement is used as a reserve for any Series of Second Tier Obligations, any reimbursements required thereunder to be paid to an obligor as a result of a draw or demand thereunder and any expenses payable thereunder shall be made, as provided in the related Reserve Surety Agreement, from moneys deposited into the applicable subaccount of the Second Tier Reserve Account until fully paid.

(c) Moneys and investments held for the credit of any subaccounts of the Subordinate Tier Reserve Account shall be used finally to retire the last of the applicable Outstanding Subordinate Tier Obligations to which the subaccounts relate, respectively, and/or for the purpose of paying interest on and Principal of the Subordinate Tier Obligations to which the subaccounts relate whenever and to the extent that the moneys held for the credit of the Subordinate Tier Interest Account and the Subordinate Tier Redemption Account shall be insufficient for such purpose. The provision for any subaccount of the Subordinate Tier Reserve Account related to a Series of Subordinate Tier Obligations shall be set out in the Supplemental Agreement related thereto, including any reserve requirement, requirement to make up any deficiency in such account and disposition of any excess moneys and investments therein. If a Reserve Surety Agreement is used as a reserve for any Series of Subordinate Tier Obligations, any reimbursements required thereunder to be paid to an obligor as a result of a draw or demand thereunder and any expenses payable thereunder shall be made, as provided in the related Reserve Surety Agreement, from moneys deposited into the applicable subaccount of the Subordinate Tier Reserve Account until fully paid.

Payment of Junior Operating Expenses.

(a) On each Transfer Date, the Trustee shall withdraw from the Revenue Fund and deposit to the credit of the Junior Operation and Maintenance Fund an amount required to make the total amount in the Junior Operation and Maintenance Fund equal to one-sixth (1/6) of the amount of the total Junior Operating Expenses scheduled for the then current Fiscal Year in the then current Annual Budget, plus all prior accruals for any insurance and other periodic or regularly

recurring expenses. All Junior Operating Expenses shall be paid directly by the Trustee, upon written direction of a Corporation Representative, by drawing checks or drafts or by other means on the Junior Operation and Maintenance Fund as may be determined by the Trustee and the Corporation Representative.

(b) Notwithstanding subparagraph (a) of this section and as an alternative to such section, the Corporation may cause a Depositary of the Corporation to create a special fund to be held by the Corporation and designated the "Junior Operation and Maintenance Fund" and, upon written direction from the Corporation Representative to the Trustee, the Trustee shall transfer all amounts in the Junior Operation and Maintenance Fund to the credit of the Junior Operation and Maintenance Fund held by such Depositary and such fund will be maintained and administered by the Corporation and the Junior Operation and Maintenance Fund held by the Trustee shall be closed. On each Transfer Date, the Trustee shall withdraw from the Revenue Fund and deposit to the credit of the Corporation in the Junior Operation and Maintenance Fund, on written request of the Corporation, an amount which a Corporation Representative shall certify in such request to the Trustee at least one Business Day prior to such Transfer Date to be required to make the total amount in the Junior Operation and Maintenance Fund equal to one-sixth (1/6) of the amount of the total Junior Operating Expenses scheduled for the then current Fiscal Year in the then current Annual Budget, plus all prior accruals for any insurance and other periodic or regularly recurring expenses. All Junior Operating Expenses shall be paid directly by the Corporation by drawing checks or drafts on the Junior Operation and Maintenance Fund as may be determined by the Corporation Representative.

(c) If at any time the amount in the Debt Service Funds to the credit of the Interest Accounts, the Redemption Accounts, and the Reserve Accounts relating to First Tier Obligations, Second Tier Obligations and Subordinate Tier Obligations shall be insufficient for the purpose of paying the interest on or Principal or premium of the First Tier Obligations, the Second Tier Obligations and Subordinate Tier Obligations when due, then the Trustee or the Corporation, as the case may be, shall transfer, in the priorities set forth in "SUMMARY OF MASTER TRUST AGREEMENT PROVISIONS – Flow of Funds," from the Junior Operation and Maintenance Fund, to the Trustee in the case of the Corporation, for deposit in such applicable the Debt Service Funds for credit to the Interest Accounts and Redemption Accounts an amount sufficient to make up any such deficiency, provided that no such transfer shall be made of moneys in the Junior Operation and Maintenance Fund which are, determined by a written certificate of the Corporation Representative provided to the Trustee, to be needed then for operation and maintenance necessary to maintain safe operation of the System or to prevent loss of revenue of the System. Any moneys so required to be transferred from the Junior Operation and Maintenance Fund to such Interest Accounts or the Redemption Accounts shall be restored by the Trustee from the first available moneys in the Revenue Fund, subject to the same conditions as are prescribed for deposits to the credit of the Junior Operation and Maintenance Fund under the provisions of "SUMMARY OF MASTER TRUST AGREEMENT PROVISIONS – Flow of Funds."

(d) At such time that there are TELA Supported Junior Operating Expenses and Non-TELA Supported Junior Operating Expenses, the Trustee or the Corporation, as the case may be, shall establish a special subaccount within the Junior Operation and Maintenance Fund for each type of Junior Operating Expenses and allocate the funds in the Junior Operation and Maintenance Fund between such subaccounts pro rata as such expenses are provided for in the applicable Annual Budget.

Use of Operation and Maintenance Reserve Fund.

Moneys held by the Trustee in the Operation and Maintenance Reserve Fund shall be used (i) for the purpose of paying the cost of Operating Expenses by the Trustee transferring amounts on deposit therein to the credit of the Senior Operation and Maintenance Fund and the Junior Operation and Maintenance Fund, as the case may be and in such priority, to cure any deficiencies therein to the extent of any such deficiency and (ii) as provided in this section and "SUMMARY OF MASTER TRUST AGREEMENT PROVISIONS – Flow of Funds."

The Trustee shall make payments directly from the Operation and Maintenance Reserve Fund to the Corporation or TxDOT, as directed in writing by a Corporation Representative, and such Fund shall be used only for the purposes and in the manner provided in this section.

If at any time the amount in the Debt Service Funds to the credit of the Interest Accounts, the Redemption Accounts, and the Reserve Accounts relating to First Tier Obligations, Second Tier Obligations and Subordinate Tier Obligations shall be insufficient for the purpose of paying the interest on or Principal of the First Tier Obligations, the Second Tier Obligations and the Subordinate Tier Obligations, respectively, when due, then the Trustee shall transfer, in the priorities set forth in "SUMMARY OF MASTER TRUST AGREEMENT PROVISIONS – Flow of Funds," from the Operation and Maintenance Reserve Fund to the applicable Debt Service Funds for credit to the Interest Accounts and Redemption Accounts an amount sufficient to make up any such deficiency, provided that no such transfer shall be made of moneys in the Operation and

Maintenance Reserve Fund which are, determined by the Corporation which a Corporation Representative shall certify to the Trustee, to be needed then for operation and maintenance necessary to maintain safe operation of the System or to prevent loss of revenue of the System. Any moneys so required to be transferred from the Operation and Maintenance Reserve Fund to the Interest Accounts or the Redemption Accounts shall be restored by the Trustee from the first available moneys in the Revenue Fund, subject to the same conditions as are prescribed for deposits to the credit of the Operation and Maintenance Reserve Fund under the provisions of "SUMMARY OF MASTER TRUST AGREEMENT PROVISIONS – Flow of Funds."

Application and Pledge of Moneys in TELA/Other Tier Payment Fund.

Subject to the terms and conditions set forth in the Master Trust Agreement, the TELA/Other Tier Payment Fund shall be held in trust and disbursed by the Trustee for (1) the payment of the TELA/Other Tier Debt Obligations issued hereunder as such falls due, or (2) the payment of the TELA/Other Tier Payment Obligations, as such become due, as provided in the Master Trust Agreement or any Supplemental Agreement, and such moneys are hereby pledged to and charged with the payment mentioned in this section.

Rate Stabilization Fund.

The Corporation has made provision for funding the Rate Stabilization Fund Requirement in the Rate Stabilization Fund with proceeds of the Initial Obligations. Upon the issuance of Additional Obligations for a purpose other than refunding any Outstanding Obligations or completing the Initial Project pursuant to subparagraph (j) of "SUMMARY OF MASTER TRUST AGREEMENT PROVISIONS - Issuance of First Tier Obligations" or "- Issuance of Subordinate Tier Obligations" (and funding any related reserve or other funds), the Corporation shall deposit an amount necessary to cause the Rate Stabilization Fund to have an amount equal to the Rate Stabilization Fund Requirement as of such date (i) from proceeds of such Additional Obligations, (ii) from Revenues of the System, but only to the extent available pursuant to this section and subparagraph (m) of "SUMMARY OF MASTER TRUST AGREEMENT PROVISIONS – Flow of Funds," or (iii) at the option of the Corporation, from any other lawfully available source.

In the priorities established in "SUMMARY OF MASTER TRUST AGREEMENT PROVISIONS – Flow of Funds," amounts on deposit in the Rate Stabilization Fund (a) shall be transferred by the Trustee to the Senior Operation and Maintenance Fund, the First Tier Debt Service Fund, the Second Tier Debt Service Fund, the Subordinate Tier Debt Service Fund or the Junior Operation and Maintenance Fund to cure a deficiency therein and (b) upon written direction by the Corporation Representative, may be transferred by the Trustee to any other fund under the Master Trust Agreement to be used for any other purpose for which Revenues of the System are permitted to be used under applicable law and the Master Trust Agreement, including as a claims payment fund or any similar function for any self-insurance program of the Corporation pursuant to "SUMMARY OF MASTER TRUST AGREEMENT PROVISIONS - Insurance Recommendations" and "- Schedule of Insurance Policies; Settlement of Insurance Claims; Insurance Proceeds." Use of amounts on deposit to the Rate Stabilization Fund for any of the foregoing purposes shall 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 Trustee shall transfer such excess to the Revenue Fund. The moneys in the Rate Stabilization Fund, after their use as provided in this paragraph, need not be replenished; provided, however, pursuant to the preceding paragraph, the Corporation shall replenish the Rate Stabilization Fund to the Rate Stabilization Fund Requirement upon the issuance of any Additional Obligations for a purpose other than refunding any Outstanding Obligations or completing the Initial Project pursuant to subparagraph (j) of "SUMMARY OF MASTER TRUST AGREEMENT PROVISIONS - Issuance of First Tier Obligations" or "- Issuance of Subordinate Tier Obligations" (and funding any related reserve or other funds).

Notwithstanding anything in this section to the contrary, the Trustee shall replenish the Rate Stabilization Fund to the Rate Stabilization Fund Requirement or a lesser amount at such time and in such manner as directed in writing by a Corporation Representative from Revenues of the System available pursuant to subparagraph (m) of "SUMMARY OF MASTER TRUST AGREEMENT PROVISIONS – Flow of Funds." Additionally, notwithstanding anything in the Master Trust Agreement to the contrary, at such time that there is no Toll Equity Loan Agreement outstanding, the Corporation may determine to (i) reduce the Rate Stabilization Fund Requirement to a lesser amount or (ii) eliminate the requirement for the Rate Stabilization Fund and the Rate Stabilization Fund Requirement, and, upon such determination and receipt by the Corporation and the Trustee of (y) written confirmation that such action will not, in and of itself, cause any ratings then assigned to any Outstanding First Tier Obligations or Second Tier Obligations to be adversely affected by Moody's, S&P and/or Fitch, respectively, and (z) an opinion of Bond Counsel that the use of any released amounts from the Rate Stabilization Fund complies with applicable law, the Corporation Representative shall give written notice to the Trustee of such Corporation determination and direct the Trustee to transfer any released amounts from the Rate Stabilization Fund into the Revenue Fund and, if appropriate, close the Rate Stabilization Fund.

A Rate Stabilization Fund Obligation issued in an amount equal to all or part of the Rate Stabilization Fund Requirement may be used in lieu of depositing cash into the Rate Stabilization Fund. In addition, a Rate Stabilization Fund Obligation may be substituted for monies and investments in the Rate Stabilization Fund if the substitution of the Rate Stabilization Fund Obligation will not, in and of itself, cause any ratings then assigned to the Obligations by Moody's, S&P and/or Fitch, respectively, to be lowered, the Rate Stabilization Fund Obligation is approved by the Texas Attorney General, if then required by State law, and the resolution authorizing the substitution of the Rate Stabilization Fund Obligation for all or part of the Rate Stabilization Fund Requirement contains a finding that such substitution is cost effective.

If (i) the long-term, unsecured credit rating of the issuer of the Rate Stabilization Fund Obligation falls below the third highest generic rating category (i.e., "A") by Moody's, S&P and/or Fitch, respectively, (ii) the issuer of the Rate Stabilization Fund Obligation defaults in its payment obligations thereunder, or (iii) the issuer of the Rate Stabilization Fund Obligation becomes insolvent, the Corporation shall within three months of such occurrence either, only to the extent Revenues of the System are available pursuant to this section and subparagraph (m) of "SUMMARY OF MASTER TRUST AGREEMENT PROVISIONS – Flow of Funds," (A) deposit into the Rate Stabilization Fund an amount sufficient to cause the cash and investments on deposit therein to accumulate to the Rate Stabilization Fund Requirement, or (B) replace such instrument with a Rate Stabilization Fund Obligation meeting the requirements of this section. Upon replacement, the Commission may terminate the existing Rate Stabilization Fund Obligation in accordance with its terms. The Trustee shall have no obligation to monitor the credit ratings of the issuer of any Rate Stabilization Fund Obligation.

Any cash released from the Rate Stabilization Fund as a result of deposit of a Rate Stabilization Fund Obligation may be used for any purpose authorized by State law upon written direction of the Corporation Representative to the Trustee, subject to receipt of an opinion of Bond Counsel that such use will not adversely affect the tax-exempt status of any Tax-Exempt Obligations that may have funded the cash deposit.

Major Maintenance Fund.

Moneys in the Major Maintenance Fund shall be disbursed to pay Major Maintenance Expenses shown in the Annual Budget for the System and shall be disbursed only for such purposes, except to the extent hereinafter provided in this section. All Major Maintenance Expenses shall be paid directly by the Trustee, upon written direction of a Corporation Representative, by drawing checks or drafts or by other means on the Major Maintenance Fund as may be determined by the Trustee and the Corporation Representative.

In addition and in the priorities established in "SUMMARY OF MASTER TRUST AGREEMENT PROVISIONS – Flow of Funds," amounts on deposit in the Major Maintenance Fund shall be transferred by the Trustee to the Senior Operation and Maintenance Fund, the First Tier Debt Service Fund, the Second Tier Debt Service Fund, the Subordinate Tier Debt Service Fund or the Junior Operation and Maintenance Fund to cure a deficiency therein.

Subject to subparagraph (a) of "SUMMARY OF MASTER TRUST AGREEMENT PROVISIONS – Flow of Funds" and to the extent moneys in the Major Maintenance Fund are insufficient to pay the Major Maintenance Expenses then due, the Trustee shall transfer the amount of such deficiency from the money on deposit in the following funds or accounts and transfer the same to the credit of the Major Maintenance Fund in the following order of priority to the extent that funds are available therein: the Revenue Fund and the Grand Parkway Enhancement Fund. If, after making such transfers, the moneys in the Major Maintenance Fund are insufficient to pay the Major Maintenance Expenses then due, upon written direction of the Corporation Representative, the Trustee shall make a draw under the applicable Toll Equity Loan Agreement by submitting a Draw Request in accordance with "TRUST AGREEMENT - Toll Equity Loan Agreement Draw Requests" in an amount sufficient to satisfy any shortfall as determined by the Corporation Representative, to the extent that funds are available thereunder, and the Corporation Representative certifies in writing to the Trustee that, after such draw, there remains sufficient capacity in the unused portion of the Maximum Available Annual Amount for such Fiscal Year to pay any unpaid Debt Service Requirements of the Outstanding Toll Equity Loan Supported Obligations for which the applicable Toll Equity Loan Agreement is applicable due through the end of such Fiscal Year. Amounts drawn under the applicable Toll Equity Loan Agreement for the foregoing purpose as described in this section shall be deposited by the Trustee into the TELA Draw Clearing Account and then credited to the Major Maintenance Fund for application as set forth in this section.

Grand Parkway Enhancement Fund.

Moneys held in the Grand Parkway Enhancement Fund shall be used for any lawful purpose with priority given to (a) in the priorities established in "SUMMARY OF MASTER TRUST AGREEMENT PROVISIONS – Flow of Funds", curing a deficiency in the Senior Operation and Maintenance Fund, the First Tier Debt Service Fund, the Second Tier Debt

Service Fund, the Subordinate Tier Debt Service Fund or the Junior Operation and Maintenance Fund, (b) paying for any of the purposes set forth in the Master Trust Agreement, including any amounts due to the Department under any Toll Equity Loan Agreement, the Project Agreement or any other agreement and any amounts transferred and deposited to any fund or account created under the Master Trust Agreement or any Supplemental Agreement and (c) paying any costs of the System or paying any costs related to any section or segment of the Grand Parkway Project without regard to whether such section or segment can become part of the System. The Trustee shall disburse moneys on deposit in the Grand Parkway Enhancement Fund within two Business Days after receipt by the Trustee of written requisition requests, in substantially the form attached to the Master Trust Agreement as Exhibit D signed by a Corporation Representative.

Investment of Moneys; Time Deposits or Other Arrangements in Lieu of Investments.

All moneys held for the credit of the Construction Fund shall, as nearly as may be practicable, be invested and reinvested by the Trustee, as directed by the Corporation, in Permitted Investments which shall mature, or which shall be subject to redemption by the holder thereof at the option of such holder, in such amounts and at such times as will be required to provide moneys when needed to pay the Costs payable from the Construction Fund or interest on the particular Obligations with respect to any Capitalized Interest Account within the Construction Fund.

Moneys held for the credit of the Reserve Accounts shall, as nearly as may be practicable, be invested and reinvested by the Trustee, as directed by the Corporation, in Permitted Investments which shall mature, or shall be subject to redemption by the holder thereof at the option of such holder, not later than five years after the date of such investment.

Moneys held for the credit of the Operation and Maintenance Reserve Fund, the Major Maintenance Fund and the Rate Stabilization Fund shall be invested and reinvested by the Trustee, as directed by the Corporation, in Permitted Investments which shall mature, or which shall be subject to redemption by the holder thereof at the option of such holder, not later than five years after the date of such investment.

Moneys held for the credit of the Grand Parkway Enhancement Fund may be invested by the Trustee, as directed by the Corporation, in any of the Permitted Investments.

Moneys held for the credit of the Senior Operation and Maintenance Fund and the Junior Operation and Maintenance Fund shall, as nearly as may be practicable, be invested and reinvested by the Corporation, and moneys held for the credit of the Revenue Fund, the Interest Accounts, the Redemption Accounts and the TELA/Other Tier Payment Fund shall, as nearly as may be practicable, be invested and reinvested by the Trustee, as directed by the Corporation, in Permitted Investments which shall mature, or which shall be subject to redemption by the holder thereof at the option of such holder, not later than the respective dates which will allow moneys to be available in each of such funds and accounts for use at the appropriate times and for the purposes for which they were created.

In lieu of the investments as provided above, and at the option of the Corporation, and in any other case where the Corporation deems it advisable, the Corporation may make interest bearing time deposits, invest in certificates of deposit, or make other similar arrangements with the Trustee or any other Depositary in connection with moneys in any fund or account created by the Master Trust Agreement, as may be permitted by law, and which will allow moneys to be available in each of the funds and accounts created by the Master Trust Agreement for use at the appropriate times and for the purposes for which they were created, provided that all such time deposits, certificates of deposit, and other similar agreements shall be secured in the manner provided in "TRUST AGREEMENT - Depositaries; Deposits Constitute Trust Funds; Qualifications of Depositaries; Security for Deposits" for uninvested moneys.

Investments and Deposits Deemed to be Part of Funds and Accounts for which Purchased; Valuation of Funds or Accounts; Rebates to United States of America.

Obligations purchased as an investment of moneys in any fund or account created under the provisions of the Master Trust Agreement and all time deposits or similar arrangements made in connection therewith, shall be deemed at all times to be a part of such fund or account, and the interest accruing thereon and any profit realized from any investment shall be credited to such fund or account, and any loss resulting from any investment shall be charged to such fund or account. It is further provided that, at the option of the Corporation, during the period of construction or completion of construction of any System Segments, the Corporation may transfer, or direct the Trustee to transfer, as the case may be, from the Construction Fund and deposit to the credit of the applicable Interest Account, from the investment earnings deposited in the Construction Fund and/or the Operation and Maintenance Reserve Fund all or any part of an amount, which, together with the amount then available in the applicable Interest Account, will be sufficient to pay the interest coming due on the Obligations on each interest payment date, respectively. The Trustee shall account for all amounts at any time on hand in the Construction Fund attributable to all investment earnings, regardless of their source, and shall make the deposits required above to the extent of such investment earnings on hand at the time each such deposit is required to be made.

The Trustee, any other Depositaries, and the Corporation, as the case may be, shall sell at the best price obtainable in the exercise of reasonable diligence, or present for payment or redemption, any obligation or investment so purchased, whenever and to the extent it shall be necessary so to do, in order to provide moneys required to meet any payment or transfer from any fund or account. The Trustee, any other Depositaries, and the Corporation, as the case may be, shall present for payment all such obligations or investments when they mature or when they shall be called for redemption and the proceeds thereof shall be reinvested promptly, unless needed to meet any such payment or transfer. Neither the Trustee, any other Depositaries, nor the Corporation shall be liable or responsible for making any such investment or for any loss resulting from any such investment, but any resulting deficiency in any fund or account shall be restored from the first moneys available therefor in accordance with "SUMMARY OF MASTER TRUST AGREEMENT PROVISIONS – Flow of Funds." The Trustee and any other Depositaries shall advise the Corporation in writing, on or before the eighth day of each month, of the details of all money and investments held by them for the credit of any such fund or account.

The provisions of the Master Trust Agreement which relate to the deposit and to the investment of moneys shall be subject to the provisions of any applicable laws of the State.

All Permitted Investments purchased as an investment of any fund or account created hereunder shall be valued at the value of Permitted Investments. The Corporation shall advise the Trustee of the value of Permitted Investments for any Permitted Investments for any funds held by the Corporation or the Trustee as of the last business day of the current Fiscal Year and semiannually thereafter as of the last business day of the sixth and twelfth months, respectively, of each Fiscal Year.

Notwithstanding any other provisions of the Master Trust Agreement, other than "SUMMARY OF MASTER TRUST AGREEMENT PROVISIONS – Flow of Funds," if investment income derived from any fund or account maintained pursuant hereto is required to be rebated to the United States of America, as may required by the federal tax covenants of the Corporation set forth in the relevant Supplemental Agreement, in order to prevent any Tax-Exempt Obligations from being "arbitrage bonds," such investment income shall be so rebated, through the Rebate Fund, if required, from the appropriate fund or account, and the amounts of such rebates shall not be considered to be Revenues of the System. The Trustee shall forthwith, upon the request and direction of the Corporation, transmit any such rebate amounts held by it to the United States of America as directed by the Corporation.

Use and Operation of System; Project Agreement.

(a) The Corporation covenants that it will establish and enforce reasonable rules and regulations governing the use of the System and the operation thereof, that all compensation, salaries, fees and wages paid by it in connection with the maintenance, repair and operation thereof will be reasonable, that no more persons will be employed by it than are necessary, that it will maintain and operate the System in an efficient and economical manner, that, from the Revenues of the System, it will at all times maintain the same in good repair and in sound operating condition and will make all necessary repairs, renewals and replacements, and that it will comply with all valid acts, rules, regulations, orders and directions of any legislative, executive, administrative or judicial body applicable to the System.

(b) The Corporation further covenants that it will take all lawful action on its part which may be necessary or desirable to advertise and promote the System to the traveling public and to place and replace highway designation signs and adequate directional signs to the System which, in the judgment of the Corporation, may be beneficial to the System or necessary to protect against the diversion of traffic from the System.

(c) In the Project Agreement for the benefit of the Corporation, the Trustee and the Owners of the Obligations, the Department has covenanted that, among other obligations, it will (i) perform or discharge certain retained obligations of the Department with respect to the System, (ii) limit and restrict the sale, lease, transfer or creation of certain other encumbrances of all or part of the System while the Master Trust Agreement is outstanding, (iii) take certain actions or refrain from certain actions relating to the tax-exempt status of any Tax-Exempt Obligations, (iii) comply with certain legal requirements and not create any lien or charge on the Revenues of the System and (iv) take certain action relating to insurance policies and proceeds. To the extent permitted by law, the Corporation covenants and agrees to take all such action necessary to cause the Department to meet its obligations under the Project Agreement.

Observance and Compliance with Valid Requirements; No Liens or Charges Upon System, Tolls or Other Revenues; Payment of Lawful Charges.

The Corporation covenants that it will duly observe and comply with all valid requirements of any governmental authority relative to the System or any part thereof, that it will not create or suffer to be created any lien or charge upon the System or any part thereof or upon the tolls or other revenue therefrom, including the Revenues of the System, except (i) the

lien and charge of the Obligations secured hereby upon such tolls and revenues, including the Revenues of the System and (ii) the lien or encumbrance permitted by the Master Trust Agreement, unless any such lien or charge is junior and subordinate in all respects to the lien and charge of the Obligations secured hereby, it being understood that the Corporation may issue Obligations payable from, or secured by, moneys in the Grand Parkway Enhancement Fund to the extent now or hereafter permitted by law without violating the foregoing covenant. The Corporation further covenants that, from such revenues or other available funds, it will pay or cause to be discharged, or will make adequate provision to satisfy and discharge, within sixty (60) days after the same shall accrue, all lawful claims and demands for labor, materials, supplies or other objects which, if unpaid, might by law become a lien upon the System or any part thereof or the tolls or other revenue therefrom; provided, however, that nothing in contained in this section shall require the Corporation to pay or cause to be discharged, or make provision for, any such lien or charge so long as the validity thereof shall be contested in good faith and by appropriate legal proceedings.

Employment of General Engineering Consultant and Traffic Consultant.

(a) The Corporation covenants that, until the Obligations and the interest thereon shall have been paid or provision for such payment shall have been made, it will employ a General Engineering Consultant for the purpose of performing and carrying out the duties imposed on the General Engineering Consultant by the Master Trust Agreement.

(b) The Corporation covenants that, until the Obligations and the interest thereon shall have been paid or provision for such payment shall have been made, it will, for the purpose of performing and carrying out the duties imposed on the Traffic Consultant by the Master Trust Agreement, employ from time to time where required by the Master Trust Agreement, an independent engineer or engineering firm or corporation, other than the General Engineering Consultant, having a nation-wide and favorable reputé for skill and experience in such work.

Insurance Recommendations.

The Corporation 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. Any insurance policies shall be carried with a responsible insurance company or companies authorized to do business in the State. Any self-insurance program shall be deemed 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 Corporation may elect to terminate self-insurance of a given type. Upon making such election, the Corporation shall, to the extent then deemed necessary by a qualified insurance consultant, determined by the Corporation, obtain and maintain comparable commercial insurance.

