

**GENERAL MEETING OF THE BOARD OF DIRECTORS
OF THE
CENTRAL TEXAS REGIONAL MOBILITY AUTHORITY**

RESOLUTION NO. 05-09

WHEREAS, the Central Texas Regional Mobility Authority ("CTRMA") was created pursuant to the request of Travis and Williamson Counties and in accordance with provisions of the Transportation Code and the petition and approval process established in 46 Tex. Admin. Code § 26.01, *et. seq.* (the "RMA Rules"); and

WHEREAS, the CTRMA identified the proposed 183-A turnpike project as its initial project in the petition filed under the RMA rules; and

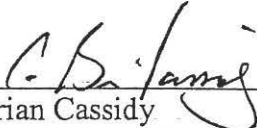
WHEREAS, the Board of Directors desires to finance the 183-A project through the issuance of senior lien revenue bonds and subordinate lien revenue bond anticipation notes; and

WHEREAS, CTRMA staff and consultants have prepared a preliminary official statement for issuance of senior lien revenue bonds and subordinate lien revenue bond anticipation notes, attached hereto as Attachment "A";

NOW THEREFORE, BE IT RESOLVED, that the Board of Directors of the CTRMA approves the preliminary official statement for issuance of senior lien revenue bonds and subordinate lien revenue bond anticipation notes, in the form, or substantially the same form, as is attached hereto as Attachment "A" with such changes as the Chairman, the Executive Director, or the Chief Financial Officer may approve, and the Chairman, the Executive Director, or the Chief Financial Officer are further authorized to approve the distribution of the preliminary official statement.


Adopted by the Board of Directors of the Central Texas Regional Mobility Authority on the 26th day of January, 2005.

Submitted and reviewed by:



C. Brian Cassidy
General Counsel for the Central
Texas Regional Mobility Authority

Approved:



Robert E. Tesch
Chairman, Board of Directors
Resolution Number 05-09
Date Passed 01/26/05

Attachment A

To Resolution 05-09

PRELIMINARY OFFICIAL STATEMENT DATED _____, 2005
NEW ISSUE — BOOK-ENTRY-ONLY

Ratings:
Moody's: _____
S&P: _____
Fitch: _____
(See "RATINGS" and "BOND INSURANCE" herein)

In the opinion of Bond Counsel, interest on the Series 2005 Obligations is excludable from gross income for federal income tax purposes under existing law and the Series 2005 Obligations are not private activity bonds. See "Tax Matters" for a discussion of the opinion of Bond Counsel, including a description of alternative minimum tax consequences for corporations.

CENTRAL TEXAS REGIONAL MOBILITY AUTHORITY

\$182,049,638.25*
SENIOR LIEN REVENUE BONDS
SERIES 2005

\$66,000,000*
SUBORDINATE LIEN REVENUE BOND ANTICIPATION NOTES
SERIES 2005

Dated Date: February 1, 2005

Interest Accrual: as described herein

Due: as shown on page iii

The captioned securities (individually, the "Series 2005 Senior Lien Bonds" and the "Series 2005 Subordinate Lien BANS," and collectively, the "Series 2005 Obligations") will be issued as fully-registered obligations by the Central Texas Regional Mobility Authority (the "Authority"). The Authority is issuing the Series 2005 Senior Lien Bonds pursuant to the Master Trust Indenture, dated as of February 1, 2005 (the "Master Indenture"), and the First Supplemental Trust Indenture, dated February 1, 2005 (the "First Supplemental Indenture"), each by and between the Authority and JPMorgan Chase Bank, National Association, as trustee and paying agent for the Series 2005 Obligations (the "Trustee"). The Authority is issuing the Series 2005 Subordinate Lien BANS pursuant to the Master Trust Indenture and the Second Supplemental Trust Indenture, dated February 1, 2005 (the "Second Supplemental Indenture"), by and between the Authority and the Trustee. The Series 2005 Senior Lien Bonds and any Additional Senior Lien Obligations (as defined herein) constitute special, limited obligations of the Authority secured by and payable solely from a first lien on, pledge of, and security interest in the Trust Estate (as defined herein). The Series 2005 Subordinate Lien BANS, together with any Additional Subordinate Lien Obligations (as defined herein), constitute special, limited obligations of the Authority secured solely by and payable from a lien on, pledge of, and security interest in the Trust Estate, that is subordinate and junior to the lien securing the payment of the Series 2005 Senior Lien Bonds and any Additional Senior Lien Obligations and Additional Junior Lien Obligations issued by the Authority. The Series 2005 Subordinate Lien BANS are also payable from the proceeds of any bonds, notes or obligations issued to retire the Series 2005 Subordinate Lien BANS.

The Series 2005 Senior Lien Bonds are being issued in part as Current Interest Bonds (the "Series 2005 CIBs") and in part as Convertible Capital Appreciation Bonds (the "Series 2005 Convertible CABs"). Interest on the Series 2005 CIBs and the Series 2005 Subordinate Lien BANS will accrue from February 1, 2005, and will be payable on each July 1 and January 1, commencing July 1, 2005. Interest on the Series 2005 Convertible CABs will accrete from the date of the initial delivery thereof until January 1, 2014 (the "Conversion Date") and will compound on July 1 and January 1 of each year, commencing July 1, 2005, and on the Conversion Date. Accreted interest on the Series 2005 Convertible CABs compounded prior to and including the Conversion Date will only be payable at maturity or prior redemption. No payments are due to the Holders of the Series 2005 Convertible CABs until after the Conversion Date. From and after the Conversion Date interest accruing on the Maturity Amount of the Series 2005 Convertible CABs will be payable on July 1 and January 1 of each year until maturity or prior redemption. The "Maturity Amount" for the Series 2005 Convertible CABs represents the original principal amount thereof, plus the initial premium paid therefor and the accreted and compounded interest thereon to the Conversion Date. Interest on the Series 2005 CIBs, the Series 2005 Convertible CABs (after the Conversion Date) and the Series 2005 Subordinate Lien BANS will be calculated on the basis of a 360-day year of twelve 30-day months. The Series 2005 Obligations are initially issuable only to Cede & Co., the nominee of The Depository Trust Company, New York, New York ("DTC"), pursuant to the Book-Entry-Only System described herein. Beneficial ownership may be acquired in principal denominations of \$5,000 or integral multiples thereof within a maturity with respect to the Series 2005 CIBs and the Series 2005 Subordinate Lien BANS, and in Maturity Amounts of \$5,000 or any integral multiples thereof with respect to the Series 2005 Convertible CABs. No physical delivery of the Series 2005 Obligations will be made to the purchasers thereof. Principal of, premium, if any, and interest on the Series 2005 Obligations will be payable by the Trustee to DTC, which will make distribution of the amounts so paid to the beneficial owners thereof. See "THE SERIES 2005 OBLIGATIONS - Book-Entry-Only System" herein.

The proceeds of the Series 2005 Obligations will be used, together with certain other funds described herein, to (i) finance a portion of the Costs (as defined herein) of planning, designing, engineering, developing and constructing the Interim Phase of the 183-A Turnpike Project, as described in the GEC's System Report (as defined herein) attached hereto as APPENDIX C (referred to herein as the "2005 Project"), the initial project of the CTRMA Turnpike System (the "System"), (ii) pay a portion of the Costs of studying, evaluating and designing additional turnpike projects within the Authority's jurisdiction, (iii) pay capitalized interest with respect to the Series 2005 Obligations, (iv) fund the Senior Lien Debt Service Reserve Fund Requirement (as defined herein), (v) provide working capital to the Authority, and (vi) pay certain Issuance Costs of the Series 2005 Obligations, all as more fully described herein.

Each series of the Series 2005 Obligations is described in this Official Statement. This cover page contains information for quick reference only. It is not a summary of the Series 2005 Obligations. Potential investors must read the entire Official Statement to obtain information essential to making an informed investment decision. Investment in the Series 2005 Obligations is subject to certain investment considerations. See "RISK FACTORS" herein.

The payment of the principal of and interest on the Series 2005 Senior Lien Bonds (but not the Series 2005 Subordinate Lien BANS) when due will be insured by a financial guaranty insurance policy to be issued by _____ simultaneously with the delivery of the Series 2005 Senior Lien Bonds.

Each series of Series 2005 Obligations has been assigned ratings by certain rating agencies. See "RATINGS" herein. Certain of the Series 2005 Senior Lien Bonds are subject to optional and mandatory sinking fund redemption prior to maturity, as described herein. The Series 2005 Subordinate Lien BANS are not subject to redemption prior to maturity. See "THE SERIES 2005 OBLIGATIONS - Redemption."