On the July 1 following the Substantial Completion of the Initial Project and every three years thereafter (except with respect to self-insurance, which shall be annually deemed actuarially sound in the written opinion of an accredited actuary), the Corporation shall cause a qualified insurance consultant, determined by the Corporation, to certify to the Trustee that (a) it has reviewed the adequacy of the Corporation'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 qualified insurance consultant concludes that coverage other than that currently carried by the Corporation should be carried, the Corporation shall obtain such insurance coverage unless it determines in good faith that it is unreasonable or uneconomical to obtain such coverage and a Corporation Representative certifies the same in writing to the Trustee.

Any insurance policies maintained by the Corporation shall name the Trustee as a co-insured and be available at reasonable times for inspection by the Trustee, its agents and representatives.

Schedule of Insurance Policies; Settlement of Insurance Claims; Insurance Proceeds.

Within the first three (3) months of each Fiscal Year **following the Substantial Completion of the Initial Project**, the Corporation shall mail to the General Engineering Consultant and the Trustee a schedule or other evidence of all insurance policies or self-insurance programs referred to "SUMMARY OF MASTER TRUST AGREEMENT PROVISIONS - Insurance Recommendations" which are then in effect, stating with respect to each policy the name of the insurer, the amount, number and expiration date, and the hazards and risks covered thereby, and also stating the details of each self insurance program established by the Corporation. Any such insurance policies and self-insurance programs shall be open to the inspection of the Owners and their representatives at all reasonable times. The Trustee is hereby authorized, but is not obligated, in its own name to demand, collect, sue and receipt for any insurance money which may become due and payable under any policies payable to it.

Any appraisal or adjustment of any loss or damage under any policy payable to the Trustee and any settlement or payment of indemnity under such policy which may be agreed upon between the Corporation and any insurer shall be evidenced to the Trustee by a certificate, signed by a Corporation Representative, which certificate may be relied upon by the Trustee as conclusive. The Trustee shall in no way be liable or responsible for the collection of insurance moneys in case of any loss or damage.

The Corporation 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.

The Corporation shall pay any insurance proceeds it receives under builders all risk, and property all risk to the Trustee for deposit into the Revenue Fund to the extent attributable to the debt service. Otherwise, such insurance proceeds shall be deposited to the Construction Fund and used for any repairs or modifications of the System necessary or desirable as a result of damage or destruction to the System. If no such repairs or modifications are necessary or desirable, or if any funds remain in the Construction Fund after completion of all such repairs and modifications, the proceeds of such insurance or remaining proceeds, as applicable, shall be deposited to the Revenue Fund and applied as provided in the Master Trust Agreement.

The Corporation shall direct that the any contractor related to the construction and acquisition of the System pay insurance proceeds payable to the Corporation under any insurance policies maintained by such contractor pursuant to the terms of any construction or similar agreement with the Corporation directly to the Trustee for deposit into the Revenue Fund to the extent attributable to the debt service. Otherwise, such insurance proceeds shall be deposited to the Construction Fund. **To the extent that the Corporation receives insurance payments under a business interruption insurance policy, such amounts shall be deposited into the Revenue Fund as directed by a Corporation Representative in writing to the Trustee.**

Accurate Records; Monthly Reports; Annual Audits; Additional Reports or Audits, Annual Report.

The Corporation covenants that it will keep an accurate record of the daily tolls and other revenues collected, of the number and class of vehicles using the System and of the application of such tolls. Such record shall be open to the inspection of the Owners and their agents and representatives.

The Corporation further covenants that, by the last day of each month, commencing after the first full month after Substantial Completion of any System Segment, it will cause to be filed with the Trustee and mailed to the General Engineering Consultant and the Traffic Consultant copies of any revision of the Toll Rate Schedule during the preceding calendar month and a report setting forth in respect of the preceding calendar month:

- (a) the income and expense account of the System, which will separately account for Senior Operating Expenses and Junior Operating Expenses,
- (b) the number of vehicles in each class using the System,
- (c) all payments, deposits and credits to and any payments, transfers and withdrawals from each fund and account created under the provisions of the Trust Agreement,
- (d) all Obligations issued, paid, purchased or redeemed,
- (e) the amounts at the end of such month to the credit of each such fund and account, created pursuant to the provisions of the Trust Agreement and any Supplemental Agreement, showing the respective amounts to the credit of each such fund and account, and any security held therefor, and showing the details of any investments thereof, and
- (f) the amounts of the proceeds received from any sales of property.

The Corporation covenants that it will maintain books and accounts reflecting the operations of the System, as a separate enterprise, in accordance with Accounting Principles. The books and records of the System may form a part of the books and records of the Corporation but shall be maintained as a separate enterprise account.

In addition, the Corporation covenants that as soon as practicable, but in no event more than one hundred eighty (180) days after the last day of each Fiscal Year, beginning with the Fiscal Year in which Substantial Completion occurs, it

will prepare or cause to be prepared a financial report of the results of operations of the System for such Fiscal Year in accordance with Accounting Principles, certified by a certified public accountant approved by the Corporation, and containing an audited balance sheet as of the end of such Fiscal Year, an audited statement of operations for such Fiscal Year, and an audited statement of cash flows of such Fiscal Year. A copy of such audit shall be filed with the Trustee promptly after the receipt by the Corporation for such purpose.

The Corporation further covenants that it will furnish to the Trustee such other information concerning the System or the operation thereof as the Trustee may reasonably request.

Sale or Factoring of Accounts Receivable.

The Corporation may sell all or a portion of its accounts receivables provided the Corporation receives fair and reasonable value as determined by a Corporation Representative. The Corporation may create a security interest, lien or pledge in its accounts receivable component of the Revenues of the System and the proceeds thereof securing an obligation of the Corporation to repurchase or replace accounts receivables sold as long as the aggregate maximum amount secured by any such pledges, liens or security interests does not exceed ten percent (10%) of the Revenues of the System of the Fiscal Year preceding the creation of such pledge or security interest. Notwithstanding the foregoing, the Corporation may sell or otherwise create a security interest lien or pledge in the accounts receivables related to video tolling transactions or other tolling transactions that has toll rates greater than the toll rates applicable to base electronic transponder transactions so long as the Corporation receives an amount not less than the revenue the Corporation would have received applying the electronic transponder toll rates to such transactions. All amounts received by the Corporation pursuant to this section shall be deposited into the Revenue Fund.

Condemnation Proceeds.

In the event the Corporation receives any payment or other proceeds in respect of a total or partial condemnation of the System, it shall cause such proceeds to be deposited to the Construction Fund and utilized for any repairs or modifications of the System necessary or desirable as a result of such condemnation. If no such repairs or modifications are necessary or desirable, the proceeds of such condemnation shall be deposited to the Revenue Fund.

Events of Default.

Each of the following events is hereby declared an "Event of Default," that is to say: If

(a) subject to the last three sentences of this section, the Corporation shall default in the payment of the Principal or premium, if any, of any of the Obligations when the same shall become due and payable, either at maturity or otherwise; or

(b) subject to the last three sentences of this section, the Corporation shall default in the payment of any installment of interest on any Obligation when the same shall become due and payable; or

(c) any part of the System shall be destroyed or damaged to the extent of impairing its efficient operation and materially adversely affecting its Revenues of the System, the Senior Net Revenues or the Junior Net Revenues and 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

(d) judgment for the payment of money shall be rendered against the Corporation if such judgment is under any circumstances payable from the Revenues 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

(e) an order or decree shall be entered, with the consent or acquiescence of the Corporation, appointing a receiver or receivers of the System or any part thereof or of the Revenues of the System thereof, or if such order or decree, having been entered without the consent or acquiescence of the Corporation, shall not be vacated or discharged or stayed within ninety (90) days after the entry thereof; or

(f) any proceeding shall be instituted, with the consent or acquiescence of the Corporation, for the purpose of effecting a composition between the Corporation and its creditors or for the purpose of adjusting the claims of such creditors, pursuant to any federal or state statute now or hereafter enacted, if the claims of such creditors are under any circumstances payable from the Revenues of the System; or

(g) the Corporation shall default in the due and punctual performance of any other of the covenants, conditions, agreements and provisions contained in the Obligations or in the Master Trust Agreement on the part of the Corporation to be performed, and such default shall continue for sixty (60) days after written notice specifying such default and requiring same to be remedied shall have been given to the Corporation by the Trustee, which may give such notice in its discretion and shall give such notice at the written request of the Owners of not less than ten percent (10%) in Principal amount of the Obligations then Outstanding; and the Trustee shall investigate and consider any allegation of such default; or

(h) the Corporation shall default in the due and punctual performance of any of the covenants, conditions, agreements and provisions contained in the Obligations or in the particular Supplemental Agreement with respect only to the Owners of the particular Obligations issued thereunder on the part of the Corporation to be performed, and such default shall continue for sixty (60) days after written notice specifying such default and requiring same to be remedied shall have been given to the Corporation by the Trustee, which may give such notice in its discretion and shall give such notice at the written request of the Owners of the particular Obligations issued under such Supplemental Agreement of not less than ten percent (10%) in Principal amount of such particular Obligations then Outstanding; and the Trustee shall investigate and consider any allegation of such default; or

(i) the occurrence and continuance of an event of default by the Corporation under a Credit Agreement; or

(j) the Commission or the Corporation shall default in the due and punctual performance of any other of the covenants, conditions, agreements and provisions contained in the Toll Rate Agreement on the part of the Commission or the Corporation, as the case may be, to be performed, and such default shall continue for sixty (60) days after written notice specifying such default and requiring same to be remedied shall have been given to the Commission or the Corporation, as the case may be, by the Corporation or by the Trustee, which may give such notice in its discretion and shall give such notice at the written request of the Owners of not less than ten percent (10%) in Principal amount of the Obligations then Outstanding; and the Trustee shall investigate and consider any allegation of such default; or

(k) the Department or the Corporation shall default in the due and punctual performance of any other of the covenants, conditions, agreements and provisions contained in the Project Agreement on the part of the Department or the Corporation, as the case may be, to be performed, and such default shall continue for sixty (60) days after written notice specifying such default and requiring same to be remedied shall have been given to the Department or the Corporation, as the case may be, by the Corporation or by the Trustee, which may give such notice in its discretion and shall give such notice at the written request of the Owners of not less than ten percent (10%) in Principal amount of the Obligations then Outstanding; and the Trustee shall investigate and consider any allegation of such default.

A payment default under subparagraph (a) or (b) of this section with respect to a Second Tier Obligation or a Subordinate Tier Obligation shall not constitute an Event of Default with respect to First Tier Obligations. A payment default under subparagraph (a) or (b) of this section with respect to a Subordinate Tier Obligation shall not constitute an Event of Default with respect to First Tier Obligations or Second Tier Obligations. A payment default under a TELA/Other Tier Obligation shall not constitute an Event of Default under the Master Trust Agreement.

Enforcement of Remedies.

Upon the happening and continuance of any Event of Default specified in "SUMMARY OF MASTER TRUST AGREEMENT PROVISIONS – Events of Default," then and in every such case the Trustee may proceed, and upon the written request of the Owners of not less than twenty percent (20%) in Principal amount of the Obligations then Outstanding under the Master Trust Agreement shall proceed, subject to the provisions of "SUMMARY OF MASTER TRUST AGREEMENT PROVISIONS - Majority of Owners May Control Proceedings" and the Master Trust Agreement, to protect and enforce its rights and the rights of the Owners under Chapter 431, Transportation Code, and under the Master Trust Agreement, the Toll Rate Agreement or the Project Agreement by such suits, actions or special proceedings in equity or at law, or by proceedings in the office of any board or officer having jurisdiction, either for mandamus or the specific performance of any covenant or agreement contained in the Master Trust Agreement or in aid or execution of any power granted in the Master Trust Agreement or for the enforcement of any proper legal or equitable remedy, as the Trustee, being advised by counsel, shall deem most effectual to protect and enforce such rights. Notwithstanding anything to the contrary contained in the Master Trust Agreement, acceleration of the Principal of or interest on the Obligations upon the occurrence

of an Event of Default is not a remedy available under the Master Trust Agreement and in no event shall the Trustee, the Owners or other parties have the ability, upon the occurrence of an Event of Default, to declare immediately due and payable the Principal of or interest on the Obligations.

In the enforcement of any remedy under the Master Trust Agreement the Trustee shall be entitled to sue for, enforce payment of and receive any and all amounts then or during any default becoming, and at any time remaining, due from the Corporation for Principal, interest or otherwise under any of the provisions of the Master Trust Agreement or of the Obligations and unpaid, with interest on overdue payments at the rate or rates of interest borne by such Obligations, together with any and all costs and expenses of collection and of all proceedings hereunder and under such Obligations, without prejudice, to any other right or remedy of the Trustee or of the Owners, and to recover and enforce judgment or decree against the Corporation, but solely as provided in the Master Trust Agreement and in such Obligations, for any portion of such amounts remaining unpaid, with interest, costs and expenses, and to collect (but solely from moneys in the applicable Debt Service Fund or the TELA/Other Tier Payment Fund, as the case may be, and any other moneys available for such purposes) in any manner provided by law, the moneys adjudged or decreed to be payable.

Pro Rata Application of Funds.

If an Event of Default specified in "SUMMARY OF MASTER TRUST AGREEMENT PROVISIONS – Events of Default" has occurred and is continuing and the moneys in the Revenue Fund, the First Tier Debt Service Fund, the Second Tier Debt Service Fund, the Subordinate Tier Debt Service Fund, the Operation and Maintenance Reserve Fund, the Rate Stabilization Fund, the Major Maintenance Fund, the Grand Parkway Enhancement Fund, the Construction Fund or any other debt service funds established under the Master Trust Agreement shall not be sufficient to pay the Principal of or the interest on the 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 for in this section or otherwise, shall be applied (subject to the provisions of the Master Trust Agreement) as follows; provided, however, amounts on deposit in a fund or account (i) dedicated to the payment or security of the First Tier Obligations, the Second Tier Obligations or Subordinate Tier Obligations, including any proceeds of a draw on a Toll Equity Loan Agreement pursuant to the Master Trust Agreement, or (ii) constituting Additional Obligation Security for the benefit of one or more specific series of obligations shall not be applied as provided 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 in accordance with the provisions of the Master Trust Agreement.

(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 Obligation over any other First Tier Obligation, ratably, according to the amounts due respectively for Principal and interest, to the persons entitled thereto without any discrimination or preference except as to any difference in the respective rates of interest specified in the First Tier Obligations.

(c) If there is no default existing in the payment of the Principal of, premium, if any, or interest on the First Tier Obligations but the Principal of, premium, if any, or interest on Second Tier Obligations has not been paid when due, unless the Principal of all the Second Tier Obligations 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 in accordance with the provisions of the Master Trust Agreement.

(d) If there is no default existing in the payment of the Principal of, premium, if any, or interest on the First Tier Obligations, but the Principal of all the Second Tier Obligations 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 Obligation over any other Second Tier Obligation, ratably, according to the amounts due respectively for Principal and interest, to the persons entitled thereto without any discrimination or preference except as to any difference in the respective rates of interest specified in the Second Tier Obligations.

(e) If there is no default existing in the payment of the Principal of, premium, if any, or interest on the First Tier Obligations and Second Tier Obligations but the Principal of, premium, if any, or interest on Subordinate Tier Obligations has not been paid when due, unless the Principal of all the Subordinate 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 Subordinate Tier Obligations, in the order of priority established in the Supplemental Agreement entered into in conjunction with the issuance of such Subordinate Tier Obligations, and within a class of Subordinate 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 within a class of Subordinate Tier Obligations except as to any difference in the respective rates of interest specified in the Subordinate Tier Obligations; and second: to the payment of the Principal of any Subordinate Tier Obligations, in the order of priority established in the Supplemental Agreement entered into in conjunction with the issuance of such Subordinate Tier Obligations, which have matured, and, if the amount available shall not be sufficient to pay all of such matured Subordinate Tier Obligations within such class, then to the payment thereof ratably, according to the amount due; or if no Subordinate Tier Obligations have matured, to the retirement of Subordinate Tier Obligations in accordance with the provisions of the Master Trust Agreement and the applicable Supplemental Agreements executed and delivered in conjunction with the issuance of such Subordinate Tier Obligations.

(f) If there is no default existing in the payment of the Principal of, premium, if any, or interest on the First Tier Obligations and Second Tier Obligations, but the Principal of all the Subordinate 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 Subordinate Tier Obligations of each class, in the order of priority established in the Supplemental Agreement entered into in conjunction with the issuance of such Subordinate 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 Subordinate Tier Obligation over any other Subordinate Tier Obligation within the same class, 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 Tier Obligations.

(g) If there is no default existing in the payment of the Principal of, premium, if any, or interest on the First Tier Obligations, Second Tier Obligations or Subordinate Tier Obligations, but the TELA/Other 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 TELA/Other Tier Obligations, without preference or priority of any TELA/Other Tier Obligations over any other TELA/Other Tier Obligations, ratably, according to the amounts due respectively for such obligations, to the persons entitled thereto without any discrimination or preference except as to any difference in the respective rates of interest specified in the TELA/Other Tier Obligations.

Whenever moneys are to be applied by the Trustee pursuant to the provisions of this section, 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 Paying Agent, 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 Corporation, to any 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 Master Trust Agreement 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 on 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 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 default under the Master Trust Agreement or under the Toll Rate Agreement or the Project Agreement shall have been discontinued or abandoned for any reason, then and in every such case the Corporation, the Trustee and the Owners shall be restored to their former positions and rights under the Master Trust Agreement, respectively, and all rights, remedies, powers and duties of the Trustee shall continue as though no such action had been taken.

Majority of Owners May Control Proceedings.

Anything in the Master Trust Agreement to the contrary notwithstanding, but subject to SUMMARY OF MASTER TRUST AGREEMENT PROVISIONS - Bond Insurer's Rights" and "- TxDOT Control Rights," the Owners of not less than a majority in Principal amount of the First Tier Obligations then Outstanding hereunder (or, if no First Tier Obligations are then Outstanding, then the Owners of not less than a majority in Principal amount of the Second Tier Obligations then Outstanding, or, if no First Tier Obligations or Second Tier Obligations are then Outstanding, then the Owners of not less than a majority in Principal amount of the Subordinate Tier Obligations then Outstanding) shall have the right, subject to the provisions of the Master Trust Agreement, 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 hereunder, provided that such direction shall not be otherwise than in accordance with law or the provisions of the Master Trust Agreement, and that the Trustee shall have the right to decline to follow any such direction which in the opinion of the Trustee, subject to the Master Trust Agreement would be unjustly prejudicial to Owners not parties to such direction.

Restrictions Upon Action by Individual Owner.

No Owner 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 hereunder or the protection or enforcement of any right under the Master Trust Agreement or any resolution of the Corporation authorizing the issuance of Obligations, or any right under the Toll Rate Agreement or the Project Agreement or any right under the Chapter 228, Transportation Code, or the laws of Texas, excepting only an action for the recovery of overdue and unpaid Principal, interest or redemption premium, unless such 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 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 granted in the Master Trust Agreement or granted by the Chapter 228, Transportation Code, or by the 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 Master Trust Agreement or for any other remedy hereunder or under the Chapter 228, Transportation Code, or the laws of the State. It is understood and intended that no one or more Owners of the Obligations hereby secured shall have any right in any manner whatsoever by his or their action to affect, disturb or prejudice the security of the Master Trust Agreement, or to enforce any right hereunder or under the Chapter 228, Transportation Code, or the laws of the State with respect to the Obligations or the Master Trust Agreement, except in the manner provided in the Master Trust Agreement, and that all proceedings at law or in equity shall be instituted, had and maintained in the manner provided in the Master Trust Agreement and for the benefit of all Owners of the Outstanding Obligations, except as otherwise permitted in the Master Trust Agreement with reference to overdue and unpaid Principal, interest or redemption premium.

Actions by Trustee.

All rights of action under the Master Trust Agreement or under any of the Obligations or under the Toll Rate Agreement or the Project Agreement, 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 Owners of such Obligations, subject to the provisions of the Master Trust Agreement.

No Remedy Exclusive.

No remedy in the Master Trust Agreement conferred upon or reserved to the Trustee or to the Owners of the Obligations is intended to be exclusive of any other remedy or remedies, and each and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing at law or in equity or by statute.

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 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 Master Trust Agreement to the Trustee and the Owners of the Obligations, respectively, may be exercised from time to time and as often as may be deemed expedient.

The Trustee may, and upon written request of the Owners of not less than a majority in Principal amount of the Obligations then Outstanding shall, waive any default which in its opinion shall have been remedied before the completion of the enforcement of any remedy under the Master Trust Agreement, 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 of record, and each Owner of record written notice of the occurrence of any Event of Default set forth in "SUMMARY OF MASTER TRUST AGREEMENT PROVISIONS – Events 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 the Debt Service Funds shall be less than the amounts required so to be deposited under the provisions of the Master Trust Agreement, after taking in account all transfers from other funds in the Master Trust Agreement and all draws under any Toll Equity Loan Agreement, the Trustee, on or before the first day of the second month of the next succeeding Fiscal Year, shall mail to each Bond Insurer of record, and all Owners of record written notice of the failure to make such deposits. The Trustee shall not, however, be subject to any liability to any Bond Insurer or Owner by reason of its failure to mail any notice required by this section.

Bond Insurer's Rights.

Notwithstanding any other provisions of the Master Trust Agreement, if there has been filed with the Trustee a Bond Insurance Policy, or a certified copy thereof, with respect to any Obligation, provided the Bond Insurer is not in default under such Bond Insurance Policy, the Bond Insurer shall be entitled (i) upon the occurrence and continuance of any Event of Default, to exercise, control and direct the enforcement of all rights and remedies under the Master Trust Agreement granted to the Owners of Obligations entitled to the benefit of such Bond Insurance Policy or the Trustee for the benefit of such Owners under the Master Trust Agreement and direct the Trustee to take any actions in connection therewith and (ii) to grant any consent, direction or approval or take any action expressly permitted by or required under the Master Trust Agreement to be granted or taken by the Owners of Obligations entitled to the benefit of such Bond Insurance Policy, except with respect to the Unanimous Voting Matters. In such event, the Bond Insurer shall be deemed to be the Owner of Obligations entitled to the benefit of the related Bond Insurance Policy for such purpose. Any Bond Insurer under a Bond Insurance Policy, or certified copy thereof, which has been filed with the Trustee and is then in effect shall, for all purposes of the Master Trust Agreement, constitute and may be called a Bond Insurer of record.

TxDOT Control Rights.

So long as TxDOT has not failed to honor a Draw Request under a Toll Equity Loan Agreement, whether due to a Non-Appropriation Event or otherwise:

(a) TxDOT shall be deemed to be the Owner of all Toll Equity Loan Supported Obligations for purposes of (i) exercising all remedies and directing the Trustee to take actions or for any other purposes following an Event of Default, and (ii) granting any consent (other than a consent under "SUMMARY OF MASTER TRUST AGREEMENT PROVISIONS – Actions Relating to Certain Financing Documents"), direction or approval or taking any action permitted by or required under the Master Trust Agreement to be granted or taken by the Owners of such Toll Equity Loan Supported Obligations.

(b) Anything in the Master Trust Agreement to the contrary notwithstanding, upon the occurrence and continuance of an Event of Default, TxDOT shall be entitled to control and direct the enforcement of all rights and remedies

granted to the Owners of Toll Equity Loan Supported Obligations or the Trustee for the benefit of such Owners of Toll Equity Loan Supported Obligations under the Master Trust Agreement.

Supplemental Agreements by Corporation and Trustee.

The Corporation and the Trustee may, from time to time and at any time, without the consent of the Owners of the Obligations, enter into such agreements supplemental hereto as shall not be in conflict with the terms and provisions hereof (which supplemental agreements shall thereafter form a part hereof),

(a) to cure any ambiguity or formal defect or omission in the Master Trust Agreement or in any Supplemental Agreement, or

(b) to grant to or confer upon the Trustee for the benefit of the Owners any additional rights, remedies, powers, authority or security that may lawfully be granted to or conferred upon the Owners or the Trustee, or

(c) to close the Master Trust Agreement against or provide limitations and restrictions, in addition to the limitations and restrictions contained in the Master Trust Agreement, with respect to the future issuance of Additional Obligations, or

(d) to set forth additional covenants and provisions with respect to any System Segments, and any Obligations issued in connection therewith, or

(e) to provide for the issuance of Additional Obligations and any related adjustment, modification or addition to the Project Budget, all pursuant to "SUMMARY OF MASTER TRUST PROVISIONS - Issuance of First Tier Obligations," "- Issuance of Second Tier Obligations," "- Issuance of Subordinate Tier Obligations," "- TELA/Other Tier Obligations," and "- Project Budget," or

(f) to provide for a new Tier with a security interest in the Junior Net Revenues senior to the security interest in the Junior Net Revenues securing the TELA/Other Tier Obligations and for the issuance of obligations within such new Tier (together with any amendment to the Toll Rate Agreement to provide for such new Tier as provided in "SUMMARY OF MASTER TRUST AGREEMENT PROVISIONS - Actions Relating to Certain Financing Documents"), or

(g) to set forth additional provisions, if deemed necessary or advisable, with respect to the issuance of the Additional Obligations permitted under "SUMMARY OF MASTER TRUST AGREEMENT PROVISIONS - Issuance of First Tier Obligations," "- Issuance of Second Tier Obligations," "- Issuance of Subordinate Tier Obligations," and "- TELA/Other Tier Obligations," including provisions for the use and functioning of the Construction Fund for additional System Segments, and the addition of certain other funds and accounts necessary or convenient for effecting the payment of Principal of or interest on such Obligations, which changes or amendments do not, in the judgment of the Corporation, materially adversely affect the interests of the Owners of the Outstanding Obligations or any Bond Insurer of record, or

(h) to comply with additional requirements to the extent necessary in the opinion of Bond Counsel to preserve the exemption from federal income taxation of interest on any applicable Obligations under section 103 of the Code, or

(i) to make any changes or amendments requested by Standard & Poor's, Fitch or Moody's, as a condition to the issuance or maintenance of a rating, which changes or amendments do not, in the judgment of the Corporation, materially adversely affect the interests of the Owners of the Outstanding Obligations or any Bond Insurer of record, or

(j) to provide for additional defeasance provisions to the provisions of the Master Trust Agreement or different defeasance provisions to the provisions of the Master Trust Agreement, applicable to the Obligations authorized by such a Supplemental Agreement, or

(k) to the extent permitted by law, to permit the Corporation to enter into Qualified Credit Agreements or to issue Additional Obligations in foreign denominated currencies; provided, however, no such amendment shall be made unless the Corporation shall have received a letter from Standard & Poor's, Fitch and Moody's, as the case may be, to the effect that such amendment will not result in any of such rating agencies lowering the assigned rating on the then Outstanding Obligations, or

(l) upon direction of the Corporation, provided that the Trustee receives a written confirmation from each rating agency then maintaining a rating on the First Tier Obligations, the Second Tier Obligations and the Subordinate Tier

Obligations to the effect that the execution and delivery of such Supplemental Agreement will not in and of itself cause such rating agency to reduce or withdraw the then current rating on the First Tier Obligations, the Second Tier Obligations and the Subordinate Tier Obligations, together with the prior written consent of each Bond Insurer and other Credit Provider then providing credit support for any series of affected Obligations;

provided, however, that no such amendment shall have the effect of amending a provision of the Master Trust Agreement with respect to Unanimous Voting Matters.

Modification of Trust Agreement and Supplemental Agreements with Consent of a Majority of Owners of Obligations; Restrictions on Modifications; Notice of Supplemental Agreements.