NONE OF THE STATE OF TEXAS OR ANY OTHER AGENCY OR POLITICAL SUBDIVISION OF THE STATE OF TEXAS OTHER THAN THE AUTHORITY IS OBLIGATED TO PAY THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE SERIES 2005 OBLIGATIONS, THE SERIES 2005 OBLIGATIONS ARE PAYABLE SOLELY FROM THE TRUST ESTATE (AS DEFINED HEREIN). NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OF TEXAS OR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE SERIES 2005 OBLIGATIONS. THE AUTHORITY HAS NO TAXING POWER. THE INDENTURE (AS DEFINED HEREIN) DOES NOT CREATE A MORTGAGE ON THE SYSTEM.

The Series 2005 Obligations are offered for delivery when, as, and if issued and received by the Underwriters named below and subject, among other things, to the approval of legality and certain other matters by the Attorney General of the State of Texas and Vinson & Elkins L.L.P., Austin, Texas ("Bond Counsel"). Certain legal matters will be passed upon for the Authority by Locke, Liddell & Sapp L.L.P., general counsel to the Authority, and for the Underwriters by their counsel, Winstead Sechrest & Minick P.C., Austin, Texas. It is expected that delivery of the Series 2005 Obligations will be made through DTC in New York, New York on or about _____, 2005.

See page iii for maturity schedules, interest rates, initial yields and CUSIP numbers.

UBS

JP Morgan

Southwest Securities

Siebert Brandford Shank & Co.

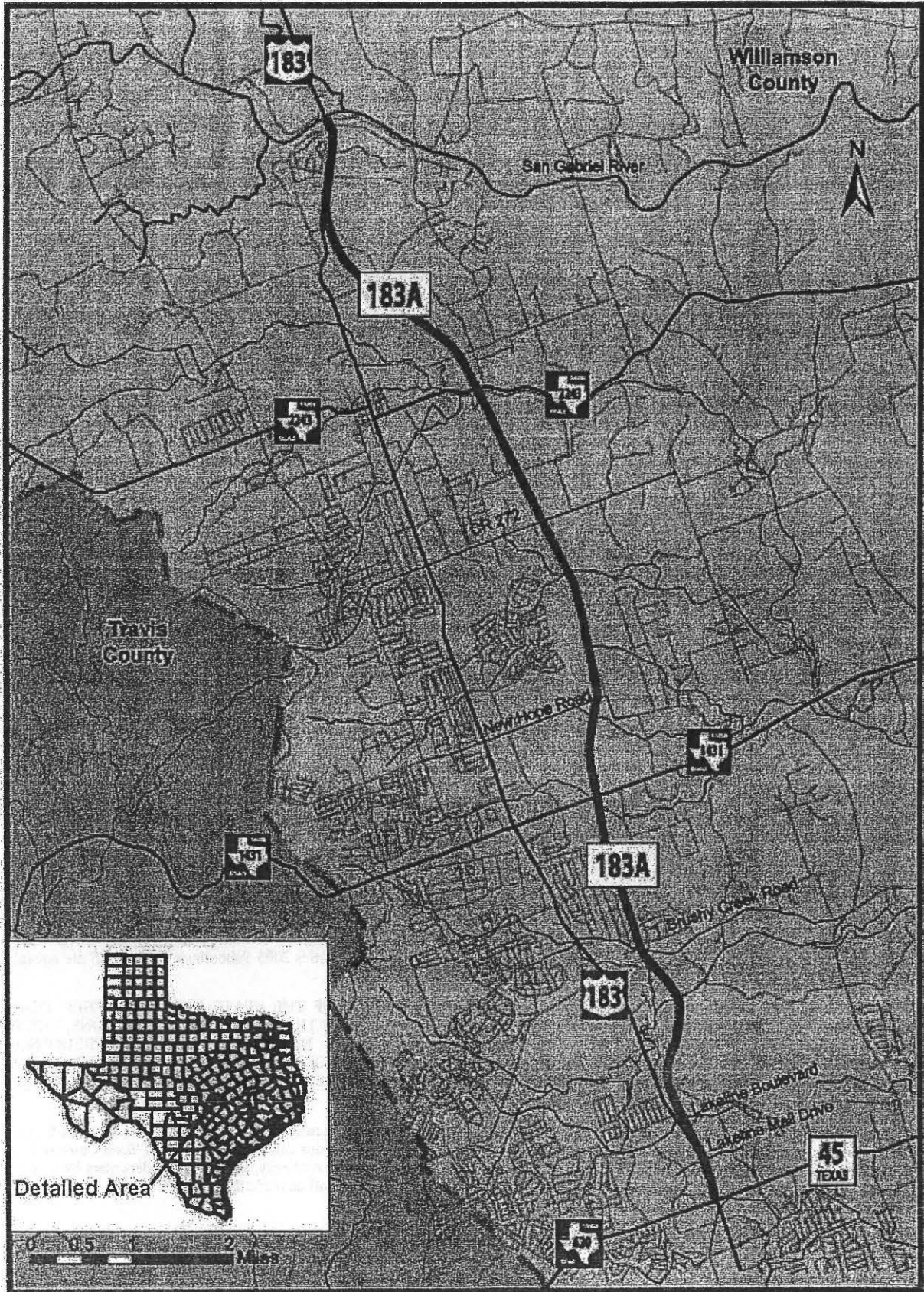
Morgan Stanley

First Albany

Estrada Hinojosa

* Preliminary, subject to change.

183-A Turnpike Project



SERIES 2005 SENIOR LIEN BONDS

MATURITY SCHEDULE *

\$ _____ Current Interest Serial Bonds

<u>Maturity (January 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Initial Yield</u>	<u>CUSIP No.(1)</u>
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\$ _____ Current Interest Term Bonds

\$ _____ % Current Interest Term Bonds due January 1, 20__ — Yield ___% — CUSIP No. _____⁽¹⁾

(Interest to accrue from February 1, 2005)

\$ _____ Convertible Capital Appreciation Bonds

<u>Maturity (January 1)</u>	<u>Original Principal Amount</u>	<u>Interest Rate</u>	<u>Yield to Maturity</u>	<u>Maturity Amount</u>	<u>Initial Offering Price per \$5,000 in Maturity Amount</u>
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SERIES 2005 SUBORDINATE LIEN BANS

MATURITY SCHEDULE *

<u>Maturity (January 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Initial Yield</u>	<u>CUSIP No.(1)</u>
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(Interest to accrue from February 1, 2005)

_____ preliminary, subject to change.

⁽¹⁾ CUSIP numbers have been assigned to these issues by Standard & Poor's CUSIP Service Bureau, a division of the McGraw-Hill Companies, Inc., and are included solely for the convenience of the owners of the Series 2005 Obligations. Neither the Authority nor the Underwriters shall be responsible for the selection or correctness of the CUSIP numbers set forth herein.

CENTRAL TEXAS REGIONAL MOBILITY AUTHORITY

BOARD OF DIRECTORS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>	<u>Occupation</u>
Robert E. (Bob) Tesch	Chairman	January 17, 2005 ⁽¹⁾	Businessman
Lowell H. Lebermann, Jr.	Vice Chairman	Undetermined ⁽²⁾	Businessman
Robert L. Bennett, Jr.	Treasurer	February 1, 2009	Retired
Henry H. Gilmore	Board Member	Undetermined ⁽²⁾	Attorney
James H. Mills	Board Member	February 1, 2007	Businessman
David Singleton	Board Member	February 1, 2011	Businessman
Johanna Zmud, Ph.D.	Board Member	Undetermined ⁽²⁾	Businesswoman

(1) Although Robert E. (Bob) Tesch's term has expired, he will continue to serve on the Authority's Board of Directors until he is either reappointed or his successor is duly appointed by the Governor of the State of Texas pursuant to State law.

(2) Pursuant to the Act, directors must serve staggered six-year terms, with the terms of no more than one-third of the directors expiring on February 1 of each odd-numbered year. For purposes of transitioning to six-year terms and to be compliant with the Act, County Commissioners Court appointees must be designated to serve a two-year, four-year, or six-year term. Williamson County has reappointed its directors and designated the terms for each. Travis County has not yet acted on its appointments/reappointments. The current directors will continue to serve until successors are appointed or, if reappointed, for terms to be designated by the applicable County Commissioners Court.