Subject to the terms and provisions contained in this section, and not otherwise, the Owners of not less than a majority of the aggregate Principal amount of the Obligations then Outstanding, or in case less than all of the Obligations then Outstanding are affected by the modification or amendment, the Owners of not less than a majority of the aggregate Principal amount of the Obligations so affected and Outstanding, shall have the right, from time to time, anything contained in the Master Trust Agreement to the contrary notwithstanding, to consent to and approve the execution by the Corporation and the Trustee of such agreement or agreements supplemental hereto as shall be deemed necessary or desirable by the Corporation for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in the Master Trust Agreement or in any Supplemental Agreement; notwithstanding the foregoing or the provisions of "SUMMARY OF MASTER TRUST AGREEMENT PROVISIONS - Bond Insurer's Rights" and "- TxDOT Control Rights," nothing herein contained shall permit, or be construed as permitting, (a) an extension of the Principal of or the interest on any Obligation issued hereunder, or (b) a reduction in the Principal amount of any Obligation or the redemption premium or the rate of interest thereon, or (c) the creation of a lien upon or a pledge of revenues ranking prior to or on a parity with (to the extent not permitted hereunder) the lien or pledge created by the Master Trust Agreement, or (d) except as otherwise provided in the Master Trust Agreement, including subparagraph (b) of "SUMMARY OF MASTER TRUST AGREEMENT PROVISIONS - Issuance of Subordinate Tier Obligations," the applicable Supplemental Agreements and in the Master Trust Agreement, preference or priority of any First Tier Obligations, Second Tier Obligations or Subordinate Tier Obligations, as the case may be, over any other First Tier Obligations, Second Tier Obligations, or Subordinate Tier Obligations, or (e) a reduction in the aggregate Principal amount of the Obligations required for consent to such Supplemental Agreement or for any other consent, direction or determination required in the Master Trust Agreement, or (f) a deprivation of an Owner to the lien on the Trust Estate granted by the Master Trust Agreement, or (g) a modification of any term of the Master Trust Agreement relating to drawings under, enforcement rights and remedies concerning, consent rights pertaining to or otherwise affecting the rights of the Trustee in, or the pledge to the Trustee for the benefit of the Owners of the Obligations of, the Toll Equity Loan Agreement (except for modifications in any Supplemental Agreement entered into in accordance with subparagraphs (d), (e) or (f) of "SUMMARY OF MASTER TRUST AGREEMENT PROVISIONS – Supplemental Agreements by Corporation and Trustee), without the consent of the Owners of not less than 100% in aggregate Principal amount of the Obligations Outstanding that are affected thereby (collectively "Unanimous Voting Matters"). Any amendment or modification of any Unanimous Voting Matter shall also require the written consent of (i) the Bond Insurer as provided in "SUMMARY OF MASTER TRUST AGREEMENT PROVISIONS - Rights of Bond Insurers" and (ii) TXDOT for any affected Toll Equity Loan Supported Obligations Outstanding, provided TXDOT has not failed to honor a draw request under the related Toll Equity Loan Agreement, whether due to a Non-Appropriation Event or otherwise. Nothing herein contained, however, shall be construed as making necessary the approval by Owners of the execution of any Supplemental Agreement or Agreements as authorized in "SUMMARY OF MASTER TRUST AGREEMENT PROVISIONS – Supplemental Agreements by Corporation and Trustee."

If at any time the Corporation shall request the Trustee to enter into any Supplemental Agreement for any of the purposes of this section, the Trustee shall, at the expense of the Corporation, cause notice of the proposed execution of such Supplemental Agreement to be published once in each week for four successive weeks in a financial journal of general circulation published in the State; provided that if before the first publication of such notice, the Trustee shall cause such notice to be mailed, postage prepaid, to all Owners of Obligations then Outstanding at their addresses as they appear on the registration books provided for in the applicable Supplemental Agreement, then no such publication shall be required. The notice shall briefly set forth the nature of the proposed Supplemental Agreement and shall state that a copy thereof (or a substantially final draft thereof) is on file at the office of the Trustee for inspection by all Owners. The Trustee shall not, however, be subject to any liability to any Owner by reason of its failure to mail the notice required by this section, and any such failure shall not affect the validity of such Supplemental Agreement when consented to and approved as provided in this section.

Whenever, at any time within one (1) year after the date of the first publication of such notice or the date of mailing of such notice, as applicable, the Corporation shall deliver to the Trustee an instrument or instruments purporting to be

executed by the Owners of not less than a majority of the aggregate Principal amount of the Obligations then Outstanding, which instrument or instruments shall refer to proposed Supplemental Agreement described in such notice and shall specifically consent to and approve the execution thereof in substantially the form of the copy thereof referred to in such notice as on file with the Trustee, thereupon, but not otherwise, the Trustee may execute such Supplemental Agreement in substantially such form, without liability or responsibility to any Owner of any Obligation, whether or not such Owner shall have consented thereto.

If the Owners of not less than a majority of the aggregate Principal amount of the Obligations Outstanding at the time of the execution (or, in the case that less than all of the Obligations then Outstanding are affected by the modification or amendment, the Owners of not less than a majority of the aggregate Principal amount of the Obligations so affected and Outstanding at the time of the execution) of such Supplemental Agreement shall have consented to and approved the execution thereof as herein provided, no Owner of any Obligation shall have any right to object to the execution of such Supplemental Agreement, or to object to any of the terms and provisions contained therein or the operation thereof, or in any manner to question the propriety of the execution thereof, or to enjoin or restrain the Trustee or the Corporation from executing the same or from taking any action pursuant to the provisions thereof.

Trustee Joining in Supplemental Agreements; Supplemental Agreements Part of Trust Agreement.

The Trustee is authorized to join with the Corporation in the execution of any such Supplemental Agreement and to make the further agreements and stipulations which may be contained therein. Any Supplemental Agreement executed in accordance with the provisions of the Master Trust Agreement shall thereafter form a part of the Master Trust Agreement, and all the terms and conditions contained in any such Supplemental Agreement as to any provision authorized to be contained therein shall be and shall be deemed to be part of the terms and conditions of the Master Trust Agreement for any and all purposes. In case of the execution and delivery of any Supplemental Agreement, express reference may be made thereto in the text of any Obligations issued thereafter, if deemed necessary or desirable by the Trustee or the Corporation.

Upon the execution of any Supplemental Agreement pursuant to the provisions of this section, "SUMMARY OF MASTER TRUST AGREEMENT PROVISIONS - Supplemental Agreements by Corporation" and the Master Trust Agreement, the Master Trust Agreement shall be and be deemed to be modified and amended in accordance therewith, and the respective rights, duties, and obligations under the Master Trust Agreement of the Corporation and the Trustee and all Owners of Obligations then Outstanding shall thereafter be determined, exercised and enforced hereunder, subject in all respects to such modifications and amendments.

Reliance by Trustee on Opinion of Counsel.

The Trustee shall be entitled to receive, and shall be fully protected in relying upon, the opinion of any counsel approved by it, who may be Counsel to the Corporation, as conclusive evidence that any such proposed Supplemental Agreement complies with the provisions of the Master Trust Agreement, and that it is proper for the Trustee, under the provisions of the Master Trust Agreement, to join in the execution of such Supplemental Agreement.

Rights of Bond Insurers.

Notwithstanding the foregoing provisions of the Master Trust Agreement, if there has been filed with the Trustee a Bond Insurance Policy, or a certified copy thereof, with respect to any Obligation, no consent by the Owner of such Obligation to the execution of any Supplemental Agreement or other modification of the Master Trust Agreement shall be effective unless the Bond Insurer consents in writing to the execution of such Supplemental Agreement or other modification, provided the Bond Insurer is not in default under the related Bond Insurance Policy. The Corporation further covenants that it will furnish to each Bond Insurer of record a transcript of the pertinent proceedings relating to each Supplemental Agreement to the Master Trust Agreement.

Release of Trust Agreement.

(a) If the whole amount of the Principal and the interest and the premium, if any, due or to become due and payable upon all of the Obligations then Outstanding shall be paid or sufficient funds shall be held by the Trustee for such purpose, and provision shall also be made for paying all other sums payable hereunder by the Corporation, and if any Obligations to be redeemed prior to maturity shall have been duly called for redemption or irrevocable instructions to call such Obligations for redemption shall have been given by the Corporation to the Trustee, then and in that case the right, title and interest of the Trustee herein shall thereupon cease, determine and become void, provided that the sufficiency of the above funds held by the Trustee for such purpose must be verified in a report which must be obtained by the Trustee from an

independent nationally recognized certified public accountant. The Trustee in such case, on demand of the Corporation, shall release the Master Trust Agreement and shall execute such documents to evidence such release as may be reasonably required by the Corporation, and shall turn over to the Corporation all balances remaining in all funds and accounts created by the Master Trust Agreement, other than funds held for redemption or payment of Obligations or interest thereon; otherwise the Master Trust Agreement shall be, continue and remain in full force and effect.

(b) Any Obligation shall be deemed to be paid and no longer Outstanding within the meaning of the Master Trust Agreement (a "Defeased Debt") and any applicable Supplemental Agreement, when payment of the Principal of, redemption premium, if any, on such Defeased Debt, plus interest thereon to the due date thereof and, in the case of an Obligation bearing interest at Variable Rates, at the lesser of the maximum rate allowed by law or provided in such Obligation (whether such due date be by reason of maturity, upon redemption, mandatory or optional tender, or otherwise), either (i) shall have been made in accordance with the terms thereof, or (ii) shall have been provided by irrevocably depositing with the Trustee, in trust, and irrevocably set aside exclusively for such payment, (1) money sufficient to make such payment or (2) Government Obligations, as defined in the Master Trust Agreement, certified by an independent public accounting firm of national reputation to mature as to Principal and interest in such amount and at such times as will ensure the availability, without reinvestment, of sufficient money to make such payment, and all necessary and proper fees, compensation, and expenses of the Trustee and the Paying Agent pertaining to such Defeased Debt with respect to which such deposit is made shall have been paid or the payment thereof provided for to the satisfaction of the Trustee. At such time as a Defeased Debt shall be deemed to be paid hereunder, it shall no longer be secured by or entitled to the benefits of the Master Trust Agreement except for the purposes of any such payment from such money or Government Obligations.

(c) Any moneys so deposited with the Trustee may at the direction of the Corporation also be invested in Government Obligations, maturing in the amounts and times as hereinbefore set forth, and all income from all Government Obligations in the hands of the Trustee pursuant to the Master Trust Agreement which is not required for the payment of the Obligations, the redemption premium, if any, and interest thereon, with respect to which such money has been so deposited, shall be turned over to the Corporation.

(d) The Corporation hereby covenants that it will not instruct the Trustee to deposit any funds under clause (ii) of subparagraph (b) of "SUMMARY OF MASTER TRUST AGREEMENT PROVISIONS - Release of Trust Agreement" or direct the use of any such deposit which would cause any Tax-Exempt Obligations to be treated as "arbitrage bonds" within the meaning of section 148 of the Code.

(e) For the purpose of the Master Trust Agreement, the term "Government Obligations" shall mean (i) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (ii) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date of the purchase thereof are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent, (iii) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the Board of Directors of the Corporation 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 and (iv) any other then authorized securities or obligations under applicable State law that may be used to defease obligations such as the Obligations.

(f) Any determination not to redeem Defeased Debt that is made in conjunction with the payment arrangements specified in subparagraphs (b)(i) or (ii) of this section shall not be irrevocable, provided that: (1) in the proceedings providing for such defeasance, the Corporation expressly reserves the right to call the Defeased Debt for redemption; (2) the Corporation gives notice of the reservation of that right to the Owners of the Defeased Debt immediately following the defeasance; (3) the Corporation directs that notice of the reservation be included in any defeasance or redemption notices that it authorizes; and (4) at or prior to the time of the redemption, the Corporation satisfies the conditions of subparagraph (b) of this section with respect to such Defeased Debt as though it was being defeased at the time of the exercise of the option to redeem the Defeased Debt, after taking the redemption into account in determining the sufficiency of the provisions made for the payment of the Defeased Debt.

Actions Relating to Certain Financing Documents.

(a) Notwithstanding any other provision in the Master Trust Agreement to the contrary, except and subject to subparagraph (c) of this section and "SUMMARY OF MASTER TRUST AGREEMENT PROVISIONS - Issuance of First Tier Obligations," "- Issuance of Second Tier Obligations," "- Issuance of Subordinate Tier Obligations," "- TELA/Other Tier Obligations," and subparagraph (e) of "SUMMARY OF MASTER TRUST AGREEMENT PROVISIONS – Supplemental

Agreements by Corporation and Trustee," without the prior written direction or consent of the Owners of not less than a majority of the aggregate Principal amount of the Toll Equity Loan Supported Obligations then Outstanding, (i) neither the Corporation nor the Trustee may sell, assign, delegate or otherwise transfer any of its rights or obligations under the Toll Equity Loan Agreement or consent to or accept any such assignment, delegation or other transfer of rights and obligations under the Toll Equity Loan Agreement; (ii) the Trustee may not assume any obligation of the Corporation under the Toll Equity Loan Agreement, and (iii) neither the Corporation nor the Trustee may amend, modify or supplement the Toll Equity Loan Agreement (other than is contemplated in "SUMMARY OF MASTER TRUST AGREEMENT PROVISIONS - Issuance of First Tier Obligations," "- Issuance of Second Tier Obligations," "- Issuance of Subordinate Tier Obligations," "- TELA/Other Tier Obligations," and subparagraph (e) of "SUMMARY OF MASTER TRUST AGREEMENT PROVISIONS – Supplemental Agreements by Corporation and Trustee") in a manner that is materially adverse to the Owners of Toll Equity Loan Supported Obligations. The Trustee may not amend, modify or supplement the Toll Equity Loan Agreement without the prior written consent of the Corporation.

(b) Notwithstanding any other provision in the Master Trust Agreement to the contrary, except and subject to subparagraph (f) of "SUMMARY OF MASTER TRUST AGREEMENT PROVISIONS – Supplemental Agreements by Corporation and Trustee," without the prior written direction or consent of the Owners of not less than a majority of the aggregate Principal amount of the Obligations then Outstanding, neither the Corporation nor the Trustee may amend, modify or supplement the Toll Rate Agreement (other than is contemplated in subparagraph (f) of "SUMMARY OF MASTER TRUST AGREEMENT PROVISIONS – Supplemental Agreements by Corporation and Trustee" or provisions of the Project Agreement described above in "- Use and Operation of System; Project Agreement), or otherwise consent to any such amendment, modification or supplement thereof, in a manner that is materially adverse to the Owners of Obligations.

(c) Notwithstanding any other provision in the Master Trust Agreement to the contrary, except and subject to subparagraph (d) of this section and "SUMMARY OF MASTER TRUST AGREEMENT PROVISIONS - TELA/Other Tier Obligations," neither the consent of any Owner of the Obligations, of any Bond Insurer nor of the Trustee shall be required for (i) a new Toll Equity Loan Agreement, (ii) any amendment, modification or supplement to any existing Toll Equity Loan Agreement for any adjustment to the Maximum Available Aggregate Amount, the Maximum Available Annual Amount for any Fiscal Year or the Project Budget for any Fiscal Year, as may be required in connection with the issuance of Additional Obligations pursuant to the terms and conditions of the Master Trust Agreement, or (iii) for any other amendment, modification or supplement to a Toll Equity Loan Agreement in connection therewith so long as such other amendment, modification or supplement does not adversely modify the obligations of TxDOT to pay any Draw Request under any such existing Toll Equity Loan Agreement.

(d) Prior to the execution of any amendment, modification or supplement to the Toll Equity Loan Agreement, and as a condition to the effectiveness thereof, the Corporation shall have filed with the Trustee evidence of any consent required of the Owner of any TIFIA Obligation pursuant to any related loan agreement with respect thereto.

(e) For the avoidance of doubt, no term or provision of the Master Trust Agreement providing for the grant of waivers or consent or acceptance of a cure by any party other than the Trustee shall be deemed or interpreted by any Person to require the direction or consent of the Owners of not less than a majority of the aggregate Principal amount of the Obligations then Outstanding in addition to the party whose consent is required.

SUMMARY OF FOURTH SUPPLEMENTAL AGREEMENT PROVISIONS

Supplemental Agreements Without Owners' Consent.

Subject to the Master Trust Agreement and as otherwise provided in the Fourth Supplemental Agreement, the Corporation and the Trustee may from time to time and at any time enter into Supplemental Agreements, without the consent of or notice to any Owner of the Obligations, to effect any one or more of the following:

(a) cure any ambiguity, defect or omission or correct any provision in the Fourth Supplemental Agreement;

(b) grant to or confer upon the Trustee for the benefit of the Owners of the Obligations any additional rights, remedies, powers, authority or security that may lawfully be granted to or conferred upon the Owners of the Obligations or the Trustee which are not contrary to or inconsistent with the Master Trust Agreement and the Fourth Supplemental Agreement as then in effect or to subject to the pledge and lien of the Fourth Supplemental Agreement additional revenues, properties or collateral, including Government Obligations;

(c) add to the covenants and agreements of the Corporation in the Fourth Supplemental Agreement other covenants and agreements thereafter to be observed by the Corporation or to surrender any right or power herein reserved to or conferred upon the Corporation which are not contrary to or inconsistent with the Master Trust Agreement and the Fourth Supplemental Agreement as then in effect;

(d) permit the appointment of a co-trustee under the Fourth Supplemental Agreement;

(e) modify, alter, supplement or amend the Fourth Supplemental Agreement in such manner as shall permit the qualification of the Fourth Supplemental Agreement, if required, under the Trust Agreement Act of 1939, the Securities Act of 1933 or any similar federal statute hereafter in effect;

(f) make any other change herein that is determined by the Corporation not to be materially adverse to the interests of the Owners of the Obligations, 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 Obligations; or

(g) if all the Obligations are Book-Entry Obligations, amend, modify, alter or replace any Letter of Representations as provided in the Master Trust Agreement or other provisions relating to Book-Entry Obligations.

The Trustee shall not be obligated to enter into any such Supplemental Trust Agreement that adversely affects the Trustee's own rights, duties or immunities under the Fourth Supplemental Agreement.

Notice of any amendment pursuant to this section shall be sent to the Rating Agencies.

Supplemental Agreements Requiring Owners' Consent.

Subject to the Master Trust Agreement, the Corporation and the Trustee, at any time and from time to time, may execute and deliver a Supplemental Agreement for the purpose of making any modification or amendment to the Fourth Supplemental Agreement, but only with the written consent, given as provided in "SUMMARY OF FOURTH SUPPLEMENTAL AGREEMENT PROVISIONS - Consent of Owners and Opinions," of the 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 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 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 section. Notwithstanding the foregoing, no modification or amendment contained in any such Supplemental Agreement shall permit any of the following, without the consent of each Owner of the Obligations 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 hereunder) the lien or pledge granted to the Owners of the Obligations under the Fourth Supplemental Agreement (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 Obligation over any other Obligation, except to the extent permitted herein;

(e) a reduction in the aggregate principal amount of Obligations of which the consent of the Owners is required to effect any such modification or amendment; or

(f) any provision which requires the consent of each Owner of the Obligations.

Notwithstanding the foregoing, the 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 Fourth Supplemental Agreement 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 Agreement executed pursuant to this section shall be given to the Owners of the Obligations promptly following the execution thereof.

Notice of any amendment pursuant to this section shall be sent to the Rating Agencies then maintaining a rating on the Obligations.

Consent of Owners and Opinions.

Each Supplemental Agreement executed and delivered pursuant to the provisions of "FOURTH SUPPLEMENTAL AGREEMENT – Supplemental Agreements – Supplemental Agreements Requiring Owner's Consent" shall take effect only when and as provided in this section. A copy of such Supplemental Agreement (or brief summary thereof or reference thereto in form approved by the Trustee), together with a request to Owners of the Obligations for their consent thereto in form satisfactory to the Trustee, shall be sent by the Trustee to Owners of the Obligations, at the expense of the Corporation, by first class mail, postage prepaid, provided that a failure to mail such request shall not affect the validity of the Supplemental Trust Agreement when consented to as provided hereinafter. Such Supplemental Agreement shall not be effective unless and until there shall have been filed with the Trustee the written consents of Owners of the Obligations of the percentage of Obligations specified in "SUMMARY OF FOURTH SUPPLEMENTAL AGREEMENT PROVISIONS - Supplemental Agreements Requiring Owners' Consent" given as provided in the Master Trust Agreement. Any such consent shall be binding upon the Owner giving such consent and upon any subsequent Owner of such Obligations and of any Obligations issued in exchange therefor or in lieu thereof (whether or not such subsequent Owner has notice thereof), unless such consent is revoked in writing by the Owner giving such consent or a subsequent 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.

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" in the Master Trust Agreement shall not be deemed Outstanding for the purpose of consent or other action or any calculation of Outstanding Obligations provided for in "FOURTH SUPPLEMENTAL AGREEMENT – Supplemental Agreements." At the time of any consent or other action taken under that Article or elsewhere in the Fourth Supplemental Agreement, the Corporation shall furnish the Trustee a certificate of a Pricing Officer, upon which the Trustee may rely, describing all Obligations so to be excluded.

Effect of Supplemental Agreements.

Upon the execution and delivery of any Supplemental Agreement under "FOURTH SUPPLEMENTAL AGREEMENT – Supplemental Agreements," the Fourth Supplemental Agreement shall be modified in accordance therewith, and such Supplemental Agreement shall form a part of the Fourth Supplemental Agreement for all purposes; and every Owner of any Obligation theretofore or thereafter authenticated and delivered under the Fourth Supplemental Agreement shall be bound thereby.

Law and Place of Enforcement of the Fourth Supplemental Agreement.

The Fourth Supplemental Agreement shall be construed and interpreted in accordance with the laws of the State. All suits and actions arising out of the Fourth Supplemental Agreement shall be instituted in a court of competent jurisdiction in the State except to the extent necessary for enforcement by any Trustee, appointed pursuant to the provisions of the Master Trust Agreement, of remedies under the Master Trust Agreement.

Notices to Rating Agencies and Bond Insurer.

The Trustee, or the Corporation in the event of the resignation of the Trustee, shall send to the Rating Agencies, if any, notice of (i) a change of the Trustee, (ii) material changes to the Fourth Supplemental Agreement, the Master Trust Agreement or a Credit Agreement, (iii) expiration, termination, substitution, or extension of a Credit Agreement, (iv) redemption or defeasance of the Obligations and (v) Events of Default under the Master Trust Agreement or a Credit Agreement. The Trustee shall also provide to the Rating Agencies any other information that they may reasonably request to

maintain a rating on a Series of the Obligations. The Bond Insurer, if any, shall receive such notices as required by their commitment or other agreement.

Sovereign Immunity.

The Corporation has not waived sovereign immunity from suit for the purpose of adjudicating a claim to enforce the Obligations or for damages for breach of the Obligations.

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APPENDIX D

TOLL EQUITY LOAN AGREEMENT

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TOLL EQUITY LOAN AGREEMENT

dated as of July 17, 2013

between

Grand Parkway Transportation Corporation, as Borrower,

and

Texas Department of Transportation, as TxDOT,

relating to

STATE HIGHWAY 99 (GRAND PARKWAY) PROJECT

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TOLL EQUITY LOAN AGREEMENT

This TOLL EQUITY LOAN AGREEMENT (this “Agreement”), dated as of July 17, 2013 (the “Effective Date”) is made by and between the Grand Parkway Transportation Corporation (the “Borrower”) and the Texas Transportation Commission, acting by and through the Texas Department of Transportation (“TxDOT”), and constitutes a credit agreement under Chapter 1371, Texas Government Code.

PRELIMINARY STATEMENTS:

(1) On March 29, 2009, TxDOT and the counties of Harris, Brazoria, Chambers, Fort Bend, Galveston, Liberty, and Montgomery (the “Counties”) entered into the Market Valuation Waiver Agreement for SH 99 (Grand Parkway) (the “Market Valuation Waiver Agreement”).

(2) Under prior Texas Transportation Code, Section 228.0111, TxDOT and the local toll project entity, the Harris County Toll Road Authority (“HCTRA”), agreed that the Grand Parkway should be developed, constructed, operated and expanded as a toll highway on the terms and conditions set forth in the Market Valuation Waiver Agreement, and by agreement, waived the statutory requirement to prepare a market valuation based on the terms and conditions set forth therein.

(3) The Commission adopted Minute Order No. 113046 on March 29, 2012, which authorized the creation of the Borrower for the purpose of acting on behalf of the Commission to develop, finance, refinance, design, construct, reconstruct, expand, operate, or maintain the Grand Parkway, including execution of contracts with TxDOT or a developer, and borrowing money.

(4) On July 17, 2013, the Borrower and TxDOT entered into a Project Agreement for State Highway 99 (GRAND PARKWAY) Grand Parkway System, as amended (the “Project Agreement”), which Project Agreement assigns certain rights and responsibilities with respect to the development, construction, operation, maintenance and financing of Segments E, F-1, F-2 and G of the Grand Parkway and the portion of Segment D of the Grand Parkway located in Harris County (each such segment or portion of a segment referred to herein respectively as “Segment E”, “Segment F-1”, “Segment F-2”, “Segment G” and “Segment D”, and collectively, the “Segments”) and the pre-development of possible extensions or expansions of the Grand Parkway Project (collectively, the “Project”).

(5) In order to provide financing for a portion of the Project and to reimburse TxDOT for certain costs incurred for the Project pursuant to the Project Agreement, the Borrower intends to issue, pursuant to a certain Trust Agreement, to be dated on or prior to the Closing Date, between the Trustee (as defined herein) and the Borrower (said Trust Agreement and any amendments or supplements thereto, the “Trust Agreement”), one or more series of the Borrower’s Obligations, including the Toll Equity Loan Supported Obligations supported by the Toll Equity Loan Commitment.

(6) To provide support for the Borrower’s efforts to develop, construct, operate, maintain and provide financing for the Project, TxDOT has agreed to establish a toll equity loan

commitment in favor of the Trustee on the Borrower's behalf (the "Toll Equity Loan Commitment") in accordance with the terms of this Agreement.

(7) TxDOT is entering into this Agreement pursuant to the provisions of Section 222.103, Texas Transportation Code.

NOW, THEREFORE, in consideration of the premises and other good and valuable consideration, including the covenants, terms and conditions hereinafter appearing and in order to induce TxDOT to establish the Toll Equity Loan Commitment, the parties agree as follows:

ARTICLE I. **DEFINITIONS**

Section 1.01 Certain Defined Terms. Capitalized terms used in this Agreement shall have the meanings set forth in this Section 1.01 below (such meanings to be equally applicable to both the singular and plural forms of the terms defined). All other capitalized terms to the extent not otherwise defined herein shall have the respective meanings given to them in the Trust Agreement or the Project Agreement, as applicable. In the event of any conflict in definitions between the Trust Agreement and the Project Agreement, the terms contained in the Trust Agreement shall control.

"Agreement" means this Toll Equity Loan Agreement and any amendments or supplements hereto in accordance with the terms hereof.

"Annual Budget" has the meaning set forth in the Trust Agreement.