Administration

<u>Name</u>	<u>Position</u>
Mike Heiligenstein	Executive Director
William Chapman	Chief Financial Officer

Consultants and Advisors

Bond Counsel and Disclosure Counsel	Vinson & Elkins L.L.P. Austin, Texas
General Counsel	Locke, Liddell & Sapp L.L.P. Austin, Texas
Traffic Consultant	Vollmer Associates LLP New York, New York
General Engineering Consultant	HNTB Corporation Austin, Texas
Co-Financial Advisors	First Southwest Company Dallas and Austin, Texas
	D. Ladd Pattillo & Associates Austin, Texas
Trustee	JPMorgan Chase Bank, National Association Austin, Texas

For additional information regarding the Authority, please contact either:

William Chapman
Chief Financial Officer
Central Texas Regional Mobility Authority
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Austin, Texas 78729
(512) 996-9778

Mr. Wayne Placide
First Southwest Company
327 North St. Paul
Suite 800
Dallas, Texas 75201
(214) 953-4000

USE OF INFORMATION IN OFFICIAL STATEMENT

No dealer, broker, salesman, or other person has been authorized by the Authority or the Underwriters to give any information or to make representation other than those contained in this Official Statement, and, if given or made, such other information or representation must not be relied upon as having been authorized by the Authority or the Underwriters. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Series 2005 Obligations by any person, in any jurisdiction in which it is unlawful for such person to make such offer, solicitation, or sale. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement, nor any sale made under the Indenture, as supplemented, shall, under any circumstances, create any implication that there has been no change in the affairs of the Authority since the date hereof. This Official Statement is submitted in connection with the sale of the Series 2005 Obligations 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 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 SERIES 2005 OBLIGATIONS DESCRIBED HEREIN SHOULD NOT BE MADE ON THE ASSUMPTION THAT ANY SUCH FACTS OR CIRCUMSTANCES ARE UNCHANGED.

NEITHER THE AUTHORITY NOR THE CO-FINANCIAL ADVISORS MAKE 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 OR UNDER THE CAPTION "BOND INSURANCE" REGARDING _____ ("_____"), AS SUCH INFORMATION WAS FURNISHED BY DTC AND _____, RESPECTIVELY. THE UNDERWRITERS HAVE PROVIDED THE FOLLOWING SENTENCE FOR INCLUSION IN THIS OFFICIAL STATEMENT. THE UNDERWRITERS HAVE REVIEWED THE INFORMATION IN THIS OFFICIAL STATEMENT IN ACCORDANCE WITH, AND AS PART OF, THEIR RESPECTIVE RESPONSIBILITIES TO INVESTORS UNDER THE FEDERAL SECURITIES LAWS AS APPLIED TO THE FACTS AND CIRCUMSTANCES OF THIS TRANSACTION, BUT THE UNDERWRITERS DO NOT GUARANTEE THE ACCURACY OR COMPLETENESS OF SUCH INFORMATION.

THE PRICE AND OTHER TERMS RESPECTING THE OFFERING AND SALE OF THE SERIES 2005 OBLIGATIONS MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITERS AFTER SUCH SERIES 2005 OBLIGATIONS ARE RELEASED FOR SALE AND SUCH SERIES 2005 OBLIGATIONS MAY BE OFFERED AND SOLD AT PRICES OTHER THAN THE INITIAL OFFERING PRICE, INCLUDING SALES TO DEALERS WHO MAY SELL SUCH SERIES 2005 OBLIGATIONS INTO INVESTMENT COUNTS. IN CONNECTION WITH THE OFFERING OF THE SERIES 2005 OBLIGATIONS, THE UNDERWRITERS MAY ERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2005 OBLIGATIONS AT A LEVEL ABOVE THOSE THAT MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

No registration statement relating to the Series 2005 Obligations has been filed with the United States Securities and Exchange Commission under the Securities Act of 1933, as amended, in reliance upon an exemption provided thereunder. The Series 2005 Obligations have not been registered or qualified under the Securities Act of the State of Texas in reliance upon various exemptions contained therein, nor have the Series 2005 Obligations been registered or qualified under the securities laws of any other jurisdiction. The Authority assumes no responsibility for the registration or qualification for sale or other disposition of the Series 2005 Obligations under the securities laws of any jurisdiction in which the Series 2005 Obligations may be offered, sold or otherwise transferred. This disclaimer of responsibility for registration or qualification for sale or other disposition of the Series 2005 Obligations shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration or qualification provisions.

IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE SERIES 2005 OBLIGATIONS AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES AUTHORITY OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

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

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OFFICIAL STATEMENT

relating to

\$182,049,638.25*
CENTRAL TEXAS
REGIONAL MOBILITY AUTHORITY
SENIOR LIEN REVENUE BONDS
SERIES 2005

and

\$66,000,000*
CENTRAL TEXAS
REGIONAL MOBILITY AUTHORITY
SUBORDINATE LIEN REVENUE BOND ANTICIPATION NOTES
SERIES 2005

INTRODUCTION

This Official Statement (the "*Official Statement*") contains certain information relating to the offering and sale by the Central Texas Regional Mobility Authority (the "*Authority*") of its Senior Lien Revenue Bonds, Series 2005 (the "*Series 2005 Senior Lien Bonds*"), and Subordinate Lien Revenue Bond Anticipation Notes, Series 2005 (the "*Series 2005 Subordinate Lien BANS*") and, together with the Series 2005 Senior Lien Bonds, the "*Series 2005 Obligations*"). This Official Statement also contains information regarding a loan from the United States Department of Transportation ("*USDOT*") to the Authority authorized by the Secured Loan Agreement (as defined below) and evidenced by the Authority's Subordinate Lien Revenue Bond, Series 2005 (the "*2005 TIFIA Bond*"), which will be delivered to USDOT concurrently with the delivery of the Series 2005 Obligations. See "TIFIA FUNDING."

This Official Statement contains, in part, estimates and matters of opinion that are not intended as statements of fact, and no representation or warranty is made as to the correctness of such estimates and matters of opinion, or that they will be realized. This Official Statement speaks only as of its date, and the information contained herein is subject to change. Capitalized terms used in this Official Statement that are not otherwise defined herein have the meanings assigned to them in "APPENDIX B – SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE" or in "APPENDIX F – SUMMARY OF CERTAIN PROVISIONS OF THE SECURED LOAN AGREEMENT."

The Series 2005 Senior Lien Bonds are special, limited obligations of the Authority payable solely from and secured solely by a first lien on, pledge of and security interest in the Trust Estate granted in the Indenture, on an equal and ratable basis with any Additional Senior Lien Obligations issued in the future in accordance with the provisions of the Indenture. The Series 2005 Subordinate Lien BANS are special, limited obligations of the Authority payable

* Preliminary, subject to change.

from and secured solely by a third lien on, pledge of and security interest in the Trust Estate granted in the Indenture, on an equal and ratable basis with any Additional Subordinate Lien Obligations issued in the future in accordance with the provisions of the Indenture. The lien securing the Subordinate Lien Obligations is subordinate and junior to the lien securing the Senior Lien Obligations and any Additional Junior Lien Obligations issued in the future by the Authority. There are currently no Outstanding Junior Lien Obligations. The Series 2005 Subordinate Lien BANS are also payable from the proceeds of any bonds, notes or obligations issued to retire the Series 2005 Subordinate Lien BANS, including without limitation, the 2005 TIFIA Bond. The Series 2005 Obligations will also be secured by certain of the proceeds of the Series 2005 Obligations held in certain Funds and Accounts under the Indenture and invested by the Authority pursuant to one or more investment agreements. See "SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2005 OBLIGATIONS."

The Series 2005 Obligations are being issued, in part, for the purpose of paying a portion of the Costs of planning, designing, engineering, developing and constructing the Interim Phase of the 183-A Turnpike Project, as described in the GEC's System Report (as defined herein) attached hereto as APPENDIX C (referred to herein as the "*2005 Project*"), located in the greater metropolitan area of the City of Austin, Texas, in Williamson County, Texas. The 2005 Project is the initial project of the CTRMA Turnpike System (the "*System*"). The location of the 2005 Project is shown on the map on page ii hereof. The System will also include any future Project and any other roads, bridges, tunnels or other toll facilities for which the Authority has operational responsibility that, in each case, the Authority designates as part of the System by official action of its Board of Directors, which action may be included in any resolution authorizing Obligations or in any Supplemental Indenture, in accordance with the Act. The Authority is not obligated to designate future projects as part of the System. See "THE SYSTEM AND THE 2005 PROJECT."

Investment in the Series 2005 Obligations involves certain risks, some of which are discussed throughout this Official Statement. The statements contained in this Official Statement, and in other information provided by the Authority, that are not purely historical, are forward-looking statements, including statements regarding the Authority's expectations, hopes, intentions or strategies regarding the future. Readers should not place undue reliance on forward-looking statements. All forward-looking statements included in this Official Statement are based on information available to the Authority on the date hereof, and the Authority assumes no obligation to update any such forward-looking statements. See "RISK FACTORS" for a discussion of several investment considerations that should also be considered in evaluating an investment in the Series 2005 Obligations.

NONE OF THE STATE OF TEXAS OR ANY OTHER AGENCY OR POLITICAL SUBDIVISION OF THE STATE OF TEXAS OTHER THAN THE AUTHORITY IS OBLIGATED TO PAY THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE SERIES 2005 OBLIGATIONS. THE SERIES 2005 OBLIGATIONS ARE PAYABLE SOLELY FROM THE TRUST ESTATE. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OF TEXAS OR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE SERIES 2005

OBLIGATIONS. THE AUTHORITY HAS NO TAXING POWER. THE INDENTURE DOES NOT CREATE A MORTGAGE ON THE SYSTEM.

PLAN OF FINANCE

Costs of the 2005 Project will be financed with proceeds of the Series 2005 Obligations, certain funds provided by the Texas Department of Transportation (“TXDOT”) and investment earnings on amounts in the Construction Fund, all as more fully described below. Proceeds of the 2005 TIFIA Bond may also be used to finance Costs of the 2005 Project.

Proceeds of the Series 2005 Obligations

The proceeds of the Series 2005 Senior Lien Bonds will be used, together with certain other funds described below, to (i) finance a portion of the Costs of the 2005 Project, (ii) pay a portion of the Cost of studying, evaluating and designing additional turnpike projects within the Authority’s jurisdiction, (iii) pay capitalized interest with respect to the Series 2005 Senior Lien Bonds, (iv) fund the Senior Lien Debt Service Reserve Fund Requirement, (v) provide working capital to the Authority, and (vi) pay certain Issuance Costs of the Series 2005 Senior Lien Bonds. The proceeds of the Series 2005 Subordinate Lien BANS will be used, together with certain other funds described herein, to (i) finance a portion of the Costs of the 2005 Project, (ii) pay the capitalized interest with respect to the Series 2005 Subordinate Lien BANS to its maturity and (iii) pay certain Issuance Costs of the Series 2005 Subordinate Lien BANS. See “SOURCES AND USES OF FUNDS DERIVED FROM SERIES 2005 OBLIGATIONS.” The Series 2005 Senior Lien Bonds are intended to provide long-term financing for the 2005 Project. The Series 2005 Subordinate Lien BANS are intended to provide interim financing for the 2005 Project and are expected to be refinanced from the proceeds of Additional Senior Lien Obligations, Additional Junior Lien Obligations, Additional Subordinate Lien Obligations, the 2005 TIFIA Bond or other lawfully available sources. See “SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2005 OBLIGATIONS – Additional Obligations” and “APPENDIX F – SUMMARY OF CERTAIN PROVISIONS OF THE SECURED LOAN AGREEMENT.” See also “RISK FACTORS – Refinancing of Series 2005 Subordinate Lien BANS.”

TXDOT Funding Agreements

TXDOT has committed to making a grant of up to \$65 million to the Authority for certain Costs associated with the 2005 Project. A previous grant of \$12.7 million was also made by TXDOT to the Authority for development and pre-construction costs associated with the 2005 Project. Such grants are governed by separate Financial Assistance Agreements between the Authority and TXDOT. See “FUNDING AGREEMENTS WITH TXDOT.”

Right-of-Way Acquisition and Funding

Although the Authority is ultimately obligated to furnish all right-of-way necessary for the 2005 Project, as identified by the Authority to the Developer pursuant to the Comprehensive Development Agreement (as hereinafter defined), TXDOT, Williamson County, Texas, and the City of Cedar Park, Texas, have agreed to furnish or acquire all such right-of-way for the 2005 Project. Approximately 94% of the right-of-way necessary for the construction of the 2005

Project has been acquired by the Authority as of the date of this Official Statement. See "RIGHT-OF-WAY ACQUISITION AND FUNDING."

Secured Loan Agreement and 2005 TIFIA Bond

Pursuant to the Transportation Infrastructure Finance and Innovation Act of 1998, codified as 23 United States Code, Section 181, et seq. ("*TIFIA*"), and a Third Supplemental Trust Indenture, dated February 1, 2005, between the Authority and the Trustee, the Authority has entered into the Secured Loan Agreement with the USDOT, acting by and through the Federal Highway Administrator, pursuant to which the Authority is authorized, subject to the conditions set forth therein, to borrow up to \$66,000,000 to pay or reimburse the Authority for "Eligible Project Costs" (as defined in "APPENDIX F – SUMMARY OF CERTAIN PROVISIONS OF THE SECURED LOAN AGREEMENT") of the 2005 Project. Additionally, the Secured Loan Agreement permits borrowing thereunder to refinance interim construction financing up to one year past the Substantial Completion of the 2005 Project. The Authority's obligation to repay any borrowing under the Secured Loan Agreement will be evidenced by the 2005 TIFIA Bond, which constitutes a Subordinate Lien Obligation secured by a lien on, pledge of and security interest in the Trust Estate that is subordinate and junior to the lien on, pledge of and security interest in the Trust Estate securing the Senior Lien Obligations and the Junior Lien Obligations; provided, however, that upon the occurrence of an Event of Default that is a Bankruptcy-Related Event under the Indenture while the USDOT owns the 2005 TIFIA Bond, the 2005 TIFIA Bond will become a Senior Lien Obligation on a parity with other Senior Lien Obligations, except that it will not be entitled to be paid from amounts in the Senior Lien Debt Service Reserve Fund or to be paid from the Bond Insurance Policy. See "TIFIA FUNDING," "SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2005 OBLIGATIONS – Additional Obligations – Springing Senior Lien Obligations," "– Default and Remedies – 2005 TIFIA Bond Default Remedy" and "APPENDIX F – SUMMARY OF CERTAIN PROVISIONS OF THE SECURED LOAN AGREEMENT." See also "RISK FACTORS – Dilution of Senior Lien Security Upon Bankruptcy-Related Event." The 2005 TIFIA Bond is available, as needed, as reimbursement for Eligible Projects Costs and to finance or refinance costs of the 2005 Project, including to refinance the Series 2005 Subordinate Lien BANS. See "RISK FACTORS – Refinancing of Series 2005 Subordinate Lien BANS."

Investment Earnings

The Construction Fund will be funded with (i) certain proceeds of the Series 2005 Obligations, (ii) a portion of certain proceeds from the Second TXDOT Assistance Agreement (as hereinafter defined), (iii) investment earnings on amounts in the Construction Fund, and (iv) any other moneys received by the Trustee for the payment of Costs of the 2005 Project. See "SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2005 OBLIGATIONS – Funds and Accounts – Construction Fund." As stated above, investment earnings on amounts deposited in the Construction Fund will be retained in the Construction Fund and will be available to pay Costs of the 2005 Project.

Traffic and Revenue Report; General Engineering Consultant's System Report; Peer Review Report

HNTB Corporation (the "*General Engineering Consultant*" or "*GEC*") has prepared the GEC's System Report (as hereinafter defined and attached as APPENDIX C), which, among other things, documents and describes the location, construction cost estimates, construction schedule and operation and maintenance cost estimates for the 2005 Project. Vollmer Associates LLP (the "*Traffic Consultant*") has prepared the Traffic and Revenue Report (as hereinafter defined and attached as APPENDIX D), which sets forth the estimated traffic and revenue for the 2005 Project. WHM Transportation Engineering Consultants, Inc. ("*WHM*"), has prepared the Traffic and Toll Revenue Study Peer Review Report (as hereinafter defined and attached as APPENDIX E), which provides an independent assessment of the work conducted on the 2005 Project by the Traffic Consultant.

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ESTIMATED INITIAL SOURCES AND USES OF FUNDS FOR 2005 PROJECT

The following table shows the estimated sources of initial funding for the 2005 Project, and the application thereof.