"Bankruptcy Event" means (a) commencement by a Person of any case or other proceeding (i) under any existing or future law of any jurisdiction, domestic or foreign, relating to bankruptcy, insolvency, reorganization or relief of debtors, seeking to have an order for relief entered with respect to it, or seeking to adjudicate it a bankrupt or insolvent, or seeking reorganization, arrangement, adjustment, winding up, liquidation, dissolution, composition or other relief with respect to it or its debts, or (ii) seeking appointment of a receiver, trustee, custodian or other similar official for it or for all or any substantial part of its assets, or seeking to make a general assignment for the benefit of its creditors; or (b) commencement against such Person of any case or other proceeding of a nature referred to in clause (a) above that (i) results in the entry of an order for relief or any such adjudication or appointment or (ii) remains undismissed, undischarged or unbonded for a period of sixty (60) days; or (c) commencement against such Person of any case or other proceeding seeking issuance of a warrant of attachment, execution or similar process against all or any substantial part of its assets which results in the entry of an order for any such relief which shall not have been vacated, discharged, or stayed or bonded pending appeal within sixty (60) days from the entry thereof; or (d) such Person shall take any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the acts set forth in clause (a), (b) or (c) above; or (e) such Person shall admit in writing its inability to pay its debts as they become due.

"Base Price Index" means the CPI for October, 2013.

“Bond Purchase Contract” means one or more Bond Purchase Contracts between the Borrower and the initial purchaser(s) of the Project Debt.

“Borrower” means Grand Parkway Transportation Corporation.

“Borrower’s Accountant” means any nationally recognized accounting firm or other accountant or auditor reasonably acceptable to TxDOT.

“Capital Maintenance Agreement” means the Capital Maintenance Agreement for the Grand Parkway Project bearing contract No. 86-3XXDB002, with respect to Segments F-1, F-2 and G, dated as of March 22, 2013, as amended from time to time, between TxDOT and the Capital Maintenance Contractor and assigned by TxDOT to the Borrower.

“Capital Maintenance Contractor” means Zachry-Odebrecht Parkway Builders, or its successor or assign, in its capacity as the company with primary responsibility to provide major maintenance for Segments F-1, F-2 and G under the Capital Maintenance Agreement.

“Closing Date” means the date on which the initial Project Debt is issued, authenticated and delivered in accordance with the Trust Agreement.

“Corporation Representative” has the meaning set forth in the Trust Agreement.

“CPI” means the Consumer Price Index based on All Urban Consumers (CPI-U) applicable to the South Urban area, published by the Bureau of Labor Statistics of the United States Department of Labor or any successor agency thereto, or any other measure thereafter employed by said Bureau or agency in lieu of such index that measures the cost of living in such geographic area.

“Default” means each event which, with the giving of notice or lapse of time, or both, would constitute an Event of Default.

“Design-Build Contract” means the Development Agreement Grand Parkway Project bearing contract No. 86-3XXDB002, with respect to Segments F-1, F-2 and G, dated as of March 22, 2013, as amended from time to time, between TxDOT and the Design-Build Contractor and assigned by TxDOT to the Borrower.

“Design-Build Contractor” means Zachry-Odebrecht Parkway Builders, or its successor or assign, in its capacity as the company with primary responsibility to provide design and construction services under the Design-Build Contract.

“Direct Agreement” means, with respect to any contract entered into by a third-party contractor and TxDOT with respect to the design, construction, operation or maintenance of any Segment, the agreement, assignment, acknowledgment, consent or other instrument entered into between the Borrower and the applicable third-party contractor with respect to such contract and the assignment of certain of TxDOT's rights and obligations thereunder to the Borrower.

“Draw Period” means each 12-month period (September 1 to August 31) set forth in Appendix B attached hereto.

“Effective Date” has the meaning set forth in the preamble to this Agreement.

“Eligible Costs” means amounts expended or incurred, or reasonably anticipated to be expended or incurred, by the Borrower for Project Costs, Major Maintenance Expenses and Operating Expenses.

“Environmental Claim” means any notice, claim or demand (collectively, a “claim”) by any Person alleging or asserting liability for investigatory costs, cleanup or other remedial costs, legal costs, environmental consulting costs, governmental response costs, damages to natural resources or other property, personal injuries, fines or penalties related to (a) the presence, or release into the environment, of any Hazardous Substance located within the right of way or emanating from the right of way relating to the construction, operation or maintenance of the Project, whether or not owned by the Person against whom such claim is made, or (b) any violation of, or alleged violation of, or liability arising under any Environmental laws that relate to the construction, operation or maintenance of the Project. The term “Environmental Claim” shall include, without limitation, any claim by any Person or Government Authority for investigation, enforcement, cleanup, removal, response, remedial or other actions or damages pursuant to any Environmental laws, and any claim by any third party seeking damages, contribution, indemnification, cost recovery, compensation or injunctive relief under any Environmental laws that relate to construction, operation or maintenance of the Project.

“Environmental laws” means any laws as modified and supplemented and in effect from time to time regulating or imposing liability or standards of conduct concerning or relating to the regulation, use or protection of human health or other living organisms, the environment, Hazardous Substances or natural resources related to the environment, or may at any time hereafter be, in effect, including, by way of example and not limitation, the Comprehensive Environmental Response, Compensation and Liability Act of 1980, 42 USC Section 9601 et seq., the Resource Conservation and Recovery Act, 42 USC 6901 et seq., the Federal Clean Water Act, 33 USC Section 1351 et seq., the Occupational Safety and Health Act, 29 USC Section 651 et seq., as currently in force or as hereafter amended. Further, without limiting any of the forgoing, Environmental laws as used in this Agreement shall also include all “Environmental Laws” as that term is defined in the Design-Build Contract.

“Estimated Date of Completion” means for any Segment, the estimated Service Commencement Date of the Segment.

“Event of Default” (a) with respect to the Borrower, has the meaning assigned to that term in Section 6.01 of this Agreement, and (b) with respect to TxDOT, has the meaning assigned to that term in Section 7.05 of this Agreement.

“Finance Documents” means each of the Trust Agreement, the Project Debt, this Agreement and the Master Custodial Agreement.

“Financial Model” means the financial model prepared by the Borrower as of the date specified in Section 3.01(b) hereof and delivered to TxDOT as provided in Section 3.01(b) hereof that contains the details of the proposed Project Debt, the Project Budget, the respective Maximum Available Annual Amounts and the Maximum Available Aggregate Amount, as updated after the Pricing Date from time to time in accordance with Section 5.02(b) hereof.

“Fiscal Year” means, presently, each 12-month period ending August 31, or any other period agreed to by the Borrower and TxDOT as the Fiscal Year for the Project or the System.

“Future Offering Document” means any offering document delivered in connection with the sale and delivery of any Refunding Bonds.

“Generally Accepted Accounting Principles” or “GAAP” means those principles of accounting promulgated by the Financial Accounting Standards Board, the Governmental Accounting Standards Board or the standards of the Office of Management and Budget Circular A-133, Audits of States, Local Government and Non-Profit Organizations, as applicable, or which have other substantial authoritative support and are applicable in the circumstances as of the date of a report, as such principles are from time to time supplemented and amended or such other accounting principles as the Commission and TxDOT may be required to employ from time to time pursuant to State law or regulation.

“Governmental Approval” means all authorizations, covenants, consents, approvals, waivers, exceptions, variances, filings, permits, orders, licenses, exemptions and declarations of or with any Government Authority, including to the extent required under Environmental laws.

“Government Authority” means any court, federal, state or local government, department, commission, board, bureau, agency or other regulatory or governmental authority.

“Hazardous Substances” means but is not limited to, any solid, liquid, gas, odor, heat, sound, vibration, radiation or other substance or emission which is at the time of the application of this definition, or could be considered as a public health matter, a contaminant, pollutant, dangerous substance, toxic substance, hazardous waste, solid waste, hazardous material or hazardous substance which is or becomes regulated by applicable Environmental laws or which is classified as “hazardous” or “toxic,” a “pollutant” or a “contaminant” or words of similar import under applicable Environmental laws (including but not limited to gasoline, diesel fuel or other petroleum hydrocarbons, polychlorinated biphenyls, asbestos and urea formaldehyde foam insulation and naturally asbestos-containing soils or sulfidic geological materials).

“HCTRA” shall have the meaning given to such term in paragraph (2) of the Preliminary Statements hereto.

“Insurance Consultant” means any qualified insurance consultant of the Borrower hired in accordance with the Trust Agreement.

“Interest Rate” means for any day, the fixed rate per annum equal to the ten-year “Aaa (pure)” rate provided by Municipal Market Data and published in The Bond Buyer under the caption “Municipal Market Data General Obligation Yields”, plus 100 basis points; *provided, however*, if the ten year “Aaa (pure)” rate is no longer provided by Municipal Market Data, the rate to be used in its place shall be that rate which most closely replicates such rate, as agreed to by the Borrower and TxDOT; *provided further, however*, that the Interest Rate shall never exceed the Maximum Rate.

“Major Maintenance Expenses” means the reasonable and necessary expenses (but excluding non-cash expenses such as depreciation, depletion and amortization) of repair and

maintenance of the Project that do not occur at annual or shorter periods, as determined by the Borrower, including, without limiting the generality of the foregoing, periodic roadway resurfacing and repair, replacement of toll collection, vehicle identification, toll integration and video enforcement equipment, and all administrative and engineering expenses relating to the repair and maintenance of the Project and any other maintenance expenses required to be paid by the Borrower, *provided, however*, that Major Maintenance Expenses shall exclude Operating Expenses and any costs related to the Pre-Development Work.

“Master Custodial Agreement” has the meaning set forth in the Trust Agreement.

“Material Adverse Effect” means a material adverse effect on (i) the operations or financial condition of the Project, (ii) the authority or ability of the Borrower to perform any of its obligations under this Agreement, any Transaction Document or any Project Document, or (iii) the validity or enforceability against the Borrower of this Agreement, any Transaction Document or any Project Document.

“Maturity Date” means each date on which a principal amount of the TELA Project Debt is due and payable.

“Maximum Available Aggregate Amount” means the maximum amount of funds available to the Borrower in the form of advances under the Toll Equity Loan Commitment in accordance with the terms of this Agreement and as set forth in Section 2.01 hereof.

“Maximum Available Annual Amount” means the maximum amount of funds available to the Borrower in the form of advances under the Toll Equity Loan Commitment in any given Draw Period in accordance with the terms of this Agreement and as set forth in Appendix B attached hereto.

“Maximum Permitted Amount” means debt service payments associated with the TELA Project Debt for the applicable period for which an advance is requested, plus Operating Expenses and Major Maintenance Expenses up to the amounts for the applicable period as set forth in the Annual Budget, but minus balances available in the Trust Agreement Funds for the payment of capitalized interest on any TELA Project Debt for the applicable period to the extent that a portion of a requested advance is to be used to pay interest on such TELA Project Debt, minus any deposit of Revenues into the applicable Debt Service Fund that are available to pay principal of or interest on TELA Project Debt, and minus any amounts in the Junior Operation and Maintenance Fund, Operation and Maintenance Reserve Fund, Major Maintenance Fund, Rate Stabilization Fund and Grand Parkway Enhancement Fund that are available to pay principal of and interest on TELA Project Debt, Operating Expenses and Major Maintenance Expenses, as applicable; *provided however*, that for purposes of calculating the Maximum Permitted Amount, “debt service payments associated with the TELA Project Debt” shall not include (i) the redemption price of any TELA Project Debt due as a result of the Borrower’s election to optionally redeem such TELA Project Debt or (ii) the purchase price of any TELA Project Debt due as a result of any optional or mandatory tender of such TELA Project Debt.

“Maximum Rate” means the maximum net effective interest rate permitted by applicable law to be paid on obligations issued or incurred by the Borrower in the exercise of its borrowing

powers as prescribed in Chapter 1204, Texas Government Code, or any successor statute, determined on the basis of a weighted average interest cost for all advances.

“Note Issuance Date” means the date the Toll Equity Loan Note is issued by the Borrower after satisfaction of the requirements set forth in Section 3.01 hereof.

“Note Maturity Date” means for the principal amount of each advance under the Toll Equity Loan Commitment the date which is 40 years after the Note Issuance Date.

“Official Statement” means the Official Statement, relating to the Project Debt, together with any supplements thereto.

“Operating Expenses” means all reasonable current expenses incurred and paid or payable by the Borrower in relation to the Project, including without limitation costs for operation, maintenance and repair, consumables, payments under any lease or rental payments properly considered to be operating expenses, payments pursuant to the agreements for the management, operation and maintenance of the Project, taxes, premiums payable on any insurance, payments for oversight services, all administrative, engineering and policing costs, costs for any security, toll collection and enforcement expenses, fees and expenses of the Trustee, the Paying Agent, the Traffic Consultants, the General Engineering Consultants, the Insurance Consultant, legal and accounting expenses, and any other reasonable expense paid for the operations and maintenance of the Project; *provided, however*, that Operating Expenses shall not include Major Maintenance Expenses, Debt Service Requirements, the redemption price of any Obligation, the purchase price of any tendered Obligation, any non-cash charges, such as depreciation, amortization or other bookkeeping entries of a similar nature, and any costs related to the Pre-Development Work.

“Person” means any individual, joint venture, corporation, company, voluntary association, partnership, limited liability company, trust, joint stock company, unincorporated organization, association, government, or any agency, instrumentality, or political subdivision thereof, or any other form of entity.

“Pre-Development Work” has the meaning set forth in the Project Agreement.

“Preliminary Official Statement” means the Preliminary Official Statement, relating to the Project Debt, together with any supplements thereto.

“Pricing Date” means the date of the execution of the Bond Purchase Contract.

“Project” shall have the meaning given to such term in paragraph (4) of the Preliminary Statements hereto. For the avoidance of doubt, the Project shall not include the SH 249 Interchange that is the subject of work to be performed by the Design-Build Contractor pursuant to the SH 249 Change Order (as such term is defined in the Project Agreement).

“Project Agreement” shall have the meaning given to such term in paragraph (4) of the Preliminary Statements hereto.

“Project Budget” means the amounts estimated to be spent in each year for Project Costs, Operating Expenses and Major Maintenance Expenses, mutually approved by the Borrower and TxDOT as of the Effective Date as set forth in Appendix D attached hereto and as amended by mutual agreement by the Borrower and TxDOT within ninety (90) days of Substantial Completion for the last Segment of the Project to achieve Substantial Completion.

“Project Costs” means Costs for design, development and construction of the Project, including certain costs related to the pre-development of possible extensions and expansions of the System and any payments to HCTRA for reimbursement of costs incurred with respect to the Project; *provided, however*, that with respect to Segment D, Project Costs shall be limited to Costs for design, development and construction of Segment D from 0.72 miles north of Kingsland Boulevard to 0.30 miles north of Colonial Parkway. For the avoidance of doubt, Project Costs shall not include any costs incurred for construction of the SH 249 Interchange that is the subject of the SH 249 Change Order (as such term is defined in the Project Agreement).

“Project Debt” means the Toll Equity Loan Note and one or more series of the Borrower's Obligations issued with respect to the Project, including the Toll Equity Loan Supported Obligations supported by the Toll Equity Loan Commitment.

“Project Documents” means, the list of contracts set forth in Schedule 1 to this Agreement, which schedule may be amended from time to time upon mutual agreement by the Borrower and TxDOT.

“Refunding Bonds” means any bond issued to redeem or defease, in whole or in part, the outstanding principal amount of any TELA Project Debt where the interest on and principal of such refunding bonds are eligible to be paid from advances under the Toll Equity Loan Commitment.

“Revenues” means all “Revenues of the System” as defined in the Trust Agreement.

“Segment D” shall have the meaning given to such term in paragraph (4) of the Preliminary Statements hereto.

“Segment E” shall have the meaning given to such term in paragraph (4) of the Preliminary Statements hereto.

“Segment F-1” shall have the meaning given to such term in paragraph (4) of the Preliminary Statements hereto.

“Segment F-2” shall have the meaning given to such term in paragraph (4) of the Preliminary Statements hereto.

“Segment G” shall have the meaning given to such term in paragraph (4) of the Preliminary Statements hereto.

“Segments” shall have the meaning given to such term in paragraph (4) of the Preliminary Statements hereto.

“Service Commencement Date” means, for each of the Segments, the respective date on which such Segment is open for normal and continuous operations and use by the traveling public; *provided*, that for purposes of this Agreement, for any Segment for which such date has occurred prior to the Effective Date, the Service Commencement Date shall be the Effective Date.

“Substantial Completion” means, for each Segment, the date on which the Borrower has completed or caused the completion of all acquisition, equipping and construction of such Segment, in accordance with the requirements of the Project Documents or other applicable documents, such that it is in a condition that can be used for normal and safe vehicular travel in all lanes and at all points of entry and exit, and for any tolled Segment or portion of a Segment, with a fully operable electronic toll collection system meeting the technical standards of the Project Documents or other applicable documents.

“System” means the certain portions of the Grand Parkway Project (as defined in the Trust Agreement) designated by the Texas Transportation Commission as the Grand Parkway System, initially the Segments, and together with any other toll project or facilities added to, grouped with, or otherwise constituted and declared to be a part of the System by the Borrower in accordance with State law and pursuant to an order or orders adopted by the Texas Transportation Commission.

“System Debt” means the Project Debt and any bond, note or other evidence of indebtedness secured by Revenues and/or amounts held in any fund or account and pledged under the Trust Agreement.

“TELA Project Debt” means as of any date, the Borrower's Toll Equity Loan Supported Obligations issued with respect to the Project and supported by the Toll Equity Loan Commitment, including any Refunding Bonds incurred as of such date and as permitted in this Agreement.

“Term” means the period of time between the Effective Date and the Termination Date.

“Termination Date” means the earlier of (i) the final Maturity Date of the TELA Project Debt or (ii) the date of the defeasance or refunding in whole of the TELA Project Debt, the effect of which is to terminate the Toll Equity Loan Commitment.

“Toll Equity Loan” means the aggregate outstanding amount of all advances drawn under the Toll Equity Loan Commitment, as provided in this Agreement.

“Toll Equity Loan Commitment” means the obligation on the part of TxDOT to make advances of funds available to the Trustee on behalf of the Borrower as provided in Section 2.01 hereof, subject to the requirements of this Agreement.

“Toll Equity Loan Commitment Establishment Date” means the date on which the Toll Equity Loan Commitment is established in favor of the Trustee on behalf of the Borrower as described in Section 2.01 hereof.

“Toll Equity Loan Note” means the promissory note executed by the Borrower in favor of TxDOT evidencing the Toll Equity Loan, substantially in the form of Appendix A attached hereto.

“Toll Rate Schedule” shall have the meaning assigned thereto in the Trust Agreement.

“Transaction Document” means each of (a) the Finance Documents, (b) any Direct Agreement, (c) the Design-Build Contract, (d) the Capital Maintenance Agreement, (e) the Project Agreement and (d) the list of documents mutually approved by the Borrower and TxDOT as of the Effective Date as set forth in Schedule 2 attached hereto.

“Trust Agreement” has the meaning assigned to that term in paragraph (5) of the Preliminary Statements hereto and includes any supplements or amendments thereto.

“Trust Agreement Funds” means the funds and accounts created and established pursuant to the Trust Agreement and as further described in the Trust Agreement.

“Trust Estate” shall have the meaning assigned to such term in the Trust Agreement.

“Trustee” means a nationally recognized trust company designated by the Borrower as trustee under the Trust Agreement and reasonably acceptable to TxDOT and shall include any successor entity thereto.

“Trustee Request” has the meaning assigned to that term in Section 2.03 hereof.

Section 1.02 Certain Interpretations.

(a) Computation of Time Periods. In this Agreement, in the computation of a period of time from a specified date to a later specified date, the word “from” means “from and including” and the words “to” and “until” each mean “to but excluding.”

(b) Accounting Terms. All accounting terms not specifically defined herein shall be construed in accordance with GAAP consistently applied, except as otherwise stated herein.

(c) Assignments. In this Agreement, where the terms “assignment agreement”, “assignment” or “assignee” are used in relation to the obligations of the Borrower or TxDOT under any Transaction Document or Project Document, the term “assignment” or “assignment agreement” shall mean any document evidencing the transfer of certain TxDOT obligations under such Transaction Document or Project Document (as applicable) with respect to the Project to the Borrower, and “assignee” shall mean the applicable role of the Borrower as obligated under each of such documents evidencing such transfer.

ARTICLE II.
AMOUNT AND TERMS OF THE TOLL EQUITY LOAN COMMITMENT

Section 2.01 Establishing the Toll Equity Loan Commitment. Upon fulfillment of all of the applicable conditions precedent set forth in Section 3.01 hereof (the “Toll Equity Loan Commitment Establishment Date”), TxDOT shall establish the Toll Equity Loan Commitment. The Toll Equity Loan Commitment shall not exceed in total principal amount \$9,600,000,000 (the “Maximum Available Aggregate Amount”) and no advance thereunder shall cause the aggregate principal amount of all advances: (i) in any of the Draw Periods as set forth in Appendix B attached hereto to exceed the Maximum Available Annual Amount applicable to any of such Draw Periods and (ii) taking into account such advance and all prior advances, to exceed the aggregate amount of Eligible Costs. Any advance thereunder shall additionally be subject to the limitations as set forth in Section 2.03 hereof.

Section 2.02 Term of the Toll Equity Loan Commitment. Once established pursuant to Section 2.01 hereof, the Toll Equity Loan Commitment shall remain in effect until the Termination Date. No extension of the Toll Equity Loan Commitment beyond the Termination Date shall be permitted without prior written consent from TxDOT.

Section 2.03 Toll Equity Loan. After TxDOT receives a request from the Trustee as provided in the Trust Agreement in the form of Exhibit C to the Trust Agreement (each, a “Trustee Request”), TxDOT shall make a corresponding advance under the Toll Equity Loan Commitment to the Borrower by 2:00 p.m. on the third Business Day after receipt of the Trustee Request, the proceeds of which shall be deposited with the Trustee in the fund or account held under or as permitted by the Trust Agreement as identified in such Trustee Request; *provided* that in no event shall the amount of the advance exceed (i) the Maximum Permitted Amount, (ii) when added to other amounts advanced under the Toll Equity Loan Commitment during the current Draw Period, the Maximum Available Annual Amount for such Draw Period and (iii) when taking into account such advance and all prior advances, the aggregate amount of Eligible Costs; *provided further* that in no event shall any advance be made for either (i) the redemption price of any TELA Project Debt due as a result of the Borrower’s election to optionally redeem such TELA Project Debt or (ii) the purchase price of any TELA Project Debt due as a result of any optional or mandatory tender of such TELA Project Debt. The Borrower shall deliver to TxDOT a certificate in the form of Appendix C attached hereto on the same day as any such Trustee Request, provided that TxDOT’s obligation to make any advance shall not be conditioned on receipt of such Borrower’s certificate. Each advance under the Toll Equity Loan Commitment shall be evidenced in the Toll Equity Loan Note which shall set forth the date of the advance, the principal amount and Interest Rate therefor. TxDOT shall make such advances under the Toll Equity Loan Commitment from time to time during the Term of the Toll Equity Loan Commitment Period up to the Maximum Available Aggregate Amount starting on the date the Toll Equity Loan Note is delivered to TxDOT, but not to exceed with any advance, taking into account all prior advances, the aggregate amount of Eligible Costs. If the principal amount of advances under the Toll Equity Loan Commitment made in a given Draw Period is less than the Maximum Available Annual Amount for such Draw Period (or if no Toll Equity Loans have been made in such Draw Period), the difference shall not be carried forward and may not be applied to increase the amount available to be advanced in any future Draw Period. Each advance under the Toll Equity Loan Commitment shall bear interest on the principal amount of

such advance from the date of such advance to the date on which such advance and the interest thereon are repaid in full at a rate per annum equal to the Interest Rate in effect on the day such advance is made.

TxDOT may rely on the certificate, in the form of Appendix C attached hereto, as to compliance with the limitations on advances as set forth in this Section 2.03; *provided* that within thirty (30) days of any advance under the Toll Equity Loan Commitment, TxDOT shall have the right to request and the Borrower shall provide written documentation, including copies of invoices, reports or notices from the Trustee, any vendor or supplier of goods or services to the Project or others, in support of the need for the advance and the use of the proceeds of advances.

Any advances under the Toll Equity Loan Commitment relating to amounts anticipated to be expended or incurred by the Borrower must be accompanied by documentation or other evidence demonstrating to the reasonable satisfaction of TxDOT that such amounts are reasonably likely to be expended or incurred; *provided* that, amounts in the Project Budget shall be considered to be amounts reasonably anticipated to be expended or incurred.

Proceeds of advances under the Toll Equity Loan Commitment shall be used to pay or reimburse for Project Costs, Major Maintenance Expenses and Operating Expenses in accordance with applicable state and federal laws, including the cost principles established in OMB Circular A-87 that specify that costs must be allowable, reasonable and allocable to the Project.

Section 2.04 Repayment of Principal of and Interest on Toll Equity Loan; Interest on Excess Advances. The Borrower shall make payments of principal and interest to TxDOT according to the provisions of this Agreement, the Trust Agreement and the Toll Equity Loan Note. Interest on the Toll Equity Loan shall be paid on the first Business Day of each month from amounts available therefore in the TELA/Other Tier Payment Fund.

The Borrower shall, without discretion, return or direct the Trustee to return to TxDOT any amounts included in an advance under the Toll Equity Loan Commitment that are in excess of the Maximum Permitted Amount for an advance, the Maximum Available Annual Amount for a Draw Period or the Maximum Available Aggregate Amount immediately upon becoming aware of such amounts, and any such amount returned to TxDOT shall reduce the amount of principal of the Toll Equity Loan Note. The Borrower shall pay interest on any such amount commencing on the date of the applicable advance under the Toll Equity Loan Commitment at the Interest Rate applicable to such advance until the date on which such amount is returned to TxDOT.

Section 2.05 Prepayment.

(a) Voluntary Prepayment. The Borrower may prepay any amount of principal of the Toll Equity Loan, without premium or penalty, upon at least two Business Days' notice to TxDOT specifying the date and amount of prepayment. If any such notice is given, the amount specified in such notice shall be due and payable on the date specified therein, unless such notice is revoked by the Borrower on or prior to the prepayment date specified therein. Upon such prepayment, unpaid amounts of interest

and principal shall continue unaffected and the Toll Equity Loan Note shall be adjusted to reflect the amount of principal prepaid.

(b) Mandatory Prepayment. The principal amount of the Toll Equity Loan shall be prepaid prior to maturity on the first Business Day of each month in the order in which advances under the Toll Equity Loan Commitment were made, but solely from and to the extent of funds available therefor held in the TELA/Other Tier Payment Fund created and maintained pursuant to the Trust Agreement.

Section 2.06 Release of Toll Equity Loan Commitment; Fee. TxDOT's obligation to establish and maintain the Toll Equity Loan Commitment and make any advances thereunder will terminate upon the receipt of notice from the Borrower that a refunding, payment or legal defeasance of all of the outstanding principal amount of and any unpaid interest on the TELA Project Debt has occurred.