Sources of Funds

Proceeds of Series 2005 Obligations ⁽¹⁾	\$ _____
TXDOT Funding ⁽²⁾	_____
Third Party Contributions	_____
Investment Earnings ⁽³⁾	_____
Accrued Interest	_____
<u>Total Sources of Funds</u>	<u>\$ _____</u>

Uses of Funds

2005 Project Construction Costs	\$ _____
Capitalized Interest ⁽⁴⁾	_____
Deposit to Debt Service Funds (accrued interest)	_____
Senior Lien Debt Service Reserve Fund Requirement	_____
Right-of-Way Acquisition	_____
Operations and Maintenance Reimbursement	_____
Preconstruction Costs	_____
Deposit to Renewal and Replacement Fund	_____
Working Capital Requirements	_____
Future Feasibility Studies	_____
Issuance Costs, including Underwriters' Discount, Bond Insurance Premium and Rounding Amount	_____
<u>Total Uses of Funds</u>	<u>\$ _____</u>

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- (1) Interim funding is provided by the Series 2005 Subordinate Lien BANS. While the Authority has no obligation to do so, it is assumed that up to \$66,000,000 of the 2005 TIFIA Bond will be drawn down in December 2007 to refinance the Series 2005 Subordinate Lien BANS. See "2005 Project Estimated Cash Flow and Debt Service Coverage Table" and "Plan of Finance – Secured Loan Agreement and 2005 TIFIA Bond."
 - (2) The Authority has received separate grants of \$12.7 million and up to \$65 million under separate Financial Assistance Agreements with TXDOT. See "FUNDING AGREEMENTS WITH TXDOT."
 - (3) Based on expected investment earnings on moneys in the Debt Service Fund, the Construction Fund, and the Senior Lien Debt Service Reserve Fund. See "PLAN OF FINANCE – Investment Earnings," "INVESTMENT AUTHORITY AND INVESTMENT PRACTICES OF THE AUTHORITY" and "RISK FACTORS – Unpredictability of Investment Earnings" and "RISK FACTORS – Forward-Looking Statements."
 - (4) Funded from initial deposit of \$22,416,284.72 in the Senior Lien Debt Service Fund and \$9,748,888.43 in the Subordinate Lien Debt Service Fund plus investment earnings on such amounts.

For a detailed estimate of the application of proceeds from each series of the Series 2005 Obligations, see "SOURCES AND USES OF FUNDS DERIVED FROM SERIES 2005 OBLIGATIONS."

Series 2005 Project Estimated Cash Flow and Debt Service Coverage

The table on the following page has been compiled to show estimated Revenues of the 2005 Project for the Fiscal Years 2009 through 2045 as estimated by the Traffic Consultant, including investment and other earnings for the same period as estimated by the Authority. See "APPENDIX D – TRAFFIC AND REVENUE REPORT – TABLE 6-5." Based on the projections for estimated Revenues, projections of operation and maintenance expenses and the debt service requirements for the Series 2005 Obligations, estimated debt service coverage for each of the following periods is set forth in the table on the following page. See "SCHEDULE I – DEBT SERVICE REQUIREMENTS" for the debt service requirements with respect to each series of Series 2005 Obligations. See also "RISK FACTORS – Forward-Looking Statements."

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2005 Project Estimated Cash Flow and Debt Service Coverage Table

(Dollar Amounts shown in Thousands)

Fiscal Year	Revenues ⁽¹⁾	Total Operations Costs ⁽³⁾	TXDOT Funds used for O&M ⁽⁴⁾	TIFIA Servicing Fee	Revenues Available for Debt Service	Net Senior Lien Debt Service ⁽⁵⁾	Senior Lien Debt Service Coverage	Revenues Available After Senior Lien Debt Service	TIFIA Debt Service ⁽⁶⁾	Total Debt Service Coverage	Renewal and Replacement Fund	Annual Excess
2008	-	-	-	-	-	-	n/a	-	-	n/a	-	-
2009	13,396,000 ⁽²⁾	(5,555,072)	5,555,072	(10,500)	13,385,500	7,648,857	1.75	5,736,643	-	1.75	-	5,736,643
2010	13,937,000	(5,935,678)	5,935,678	(10,500)	13,926,500	7,845,915	1.78	6,080,585	-	1.78	566,500	5,514,085
2011	19,595,000	(6,363,717)	2,298,952	(10,500)	15,519,735	8,622,075	1.80	6,897,660	-	1.80	583,495	6,314,165
2012	23,446,000	(6,804,633)	7,795	(10,500)	16,638,662	9,117,075	1.83	7,521,587	2,121,276	1.48	601,000	4,799,311
2013	26,306,000	(7,229,469)	-	(10,500)	19,066,031	10,301,088	1.85	8,764,943	4,187,422	1.32	619,030	3,958,492
2014	27,229,000	(7,435,560)	-	(10,500)	19,782,940	10,546,575	1.88	9,236,365	4,229,727	1.34	637,601	4,369,037
2015	28,151,000	(7,807,896)	-	(10,500)	20,332,604	10,700,838	1.90	9,631,766	4,269,467	1.36	656,729	4,705,570
2016	33,305,000	(8,065,754)	-	(10,500)	25,228,746	12,454,888	2.03	12,773,858	5,407,423	1.41	676,431	6,690,004
2017	34,465,000	(8,377,727)	-	(10,500)	26,076,773	12,128,456	2.15	13,948,317	5,407,423	1.49	696,724	7,844,170
2018	35,625,000	(8,698,530)	-	(10,500)	26,915,970	11,829,706	2.28	15,086,265	5,407,423	1.56	717,625	8,961,216
2019	36,777,000	(8,998,430)	-	(10,500)	27,768,070	11,567,102	2.40	16,200,968	5,407,423	1.64	739,154	10,054,391
2020	37,929,000	(9,306,650)	-	(10,500)	28,611,850	11,330,762	2.53	17,281,088	5,407,423	1.71	761,329	11,112,336
2021	41,303,000	(9,574,298)	-	(10,500)	31,718,202	11,969,842	2.65	19,748,361	5,407,423	1.83	784,168	13,556,769
2022	42,602,000	(9,899,599)	-	(10,500)	32,691,901	11,782,003	2.77	20,909,898	5,407,423	1.90	807,694	14,694,781
2023	43,901,000	(10,233,909)	-	(10,500)	33,656,591	11,605,280	2.90	22,051,312	5,407,423	1.98	831,924	15,811,964
2024	45,199,000	(10,577,408)	-	(10,500)	34,611,092	11,443,912	3.02	23,167,180	5,407,423	2.05	856,882	16,902,875
2025	46,713,000	(10,955,045)	-	(10,500)	35,747,455	11,372,365	3.14	24,375,090	5,407,423	2.13	882,589	18,085,078
2026	53,347,000	(11,225,727)	-	(10,500)	42,110,773	12,885,628	3.27	29,225,146	5,407,423	2.30	909,066	22,908,656
2027	55,169,000	(11,590,614)	-	(10,500)	43,567,886	12,818,525	3.40	30,749,361	5,407,423	2.39	936,338	24,405,600
2028	56,990,000	(14,208,361)	-	(10,500)	42,771,139	12,134,375	3.52	30,636,764	5,407,423	2.44	964,428	24,264,913
2029	58,811,000	(14,657,589)	-	(10,500)	44,142,911	12,093,850	3.65	32,049,061	5,407,423	2.52	993,361	25,648,277
2030	60,633,000	(15,117,763)	-	(10,500)	45,504,737	12,054,400	3.77	33,450,337	5,407,423	2.61	1,023,162	27,019,752
2031	68,087,000	(15,490,448)	-	(10,500)	52,586,052	13,485,500	3.90	39,100,552	5,407,423	2.78	1,053,857	32,639,272
2032	69,537,000	(15,935,174)	-	(10,500)	53,591,326	13,319,450	4.02	40,271,876	5,407,423	2.86	1,085,473	33,778,980
2033	70,987,000	(16,391,876)	-	(10,500)	54,584,624	13,155,525	4.15	41,429,099	5,407,423	2.94	1,118,037	34,903,639
2034	72,437,000	(16,860,968)	-	(10,500)	55,565,532	13,003,200	4.27	42,562,332	5,407,423	3.02	1,151,578	36,003,331
2035	73,887,000	(17,342,898)	-	(10,500)	56,533,602	12,851,425	4.40	43,682,177	5,407,423	3.10	1,186,125	37,088,629
2036	84,380,031	(17,729,328)	-	(10,500)	66,640,203	14,729,675	4.52	51,910,528	5,407,423	3.31	1,221,709	45,281,395
2037	85,805,031	(18,230,546)	-	(10,500)	67,563,985	14,535,850	4.65	53,028,135	5,407,423	3.39	1,258,360	46,362,351
2038	87,230,031	(18,745,785)	-	(10,500)	68,473,746	14,342,588	4.77	54,131,158	5,407,423	3.47	1,296,111	47,427,624
2039	88,655,031	(19,275,437)	-	(10,500)	69,369,094	14,159,100	4.90	55,209,994	5,407,423	3.55	1,334,994	48,467,576
2040	90,080,031	(19,820,055)	-	(10,500)	70,249,476	13,984,075	5.02	56,265,401	5,407,423	3.62	1,375,044	49,482,933
2041	97,572,782	(20,312,278)	-	(10,500)	77,250,003	15,006,200	5.15	62,243,803	5,407,423	3.78	1,416,296	55,420,085
2042	98,922,782	(20,881,519)	-	(10,500)	78,030,763	14,796,688	5.27	63,234,076	5,407,423	3.86	1,458,784	56,367,868
2043	100,272,782	(21,467,048)	-	-	78,805,734	14,600,913	5.40	64,204,821	-	5.40	1,502,548	62,702,273
2044	101,622,782	(22,069,437)	-	-	79,553,345	14,402,038	5.52	65,151,308	-	5.52	1,547,624	63,603,683
2045	102,972,782	(22,689,249)	-	-	80,283,533	14,214,013	5.65	66,069,521	-	5.65	1,594,053	64,475,467
			\$13,797,497			\$454,839,752			\$160,808,323			