On the first day of the Fiscal Year following the 10th anniversary of the Effective Date and on the first day of each Fiscal Year thereafter, the Borrower shall pay to TxDOT, from unencumbered amounts on deposit in the Grand Parkway Enhancement Fund, a non-refundable amount equal to three percent of that Fiscal Year's Maximum Available Annual Amount. Failure to pay such amounts shall not constitute a default under this Agreement, unless sufficient unencumbered funds are on deposit in the Grand Parkway Enhancement Fund to make such payment; *provided* that in any event any accrued unpaid amounts shall be due and payable in full on the Termination Date. If payment is not made on the first day of the applicable Fiscal Year, the unpaid amount shall bear interest from such date to the date on which such amount and the interest thereon are repaid in full at a rate per annum equal to the Interest Rate in effect on the first day of the applicable Fiscal Year. To the extent permitted by State law, the amount of interest on any such amount which is not paid as of April 1 and October 1 of each year shall be compounded semi-annually and shall bear interest at the same rate applicable to such amount. Payments received under this paragraph shall be applied in an order of priority based on when the amount payable arose, with amounts payable arising earlier having priority over amounts payable arising later.

TxDOT will apply the payments it receives under the immediately preceding paragraph in accordance with the Market Valuation Waiver Agreement.

Section 2.07 Place and Manner of Payments. All payments by the Borrower to TxDOT under this Agreement shall be made in lawful currency of the United States by wire transfer in immediately available funds on or prior to 2:00 p.m. on the date such payment is due, to the following account:

Texas Comptroller of Public Accounts
ABA Number: 114900164
Account Name: Texas Comptroller of Public Accounts
Account Number: 463600001
Attention: 601-Texas Department of Transportation, Chema Sanchez,
Diana Ruiz, and Coleta Dille
Reference: Grand Parkway Transportation Corporation, SH 99

or as TxDOT may otherwise stipulate by notice to the Borrower. Any such payments received after 2:00 p.m. on any day will be deemed to have been received on the next succeeding Business Day. If any payment becomes due and payable on a day other than a Business Day, unless sooner paid such payment shall be extended to the next succeeding Business Day and interest thereon shall be payable at the then applicable rate during such extension. TxDOT acknowledges and agrees that any such payments may be made by the Trustee on behalf of the Borrower from funds on deposit under the Trust Agreement.

Section 2.08 Obligations Absolute. Subject to Section 8.11 hereof, the obligations of the Borrower under this Article II shall be absolute, unconditional and irrevocable, shall be performed strictly in accordance with the terms of this Agreement, under all circumstances whatsoever, including without limitation, the following circumstances: (i) any lack of validity or enforceability of any Finance Documents or any other agreement or document relating thereto; (ii) any amendment or waiver of or any consent to or departure from any Finance Documents or any agreement or document relating thereto; or (iii) the existence of any claim, set-off, defense or other right which the Borrower may have at any time against the Trustee (or any Person for whom the Trustee may be acting), TxDOT, or any other Person, whether in connection with this Agreement, the transactions described herein or any unrelated transaction.

Section 2.09 Security.

(a) Security Under the Trust Agreement. Amounts payable under this Agreement and the Toll Equity Loan Note are special obligations of the Borrower payable from and secured solely by the funds pledged therefor pursuant to the Trust Agreement. The Toll Equity Loan Note and all other payment obligations of the Borrower owed to TxDOT under this Agreement constitute TELA/Other Tier Obligations under the Trust Agreement. Revenues shall be transmitted to the Trustee and used along with the other amounts held in the funds and accounts established under the Trust Agreement in accordance with the provisions of the Trust Agreement.

(b) No Termination of the Trust Agreement. The Trust Agreement shall not terminate or be discharged until all sums owing hereunder are paid in full unless and until all such amounts are deemed paid and satisfied and the Toll Equity Loan Note is cancelled by TxDOT in its sole discretion in accordance with Section 2.11 of this Agreement.

Section 2.10 Pledge and Assignment to Trustee.

(a) TxDOT consents to the pledge and assignment to the Trustee of, and the grant to the Trustee of a lien on and security interest in, all of the Borrower's right, title and interest in, to and under this Agreement, pursuant to the terms and conditions of the Trust Agreement, as collateral security for all of the obligations secured or purported to be secured by the Trust Agreement.

(b) TxDOT agrees that as a result of the pledge and assignment referred to in clause (a) above, the Trustee shall have the full right and power, in the exercise of the Trustee's rights and remedies under the Trust Agreement, to enforce directly against TxDOT all obligations of TxDOT under this Agreement, to exercise all

other rights and remedies of the Borrower hereunder and to make all demands and requests and give all notices required or permitted to be made by the Borrower or the Trustee hereunder.

Section 2.11 Cancellation of Toll Equity Loan Note by TxDOT. If, at any time, payment or legal defeasance of all of the outstanding principal amount of and any unpaid interest on the System Debt other than the Toll Equity Loan Note has occurred such that the Toll Equity Loan Note is the only System Debt outstanding under the Trust Agreement, TxDOT shall have the right, in its sole discretion to the extent permitted by law, to cancel the Toll Equity Loan Note and to deem all obligations of the Borrower under the Toll Equity Loan or otherwise owed by the Borrower to TxDOT under this Agreement to be paid and satisfied in full by providing written notice thereof to the Borrower and the Trustee, which notice shall set forth the date for such cancellation and satisfaction.

ARTICLE III.

CONDITIONS OF ESTABLISHING TOLL EQUITY LOAN COMMITMENT

Section 3.01 Condition Precedent to Establishment of the Toll Equity Loan Commitment. The obligation of TxDOT to establish the Toll Equity Loan Commitment is subject to the condition precedent that TxDOT shall have received from, or on behalf of, the Borrower, (and with respect to subsection (f), TxDOT shall have provided to the Borrower) on or before the Toll Equity Loan Commitment Establishment Date, the following, each in form and substance satisfactory to TxDOT (and on the Closing Date TxDOT shall deliver to the Borrower a certificate that all conditions precedent to the establishment of the Toll Equity Loan Commitment have been satisfied or expressly waived):

(a) Documents to Be Delivered. Either an original or a copy of each of the following documents to be delivered on or before the Closing Date:

- (i) this Agreement;
- (ii) each other Finance Document, together with any exhibit or schedule thereto and any document entered into in accordance therewith;
- (iii) each of the other Transaction Documents, together with any exhibit or schedule thereto and any document entered into in accordance therewith or in order to support the obligations of any party thereunder
- (iv) additional documentation needed to evidence the obligations of the Borrower to make all payments incurred under agreements between TxDOT and third parties in respect of the Project as requested by TxDOT, if any; and
- (v) the Preliminary Official Statement and the Official Statement;

each of which shall have been duly authorized, executed and delivered by the parties thereto, and, except for the Preliminary Official Statement and the Official Statement, shall be in full force and effect as of the required date and, to the extent that a copy is

provided, accompanied by a certificate by an authorized officer of the Borrower certifying as of the Toll Equity Loan Commitment Establishment Date that each such copy that is delivered to TxDOT is a true, complete and correct copy thereof, as amended as of the Toll Equity Loan Commitment Establishment Date.

(b) Financial Model. On the Pricing Date, an electronic copy of the Financial Model, demonstrating, among other matters, that (x) the payment of principal of and interest on the Project Debt (other than interest to be paid from proceeds of the Project Debt), plus the Project Budget amounts for Project Costs, Operating Expenses and Major Maintenance Expenses (other than Project Costs if and to the extent paid from proceeds of the Project Debt), and required deposits into the Junior Operation and Maintenance Fund, any applicable Debt Service Fund, the Operation and Maintenance Reserve Fund, the Grand Parkway Enhancement Fund, the Major Maintenance Fund and the Rate Stabilization Fund, and after adjustment for amounts scheduled to be available to pay any of such costs or expenses held in the Junior Operation and Maintenance Fund, any applicable Debt Service Fund, the Operation and Maintenance Reserve Fund, the Grand Parkway Enhancement Fund, the Major Maintenance Fund and the Rate Stabilization Fund do not exceed 100% of the projected Revenues in any year and (y) at no time is an advance anticipated to be required under the Toll Equity Loan Commitment.

(c) Insurance Report. On or before the Closing Date, a report prepared by the Insurance Consultant.

(d) Opinions. On or before the Closing Date, legal opinions from general counsel for the Borrower, reliance letters regarding legal opinions from general counsel for the Design-Build Contractor, each in form and substance acceptable to TxDOT, and such additional legal opinions, reliance letters or certificates and other documents as TxDOT may reasonably request.

(e) Authorization and Authority. On or before the Closing Date, an original or a copy certified by an authorized officer of the Borrower to be true, complete and correct of (i) the authorizing resolution of the Borrower's board of directors authorizing the transactions contemplated hereunder and under the Transaction Documents to which the Borrower is or is intended to be a party and designating the Corporation Representative, together with a certificate that no such authorization has been amended or revoked. In relation to the Borrower, on or before the Closing Date (i) an incumbency certificate of the Borrower, and (ii) such financial information regarding the Borrower as determined to be acceptable in the sole discretion of TxDOT.

(f) Governmental Approvals. On or before the Closing Date, TxDOT shall have provided a copy of each Governmental Approval listed in Schedule 3.01(f) attached hereto, together with a certificate by a TxDOT representative certifying as of the Toll Equity Loan Commitment Establishment Date that such schedule of Governmental Approvals sets forth all Governmental Approvals that are necessary for the work that is to be performed under the Design Build Contract and the design-bid-build agreements

related to Segment E and a portion of Segment D as set forth on Schedule 2 hereto, in each case as of the Toll Equity Loan Commitment Establishment Date.

(g) Consultant Reports. On or before the Closing Date, copies of the following, each in form and substance satisfactory to TxDOT:

(i) a final report of the Traffic Consultant with respect to the Project dated not earlier than ninety (90) days before the Pricing Date;

(ii) a final report of the General Engineering Consulting Report dated not earlier than ninety (90) days before the Pricing Date concluding, among other things, that the Project Costs and the time frames to achieve Substantial Completion of Segments F-1, F-2 and G are reasonable, subject to such conditions that are customary for such reports.

Section 3.02 Additional Conditions Precedent. The obligation of TxDOT to establish the Toll Equity Loan Commitment shall be subject to the satisfaction or waiver by TxDOT of the following additional conditions precedent; *provided* that, the Borrower shall be deemed to have satisfied the conditions set forth in this Section 3.02(a) to (d) (and as to (d) only as to the Borrower) to the extent they have been certified in writing by the Corporation Representative in a certificate in the form attached hereto as Appendix E:

(a) Bond Purchase Contract. All conditions precedent to the occurrence of the Closing Date (as defined in the Bond Purchase Contract) under the Bond Purchase Contract shall have been satisfied or waived by the initial purchaser(s), other than any conditions solely requiring the satisfaction of all conditions to the establishment of the Toll Equity Loan Commitment.

(b) Representations and Warranties. The representations and warranties given by the Borrower herein shall be true and correct in all material respects on and as of the Toll Equity Loan Commitment Establishment Date, except to the extent that such representations and warranties specifically refer to an earlier date, in which case they shall be true and correct in all material respects as of such earlier date.

(c) No Default or Event of Default. No Default with respect to the Borrower shall have occurred and be continuing or shall occur as a result of the establishment of the Toll Equity Loan Commitment, and no Event of Default with respect to the Borrower shall have occurred or shall occur as a result of the establishment of the Toll Equity Loan Commitment.

(d) No Material Adverse Effect. No event, development or circumstance shall have occurred or shall have become known to TxDOT or to the Borrower that has had or could reasonably be expected to have a Material Adverse Effect on the Project.

ARTICLE IV.
REPRESENTATIONS AND WARRANTIES

Section 4.01 Representations and Warranties of the Borrower. The Borrower represents and warrants as of the date hereof and as of the Toll Equity Loan Commitment Establishment Date (except to the extent that any representation and warranty set forth below specifically refers to an earlier or specified date, in which case such representation and warranty shall be as of such earlier or specified date) as follows:

(a) The Borrower has the requisite power and authority; has obtained all Governmental Approvals; and has taken all actions necessary to (1) enter into, deliver and perform its obligations under the Project Agreement, each Finance Document to which it is a party and the assignment agreements for those Transaction Documents for which it is an assignee and the transactions contemplated hereby and thereby, and (2) carry out its activities as now conducted and as proposed to be conducted immediately following execution and delivery of this Agreement, the Finance Documents and the other Transaction Documents.

(b) The Borrower has duly authorized the execution and delivery of each Transaction Document to which it is a party (or the assignment agreement for those Transaction Documents for which it is an assignee), the performance of its obligations hereunder and the incurrence of the debt made available to it under each Finance Document. The authorization has not been repealed, revoked, rescinded or amended and is in full force and effect.

(c) The execution and delivery by the Borrower of each Transaction Document to which it is a party (or the assignment agreement for those Transaction Documents for which it is an assignee), and the compliance with the terms and conditions of the Transaction Documents (or any such assignment agreement) will not, in any material respect, (1) violate any existing law applicable to it or (2) result in default under the Trust Agreement, or any mortgage, deed of trust, lien, lease, contract, note, order, judgment, decree or other agreement, instrument or restriction of any kind to which any of its assets are subject.

(d) Except as disclosed, there is no litigation at law or in equity or any proceeding before any Government Authority involving the Borrower pending or, to the best knowledge of the Borrower, threatened, that could reasonably be expected to have a material adverse effect on the operations or financial condition of the Borrower.

(e) The execution and delivery by the Borrower of each Transaction Document to which it is a party (or the assignment agreement for those Transaction Documents for which it is an assignee), the performance by the Borrower of its obligations hereunder and under the Transaction Documents and the consummation of the transactions herein and therein contemplated do not and will not in any material respect conflict with, or constitute a material breach or result in a material violation of the Borrower's statutory authority, any agreement or other instrument to which the Borrower is a party or by which it is bound or any constitutional or statutory provision or order, rule, regulation, decree or ordinance of any court, government or Government Authority

having jurisdiction over the Borrower or its property and will not result in or require the creation or imposition of any security interest in any of the Borrower's property or the Trust Estate other than the security interests created pursuant to the Trust Agreement.

(f) The Borrower has obtained or caused to be obtained all Governmental Approvals that (1) are required to be obtained by the Borrower as a condition precedent to the execution and delivery of the Project Agreement, each Finance Document to which it is a party and the assignment agreements for those Transaction Documents for which it is an assignee, or (2) are required for the operation of the System or the performance by the Borrower of its obligations under the Project Agreement and any Transaction Document to which it is a party or an assignee or for the grant by the Borrower of the security interest under the Trust Agreement and all such Governmental Approvals are in full force and effect.

(g) The Borrower will fully and faithfully perform all the duties and obligations which it has covenanted and agreed in the Trust Agreement.

(h) Each Transaction Document to which it is a party or assignee, assuming due authorization, execution and delivery thereof by the other parties thereto, constitutes the legal, valid and binding obligation of the Borrower, enforceable against the Borrower in accordance with the terms thereof, except as may be limited by applicable bankruptcy, insolvency, reorganization, moratorium, fraudulent transfer or other similar laws or judicial action affecting the enforcement of creditors' rights generally and the application of general principles of equity (regardless of whether enforceability is considered in a proceeding in equity or at law).

(i) No Default or Event of Default with respect to the Borrower has occurred and is continuing, no "Event of Default" (as defined in the Trust Agreement) has occurred and is continuing, no event has occurred that would be (with the expiry of any applicable grace period, the giving of notice or the making of any determination under the Trust Agreement or any combination of them) a default under the Trust Agreement, and no material default on the part of the Borrower under the Project Agreement has occurred and is continuing.

(j) The Borrower does not have any System Debt other than the Project Debt.

(k) To the actual knowledge of the Borrower without inquiry or investigation, all insurance required to be maintained as of the date hereof by the Design-Build Contractor pursuant to the Design-Build Contract has been obtained and is in full force and effect.

(l) The Trust Agreement including the right of the Trustee to retain Revenues is effective to create and perfect a legally valid and enforceable interest in the Borrower's rights in the Revenues.

(m) Each Project Document to which the Borrower is a party or an assignee is in full force and effect and the Borrower is not in default under any of such

agreements or contracts, and to the actual knowledge of the Borrower, no third party to any of such agreements or contracts is in default thereunder, except as, in either case, could not reasonably be expected to have a Material Adverse Effect.

(n) True and complete copies of all Transaction Documents to which the Borrower is a party (and the assignment agreement for those Transaction Documents for which it is an assignee) have been delivered to TxDOT, and the Borrower is not party to any other material Project-related agreements, except for any Project Document to which the Borrower is a party.

(o) None of the information in any agreement, document, certificate, exhibit, financial statement, book, record, material or report or other written information furnished by the Borrower, when taken as a whole, contained any untrue statement of material fact or omitted to state a material fact necessary in order to make the statements contained therein not materially misleading; *provided*, that the Borrower does not represent as to the accuracy of the information provided by TxDOT or the statements made in the reports by the General Engineering Consultant, the Traffic Consultant or any other advisor or consultant providing services to the Project; and *provided further*, that no representation or warranty is made as to any forecasts, projections, opinions or other forward looking statements and the Borrower only makes representations regarding such information to its actual knowledge.

(p) The Borrower has no actual knowledge, without inquiry or investigation, of any builders' liens or analogous claims for payments which are overdue with respect to work or services to be performed or materials supplied in connection with the Project, which claim has not been fully satisfied, and duly discharged or vacated, as applicable, unless there is a bona fide dispute and adequate security as required by law or ruling of a court has been posted.

(q) Since the date of the formation of Borrower, no event, other than transactions contemplated by this Agreement and the Transaction Documents, has occurred that could reasonably be expected to have a Material Adverse Effect or that could reasonably be expected to have a material adverse effect on the operations or financial condition of the Borrower. Since the date of the Project Agreement, there has been no material change to the nature, scope or any other aspect of the Project pursuant to any requirement or instruction of any Government Authority of which the Borrower has received actual notice.

(r) The Borrower has not received any communications from, nor is aware of any proceeding by, any Government Authority that could reasonably be expected to result in (i) termination or revocation of the Borrower's right and authority to operate the System or (ii) a Material Adverse Effect.

(s) To the actual knowledge of the Borrower without inquiry or investigation, no Bankruptcy Event has occurred or is continuing with respect to the Design-Build Contractor or the Capital Maintenance Contractor.

(t) To the actual knowledge of the Borrower without inquiry or investigation, the development and construction of the System is being carried out in compliance in all material respects with all Environmental laws and there are no Environmental Claims with respect to the System, except to the extent that noncompliance with such claims could not reasonably be expected to give rise to a Material Adverse Effect. To the Borrower's actual knowledge without inquiry or investigation, (x) there are no Hazardous Substances on the System, the presence of which Hazardous Substance would cause the Borrower to be in material violation of any applicable laws and (y) it has no current liability on its part, whether contingent or otherwise, arising out of or resulting from the release or discharge on or to the System of any Hazardous Substance, except to the extent such liability could not reasonably be expected to give rise to a Material Adverse Effect.

(u) Any insurance (including through self-insurance) required to be maintained by the Borrower as of the date hereof pursuant to the requirements set forth in this Agreement, the Trust Agreement and the Project Agreement, as applicable, has been obtained and is in full force and effect, as applicable. All premiums due and payable (if any) in connection therewith have been paid and such insurance complies in full with the insurance required to be maintained by the Borrower pursuant to Section 5.05(f) of this Agreement, the Trust Agreement and the Project Agreement, as applicable.

(v) There are no disputes under any Transaction Document that could reasonably be expected to have a Material Adverse Effect.

(w) The Official Statement as of its date and as of the Closing Date, did not contain any untrue or misleading statement of a material fact or omit to state any material fact necessary to make such statements therein, in the light of the circumstances under which they were made, not misleading, in each case to the extent such statements and facts (i) relate to the Borrower, the Project or the System or (ii) are otherwise known, following reasonably diligent inquiry, to the Borrower; *provided*, that (x) this representation does not apply to any information in the Official Statement regarding TxDOT, the Traffic Consultant's initial report and the General Engineering Consulting Report, and (y) this representation does not apply to any extent to the section thereof entitled "Tax Matters".

Section 4.02 Representations and Warranties of TxDOT. TxDOT represents and warrants as of the date hereof, the Toll Equity Loan Commitment Establishment Date and as of each advance under the Toll Equity Loan Commitment (except to the extent that any representation and warranty set forth below specifically refers to an earlier or specified date, in which case such representation and warranty shall be as of such earlier or specified date) as follows:

(a) TxDOT has all requisite power and authority to establish the Toll Equity Loan Commitment, to make advances to the Borrower under the Toll Equity Loan Commitment and to perform any and all of its obligations under the Transaction Documents to which it is a party.

(b) The Transaction Documents to which TxDOT is a party have been duly authorized, executed and delivered by TxDOT, and, assuming due authorization, execution and delivery thereof by the other parties thereto, constitute legal, valid and binding obligations of TxDOT, enforceable against TxDOT in accordance with their terms except as may be limited by applicable bankruptcy, insolvency, reorganization, moratorium, fraudulent transfer or other similar laws or judicial action affecting the enforcement of creditors' rights generally and the application of general principles of equity (regardless of whether enforceability is considered in a proceeding in equity or at law).

(c) TxDOT has obtained or caused to be obtained all Governmental Approvals that are required in connection with TxDOT's execution and delivery of this Agreement or the performance of TxDOT's obligations under the Transaction Documents to which it is a party (and any assignment agreement with respect thereto between TxDOT and the Borrower) or for the development, construction, operation and maintenance of the System by the Borrower.

(d) Except as disclosed, there is no litigation at law or in equity or any proceeding before any Government Authority involving TxDOT pending, or, to the best knowledge of TxDOT, threatened, that could reasonably be expected to materially affect the performance of its obligations under the Transaction Documents to which it is a party (or any assignment agreement with respect thereto between TxDOT and the Borrower).

(e) The officer of TxDOT executing this Agreement and the Transaction Documents to which TxDOT is a party (or any assignment agreement with respect thereto between TxDOT and the Borrower) is duly and properly in office and fully authorized to execute the same on behalf of TxDOT.

(f) None of the information in any agreement, document, certificate, exhibit, financial statement or other information furnished by TxDOT, when taken as a whole, contained any untrue statement of material fact or omitted to state a material fact necessary in order to make the statements contained therein not materially misleading.

(g) The statements describing TxDOT and its activities in Appendix A—"The Texas Department of Transportation and the State Highway Fund" in the Official Statement as of its date and as of the Closing Date, do not contain any untrue or misleading statement of a material fact or omit to state any material fact necessary to make such statements therein, in the light of the circumstances under which they were made, not misleading.

(h) No material default by TxDOT under the Project Agreement has occurred.

(i) TxDOT is not aware of any builders' liens or analogous claims for payments which are overdue with respect to work or services to be performed or materials supplied in connection with the portions of the System for which TxDOT is responsible either under the terms of the Project Agreement or otherwise, which claim has not been fully satisfied, and duly discharged or vacated, as applicable, unless there is

a bona fide dispute and adequate security as required by law or ruling of a court has been posted.

(j) To the best knowledge of TxDOT, all insurance required to be maintained as of the date hereof by the Design-Build Contractor pursuant to the Design-Build Contract has been obtained and is in full force and effect.

(k) Each Transaction Document and Project Document to which TxDOT is a party (and any assignment agreement with respect thereto between TxDOT and the Borrower) is in full force and effect and TxDOT is not in default under any of such agreements or contracts, and to the actual knowledge of TxDOT, no third party to any of such agreements or contracts is in material default thereunder, except as, in either case, could not reasonably be expected to have a material adverse effect on the System.

(l) TxDOT (i) has provided or made available to the Borrower copies of all material environmental due diligence reports or analyses prepared by it or on its behalf and (ii) has obtained all environmental permits required to be obtained by it with respect to the System in accordance with the Project Agreement and all such permits are in full force and effect, except, in each case, for any environmental permits, (x) where the failure to obtain such environmental permits could not reasonably be expected to have a Material Adverse Effect, or (y) which are not required at the current state of development of the System.

(m) To the actual knowledge of TxDOT without inquiry or investigation, no Bankruptcy Event has occurred or is continuing with respect to the Design-Build Contractor or the Capital Maintenance Contractor.

(n) To the best knowledge of TxDOT, the development and construction of the System is being carried out in compliance in all material respects with all Environmental laws and, to the best knowledge of TxDOT, there are no Environmental Claims with respect to the System, except to the extent that noncompliance with such claims could not reasonably be expected to give rise to a Material Adverse Effect. To TxDOT's actual knowledge (x) there are no Hazardous Substances on the System, the presence of which Hazardous Substance would cause TxDOT to be in material violation of any applicable laws and (y) it has no current liability on its part, whether contingent or otherwise, arising out of or resulting from the release or discharge on or to the System of any Hazardous Substance, except to the extent such liability could not reasonably be expected to give rise to a Material Adverse Effect.

(o) TxDOT has obtained or caused to be obtained all Governmental Approvals that (1) are required to be obtained by TxDOT as a condition precedent to the execution and delivery of the Project Documents and the Transaction Documents (and any related assignment agreement) to which it is a party, or (2) are required for the operation of the System or the performance by TxDOT of its obligations under the Project Agreement and any other Transaction Document and Project Document to which it is a party and all such Governmental Approvals are in full force and effect.

ARTICLE V.
COVENANTS OF THE BORROWER

Until the Termination Date, subject to Section 5.08 hereof, the Borrower shall comply with the following:

Section 5.01 Operations.

(a) Operation and Maintenance. The Borrower shall maintain and operate the System in an efficient and economical manner and at all times maintain the same in good repair, working order and in sound operating condition and in accordance with the Project Agreement and any applicable Project Document and in compliance in all material respects with applicable laws and Governmental Approvals and make all necessary repairs, renewals and replacements, in each case, in accordance in all material respects with the Project Agreement and any applicable Project Document and in compliance in all material respects with applicable laws and the terms of the insurance required under Section 5.05(f) hereof.

(b) Quarterly Report of Operating Expenses, Maintenance Costs and Revenues. The Borrower shall deliver to TxDOT a quarterly report with respect to each fiscal quarter of the Borrower at times to be agreed upon by the Borrower and TxDOT, which reports will show (i) the operating data for the System for the previous quarter and for the year to date, including total Revenues, total Operating Expenses, total Junior Operating Expenses and total Senior Operating Expenses incurred, total Major Maintenance Expenses incurred and all other costs and expenses incurred with respect to the System that are payable out of Revenues pursuant to the Trust Agreement, (ii) the variances of 5% or more for such periods between (1) the actual Revenues and the projected Revenues set forth in the Annual Budget; (2) the actual Revenues and the Maximum Available Annual Amount; and (3) the actual Operating Expenses, Junior Operating Expenses and Senior Operating Expenses incurred, Major Maintenance Expenses incurred and all other costs and expenses incurred with respect to the System that are payable out of Revenues and the projected amounts set forth in the Annual Budget and in the Project Budget, together with a brief narrative explanation of the reasons for any such variance, (iii) reports on quarterly traffic and average toll figures, and (iv) if an Event of Default with respect to the Borrower exists, such other operating and traffic information as TxDOT may reasonably request.

(c) Annual Budget. The covenants of the Borrower set forth in Section 505 of the Trust Agreement are incorporated herein as covenants from the Borrower to TxDOT for the sole benefit of TxDOT. TxDOT has relied on such section in executing this Agreement and no amendment to any such covenant in the Trust Agreement shall amend, alter or supplement the covenant set forth in this subsection (c) without prior written approval by TxDOT. The Borrower shall submit to TxDOT for its review and comment a copy of any preliminary budget created by the Borrower and any amendments, supplements or modifications thereto and, promptly upon adoption thereof, the Borrower shall submit to TxDOT the Annual Budget or any amended or supplemented Annual Budget adopted by the Borrower.

(i) At any time during the Fiscal Year TxDOT shall have the right to conduct an audit of the Borrower's compliance with the requirements of this Agreement and the Trust Agreement as they relate to the Annual Budget (or any preliminary budget if an Annual Budget has not been adopted by the Borrower). If the results of the audit conclude that the Borrower is not in compliance with the requirements of this Agreement relating to the operation, maintenance and improvement of the Project, the auditor will provide to TxDOT and Borrower a detailed explanation of why the Borrower is not in compliance and TxDOT shall have a period of forty-five (45) days after receipt of such explanation to notify the Borrower that, in TxDOT's reasonable opinion, the Annual Budget that was the subject of the audit does not substantially comply with the requirements of this Agreement or the Trust Agreement and shall specify in reasonable detail the reasons for such notification; if no such notification in accordance with the foregoing is provided within the time period specified above, then the Annual Budget shall be deemed to substantially comply with the requirements of this Agreement and the Trust Agreement.

(ii) Subject to this Section 5.01(c) and the Trust Agreement, the Borrower shall operate the Project substantially in accordance with the Annual Budget. The Borrower shall have the right to make expenditures in respect of Operating Expenses and Major Maintenance Expenses in accordance with the Trust Agreement without any consent or approval of TxDOT.

Section 5.02 Reporting and Cooperation.

(a) Accounts, Books and Records and Financial Reporting. The covenants of the Borrower set forth in Section 709 of the Trust Agreement are incorporated herein as covenants from the Borrower to TxDOT for the sole benefit of TxDOT. TxDOT has relied on such section in executing this Agreement and no amendment to any such covenant in the Trust Agreement shall amend, alter or supplement the covenant set forth in this subsection (a) without prior written approval by TxDOT.

(i) The Borrower shall provide to TxDOT copies of any reports, financial statements, and any other documents created in accordance with Section 709 of the Trust Agreement and all records maintained pursuant thereto shall be open to inspection by TxDOT. The Borrower further covenants that, upon request, it will provide copies of the current Toll Rate Schedule to TxDOT.

(ii) The Borrower shall provide or cause to be provided to TxDOT copies of any periodic statements regarding Trust Agreement Fund balances and transfers, as well as the investment of any amounts deposited in the Trust Agreement Funds, from the Trustee.

(iii) If required by TxDOT, the Borrower shall employ the Borrower's Accountant to audit its annual financial statements and shall provide copies of any such audited financial statements to TxDOT. In the event that the Borrower's Accountant should at any time cease to be its independent accountant or

auditor for any reason, the Borrower shall as soon as practicable appoint, and thereafter maintain, as its accountants, a nationally recognized firm reasonably acceptable to TxDOT. Concurrent with such appointment, the Borrower shall authorize such accountants to communicate directly with TxDOT and to respond within a reasonable period of time to queries of TxDOT regarding the Borrower's accounts and operations in connection with the exercise by TxDOT of its rights to review the books, records and papers of the Borrower as set forth in Section 5.02(e) below and to receive and review the audited financial statements as set forth in this subclause (iii).

(iv) The Borrower shall retain all work papers and reports for a minimum of 4 years from the date of the audit reports referred to in Sections 5.02(a)(iii) hereof, unless TxDOT notifies the Borrower in writing to extend the retention period for a reasonable additional period. Audit work papers shall be available to TxDOT to the extent available to the Borrower at any time during the retention period. The Borrower shall retain all original System and Project files, records, accounts and supporting documents until the later of the Termination Date or the date all amounts due and payable under the Toll Equity Loan Note and this Agreement have been repaid, or for the period of time required by applicable federal and state law, if longer, unless relieved of this requirement by TxDOT in writing.

(b) Covenants Regarding Toll Rate Schedule, Traffic Consultant, Uniformity of Tolls and Free Passage.

(i) The covenants of the Borrower set forth in Section 501 of the Trust Agreement and in the Toll Rate Agreement are incorporated herein as covenants from the Borrower to TxDOT for the sole benefit of TxDOT. TxDOT has relied on such section and agreement, as applicable, in executing this Agreement and no amendment to any such covenant in the Trust Agreement or the Toll Rate Agreement shall amend, alter or supplement the covenant set forth in this subsection (b) without prior written approval by TxDOT.

(ii) In the event the Traffic Consultant is engaged pursuant to the Toll Rate Agreement or a new traffic and revenue study is delivered for the System, the Borrower shall prepare an updated Financial Model incorporating such updated Revenue projections and indicating the amount, date and use of any expected advances under the Toll Equity Loan Commitment and the dates of payment of principal of and interest on such advances in any Fiscal Year.

(c) Consultant Reports.

(i) The Borrower covenants that it will employ the General Engineering Consultant in accordance with the provisions of Section 704 of the Trust Agreement, and will cause the General Engineering Consultant to do all tasks required to be performed by the General Engineering Consultant pursuant to Sections 504, 407 and 408 of the Trust Agreement.

(ii) The Borrower shall provide or cause to be provided to TxDOT in a timely manner copies of all reports, recommendations, findings or other documents prepared by the General Engineering Consultant in relation to the System.

(d) Cooperation with Consultants. The Borrower shall (i) cooperate in all reasonable respects with all consultants retained by TxDOT in connection with the transactions contemplated by the Transaction Documents, (ii) provide each consultant with all information reasonably requested and reasonably required by such consultant in connection with the performance of its obligations under the Transaction Documents, and (iii) consult with TxDOT regarding the reports of each consultant as reasonably requested by TxDOT.

(e) Access to the System and the Project. The Borrower shall give TxDOT and its consultants and representatives access to the System and the Project and all books, records and accounts related to the Project and the System, at any reasonable time as may be requested, during official business hours and in a manner that cannot reasonably be expected materially to interfere with or disrupt the performance by the Borrower or any other party of its obligations with respect to the construction and operation of the Project or the System, and permit the Trustee and TxDOT and their consultants and representatives to examine and make abstracts from any of its books, accounts and records relating to the Project or the System and to make copies and memoranda thereof, to discuss the Project or the System and the business, accounts, operations, properties and financial and other conditions of the Borrower as, in any case, related to the Project or the System, including, without limitation, the allocation of the costs of the operation, maintenance and improvement of the Project or the System, with officers and employees of the Borrower and with the Borrower's Accountant and to witness the performance and other tests conducted pursuant to any Project Document, as applicable. The Borrower shall have the right to participate in any discussions with the Borrower's Accountant. Notwithstanding anything herein to the contrary, the Borrower shall offer all reasonable assistance to such Persons in connection with any such visit. Upon the occurrence and during the continuance of an Event of Default or a Default with respect to the Borrower, if the Trustee or TxDOT requests that any of its consultants or representatives be permitted to make such visit, the reasonable fees and expenses of the Trustee, TxDOT, and their consultants and representatives in connection with such visit shall be paid for by the Borrower. The Borrower shall not be required to give any of TxDOT's consultants or representatives access to the Project or the System or any books, records or accounts related to the Project or the System unless TxDOT provides to the Borrower a confidentiality and non-disclosure agreement in form and substance reasonably acceptable to the Borrower that is either: (1) executed by such consultant or representative, or (2) is a requirement of the consultant's engagement agreement with TxDOT that is agreed to by the consultant on behalf of all employees and representatives of the consultant, and TxDOT shall not provide to such consultant or representative any such books, records or accounts until such confidentiality and non-disclosure agreement is executed by such consultant or representative. TxDOT shall ensure that each of its employees is bound to keep all of the books, records and accounts related to the Project or the System (as applicable) confidential and shall enforce any such obligation against its employees. TxDOT shall enforce the provisions of any confidentiality and non-

disclosure agreement executed by TxDOT's consultants and representatives in connection with their access to the System or the Project and their inspection of all books and records and other information related to the System or the Project as provided in this Section 5.02(e), and TxDOT and its employees, consultants and representatives shall, except as otherwise permitted under this Section 5.02(e), keep all information obtained through such access and inspection confidential. Nothing contained herein shall preclude TxDOT or one of its employees, consultants or representatives from producing or otherwise disclosing any information obtained through such access and inspection under compulsion of court order or subpoena, as required in connection with a judicial, administrative or regulatory proceeding in which it or an officer, director, employee or affiliate is involved, as required pursuant to inquiry or demand by a regulatory authority having jurisdiction over it or its affiliates or as otherwise required by law, including the Texas Public Information Act, Chapter 552 of the Government Code. TxDOT and/or each consultant or representative shall notify Borrower in the event of receipt of any request, subpoena, court order or other requirement to disclose any part of such information in connection with a legal, regulatory or other proceeding. For purposes of this Section 5.02(e), any information obtained through such access and inspection shall not be considered confidential if such information: (1) is lawfully in the public domain at the time it is transmitted or later becomes part of the public domain without fault of TxDOT or its employees, consultants or representatives; (2) has been independently developed by TxDOT or its employees, consultants or representatives without violation of this Section 5.02(e); (3) is independently known to TxDOT or its employees, consultants or representatives at the time of receipt through no unlawful act of TxDOT or its employees, consultants or representatives; (4) is disclosed by TxDOT or its employees, consultants or representatives with the prior written approval of the Borrower; or (5) becomes known to TxDOT or its employees, consultants or representatives from a source other than the Borrower, which source is (A) not subject to any restriction on disclosure or (B) not known by TxDOT or its employees, consultants or representatives to be bound by a confidentiality obligation directly or indirectly to the Borrower or TxDOT or to otherwise be in breach of any legal or contractual obligation not to disclose such information.

(f) Continuing Disclosure Reports and Notices. The Borrower shall give TxDOT copies of all annual financial reports and reportable events notices submitted by Borrower in connection with its compliance with any continuing disclosure undertaking entered into with respect to the System Debt as may be required under Rule 15c2-12 adopted by the Securities and Exchange Commission.

(g) Replacement of Consultants. If at any time the General Engineering Consultant, the Traffic Consultant, the Insurance Consultant or Borrower's Accountant should resign or the Borrower desires to remove any or all of such consultants, Borrower shall, as soon as practical and in compliance with applicable laws and Borrower's policies, appoint a successor consultant in accordance with this Agreement and the Trust Agreement, as applicable, and TxDOT shall have the right to approve of the successor consultant, which approval shall not be unreasonably withheld.

(h) Biennial Reports. Not less than sixty (60) days prior to each date that is a deadline for submission of any legislative appropriation request for the State (or at such other time as TxDOT may reasonably require), the Borrower shall provide, or cause to be provided, to TxDOT (i) a report indicating for the next fiscal biennium the amount, date and use of any expected advances under the Toll Equity Loan Commitment and the expected dates of payment of principal of and interest on such advances and (ii) an updated traffic and revenue study for the System prepared by the Traffic Consultant.

Section 5.03 Trust Agreement Funds.

(a) Establishment and Maintenance.

(i) The Borrower shall not maintain or permit to be maintained any funds or accounts other than the Trust Agreement Funds and any other funds or accounts permitted under the Trust Agreement.

(ii) The Borrower shall fund, maintain, and make use of the Trust Agreement Funds and any other funds or accounts permitted under the Trust Agreement in accordance with the terms and conditions set forth in the Trust Agreement.

(b) Payment of Revenues to the Revenue Fund. The Borrower at all times shall maintain arrangements satisfactory to TxDOT, subject to the provisions of the Master Custodial Agreement, the Project Agreement and the Trust Agreement, to ensure that all Revenues are collected and deposited to the Revenue Fund daily, to the extent practicable either directly or indirectly through payment mechanisms reasonably satisfactory to TxDOT.

Section 5.04 Reserved.

Section 5.05 Compliance, Insurance and Other Agreements.

(a) Compliance with Law. The Borrower shall comply with all laws (including, without limitation, Environmental laws) relating to the System Debt, the System, the organization and operation of the Borrower and the subject matter of any Finance Document.

(b) Approvals; Governmental Authorizations. At all times, the Borrower shall obtain on a timely basis and thereafter maintain in full force and effect all Governmental Approvals necessary (a) for the use, operation and maintenance of the System, and (b) to comply with its obligations under the Transaction Documents and Project Documents, except in either case (x) where the failure to obtain or maintain any such Governmental Approval could not reasonably be expected to have a Material Adverse Effect or (y) obtaining and maintaining such Government Approvals is TxDOT's obligation, including, without limitation, the Governmental Approvals set forth in Schedule 3.01(f) hereto, and in the Project Agreement.

(c) Transaction Documents; Project Documents.

(i) The Borrower shall (A) perform and observe in all material respects all of its covenants and its other obligations contained in each Transaction Document to which it is a party or an assignee and (B) use reasonable efforts to enforce against any other party thereto each material covenant or obligation of such party in each Transaction Document in accordance with its terms.

(ii) The Borrower shall not terminate, or allow to expire (other than in accordance with its terms), or assign, or amend or modify, or waive timely performance by any other party of material covenants under, any Transaction Document, provided that:

(A) any such termination, amendment, modification or waiver shall be permitted if such termination, amendment, modification or waiver could not reasonably be expected to result in a Material Adverse Effect; and

(B) any such termination, amendment, modification or waiver shall be permitted if it is approved in writing by TxDOT, such approval not to be unreasonably withheld.

(iii) If the Design-Build Contract or any other Project Document, or any counterparty to the Design-Build Contract or a Project Document, is replaced, to the extent that there was a Direct Agreement related to the Design-Build Contract or to such Project Document prior to such replacement, the Borrower shall enter into a new (or amended and restated, as the case may be) Direct Agreement with any third party to such Project Document or Design-Build Contract, as applicable, in form and substance reasonably satisfactory to TxDOT.

(iv) If a Bankruptcy Event with respect to the Design-Build Contractor should occur, Borrower shall take (to the extent such rights are available to it), or shall use its best efforts to cause TxDOT to take, any and all actions provided under the Design-Build Contract and available under the proceedings relating to the Bankruptcy Event that are reasonably required to minimize any suspension or delay in the construction of the Project, including, without limitation, enforcing the Design-Build Contract against the Design-Build Contractor, seeking a replacement design-build contractor that will assume the obligations of the Design-Build Contractor under the Design-Build Contract or entering into a new design-build contract with the consent of TxDOT, which consent shall not be unreasonably withheld. Borrower will give TxDOT copies of any notices received or given by Borrower in connection with such Bankruptcy Event, and TxDOT shall have the opportunity to participate in any meetings, proceedings, settlements, or other activities relating to such Bankruptcy Event.

(d) Use of Proceeds and Amounts Remaining in the Construction Fund After Completion of the Project. The Borrower shall not cause any proceeds of the TELA Project Debt or any Toll Equity Loan to be expended for any purpose other than

pursuant to the Trust Agreement and this Agreement. Any amounts remaining in the Construction Fund held by the Trustee under the Trust Agreement after submission to the Trustee by the Borrower of a completion certificate pursuant to the Trust Agreement with regard to construction of the Segments shall be applied in accordance with the Trust Agreement.

(e) Tolling System. The Borrower shall ensure that, on or prior to the Service Commencement Date for any tolled Segment or portion of a Segment, all electronic tolling system hardware necessary to operate such Segment or portion thereof (if any) in compliance with the requirements of the applicable Project Documents (if any), or any other applicable requirements, will be installed and operational.

(f) Insurance. The covenants of the Borrower set forth in Sections 705 and 706 of the Trust Agreement with respect to insurance and self-insurance for the System are incorporated herein as covenants from the Borrower to TxDOT for the sole benefit of TxDOT. TxDOT has relied on such sections in executing this Agreement and no amendment to any such covenant in the Trust Agreement shall amend, alter or supplement the covenant set forth in this subsection (f) without prior written approval by TxDOT. All records related to such covenants shall be open for inspection by TxDOT and copies of any opinions, certifications, reports, records, filings or other documents prepared by the Insurance Consultant or any other Person in relation to insurance and self-insurance for the System shall be provided to TxDOT in a timely manner.

(g) Further Assurances and Corrective Instruments. The Borrower agrees that it will, from time to time, execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered, such supplements to the Trust Agreement and such further instruments as may reasonably be required for carrying out the expressed intention of the Trust Agreement and this Agreement and as may be necessary or desirable for assuring, conveying, granting, assigning, securing and confirming the security interests (whether now existing or hereafter arising) granted by or on behalf of the Borrower to the Trustee, pursuant to the Trust Agreement, or intended so to be granted pursuant to the Trust Agreement, or which the Borrower may become bound to grant, and the subject of each such security interest is and will be free and clear of any other security interest thereon or with respect thereto prior to, or of equal rank with the security interests created by the Trust Agreement, other than liens entitled to priority as a matter of Law, this Agreement or the Trust Agreement, and all corporate action on the part of the Borrower to that end shall be duly and validly taken at such times. The Borrower shall, at all times, to the extent permitted by Law, defend, preserve and protect the security interests granted pursuant to the Trust Agreement and all the rights of the Trustee under the Trust Agreement against all claims and demands of all Persons whomsoever.

Section 5.06 Project Debt; Refunding of TELA Project Debt; Additional Debt.

(a) Project Debt. The Borrower shall issue all of the initial Project Debt on the Closing Date and in compliance with the terms and conditions of the Trust Agreement. The Borrower shall deposit proceeds of the Project Debt with the Trustee in

an amount sufficient, after taking into account amounts required to be deposited by the Borrower from sources other than Project Debt, to pay for (i) Project Costs as set forth in the Project Budget and (ii) all amounts required to be deposited in Trust Agreement Funds.

(b) Refunding of TELA Project Debt.

(i) All refundings of TELA Project Debt will be subject to the approval of TxDOT, such approval not to be unreasonably withheld, so long as the Toll Equity Loan Commitment will not be terminated in conjunction with such refunding or any amount due and payable under the Toll Equity Loan Note would be outstanding after the issuance of such refunding obligations.

(ii) Unless expressly approved by TxDOT, no refunding transaction involving TELA Project Debt that extends the final maturity of the initial TELA Project Debt beyond its original final Maturity Date shall be permitted so long as the Toll Equity Loan Commitment will not be terminated in conjunction with such refunding or any amount due and payable under the Toll Equity Loan Note would be outstanding after the issuance of the refunding obligations.

(c) Additional Debt. So long as the Toll Equity Loan Commitment will not be terminated in conjunction with, or any amount due and payable under the Toll Equity Loan Note would be outstanding after, the issuance of additional obligations secured by the Trust Agreement or by Revenues (other than Refunding Bonds under the circumstances described in Section 5.06(b) hereof), no such issuance shall be permitted without prior written approval from TxDOT, and all such debt is subject to the requirements set forth in the Trust Agreement.

Section 5.07 Miscellaneous.

(a) Payment of Lawful Claims. The Borrower shall, from moneys available therefor in the Trust Estate or other legally available moneys, pay or cause to be discharged, or make adequate provision to satisfy and discharge, all lawful claims and demands for labor, materials, supplies or other objects which, if unpaid, might by law become a lien upon the Trust Estate; *provided, however*, that nothing in this Section 5.07 shall require the Borrower to pay or cause to be discharged, or make provision for, any such lien or charge the validity of which is being contested in good faith by appropriate legal proceedings.

(b) Corporation Representatives. Whenever under the provisions of this Agreement the approval of the Borrower is required or the Borrower is required to take some action at another party's request, such approval or such request shall be given for the Borrower by a Corporation Representative.

(c) Notices. The Borrower shall promptly, and in any event within ten Business Days after it acquires notice or obtains actual knowledge thereof, give TxDOT notice of any of or, with respect to (vi), (vii), (x) and (xiii) below, copies of, the following, setting forth reasonable details of any event under (i) to (v), (viii), (ix), (xi) or

(xii) below (and the Borrower shall concurrently provide to the General Engineering Consultant a copy of any such notice or copy, to the extent the applicable event occurs during the period that the Project is under construction):

(i) any "Event of Default" as defined in the Trust Agreement or any event which, given notice or the passage of time or both, would constitute an "Event of Default" as defined in the Trust Agreement;

(ii) the filing of any actual litigation, suit or action, or the delivery to the Borrower of any written claim against the Revenues, the Project or the System and which could reasonably be expected to have a Material Adverse Effect;

(iii) any proposal to suspend or abandon the Project by, or on behalf of, the Borrower;

(iv) any material default or event of default under any Transaction Document;

(v) any material default or event of default under any Project Document;

(vi) if at any time commercial insurance is required to be obtained pursuant to the Trust Agreement, thereafter, the unavailability of any required insurance on commercially available terms;

(vii) any material notices given under the Trust Agreement or a Project Document by the Borrower or received by the Borrower under the Trust Agreement or a Project Document from any party thereto;

(viii) copies of construction progress reports to the extent such reports are received by the Borrower pursuant to any Project Document and to the extent such reports are required to be delivered under the applicable Project Document;

(ix) any (A) written notice to the Borrower indicating that any material Governmental Approval with respect to the System will not be granted or renewed, or will not be granted or renewed in time to allow continued operation of the System in compliance with all material laws, or will be granted or renewed on terms materially more burdensome than proposed, or will be terminated, revoked or suspended and (B) casualty, damage or loss to the System, whether or not insured, through fire, theft, other hazard or casualty insurance in excess of \$5,000,000 (as such amount shall be adjusted annually after the Closing Date in proportion to any increase or decrease in the CPI over the Base Price Index) for any one casualty or loss;

(x) any cancellation, notice of threatened or potential cancellation or material change in the terms, coverage or amounts of any insurance (including any self-insurance program) required to be maintained under the Trust

Agreement or any claim in excess of \$5,000,000 under any insurance policy or self-insurance program, as applicable;

(xi) any written notice of the occurrence of any event giving rise (or that could reasonably be expected to give rise) to a material claim under any insurance required to be maintained under the Trust Agreement, with copies of any material documents relating thereto (including copies of any such claim) in the possession or control of the Borrower;

(xii) any notice of any event of default or termination or cancellation given by or received by the Borrower under any Project Document, or any request received by the Borrower for any material amendment of, supplement to or other modification of any Project Document, or any event, circumstance or occurrence actually known to the Borrower that might lead the Borrower or any other party thereto to terminate the Project Document;

(xiii) any event of force majeure (howsoever described) under a Project Document or any other event entitling the contractor under such Project Document to suspend performance of any obligation thereunder, but solely to the extent the Borrower has actual knowledge of any such event; or

(xiv) any notice of the occurrence of Substantial Completion with respect to any Segment.

(d) Calculation of CPI Changes. Annually, within thirty (30) days after each October 1, commencing October 1, 2014, the Borrower shall calculate the increase or decrease in the CPI over the Base Price Index as of such October 1, and shall notify TxDOT of the amount of such increase or decrease. Such calculation shall be binding absent manifest error.

(e) Eligible Costs Obligations of the Borrower. The Borrower hereby agrees and acknowledges that Eligible Costs must be obligations of the Borrower and the Borrower shall, from time to time, execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered, such agreements or other instruments (including amendments or supplements to the Project Agreement) as may reasonably be required for carrying out the expressed intention of this Agreement that the payment of all Eligible Costs be obligations of the Borrower and as may be necessary or desirable for assuring, conveying, granting, assigning, securing and confirming that all obligations to pay Eligible Costs (whether now existing or hereafter arising) will be legal, valid and binding obligations of the Borrower, and all corporate action on the part of the Borrower to that end shall be duly and validly taken at such times.

Section 5.08 Covenants to Remain In Effect. If at the Note Maturity Date of the Toll Equity Loan Note, amounts due thereunder remain unpaid, the provisions of this Article V, as applicable, shall remain in effect until such time as all amounts owing have been paid.

ARTICLE VI.
EVENTS OF DEFAULT BY THE BORROWER

Section 6.01 Events of Default. The occurrence of any of the following events shall be an “Event of Default” hereunder:

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

(b) Failure by the Borrower to make (i) any payment, to the extent funds are available under the Trust Agreement, to TxDOT or as otherwise required to be paid from funds available under the Trust Agreement or any other legally available source of funds of the Borrower as required under this Agreement, except as set forth in Section 6.01(a) hereof, within ten Business Days from the date on which it was due, or (ii) any payment required to be paid under any TELA Project Debt of the Borrower; *provided, however*, that any failure pursuant to this subclause (ii) shall not constitute an Event of Default if the failure to make such payment results from a failure by TxDOT to advance funds in accordance with the provisions of this Agreement.

(c) Failure by the Borrower to observe and perform any covenant, condition or agreement on its part to be observed or performed under this Agreement or under any TELA Project Debt, other than as referred to in Section 6.01(a), (b) or (m) hereof, for a period of ninety (90) days after the earlier of (i) the Borrower acquiring actual knowledge of such occurrence or (ii) notice specifying such failure and requesting that it be remedied shall have been given to the Borrower by TxDOT, unless TxDOT shall agree in writing to an extension of such time prior to its expiration; *provided, however*, if the failure stated in the notice is capable of cure but cannot reasonably be cured within the applicable period, the Borrower shall be entitled to a further extension of time reasonably necessary to remedy such failure so long as corrective action is instituted by the Borrower within the applicable period and is diligently pursued until such failure is corrected.

(d) Any of the representations, warranties or certifications of the Borrower made in or delivered pursuant to this Agreement or any other Finance Documents shall prove to have been false or misleading in any material respect when made and, if such misrepresentation is capable of being cured, such misrepresentation has not been cured within ninety (90) days after the earlier of (i) the Borrower acquiring actual knowledge of such failure and (ii) the Borrower receiving notice from TxDOT of such failure.

(e) the Borrower shall fail to perform or observe any material covenant, agreement or obligation under any Project Document to which it is a party or an assignee (unless such failure could not reasonably be expected to have a Material Adverse Effect), and the Borrower shall have failed to cure such failure or to obtain an effective written waiver thereof within the earlier of (A) ninety (90) days after receipt of notice thereof from TxDOT and (B) any applicable grace period relating to such covenant, agreement or obligation; *provided, however*, that with respect to this subsection

(e), if such cure or waiver cannot reasonably be obtained within the applicable period, the Borrower shall be entitled to an extension of such time if corrective action is instituted by the Borrower within the applicable period and diligently pursued until such failure is corrected.

(f) One or more judgments for the payment of money in an aggregate amount in excess of \$10,000,000 (as such amount shall be adjusted annually after the Closing Date in proportion to any increase or decrease in the CPI over the Base Price Index) shall be rendered against (i) the Revenues, the Project or the System and the same shall remain undischarged for a period of ninety (90) consecutive days during which execution shall not be effectively stayed, or any action shall be legally taken by a judgment creditor to attach or levy upon the Revenues, the Project or the System to enforce any such judgment or the amount of such judgment is not adequately covered by insurance or a performance bond, or (ii) the Borrower and the same shall remain undischarged for a period of ninety (90) consecutive days during which execution shall not be effectively stayed, to the extent that it is reasonably likely to have a Material Adverse Effect or any action shall be legally taken by a judgment creditor to attach or levy upon any assets of the Borrower to enforce any such judgment or the amount of such judgment is not adequately covered by insurance or a performance bond, to the extent that it is reasonably likely to have a Material Adverse Effect.

(g) The Project Agreement shall expire or be terminated (whether by reason of a default thereunder or by mutual agreement of the parties thereto or otherwise), or for any reason shall cease to be in full force and effect.