(1) Estimated toll revenues provided by the Traffic and Revenue Report.
 (2) Estimated toll revenues for 2009 includes projected toll revenues for 2007 and 2008 provided by the Traffic and Revenue Report.
 (3) Toll operations costs provided by General Engineering Consultant.
 (4) Represents a portion of the funds granted to the Authority by TXDOT pursuant to the First TXDOT Assistance Agreement and the Second TXDOT Assistance Agreement.
 (5) Net Senior Lien Debt Service includes debt service on the Series 2005 Senior Lien Bonds and is net of capitalized interest. Preliminary, subject to change.
 (6) Assumes that a portion of the 2005 TIFIA Bond is drawn down in December 2007 to refinance the Series 2005 Subordinate Senior Lien Obligations or Additional Subordinate Lien Obligations may be issued to refinance the Series 2005 Subordinate Senior Lien BANS. Should long-term fixed-interest rate be lower than the rate of the 2005 TIFIA Bond, Additional Senior Lien Obligations may be issued to refinance the Series 2005 Subordinate Senior Lien BANS on its maturity date.

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SOURCES AND USES OF FUNDS DERIVED FROM SERIES 2005 OBLIGATIONS

The proceeds from the sale of each series of Series 2005 Obligations are estimated to be applied as set forth in the following table:

<u>Sources and Uses of Funds</u>	Series 2005 Senior Lien <u>Bonds</u>	Series 2005 Subordinate Lien <u>BANS</u>	<u>Total</u>
<u>Sources of Funds:</u>			
Principal Amount	\$ _____	\$ _____	\$ _____
Plus: Premium	_____	_____	_____
Less: Original Issue Discount	_____	_____	_____
Accrued Interest	_____	_____	_____
 <u>Total Sources of Funds</u>	 \$ _____	 \$ _____	 \$ _____
<u>Uses of Funds:</u>			
Deposit to Construction Fund	\$ _____	\$ _____	\$ _____
Deposit to Operating Fund	_____	_____	_____
Deposit to Senior Lien Debt Service Reserve Fund	_____	_____	_____
Deposit to Senior Lien Debt Service Fund ⁽¹⁾	_____	_____	_____
Deposit to Subordinate Lien Debt Service Fund ⁽²⁾	_____	_____	_____
Deposit to Renewal and Replacement Fund	_____	_____	_____
Bond Insurance	_____	_____	_____
Issuance Costs (including Underwriters' Discount)	_____	_____	_____
 <u>Total Uses of Funds</u>	 \$ _____	 \$ _____	 \$ _____

(1) Includes capitalized interest deposited to Senior Lien Debt Service Fund.

(2) Includes capitalized interest deposited to Subordinate Lien Debt Service Fund.

THE SERIES 2005 OBLIGATIONS

General

The Series 2005 Obligations will be issued by the Authority pursuant to (i) the laws of the State, particularly Chapter 370, Texas Transportation Code (the "Act"), and Chapter 1371, Texas Government Code, as amended, (ii) a resolution of the Board of Directors of the Authority authorizing the issuance and delivery of the Series 2005 Obligations (the "Bond Resolution"), and (iii) a Master Trust Indenture, dated February 1, 2005 (the "Master Indenture"), by and between the Authority and JPMorgan Chase Bank, National Association (the "Trustee"), as supplemented by the First Supplemental Trust Indenture, dated February 1, 2005 with respect to the Series 2005 Senior Lien Bonds (the "First Supplemental Indenture"), and the Second

Supplemental Trust Indenture, dated February 1, 2005 with respect to the Series 2005 Subordinate Lien BANS (the "*Second Supplemental Indenture*"), each between the Authority and the Trustee. The 2005 TIFIA Bond is being issued pursuant to the Bond Resolution and the Third Supplemental Trust Indenture, dated February 1, 2005 (the "*Third Supplemental Indenture*" and, together with the Master Indenture, the First Supplemental Indenture and the Second Supplemental Indenture, the "*Indenture*"), between the Authority and the Trustee.

Series 2005 Senior Lien Bonds. The Series 2005 Bonds will be dated February 1, 2005 (the "*Dated Date*"), and will be issued in part as Current Interest Bonds (the "*Series 2005 CIBs*") and in part as Convertible Capital Appreciation Bonds (the "*Series 2005 Convertible CABs*"). "Interest Payment Date" as used in this Official Statement shall mean (i) July 1, 2005, and each January 1 and July 1 thereafter until maturity or prior redemption with respect to the Series 2005 CIBs and the Series 2005 Subordinate Lien BANS and (ii) July 1 2014, and each January 1 and July 1 thereafter until maturity or prior redemption with respect to the Series 2005 Convertible CABs. "*Authorized Denomination*" as used in this Official Statement shall mean (i) principal denominations of \$5,000 or any integral multiple thereof within a maturity with respect to the Series 2005 CIBs and the Series 2005 Subordinate Lien BANS and (ii) Maturity Amount denominations of \$5,000 or any integral multiple thereof within a maturity with respect to the Series 2005 Convertible CABs

Series 2005 CIBs. The Series 2005 CIBs are to mature on the dates and in the principal amounts shown on page iii hereof. The Series 2005 CIBs will each be issued as fully registered obligations in Authorized Denominations. Interest on the Series 2005 CIBs will be calculated on the basis of a 360-day year of twelve 30-day months and will accrue from the Dated Date at the interest rates shown on page iii hereof and such interest shall be payable to the Holders thereof on each Interest Payment Date for the Series 2005 CIBs.

Series 2005 Convertible CABs. The Series 2005 Convertible CABs are to mature on the dates and in the Maturity Amounts shown on page iii hereof. The "Maturity Amount" for the Series 2005 Convertible CABs represents the total amount of principal, plus the initial premium, if any, paid therefor, and the accreted/compounded interest thereon to and including July 1, 2014 (the "*Conversion Date*"). The Series 2005 Convertible CABs will each be issued as fully registered obligations in Authorized Denominations. Interest on the Series 2005 Convertible CABs will accrete from the date of their initial delivery to the Underwriters to the Conversion Date and will compound on July 1, 2005 and each January 1 and July 1 thereafter until and including the Conversion Date (each such date being a "*Compounding Date*"). From and after the Conversion Date, interest on the Maturity Amount of the Series 2005 Convertible CABs will accrue at the interest rates noted on page iii of this Official Statement, and such accrued interest will be payable on each Interest Payment Date for the Series 2005 Convertible CABs. No interest payments are due to the Holders of the Series 2005 Convertible CABs until after the Conversion Date. A table of Compound Amounts for the Series 2005 Convertible CABs per \$5,000 Maturity Amount based on the initial offering prices and the approximate interest rates therefor is presented in SCHEDULE II attached hereto and such table is provided for informational purposes only and may not reflect the price for the Series 2005 Convertible CABs in the secondary market.

The term "Compounded Amount," as used in this Official Statement, means as of any particular date of calculation, the original principal amount thereof, plus all interest accreted and compounded to the particular date of calculation, determined as follows:

(a) as of any Compounding Date (which shall include the Conversion Date), the amount shown as the Compounded Amount for such Compounding Date in the Compounded Amount Table; and

(b) as of any date that is not a Compounding Date, the amount set forth in the Compounded Amount Table for the last preceding Compounding Date, plus the portion of the difference between such amount and the amount set forth in the Compounded Amount Table for the next succeeding Compounding Date that the number of days (based on 30-day months) from such last preceding Compounding Date to the date for which determination is being made bears to the total number of days (based on 30-day months) from such last preceding Compounding Date to the next succeeding Compounding Date.

Yield on Series 2005 CABs. The approximate yields of the Series 2005 Convertible CABs as set forth on page iii of this Official Statement are based upon the initial offering price therefor set forth on page iii of this Official Statement. Such offering price includes the principal amount of such Series 2005 Convertible CABs plus premium, if any, equal to the amount by which such offering price exceeds the principal amount of such Series 2005 Convertible CABs. The yield on the Series 2005 Convertible CABs to a particular purchaser may differ depending upon the price paid by the purchaser. For various reasons, securities that do not pay interest periodically, such as the Series 2005 Convertible CABs, have traditionally experienced greater price fluctuations in the secondary market than securities that pay interest on a periodic basis.

Series 2005 Subordinate Lien BANS. The Series 2005 Subordinate Lien BANS will be dated the Dated Date. The Series 2005 Subordinate Lien BANS are scheduled to mature on the date and in the principal amount shown on page iii hereof. Interest on the Series 2005 Subordinate Lien BANS will accrue from the Dated Date at the interest rates shown on page iii hereof and such interest will be payable to the registered owners thereof on each Interest Payment Date for the Series 2005 Subordinate Lien BANS, and will be calculated on the basis of a 360-day year composed of twelve 30-day months. The Series 2005 Subordinate Lien BANS will be issued as fully registered obligations in Authorized Denominations within a maturity.

Method and Place of Payment

The Trustee will act as Paying Agent for the Series 2005 Obligations. The principal amount of the Series 2005 CIBs and the Series 2005 Subordinate Lien BANS and the Maturity Amount of the Series 2005 Convertible CABs will be payable upon the presentation and surrender thereof, as the same respectively become due and payable, at the applicable office of the Trustee, initially the Trustee's office located in Austin, Texas (or such other office designated by the Trustee), which will be utilized to perform payments and transfers with respect to the Series 2005 Obligations. The interest on each Series 2005 Obligation will be payable by check mailed on each Interest Payment Date to the Person in whose name such Series 2005 Obligation is registered on the 15th day of the month (whether or not a Business Day) immediately preceding the applicable Interest Payment Date, at the address of such Person as shown on the

registration books kept by the Trustee. The principal amount of the Series 2005 CIBs and the Series 2005 Subordinate Lien BANS and the Maturity Amount of the Series 2005 Convertible CABs and interest on the Series 2005 Obligations will also be payable at any other place that may be provided for such payment by the appointment of any other Paying Agent for the Series 2005 Obligations as permitted by the Indenture.

Notwithstanding the foregoing, for so long as DTC, the Securities Depository, is the exclusive registered owner of the Series 2005 Obligations and for Holders of not less than \$1,000,000 in aggregate principal amount or Maturity Amounts, as applicable, of the Series 2005 Obligations, and except for the final payment of principal of the Series 2005 Obligations at maturity, the principal amount, or Maturity Amounts, as applicable, thereof and the interest thereon will be payable by wire transfer in immediately available federal funds to DTC or such Holders without the necessity of any immediate presentation and surrender of Series 2005 Obligations pursuant to written instructions from the Holder, or the Letter of Representations, as the case may be.

Redemption

The Series 2005 Subordinate Lien BANS are not subject to optional or mandatory redemption prior to maturity.

Mandatory Sinking Fund Redemption.

Series 2005 CIBs. The Series 2005 CIBs maturing on the respective dates specified below are subject to mandatory sinking fund redemption prior to maturity in the aggregate principal amounts and on the dates set forth in the following tables, at a redemption price equal to 100% of the principal amount thereof, plus accrued interest to, but not including, the redemption date, as follows:

Series 2005 CIBs Maturing	
<u>January 1, 20</u>	
<u>Redemption Date</u>	<u>Principal Amount</u>

*
*(final maturity)

Series 2005 CIBs Maturing	
<u>January 1, 20</u>	
<u>Redemption Date</u>	<u>Principal Amount</u>

*
*(final maturity)

Series 2005 CIBs Maturing

January 1, 20

Redemption Date

Principal Amount

*

*(final maturity)

The principal amount of the Series 2005 CIBs required to be redeemed on any redemption date pursuant to the operation of the mandatory sinking fund redemption provisions will be reduced, at the option of the Authority, by the principal amount of any Series 2005 CIBs having the same maturity which (A) at least 45 days prior to the mandatory sinking fund redemption date, have been (1) acquired by the Authority and delivered to the Trustee for cancellation, (2) acquired and canceled by the Trustee at the direction of the Authority, or (3) redeemed other than pursuant to mandatory sinking fund redemption, and (B) have not been previously credited against a mandatory sinking fund redemption.

Optional Redemption. The Series 2005 Senior Lien Bonds are subject to redemption prior to maturity at the option of the Authority, with funds derived from any available source, on _____, 20__, or on any date thereafter, in whole or in part, at a redemption price equal to the principal amount or Maturity Amount, as applicable, of such Series 2005 Senior Lien Bonds or portions thereof to be redeemed, plus accrued interest to, but not including, the redemption date.

Selection of Series 2005 Senior Lien Bonds to be Redeemed. If less than all of the Series 2005 Senior Lien Bonds of the same maturity and interest rate are called for prior redemption, the particular Series 2005 Senior Lien Bonds or portions of Series 2005 Senior Lien Bonds of such maturity and interest rate to be redeemed will be selected at random by the Trustee in such manner as the Trustee in its discretion may deem fair and appropriate; provided, however, that any Series 2005 Senior Lien Bonds redeemed in part will be redeemed in an amount such that the unredeemed portion thereof will equal an Authorized Denomination, and provided further that, in selecting Series 2005 Senior Lien Bonds for redemption, the Trustee will treat each Series 2005 Senior Lien Bond in a denomination greater than the minimum Authorized Denomination as representing that number of Series 2005 Senior Lien Bonds of the minimum Authorized Denomination which is obtained by dividing the principal amount or Maturity Amounts, as applicable, of such Series 2005 Senior Lien Bond by the minimum Authorized Denomination.

Notice and Conditional Redemption. The Trustee will give notice, in the name of the Authority, of the redemption of the Series 2005 Senior Lien Bonds, which notice must specify the maturities and interest rates of the Series 2005 Senior Lien Bonds to be redeemed, the redemption date and the method and place or places of payment of the redemption price of such Series 2005 Senior Lien Bonds and, if less than all of the Series 2005 Senior Lien Bonds of any maturity and interest rate are to be redeemed, the letters and numbers or other distinguishing marks of such Series 2005 Senior Lien Bonds so to be redeemed, and, in the case of Series 2005 Senior Lien Bonds to be redeemed in part only, such notices must also specify the respective portions of the principal amounts or Maturity Amounts, as applicable, thereof to be redeemed.

Except as provided below with respect to conditional notice, such notice will further state that on such date there will become due and payable upon each Series 2005 Senior Lien Bond to be redeemed the redemption price thereof, or the redemption price of the specified portions of the principal amounts or Maturity Amounts, as applicable, thereof, in the case of Series 2005 Senior Lien Bonds to be redeemed in part only, together with interest accrued to the redemption date, and that from and after such date interest thereon will cease to accrue and be payable. Such notice must be given, not more than 60 and not less than 30 days before the redemption date, by first-class mail, postage prepaid, to the Holder of each Series 2005 Senior Lien Bond which is to be redeemed in whole or in part, at the address appearing upon the registration books kept by the Trustee; provided, however, that any such notice required to be sent to a Securities Depository may be sent by any method agreed upon by the Authority, the Trustee and such Securities Depository. The Trustee's obligation to give notice will not be conditioned upon the prior payment to the Trustee of funds sufficient to pay the redemption price of the Series 2005 Senior Lien Bonds to which such notice relates or interest thereon to the redemption date.

In the Indenture, the Authority reserves the right to give notice of its election or direction to redeem Series 2005 Senior Lien Bonds conditioned upon the occurrence of subsequent events. Such notice may state (i) that the redemption is conditioned upon the deposit of moneys or Defeasance Securities, in an amount equal to the amount necessary to effect the redemption, with the Trustee no later than the redemption date or (ii) that the Authority retains the right to rescind such notice at any time prior to the scheduled redemption date if the Authority delivers a certificate of an Authorized Representative of the Authority to the Trustee instructing the Trustee to rescind the redemption notice, and such notice and redemption will be of no effect if such moneys or Defeasance Securities are not so deposited or if the notice is rescinded. The Trustee must give prompt notice of any such rescission of a conditional notice of redemption to the affected Holders. Any Series 2005 Senior Lien Bonds subject to conditional redemption where redemption has been rescinded will remain Outstanding, and the rescission will not constitute an Event of Default. Further, in the case of a conditional redemption, the failure of the Authority to make funds available in part or in whole on or before the redemption date will not constitute an Event of Default.