(h) The Borrower fails to obtain, renew, maintain or comply with all material Governmental Approvals, as and when required by it, in connection with the System in accordance with the Project Agreement or the entering into of any Finance Document, any Transaction Document or any Project Document to which the Borrower is a party, and such failure could reasonably be expected to have a Material Adverse Effect; unless such failure is remedied within ninety (90) days after TxDOT gives notice thereof to the Borrower, or such longer period as TxDOT may allow. For the avoidance of doubt, Governmental Approvals as used in this subsection (h) shall not include the Governmental Approvals set forth in Schedule 3.01(f) hereto or any other Governmental Approvals that are TxDOT's obligation hereunder or pursuant to the Project Agreement.

(i) The Trust Agreement ceases, except in accordance with its terms, to be effective to grant a perfected security interest on the collateral described therein (other than on an immaterial portion thereof).

(j) The Borrower fails to operate and maintain the System in accordance with the Project Agreement and such failure could reasonably be expected to have a Material Adverse Effect; unless such failure is remedied within ninety (90) days after TxDOT gives notice thereof to the Borrower, *provided, however*, that if said default is such that it cannot by its nature with due diligence be cured within the said 90-day period but can be cured, it shall not constitute an Event of Default if curative action is

commenced by the Borrower within said 90-day period and diligently pursued until the default is cured.

(k) With respect to any Segment for which Substantial Completion has not occurred as of the Effective Date, Substantial Completion for any of such Segments has not occurred by the date that is twelve months after the Estimated Date of Completion (taking into account force majeure) for such Segment.

(l) Any insurance (including through self-insurance) required under Section 5.05(f) hereof is not, or ceases to be maintained as required or such insurance is avoided or any insurer avoids, suspends or otherwise reduces its liability under any policy (if any) relating to any such insurance or any insurer of any insurance is not bound, or ceases to be bound, to meet its obligations in full under any such insurance, and any such event could reasonably be expected to have a Material Adverse Effect, unless (i) such insurance is (prior to its cessation) replaced by insurance on substantially similar terms (including self-insurance), and in form and substance and with insurers (if applicable) as recommended by the Insurance Consultant, or (ii) the risks covered by such insurance are uninsurable or such insurance is reasonably determined by the Insurance Consultant to be not commercially available in the insurance market at reasonable rates, and the Borrower has agreed to the means by which the risk should be managed as recommended by the Insurance Consultant (including through self-insurance).

(m) After the start of construction and prior to Substantial Completion of a Segment, the construction of that Segment is abandoned, which could reasonably be expected to have a Material Adverse Effect; *provided* that, for the purposes of this Section 6.01(m), abandonment of the construction of a Segment is deemed to have occurred if no significant construction (taking into account the construction schedule and permitted delay as a result of force majeure) is carried out without reasonable cause, for a continuous period of ninety (90) days.

(n) The operation or maintenance of the System or any material part thereof is suspended or abandoned; *provided* that, for the purposes of this Section 6.01(n), suspension or abandonment of the System is deemed to have occurred after the first Service Commencement Date for any Segment, if the Borrower fails, without reasonable cause, to operate the System (taking into account force majeure) for a continuous period of ninety (90) days.

(o) The occurrence of an “Event of Default” under and as defined in the Trust Agreement.

Section 6.02 Remedies upon an Event of Default.

Upon or after the occurrence of an Event of Default under Section 6.01 hereof, TxDOT may, without prior notice, unless otherwise specified in this Section 6.02, demand or presentment, and to the extent permitted by applicable law, do any or all of the following:

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

Borrower relating to the Project or the System, including, without limitation, any such accounts, data and income and other records concerning the costs of operating and maintaining the Borrower's system which are allocated to the operation and maintenance of the Project or the System or payable from Revenues or other amounts held in the Trust Agreement Funds, during regular working hours of the Borrower if necessary in the opinion of TxDOT;

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

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

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

Section 6.03 Waiver of Event of Default. Subject to Section 6.04 hereof, either party may at any time in its discretion waive any Event of Default by the other party hereunder and its consequences, and in case of any such waiver or in case any proceeding taken by the non-defaulting party on account of any such Event of Default shall have been discontinued or abandoned or determined adversely, then and in every such case the Borrower and TxDOT shall, subject to any determination in such proceeding, be restored to their former positions and rights hereunder respectively, but no such waiver shall extend to any subsequent or other Event of Default, or impair any right consequent thereon.

Section 6.04 Waivers; Consents. No waiver of, or consent with respect to, any provision of this Agreement or the other Finance Documents by TxDOT shall in any event be effective unless the same shall be in writing and signed by TxDOT, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which it was given.

Section 6.05 No Waiver; Remedies Cumulative. No failure on the part of TxDOT to exercise, and no delay in exercising, any right hereunder or under the other Finance Documents shall operate as a waiver thereof; and no single or partial exercise by TxDOT of any right hereunder or under the other Finance Documents shall preclude any other or further exercise thereof or the exercise of any other right. To the extent permitted by applicable law, the remedies herein and in the other Finance Documents provided are cumulative and not exclusive of any remedies available under any other document or at law or in equity.

Section 6.06 No Set-Off. Neither party shall set off or apply any balances, credits, deposits (general or special, time or demand, provisional or final), accounts or moneys at any time held against indebtedness at any time owing by the other party.

ARTICLE VII.
COVENANTS AND EVENTS OF DEFAULT BY TXDOT

Section 7.01 Legal Opinions. On or before the Closing Date, TxDOT shall deliver to the Borrower a legal opinion from TxDOT's counsel in form and substance reasonably satisfactory to the initial purchaser(s) under the Bond Purchase Contract.

Section 7.02 Advance Funds. Upon the delivery of a Trustee Request, TxDOT shall, from money appropriated by the Texas State Legislature in a manner that would allow its use for this purpose, advance the funds specified in the Trustee Request within three Business Days of the delivery of such request; *provided, however*, that no such advance shall (i) exceed the Maximum Permitted Amount, (ii) cause the aggregate amount of the advances made for such Draw Period to exceed the Maximum Available Annual Amount, (iii) cause the aggregate amount of all advances to exceed the Maximum Available Aggregate Amount, or (iv) cause the aggregate amount of all advances to exceed the aggregate amount of Eligible Costs. TxDOT covenants that it will submit a request in accordance with applicable law to obtain an appropriation from the Texas Legislature to fulfill its obligation to make advances under the Toll Equity Loan Commitment as provided in this Agreement, but not to exceed the Maximum Available Annual Amount for the Draw Periods included in the legislative request.

Section 7.03 Continuing Disclosure. Prior to or concurrently with the issuance of the Project Debt and any Refunding Bonds, TxDOT shall execute a continuing disclosure undertaking in a form reasonably acceptable to TxDOT, the Borrower and the purchasers of such debt in order to enable the Borrower to comply with its continuing disclosure undertaking relating to such debt as may be required under Rule 15c2-12 of the Securities Exchange Commission.

Section 7.04 Builders' Liens. TxDOT shall use commercially reasonable efforts to cause all contractors to comply with all applicable builders' lien legislation and to pay or cause to be paid when due all claims and demands of contractors, subcontractors, laborers, suppliers of material, builders, workmen and others which, if unpaid, might result in the creation of a builders' lien, prior claim, legal pledge or analogous claim against the Project or any part thereof or on the revenue, income or profits arising therefrom, unless there is a bona fide dispute and adequate security has been posted.

Section 7.05 Remedies Upon An Event of Default by TxDOT. Upon TxDOT's failure (i) to honor a request by the Trustee for an advance under the Toll Equity Loan Commitment which complies with all the requirements of this Agreement if funds have been appropriated to TxDOT by the Texas State Legislature in a manner that would allow its use for such purpose, (ii) to satisfy its obligations under the continuing disclosure undertaking described in Section 7.03 hereof, or (iii) to observe and perform its covenant in Section 7.04 hereof (each of (i), (ii) and (iii) constituting an "Event of Default" with respect to TxDOT), Borrower may, without prior notice, demand or presentment, and to the extent permitted by applicable law, do any or all of the following:

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

- (b) seek an action in mandamus against TxDOT.

Section 7.06 Failure to Fund Advances Due to Non-Appropriation.

(a) Failure to honor a request by the Trustee for an advance under the Toll Equity Loan Commitment due solely to the fact that funds have not been appropriated to TxDOT by the Texas State Legislature in a manner that would allow its use for such purpose shall not constitute an Event of Default with respect to TxDOT under this Agreement.

(b) In the event that TxDOT has failed to honor a request by the Trustee for an advance under the Toll Equity Loan Commitment due solely to the fact that funds had not been appropriated to TxDOT by the Texas State Legislature in a manner that would allow its use for such purpose, TxDOT shall have no obligation to fund such request on any date subsequent to such failure.

Section 7.07 Obligations Not a Debt of TxDOT. The obligations of TxDOT under this Agreement do not create a debt of TxDOT, the Commission, the State of Texas, or any other agency or political subdivision of the State of Texas under any provision of the Texas State Constitution.

**ARTICLE VIII.
MISCELLANEOUS**

Section 8.01 Notices. All notices and other communications provided for hereunder shall be in writing and sent by United States certified or registered mail, return receipt requested, private delivery service, or by email or facsimile (provided that the sender receives confirmation of receipt of the email or facsimile by email or facsimile or confirms the email or facsimile by sending an original copy by certified or registered mail or private delivery service within two (2) Business Days after transmission) addressed as follows:

If to the Borrower: Grand Parkway Transportation Corporation
 125 E. 11th Street
 Austin, Texas 78701
 Attn: President
 Email: james.bass@txdot.gov

With a copy to: Grand Parkway Transportation Corporation
 c/o Texas Department of Transportation
 125 E. 11th Street
 Austin, Texas 78701
 Attn: Director of Strategic Projects Division
 Email: ed.pensock@txdot.gov

If to the Trustee: As provided in the Trust Agreement

If to TxDOT: Texas Department of Transportation
125 E. 11th Street
Austin, Texas 78701-2483
Attn: Chief Planning and Projects Officer
Email: russell.zapalac@txdot.gov

With a copy to: Texas Department of Transportation
125 E. 11th Street
Austin, Texas 78701-2483
Attention: Innovative Finance and Debt Management Officer
Email: benjamin.asher@txdot.gov

Texas Department of Transportation
125 E. 11th Street
Austin, Texas 78701-2483
Attn: General Counsel
Email: rebecca.bronson@txdot.gov

The Borrower, the Trustee or TxDOT may change the address to which notices to it are to be sent by notice given to the other persons listed in this Section 8.01.

All notices shall, when mailed or given by private delivery service, be effective on the date indicated on the return or delivery receipt, respectively, and all notices given by email or facsimile shall be effective when received if confirmation of receipt, by email or facsimile, is received by the sender the same business day. If confirmation of receipt of email or facsimile notices is not received the same business day, the notices shall be effective when confirmation is received, or on the date indicated on the return or delivery receipt if the facsimile or email notices have been confirmed by mailing or private delivery service, whichever is earlier. Whenever in this Agreement the giving of notice is required, the giving of such notice may be waived in writing by the Person entitled to receive such notice and in any such case the giving or receipt of such notice shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

Section 8.02 Binding Effect; Successors and Assigns. This Agreement shall become effective when it shall have been executed by the Borrower and TxDOT and thereafter shall be binding upon and inure to the benefit of the Borrower and TxDOT and their respective successors and assigns. The Borrower shall not have the right to assign its rights hereunder or any interest herein other than to the Trustee, without the prior written consent of TxDOT. TxDOT shall not have the right to assign its rights or obligations hereunder or any interest herein without the prior written consent of the Borrower and confirmation from each rating agency then rating the TELA Project Debt that any such assignment will not negatively affect the then current ratings on the TELA Project Debt.

Section 8.03 Survival of Representations, Warranties and Covenants. All representations, warranties and covenants made by the Borrower herein and in any document delivered pursuant hereto shall survive the delivery of this Agreement and any advances under the Toll Equity Loan Commitment.

Section 8.04 Counterparts. The execution and delivery hereof by the parties hereto shall constitute a contract between them for the uses and purposes herein set forth, and this Agreement may be executed in any number of counterparts, with each executed counterpart constituting an original and all counterparts together constituting one agreement.

Section 8.05 Costs and Expenses.

(a) The Borrower agrees to pay on demand all reasonable, documented out-of-pocket costs and expenses of TxDOT in connection with the enforcement of this Agreement, the other Finance Documents and such other documents; and

(b) Subject to Section 8.11 hereof, all sums due hereunder shall be an obligation of the Borrower, due and payable immediately without demand.

Section 8.06 Amendments.

(a) Subject to TxDOT's rights under Section 2.11 of this Agreement, no amendment to or waiver of any provision of this Agreement, nor consent to any departure by the Borrower therefrom, shall be effective unless the same shall be in writing and signed and delivered by TxDOT and the Borrower, with the prior written consent of the Trustee pursuant to the Trust Agreement.

(b) No amendment to or waiver of any defined term in any other Transaction Document which is incorporated by reference herein shall be effective in the context of this Agreement unless the same shall have been consented to in advance by TxDOT and the Trustee pursuant to the Trust Agreement.

(c) It is understood and agreed by the Parties hereto that any consent, amendment or change to this Agreement (including without limitation any change or amendment to the Maximum Available Annual Amount, the Maximum Permitted Amount or the Project Budget for purposes of increasing the Maximum Available Aggregate Amount hereunder) to be executed and delivered by TxDOT shall be subject to prior approval thereof by the Commission; *provided, however*, that any such change or amendment that merely clarifies or corrects a scrivener's error or other similar defect herein may be executed and delivered by an authorized representative of TxDOT without Commission approval.

Section 8.07 No Waiver. No failure on the part of TxDOT to exercise, and no delay in exercising, any right or power hereunder shall operate as a waiver thereof; nor shall any single or partial exercise of any right or power hereunder preclude any other or further exercise thereof or the exercise of any other right or power. The rights and remedies of TxDOT hereunder are cumulative and are not exclusive of any rights or remedies that they would otherwise have. No waiver of any provision of this Agreement or consent to any departure by the Borrower therefrom shall in any event be effective unless the same shall have been provided in accordance with Section 8.06 hereof, and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given.

Section 8.08 Severability; Interest Limitation. If any provision hereof is found by a court of competent jurisdiction to be prohibited or unenforceable in any jurisdiction, it shall be ineffective as to such jurisdiction only to the extent of such prohibition or unenforceability, and such prohibition or unenforceability shall not invalidate the balance of such provision as to such jurisdiction to the extent it is not prohibited or unenforceable, nor invalidate such provision in any other jurisdiction, nor invalidate the other provisions hereof, all of which shall be liberally construed in order to effect the provisions of this Agreement. Notwithstanding anything to the contrary herein contained, the total liability of the Borrower for payment of interest pursuant hereto shall not exceed the maximum amount, if any, of such interest permitted by applicable law to be contracted for, charged or received, and if any payments by the Borrower to TxDOT include interest in excess of such a maximum amount, TxDOT shall apply such excess to the reduction of the unpaid principal amount or other sums due from the Borrower pursuant hereto, or if none is due, such excess shall be refunded to the Borrower; *provided* that, to the extent permitted by applicable law, in the event the interest is not collected, is applied to principal or is refunded pursuant to this sentence and interest thereafter payable pursuant hereto shall be less than such maximum amount, then such interest thereafter so payable shall be increased up to such maximum amount to the extent necessary to recover the amount of interest, if any, theretofore uncollected, applied to principal or refunded pursuant to this sentence. Any such application or refund shall not cure or waive any Event of Default. In determining whether or not any interest payable under this Agreement exceeds the highest rate permitted by law, any non-principal payment (except payments specifically stated in this Agreement to be “interest”) shall be deemed, to the extent permitted by applicable law, to be an expense, fee, premium or penalty rather than interest.

Section 8.09 Conflicts. Subject to the first paragraph of Section 1.01 hereof, insofar as possible the provisions of this Agreement shall be deemed complementary to the terms of the Trust Agreement, but in the event of conflict the terms hereof shall control to the extent such are enforceable under applicable law; *provided* that if such terms relate to the terms or amount of payment of principal of or interest on the System Debt or the pledge of Revenues or other security provided to the holders of the System Debt, the terms of the Trust Agreement shall control.

Section 8.10 Governing Law; Jurisdiction; Waivers. THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE INTERNAL LAWS OF THE STATE OF TEXAS, WITHOUT REFERENCE TO CHOICE OF LAW DOCTRINE. WITH RESPECT TO ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTION CONTEMPLATED HEREBY OR THE PERFORMANCE OF ANY OF THE PARTIES HEREUNDER, THE BORROWER AND TXDOT HEREBY IRREVOCABLY (A) SUBMIT TO THE NON-EXCLUSIVE JURISDICTION OF ANY STATE OR FEDERAL COURT SITTING IN TEXAS; (B) AGREE THAT ALL CLAIMS WITH RESPECT TO SUCH ACTION OR PROCEEDING MAY BE HEARD AND DETERMINED IN SUCH TEXAS STATE OR FEDERAL COURT; (C) WAIVE THE DEFENSE OF ANY INCONVENIENT FORUM; (D) AGREE THAT A FINAL JUDGMENT IN ANY SUCH ACTION OR PROCEEDING SHALL BE CONCLUSIVE AND MAY BE ENFORCED IN ANOTHER JURISDICTION BY SUIT ON THE JUDGMENT OR IN ANY OTHER MANNER PROVIDED BY LAW; AND (E) CONSENT TO SERVICE OF PROCESS BY MAILING OR DELIVERING A COPY OF SUCH PROCESS TO THE

BORROWER OR TXDOT, AS APPLICABLE, AT ITS ADDRESS SET FORTH HEREIN AND AGREE THAT SUCH SERVICE SHALL BE EFFECTIVE WHEN SENT OR DELIVERED. THE BORROWER AND TXDOT EACH REPRESENTS AND WARRANTS THAT IT HAS CONSULTED WITH COUNSEL AND UNDERSTANDS THE RAMIFICATIONS OF THE FOREGOING.

Section 8.11 Limited Obligation; No Personal Liability. The obligations and liabilities of the Borrower under the Toll Equity Loan, the Toll Equity Loan Note and this Agreement shall be non-recourse to the Borrower. Subject to the provisions of the following sentence, in no event shall any officer, agent, employee, or director of the Borrower (a “Non-Recourse Party”) be personally liable or obligated for such liabilities and obligations of the Borrower or be subject to any personal liability or accountability by reason of the execution and delivery hereof. Nothing herein contained shall limit or be construed to (i) release any Non-Recourse Party from liability for its fraudulent actions, bad faith or misappropriation of funds or willful misconduct, (ii) limit or impair the exercise of remedies with respect to any collateral, or (iii) require TxDOT to indemnify the Non-Recourse Parties for liabilities or claims that may be independently asserted by third parties against them.

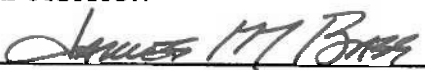
Section 8.12 Offering Documents for Additional Debt. The Borrower and TxDOT agree to work cooperatively in the preparation and distribution of any Future Offering Document which shall be in a form reasonably satisfactory to TxDOT. The Borrower and TxDOT shall be deemed to make, as of the date of the issuance of any Refunding Bonds, the same representations and warranties with respect to any such Future Offering Document as the parties have made hereunder with respect to the Official Statement.

Section 8.13 Benefit. This Agreement is entered into for the benefit of TxDOT, the Borrower, and, pursuant to the Trust Agreement, the Owners of any TELA Project Debt and the Trustee and their respective successors and permitted assigns. TxDOT and the Corporation expressly acknowledge that the Owners of TELA Project Debt and the Trustee, on behalf of such Owners of TELA Project Debt, are intended third party beneficiaries of this Agreement and that the Owners of TELA Project Debt and the Trustee may enforce this Agreement pursuant to the terms of the Trust Agreement. Nothing in this Agreement or in any approval subsequently provided by either party hereto shall be construed as giving any benefits, rights, remedies, or claims to any other persons, firm, corporation or other entity, including, without limitation, the public in general.


(Remainder of page intentionally left blank)

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and delivered by their respective officers thereunto duly authorized as of the date first above written.

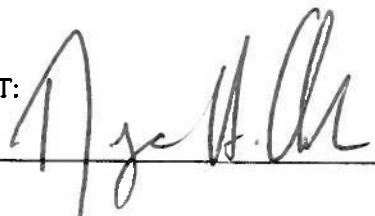
**GRAND PARKWAY TRANSPORTATION
CORPORATION**

By: 
James Bass
President

**TEXAS DEPARTMENT OF
TRANSPORTATION**

By: 
Phil Wilson
Executive Director

ATTEST:



SCHEDULE 1
TO TOLL EQUITY LOAN AGREEMENT

PROJECT DOCUMENTS

- The Project Agreement;
- The Design-Build Contract;
- The Capital Maintenance Agreement;
- Design-bid-build agreements related to Segments D and E as follows:
 - The Proposed Terms and Conditions related to CSJ No. 3510-05-017 for Segment D with Lone Star Road Construction, LTD.;
 - The Proposed Terms and Conditions related to CSJ No. 3510-05-018 for Segment D with William Brothers;
 - The Proposed Terms and Conditions related to CSJ No. 3510-05-019 for Segment E with W.W. Webber
 - The Proposed Terms and Conditions related to CSJ No. 3510-05-022 for Segment E with Hassall Constructing; and
 - The Proposed Terms and Conditions related to CSJ No. 3510-05-023 for Segment E with JP Abrams;

SCHEDULE 2
TO TOLL EQUITY LOAN AGREEMENT
ADDITIONAL TRANSACTION DOCUMENTS

- The Toll Rate Agreement (as defined in the Trust Agreement)

SCHEDULE 3.01(f) TO TOLL EQUITY LOAN AGREEMENT

CERTAIN GOVERNMENTAL APPROVALS

Environmental Approvals

State Environmental Assessment (EA) Re-evaluation FONSI

- Segment D (September 2008)

FHWA – Categorical Exclusion (CE) Concurrence

- Segment D/E Interchange (November 2009)

FHWA – Environmental Impact Statement (EIS) Record of Decision (ROD)

- Segment E (June 2008/June 2009)
- Segment F-1 (November 2008/June 2009)
- Segment F-2 (December 2009)
- Segment G (December 2010)

FHWA – EIS Re-evaluation

- Segment E (June 2009)
- Segment F-1 (May 2012)
- Segment F-2 (May 2012)
- Segment G (May 2012)

USACE Section 404 Individual Permit (IP)

- Segment E (June 2011)
- Segment F-1 (April 2013)
- Segment F-2 (May 2013)
- Segment G (June 2013)

APPENDIX A

FORM OF TOLL EQUITY LOAN NOTE

THIS NOTE MAY NOT BE ASSIGNED OR TRANSFERRED

**UNITED STATES OF AMERICA
STATE OF TEXAS
GRAND PARKWAY TRANSPORTATION CORPORATION
GRAND PARKWAY SYSTEM TELA/OTHER TIER REVENUE NOTE
SERIES 2013
(TOLL EQUITY LOAN AGREEMENT)**

MAXIMUM PRINCIPAL <u>AMOUNT</u>	INTEREST <u>RATE</u>	MATURITY <u>DATE</u>	ISSUANCE <u>DATE</u>
\$9,600,000,000	As Described Below	As Described Below	August 1, 2013

On the maturity date specified below, the Grand Parkway Transportation Corporation (the "Corporation"), a public nonprofit corporation of the State of Texas, hereby promises to pay to the Texas Department of Transportation ("TxDOT") the lesser of (a) principal amount specified above (the "Maximum Principal Amount") and (b) the aggregate unpaid principal amount of any advances made by TxDOT (the "Outstanding Principal Sum") pursuant to the Toll Equity Loan Agreement dated as of July 17, 2013 (as amended and supplemented, the "Toll Equity Loan Agreement") between the Corporation and TxDOT and to pay interest thereon, from the date of such advance, to the maturity date specified for such advance, or the date of prepayment of such advance. The final maturity date for each advance and any accrued and unpaid interest thereon shall be 40 years from the Issuance Date of this note.

Advances made by TxDOT to the Corporation in accordance with the Toll Equity Loan Agreement and each payment made on account of such advance shall be recorded by or on behalf of TxDOT and endorsed on separate grids in the form attached hereto as Appendix A, with a copy to the Corporation and the Trustee.

Advances made pursuant to the Toll Equity Loan Agreement evidenced by this note shall bear interest at a per annum rate of interest equal to the ten year "Aaa (pure)" rate provided by Municipal Market Data and published in The Bond Buyer under the caption "Municipal Market Data General Obligation Yields" plus 100 basis points, provided, however, that if the ten year "Aaa (pure)" rate is no longer provided by Municipal Market Data, the rate to be used in its place shall be that rate which most closely replicates such rate, as agreed to by the Corporation and TxDOT; provided further however, that the rate of interest shall never exceed the Maximum Rate (as defined in the Toll Equity Loan Agreement). Such rate shall be established using the rate most recently published prior to the time of each advance. Interest on this note shall be calculated on the basis of a 365 or 366-day year, as applicable.

All accrued and unpaid interest shall be payable on the first Business Day of each calendar month, but only to the extent that funds are available for such purpose within the TELA/Other Tier Payment Fund established pursuant to the Master Trust Agreement between the Corporation and the designated trustee bank (the "Trustee") (the "Master Trust Agreement").

Interest payments made by the Corporation on account of each advance shall be recorded by or on behalf of TxDOT and endorsed on separate grids in the form attached hereto as Appendix B with a copy to the Corporation and the Trustee.

Accrued but unpaid interest for each advance shall be compounded semiannually on April 1 and October 1 of each year commencing on the first such date after the date of each advance, and such compounded amounts shall bear interest at the same rate applicable to such advance. The amount of compounded interest shall be endorsed on the grids for each such advance.

It is specifically provided, that the above principal and interest are payable solely from the sources and in the manner provided in the Master Trust Agreement, as supplemented. As so supplemented, the Master Trust Agreement is referred to herein as the "Trust Agreement."

This note is issued under and pursuant to a Resolution duly adopted by the Board of Directors of the Corporation (the "Bond Resolution") and pursuant to the Trust Agreement, executed counterparts of which Bond Resolution and Trust Agreement are on file at the designated payment office of the Trustee. Reference is hereby made to the Bond Resolution and the Trust Agreement for provisions thereof relating to this note, including the custody and application of the proceeds of Obligations issued under the Trust Agreement, the collection and disposition of revenues, the funds and accounts charged with and pledged to the payment of the interest on and the principal of this note, the nature and extent of the security, the terms and conditions on which this note is issued, the rights, duties, and obligations of the Corporation, and the Trustee, and the rights of TxDOT, and, by the acceptance of this note, the owner hereof assents to all of the provisions of the Trust Agreement.

The principal of and interest on this note are payable in lawful money of the United States of America, without exchange or collection charges. The payment of principal of and interest on this note shall be made by the Trustee to TxDOT on each payment date by, if requested by TxDOT, wire transfer to an account designated by TxDOT in the United States of America in an institution which has the wire services facilities of the Federal Reserve Bank, or, if not so requested, by check, dated as of such payment date, drawn by the Trustee on, in each case payable solely from, funds of the Corporation on deposit in the TELA/Other Tier Payment Fund created and maintained under the Trust Agreement with the Trustee for such purpose as hereinafter provided. If payment is made by check, such check shall be sent by the Trustee by United States mail, first-class postage prepaid, on each such payment date, to TxDOT.

All advances made that are evidenced by this note are subject to mandatory repayment prior to maturity on the first Business Day of each calendar month, but solely from and to the extent of funds available therefor held in the TELA/Other Tier Payment Fund created and maintained pursuant to the Trust Agreement. This note is subject to optional prepayment, in

whole or in part, by the Corporation on any Business Day at a price of par plus accrued interest to the date of prepayment, upon at least two Business Days' notice to TxDOT specifying the date and amount of repayment. If any such notice is given, the amount specified in such notice shall be due and payable on the date specified therein, unless such notice is revoked by the Corporation on or prior to the prepayment date specified therein.

It is hereby certified, recited, and covenanted that this note has been duly and validly authorized, issued, and delivered; that all acts, conditions, and things required or proper to be performed, exist, and be done precedent to or in the authorization, issuance, and delivery of this note have been performed, existed, and been done in accordance with law; and that this note, is a special TELA/Other Tier Debt Obligation of the Corporation, payable solely from the sources and in the priority as is provided in the Trust Agreement.

TxDOT shall have no right to enforce the provisions of the Bond Resolution or the Trust Agreement or to institute action or enforce the covenants therein, or to take any action with respect to any Event of Default under the Trust Agreement, or to institute, appear in, or defend any suit or other proceeding with respect thereto, except as provided in the Trust Agreement and the Toll Equity Loan Agreement.

Modifications or alterations of the Trust Agreement or of any Supplemental Agreement may be made by the Corporation and the Trustee only to the extent and in the circumstances permitted by the Trust Agreement.

This note is a special limited obligation of the Corporation, payable from and secured by a lien on and pledge of the Trust Estate granted in the Trust Agreement, on a basis subordinate to that securing all First Tier Obligations, Second Tier Obligations and Subordinate Tier Obligations issued under the Trust Agreement, and on an equal and ratable basis with any TELA/Other Tier Obligations issued in accordance with the provisions of the Trust Agreement.

THIS NOTE AND THE INTEREST HEREON ARE SPECIAL OBLIGATIONS OF THE CORPORATION, DO NOT CONSTITUTE A DEBT OF THE STATE OF TEXAS, THE COMMISSION OR TXDOT OR A PLEDGE OF THE FAITH AND CREDIT OF THE STATE OF TEXAS, THE COMMISSION OR TXDOT. NONE OF THE STATE OF TEXAS, THE COMMISSION OR TXDOT IS OBLIGATED TO PAY THIS NOTE OR THE INTEREST ON THIS NOTE. THE CORPORATION IS NOT OBLIGATED TO PAY THIS NOTE OR INTEREST ON THIS NOTE FROM A SOURCE OTHER THAN THE AMOUNT PLEDGED TO PAY THE NOTE AND INTEREST ON THIS NOTE, AND NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OF TEXAS, THE COMMISSION OR TXDOT ARE PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR THE INTEREST ON THIS NOTE. THIS NOTE IS PAYABLE ONLY FROM THE SOURCES AS PROVIDED IN THE TRUST AGREEMENT.

TxDOT acknowledges all of the terms and provisions of the Bond Resolution and the Trust Agreement, agrees to be bound by such terms and provisions, acknowledges that the Bond Resolution and the Trust Agreement are duly recorded and available for inspection in the official minutes and records of the Board, and on file with the Trustee, and agrees that the terms and

provisions of this note, the Bond Resolution, and the Trust Agreement constitute a contract between TxDOT, the Corporation, and the Trustee.

Pursuant to the requirements set forth in the Toll Equity Loan Agreement and as permitted by law, TxDOT shall have the right, in its sole discretion, to cancel this note by providing written notice thereof to the Borrower and the Trustee, which notice shall set forth the date for such cancellation.

Terms used in this note and not otherwise defined herein have the meanings given them in the Trust Agreement.

In witness whereof, the Corporation has caused this note to be signed with the manual or facsimile signature of the President of the Corporation and countersigned with the manual or facsimile signature of the Secretary of the Corporation and has caused the official seal of the Corporation to be duly impressed or placed in facsimile on this note.

Secretary/Treasurer
Grand Parkway Transportation Corporation

President
Grand Parkway Transportation Corporation

(GPTC SEAL)

FORM OF TRUSTEE'S AUTHENTICATION CERTIFICATE
TRUSTEE'S AUTHENTICATION CERTIFICATE

It is hereby certified that this note has been issued under the provisions of the Bond Resolution and the Trust Agreement described in this note.

U.S. Bank National Association,
Trustee

Dated:

By: _____
Authorized Representative

Appendix A

DISBURSEMENTS AND PAYMENTS OF PRINCIPAL¹
ADVANCE NO. _____

[illegible]

¹ This grid may be extended if the number of payments so requires. Each advance shall be recorded in a separate grid.

Appendix B

INTEREST PAYMENTS¹
ADVANCE NO.

[illegible]

[END OF FORM OF NOTE]

¹ Interest on each advance shall be recorded in a separate grid.

APPENDIX B

SCHEDULE OF MAXIMUM AVAILABLE ANNUAL AMOUNTS⁽¹⁾

Fiscal Year End (Aug 31)	Toll Equity Loan Maximum Available <u>Annual Amount</u>
2014	\$ 6,895,357
2015	33,941,451
2016	47,935,498
2017	309,667,801
2018	295,087,281
2019	279,314,667
2020	283,358,557
2021	293,250,549
2022	291,700,670
2023	119,627,427
2024	137,028,966
2025	154,618,277
2026	158,063,386
2027	160,650,393
2028	163,720,928
2029	167,063,676
2030	172,296,736
2031	180,480,402
2032	188,697,611
2033	197,254,737
2034	206,248,291
2035	215,818,949
2036	225,772,517
2037	235,031,374
2038	243,850,183
2039	251,763,256
2040	258,813,779
2041	264,135,922
2042	268,906,631
2043	241,385,741
2044	205,189,861
2045	284,269,825
2046	285,455,325
2047	285,720,790
2048	285,434,941
2049	284,776,179
2050	283,343,365
2051	476,496,092
2052	582,228,331
2053	574,704,280
<u>Total</u>	\$ 9,600,000,000

⁽¹⁾ Reflects revised Maximum Available Annual Amounts included in the first amendment to the TELA approved by TxDOT and the Corporation. Preliminary, subject to change.

APPENDIX C

CERTIFICATE OF BORROWER RE ADVANCES

The undersigned, a Corporation Representative as such term is defined in that certain Toll Equity Loan Agreement (the “Agreement”) dated as of July 17, 2013, by and between the Texas Department of Transportation (“TxDOT”) and the Grand Parkway Transportation Corporation (“Borrower”), hereby certifies on behalf of the Borrower with respect to the advance requested by the Trustee pursuant to Section 2.03 of the Agreement, as follows:

(a) The Trustee has no amounts or insufficient amounts on deposit that are available for payment of capitalized interest on the [_____] ¹ for the period for which an advance is hereby requested to the extent that any portion of the advance will be used to pay interest on such bonds.

(b) Borrower has accessed and depleted all funds held in the Revenue Fund, the applicable Debt Service Funds, the Junior Operation and Maintenance Fund, the Operation and Maintenance Reserve Fund, the Major Maintenance Fund, the Rate Stabilization Fund and the Grand Parkway Enhancement Fund for the purposes permitted therefor under the Trust Agreement and the Agreement.

(c) The requested advance under the Toll Equity Loan Commitment will not be used to pay (i) the redemption price of any TELA Project Debt due as a result of the Borrower’s election to optionally redeem such TELA Project Debt or (ii) the purchase price of any TELA Project Debt due as a result of any optional or mandatory tender of such TELA Project Debt.

(d) The requested advance under the Toll Equity Loan Commitment is no greater than the Maximum Permitted Amount.

(e) The requested advance under the Toll Equity Loan Commitment when added to other amounts advanced under the Toll Equity Loan Commitment during the current Draw Period will not exceed the Maximum Available Annual Amount for such Draw Period.

(f) The requested advance, when added to the amount of all prior advances under the Toll Equity Loan Commitment will not exceed the aggregate amount of Eligible Costs.

(g) Documentation required by Section 2.03 of the Agreement is attached hereto if the requested advance, when added to the amount of all prior advances under the Toll Equity Loan Commitment, exceeds the aggregate of amounts expended or incurred by the Borrower for Major Maintenance Expenses and Operating Expenses, and for Project Costs (and therefore relates to amounts anticipated to be expended).

[¹ Insert the name of the applicable series of bonds, as applicable.]

(h) The aggregate amount of Major Maintenance Expenses and Operating Expenses expended or incurred, and Project Costs expended or incurred, by the Borrower as of the date of the requested advance under the Toll Equity Loan Commitment is \$_____.

Capitalized terms used herein and not otherwise defined herein shall have the meanings assigned to such terms in the Agreement.

Dated: _____, ____.

GRAND PARKWAY TRANSPORTATION
CORPORATION

By: _____

Its: _____

APPENDIX D

PROJECT BUDGET

Project Budget Summary (in inflated \$)	
Total Construction	\$ 2,449,360,080.55
O&M and Tolling	5,693,686,830.77
Major Maintenance and Rehabilitation	2,269,593,859.60
Total Project Budget	\$10,412,640,770.92

Construction Budget (inflated \$)	
Cost	Total Inflated Costs
ZO Developer Costs	\$ 1,043,553,000.00
GEC Management & Oversight	39,752,416.98
Construction Management	45,431,333.70
Material Testing	8,518,375.07
Contingencies	100,000,000.00
ROW	366,250,050.06
Toll Integrator Costs₁	23,306,446.13
Pre-Development Costs₂	300,000,000.00
Segment D&E Costs₂	354,600,000.00
HCTRA Reimbursement₂	77,000,000.00
TxDOT Reimbursement₂	90,948,458.62
Total Cost including Reimbursements	\$ 2,449,360,080.55

Toll Operations and Maintenance and Routine Maintenance Budget			
FY Year	Toll Operations and Toll Maintenance	Routine Maintenance Costs	Total
2014	\$ 1,312,971.40	\$ 1,796,392.71	\$ 3,109,364.11
2015	3,079,454.64	2,467,045.99	5,546,500.63
2016	8,354,853.41	6,120,259.10	14,475,112.51
2017	14,710,226.21	7,532,726.14	22,242,952.35
2018	18,214,258.65	7,758,707.92	25,972,966.58
2019	21,725,847.46	7,991,469.16	29,717,316.63
2020	24,469,532.73	8,231,213.24	32,700,745.96
2021	27,242,760.62	8,478,149.63	35,720,910.25
2022	29,902,532.24	8,732,494.12	38,635,026.37
2023	32,925,369.33	8,994,468.95	41,919,838.28
2024	36,088,530.38	9,264,303.01	45,352,833.40
2025	39,430,400.32	9,542,232.11	48,972,632.42
2026	42,571,469.89	9,828,499.07	52,399,968.96
2027	44,850,277.07	10,123,354.04	54,973,631.11
2028	47,601,271.59	10,427,054.66	58,028,326.25
2029	50,613,963.71	10,739,866.30	61,353,830.01
2030	53,459,560.46	11,062,062.29	64,521,622.75
2031	56,514,519.49	11,393,924.16	67,908,443.65
2032	59,864,465.28	11,735,741.88	71,600,207.17
2033	63,284,282.13	12,087,814.14	75,372,096.27
2034	67,087,561.07	12,450,448.56	79,538,009.64
2035	71,199,214.20	12,823,962.02	84,023,176.22
2036	75,538,432.84	13,208,680.88	88,747,113.72
2037	79,261,983.72	13,604,941.31	92,866,925.03
2038	83,518,302.11	14,013,089.55	97,531,391.65
2039	87,820,969.15	14,433,482.23	102,254,451.39
2040	92,286,542.21	14,866,486.70	107,153,028.92
2041	95,961,085.72	15,312,481.30	111,273,567.03
2042	100,256,925.87	15,771,855.74	116,028,781.61
2043	104,897,454.47	16,245,011.41	121,142,465.88
2044	109,853,240.92	16,732,361.76	126,585,602.67
2045	114,460,818.38	17,234,332.61	131,695,150.99
2046	119,089,338.16	17,751,362.59	136,840,700.75
2047	123,645,992.77	18,283,903.47	141,929,896.24
2048	128,520,906.93	18,832,420.57	147,353,327.50
2049	133,707,836.95	19,397,393.19	153,105,230.13
2050	138,964,128.92	19,979,314.98	158,943,443.90
2051	143,972,618.44	20,578,694.43	164,551,312.87
2052	149,013,968.13	21,196,055.26	170,210,023.39
2053	153,650,055.36	21,831,936.92	175,481,992.28
2054	159,352,877.29	22,486,895.03	181,839,772.32
2055	164,558,184.42	23,161,501.88	187,719,686.31
2056	170,006,492.38	23,856,346.94	193,862,839.32
2057	174,741,340.95	24,572,037.35	199,313,378.29
2058	179,800,041.80	25,309,198.47	205,109,240.26
2059	185,040,848.52	26,068,474.42	211,109,322.94
2060	190,928,129.96	26,850,528.65	217,778,658.61
2061	196,597,633.00	27,656,044.51	224,253,677.51
2062	203,016,446.42	28,485,725.85	231,502,172.26
2063	209,053,436.13	29,340,297.62	238,393,733.75
2064	214,803,925.20	30,220,506.55	245,024,431.75
Total	\$ 4,896,823,279.37	\$ 796,863,551.39	\$ 5,693,686,830.77

FY Year	Major Maintenance & Rehabilitation Budget
2014	\$ 196,676.91
2015	579,903.80
2016	663,823.01
2017	5,297,664.86
2018	2,275,734.15
2019	9,226,533.37
2020	908,217.94
2021	6,257,731.83
2022	2,611,457.28
2023	13,234,405.92
2024	4,713,544.16
2025	6,976,012.96
2026	8,276,600.35
2027	12,149,582.53
2028	5,115,798.43
2029	8,311,306.98
2030	4,731,763.32
2031	17,643,235.54
2032	3,559,157.63
2033	3,136,291.02
2034	78,997,773.36
2035	8,206,069.31
2036	142,086,603.98
2037	3,684,452.80
2038	11,624,445.44
2039	3,889,225.44
2040	21,754,443.18
2041	93,774,222.18
2042	5,196,248.62
2043	166,247,051.54
2044	6,138,087.70
2045	17,300,817.55
2046	68,074,565.43
2047	30,367,869.29
2048	116,350,165.88
2049	9,634,239.71
2050	208,530,067.25
2051	9,858,256.08
2052	14,983,862.76
2053	6,133,193.69
2054	45,143,658.57
2055	151,298,506.16
2056	31,130,981.45
2057	269,103,191.70
2058	3,356,783.79
2059	28,518,407.84
2060	3,595,870.71
2061	49,762,712.08
2062	187,987,025.03
2063	15,365,987.24
2064	345,633,631.83
Total	\$ 2,269,593,859.60

APPENDIX E

FORM OF CERTIFICATE OF BORROWER **RE SATISFACTION OF SECTION 3.02 CONDITIONS**

The undersigned, a Corporation Representative, as such term is defined in that certain Toll Equity Loan Agreement (the "Agreement") dated as of July 17, 2013, by and between the Texas Department of Transportation and the Grand Parkway Transportation Corporation (the "Borrower"), hereby certifies for and on behalf of the Borrower that (i) the conditions set forth in Section 3.02(a) of the Agreement have been satisfied or waived, (ii) there has been no default or event of default described in Section 3.02(c) of the Agreement such that the condition precedent in such Section is not satisfied, (iii) the representations and warranties given by the Borrower in the Agreement are true and correct in all materials respects on and as of the dates specified in Section 3.02(b) of the Agreement, and (iv) no event, development or circumstance as to the Borrower described in Section 3.02(d) of the Agreement has occurred or become known to the Borrower.

Dated: _____, 20__

GRAND PARKWAY TRANSPORTATION
CORPORATION

By: _____

Its: _____

APPENDIX E

SUPPLEMENTAL LETTER TO ENGINEER'S REPORT

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January 23, 2014

Mr. James Bass
Chief Financial Officer and President of Grand Parkway Transportation Corporation
Texas Department of Transportation
125 E. 11th Street
Austin, TX 78701-2483

Reference: Supplemental Letter to Jacobs' June 26, 2013 Engineer's Report

Dear Mr. Bass:

In response to your request to reconfirm the findings of our June 26, 2013 Engineer's Report to support the Preliminary Official Statement of the Subordinate Tier Toll Revenue Refunding Bond Anticipation Notes, Series 2014A, we have completed this review. Our June 26, 2013 report ("Grand Parkway Engineer's Report") developed an independent estimate of the costs for engineering design features, construction, and operations and maintenance expense as well as a construction schedule for the work, prior to commencement of the work. For this Supplemental Letter, we have reviewed pertinent available documents, and interviewed various parties directly involved with the project since our June 26, 2013 report. There have been some changes as discussed below, but none that would increase the previous project estimate or significantly delay the project.

We contacted CH2M-Hill, CDM Smith, and TxDOT to review project status and to discuss information provided to Jacobs in order to identify any issues that at this time may affect the project. A review of supplied documents and input from these interviews resulted in the following findings.

Scope and Capital Costs

A review of information provided related to project scope and capital costs noted the following differences from what was presented in our original report.

Segments D and E: Anticipated costs at completion indicate a modest increase in the final cost within the expected range and project contingencies.

Segments F-1, F-2 and G: One executed change order has occurred. Additionally, there are four pending change orders comprised of various increases offset by various decreases. The net result of the executed and pending change orders if executed would be a reduction to the original contract price.

Schedule

Effects to the schedule are minimal and do not affect the project financing. Changes to what was presented in our original report and known at this time are:

Segments D and E have opened to the public as planned with the exception of some direct connectors on Segment D. The slightly delayed opening of these direct connectors does not in our opinion affect the findings in our report.

On Segments F-1, F-2 and G, the one executed change order resulted in an additional 30 days to the date of Final Acceptance; the Opening Date and start of operations and maintenance date remains the same, however.

Tolling/Revenue

A review of information provided to date indicates that due to the one month delay in opening some direct connectors on Segment D, revenue may be slightly less in the first year than anticipated. This amount is considered within project estimating parameters and does not in our opinion affect the findings in our report.



Risks

A review of the information provided indicates that the contingency amount from the original report remains in place and is adequate, with a slight increase in contingency available from the pending change orders on F-1, F-2 and G.

Based on the review, Jacobs therefore confirms our previous findings as presented in the June 26, 2013 report.

Reiterating the conclusions in that report:

The price submitted by the Developer for Segments F-1, F-2, and G is reasonable;

The System financing structure will cover the costs for Segments F-1, F-2 and G and will incorporate elements of Segments E and a portion of Segment D in Harris County;

The financing structure will allow for 50 years of operations and maintenance of Segments E, F-1, F-2 G, and a portion of Segment D in Harris County.

Limits and Disclaimers

In Jacobs' opinion, the assumptions underlying the study provide a reasonable basis for the project analyzed. However, any financial projection is subject to uncertainties. Inevitably, some assumptions used to develop the projections will not be realized, and unanticipated events and circumstances may occur. There are likely to be differences between the projections and actual results, and those differences may be material. Because of these uncertainties, Jacobs makes no guaranty or warranty with respect to the projections in this Study.

This document, and the opinions, analysis, evaluations, or recommendations contained herein are for the sole use and benefit of the Texas Department of Transportation and the Grand Parkway Transportation Corporation (collectively, the "Contracting Parties"). There are no intended third party beneficiaries, and Jacobs Engineering Group Inc., (and its affiliates) shall have no liability whatsoever to any third parties for any defect, deficiency, error, omission in any statement contained in or in any way related to this document or the services provided.

Neither this document nor any information contained therein or otherwise supplied by Jacobs Engineering Group Inc. in connection with the study and the services provided to the Contracting Parties shall be used in connection with any financing solicitation, proxy, and proxy statement, proxy soliciting materials, prospectus, Securities Registration Statement or similar document without the express written consent of Jacobs Engineering Group Inc.

Notwithstanding the foregoing disclaimer, Jacobs Engineering Group Inc. has given consent to the Contracting Parties for the incorporation by reference of the Grand Parkway Engineer's Report included in the Corporation's August 1, 2013 Official Statement and inclusion of the Supplemental Letter as an appendix to the Preliminary Official Statement and the Official Statement to be issued in connection with the offering, sale, and issuance of the Grand Parkway System Subordinate Tier Toll Revenue Refunding Bond Anticipation Notes, Series 2014A.

Thank you for the opportunity to provide this supplemental letter and please feel free to contact me should you have any questions or comments.

Sincerely,

Richard J. Gobeille

National Toll / Finance Manager

cc: Ben Asher, GPTC Secretary/Treasurer

APPENDIX F

FORM OF BOND COUNSEL OPINION

LAW OFFICES

McCALL, PARKHURST & HORTON L.L.P.

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SAN ANTONIO, TEXAS 78205-3503
TELEPHONE: 210 225-2800
FACSIMILE: 210 225-2984

[An opinion in substantially the following form will be delivered by McCall, Parkhurst & Horton L.L.P., Bond Counsel, upon the delivery of the Notes, assuming no material changes in facts or law.]

\$733,130,000*

**GRAND PARKWAY TRANSPORTATION CORPORATION
GRAND PARKWAY SYSTEM
SUBORDINATE TIER TOLL REVENUE REFUNDING BOND ANTICIPATION NOTES,
SERIES 2014A**

AS BOND COUNSEL for the Grand Parkway Transportation Corporation (the "Corporation"), 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 in the Notes, all in accordance with the resolutions of the Corporation authorizing the issuance of such Notes adopted on November 20, 2013 and December 13, 2013 (collectively, the "Authorizing Resolution"), the Trust Agreement dated as of August 1, 2013, (the "Master Trust Agreement") between the Corporation and U.S. Bank National Association, as Trustee (the "Trustee"), the Fourth Supplemental Agreement dated as of February 1, 2014 between the Corporation and the Trustee (the "Fourth Supplemental Agreement") and the Pricing Officer's Award Certificate establishing the pricing terms of the Notes. The Authorizing Resolution, the Master Trust Agreement, the Fourth Supplemental Agreement and the Pricing Officer's Award Certificate are collectively referenced as the "Trust Agreement." Capitalized terms used herein and not otherwise defined shall have the meaning given in the Trust Agreement.

WE HAVE EXAMINED the applicable and pertinent provisions of the Constitution and laws of the State of Texas, a transcript of certified proceedings of the Corporation, including the executed Trust Agreement 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 Corporation 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 Corporation is a validly operating and existing local government corporation under Chapter 431, Texas Transportation Code, as amended ("Chapter 431"), and is authorized to issue the Notes under Chapter 431, the Texas Business Organizations Code, including Chapter 22, as amended, Section 228.053, Texas Transportation Code, as amended, and Chapters 1207 and 1371, Texas Government Code, as amended. It is further our opinion that (i) the Notes have been duly authorized; (ii) all conditions precedent to the delivery of the Notes have been fulfilled; and (iii) the Notes have been duly issued and delivered, all in accordance with law. Except as the enforceability may be limited by sovereign immunity, bankruptcy, insolvency, reorganization, moratorium, liquidation and other similar laws now or hereafter enacted relating to creditors' rights generally or by principles of equity which permit the exercise of judicial discretion, (i) the Notes constitute valid and legally binding obligations of the Corporation which are secured as Subordinate Tier Obligations under the Trust Agreement and are payable as to principal and interest in accordance with the priorities established in the Trust Agreement from the sources provided therein, including the Revenues of the System and are additionally payable from a pledge of the proceeds of any Subordinate Tier TELA Obligations when and if issued to refund the Notes in the future, and constitute a senior Series of Subordinate Tier Obligations in terms of priority of

*Preliminary, subject to change.

payment among Subordinate Tier Obligations; and (ii) the Trust Agreement is authorized by law, has been duly executed and delivered, and is valid and legally binding upon and enforceable by the parties thereto in accordance with its terms and provisions.

THE CORPORATION has reserved the right, subject to the restrictions stated in the Trust Agreement, to issue Additional Subordinate Tier Obligations secured by the Trust Agreement on parity with the Notes. Additionally, the Corporation has reserved the right, subject to the restrictions stated in the Trust Agreement, to issue obligations secured by the Trust Agreement senior to the Subordinate Tier Obligations as well as junior and subordinate to the Subordinate Tier Obligations. The Corporation has also reserved the right to establish a priority of payment between the respective Series of Subordinate Tier Obligations. The Corporation also has reserved the right to amend the Trust Agreement in the manner provided therein and under some (but not all) circumstances amendments thereto must be approved by the Owners of a majority of all Outstanding Obligations secured by the Trust Agreement.

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 Trust Agreement.

IT IS FURTHER OUR OPINION, that except as discussed below, under the statutes, regulations, published rulings, and court decisions existing on the date of this opinion, for federal income tax purposes, the interest on the Notes (i) is excludable from the gross income of the owners thereof and (ii) the Notes will not be treated as "specified private activity bonds" the interest on which would be included as an alternative minimum tax preferred item under section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code"). In expressing the aforementioned opinions, we have relied on the Sufficiency Certificate of Estrada Hinojosa & Company, Inc., the Corporation's Financial Advisor and certain representations, the accuracy of which we have not independently verified, and assume compliance by the Corporation with certain representations and covenants regarding the use and investment of the proceeds of the Notes and the use of the property financed or refinanced therewith. We call your attention to the fact that if such representations are determined to be inaccurate or upon a failure by the Corporation to comply with such covenants, interest on the Notes may become includable in gross income retroactively to the date of issuance of the Notes.

EXCEPT AS STATED ABOVE, we express no opinion as to any other federal, state or local tax consequences of acquiring, carrying, owning or disposing of the Notes. In particular, but not by way of limitation, we express no opinion with respect to the federal, state or local tax consequences arising from the enactment of any pending or future legislation.

WE EXPRESS NO OPINION as to any insurance policies issued in the future.

OUR OPINIONS ARE BASED ON EXISTING LAW, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service (the "Service"); rather, such opinions represent our legal judgment based upon our review of existing law and in reliance upon the representations and covenants referenced above that we deem relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given whether or not the Service will commence an audit of the Notes. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the Corporation as the taxpayer. We observe that the Corporation has covenanted not to take any action, or omit to take any action within its control, that if taken or omitted, respectively, may result in the treatment of interest on the Notes as includable in gross income for federal income tax purposes.

WE CALL YOUR ATTENTION TO THE FACT THAT the interest on tax-exempt obligations, such as the Notes, is 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.

WE HAVE ACTED AS BOND COUNSEL for the Corporation for the purpose of rendering an opinion with respect to the legality and validity of the Notes under the Constitution and laws of the State of Texas and with respect to the exclusion from gross income of the interest on the Notes for federal income tax purposes. We have not been requested to investigate or verify, and have not investigated or verified, any records, data, or other material relating to the financial condition or capabilities of the Corporation 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. Our role in connection with the Official Statement prepared for use in connection with the Notes has been limited as described therein.

THE FOREGOING OPINIONS represent our legal judgment based upon a review of existing legal authorities that we deem relevant to render such opinions and are not a guarantee of a result.

Respectfully,

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