Purchase of Series 2005 Obligations at Any Time. The Trustee, upon the written request of the Authority, will purchase Series 2005 Obligations as specified by the Authority in the open market at a price not exceeding the price specified by the Authority. Such purchase of Series 2005 Obligations may be made with funds available under the Indenture or with other available funds of the Authority. Upon purchase by the Trustee, such Series 2005 Obligations will be treated as delivered for cancellation. No provision in the Indenture prevents the Authority from purchasing Series 2005 Obligations on the open market without the involvement of the Trustee and delivering such Series 2005 Obligations to the Trustee for cancellation. Series 2005 Senior Lien Bonds purchased as described in this paragraph that are subject to mandatory sinking fund redemption may be credited as directed by an Authorized Representative against future mandatory sinking fund redemption payments. The principal amount of Series 2005 Senior Lien Bonds to be redeemed by optional redemption under the Indenture may be reduced by the principal amount of Series 2005 Senior Lien Bonds purchased by the Authority and delivered to the Trustee for cancellation at least 15 days prior to the last date on which the notice of redemption can be mailed.

Trustee

The Authority covenants to maintain and provide a Trustee under the Indenture at all times while the Series 2005 Obligations are Outstanding. Any successor Trustee must be a bank, trust company or national banking association organized and doing business under the laws of the United States of America or any state having a capital stock surplus aggregating at least \$100,000,000, which is willing and able to accept the office on reasonable and customary terms and which is authorized by law to perform all the duties of the Trustee under the Indenture. In case at any time the Trustee resigns or is removed, or becomes incapable of acting, or is adjudged a bankrupt or insolvent, or if a receiver, liquidator or conservator of the Trustee, or of its property, is appointed, or if any public officer shall take charge or control of the Trustee, a successor may be appointed by the Holders of a majority in principal amount or Maturity Amount, as applicable, of the Series 2005 Obligations then Outstanding; provided, nevertheless, that unless a successor Trustee has been appointed by the Holders as aforesaid, the Authority will, by written instrument signed by an Authorized Representative of the Authority, appoint a Trustee to act until a successor is appointed by the Holders as described above. If no appointment of a successor Trustee is made as provided above within 45 days after the Trustee has given written notice to the Authority of its resignation or after a vacancy has otherwise occurred in the office of the Trustee, the Trustee, in the case of a resignation, or the Holder of any Obligation, in any case, may apply to any court of competent jurisdiction to appoint a successor Trustee.

Book-Entry-Only System

The Depository Trust Company ("*DTC*"), New York, New York, will act as Securities Depository for the Series 2005 Obligations. The Series 2005 Obligations will be issued as fully registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered Series 2005 Obligation per series and maturity will be issued in the aggregate principal amount or Maturity Amount, as applicable, of such issue, and will be deposited with DTC. If, however, the aggregate principal amount of a maturity exceeds \$500,000,000, one certificate will be issued with respect to each \$500,000,000 of principal amount or Maturity Amount, as applicable, and an additional certificate will be issued with respect to any remaining principal amount or Maturity Amount, as applicable, of such maturity.

The information in this section concerning DTC and DTC's book-entry system has been provided by DTC to be included in disclosure documents, but the Authority takes no responsibility for the accuracy thereof.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2 million issues of United States and non-United States equity issues, corporate and municipal debt issues, and money market instruments from over 85 countries that DTC's participants ("*Direct Participants*") deposit with DTC. DTC also

facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both United States and non-United States securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both United States and non-United States securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("*Indirect Participants*"). DTC has Standard & Poor's highest rating: "AAA." The DTC Rules applicable to its Participants are on file with the SEC. More information about DTC can be found at www.dtcc.com.

Purchases of Series 2005 Obligations under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2005 Obligations on DTC's records. The ownership interest of each actual purchaser of each Obligation ("*Beneficial Owner*") is in turn to be recorded on the Direct Participants' 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 Participant or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2005 Obligations are to be accomplished by entries made on the books of Direct Participants and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Series 2005 Obligations, except in the event that use of the book-entry system for the Series 2005 Obligations is discontinued.

To facilitate subsequent transfers, all Series 2005 Obligations deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2005 Obligations with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2005 Obligations; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2005 Obligations are credited, which may or may not be the Beneficial Owners. The Direct Participants and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Series 2005 Obligations may wish to take certain steps to augment the transmission to them of notices of

significant events with respect to the Series 2005 Obligations, such as redemptions, tenders, defaults, and proposed amendments to the security documents. For example, Beneficial Owners of Series 2005 Obligations may wish to ascertain that the nominee holding the Series 2005 Obligations for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Trustee and request that copies of notices be provided directly to them.

Redemption notices will be sent to DTC. If less than all of a series of Series 2005 Obligations within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to a series of Series 2005 Obligations unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Series 2005 Obligations are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Series 2005 Obligations will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Authority, or the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Direct Participants and Indirect Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Direct Participant or Indirect Participant and not of DTC nor its nominee, the Trustee, or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority, 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 Participants and Indirect Participants.

DTC may discontinue providing its services as depository with respect to a series of Series 2005 Obligations at any time by giving reasonable notice to the Authority, or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, Obligation certificates for such series are required to be printed and delivered.

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

The Trustee and the Authority, so long as the DTC book-entry system is used for any series of Series 2005 Obligations, will send any notice of redemption, notice of proposed amendment to the Indenture, or other notices with respect to such Series 2005 Obligations only

to DTC. Any failure by DTC to advise any DTC Participant, or of any Direct Participant or Indirect Participant to notify the Beneficial Owners, of any notices and their contents or effect will not affect the validity of the redemption of the Series 2005 Obligations called for redemption or of any other action premised on any such notice. Redemption of portions of the Series 2005 Obligations by the Authority will reduce the outstanding principal amount or Maturity Amount, as applicable, of such Series 2005 Obligations held by DTC. In such event, DTC may implement, through its book-entry system, a redemption of such Series 2005 Obligations held for the account of DTC Participants in accordance with its own rules or other agreements with DTC Participants and then Direct Participants and Indirect Participants may implement a redemption of such Series 2005 Obligations from the Beneficial Owners. Any such selection of the Series 2005 Obligations to be redeemed will not be governed by the Indenture and will not be conducted by the Authority or the Trustee. Neither the Authority nor the Trustee will have any responsibility or obligation to Direct Participants, Indirect Participants, or the persons for whom DTC Participants act as nominees, with respect to the payments on the Series 2005 Obligations or the providing of notice to Direct Participants, Indirect Participants, or Beneficial Owners of the selection of portions of the Series 2005 Obligations for redemption.

Transfers and Exchanges

Beneficial ownership of the Series 2005 Obligations registered in the name of Cede & Co. will initially be transferred as described under "THE SERIES 2005 OBLIGATIONS – Book-Entry-Only System" above.

Exchange of Obligations. Upon surrender of any Series 2005 Obligations at the principal corporate trust office of the Trustee with a written instrument of transfer satisfactory to the Trustee, duly executed by the Holder or the duly authorized attorney of the Holder, such Series 2005 Obligations may be exchanged, at the option of the Holder thereof, and upon payment by such Holder of any charges which the Trustee or the Authority may make as provided below, for a Series 2005 Obligation or Series 2005 Obligations of an equal aggregate principal amount or Maturity Amount, as applicable, and of the same series, maturity and interest rate, in any Authorized Denomination.

Transfer of Series 2005 Obligations. Series 2005 Obligations are transferable only upon the registration books of the Authority, which will be kept for that purpose at the principal corporate trust office of the Trustee, by the Holder thereof in person or by the attorney of the Holder duly authorized in writing, upon surrender thereof together with a written instrument of transfer satisfactory to the Trustee duly executed by the Holder or his duly authorized attorney. Upon the transfer of any such Series 2005 Obligation and payment of any required fees the Authority will issue in the name of the transferee a new Series 2005 Obligation or Series 2005 Obligations, of the same aggregate principal amount or Maturity Amount, as applicable, and of the same series, maturity and interest rate as the surrendered Series 2005 Obligation, in any Authorized Denomination.

Regulations with Respect to Exchanges and Transfers. In all cases in which the privilege of exchanging or transferring Series 2005 Obligations is exercised, the Authority will execute and the Trustee will authenticate and deliver Series 2005 Obligations in accordance with the provisions of the Indenture. All Series 2005 Obligations surrendered in any exchanges or

transfers will be cancelled by the Trustee. For every such exchange or transfer of Series 2005 Obligations, whether temporary or definitive, the Authority or the Trustee will make a charge sufficient to reimburse it or them for any tax, fee or other governmental charge required to be paid with respect to such exchange or transfer and to reimburse Trustee for administrative expenses, which sum or sums must be paid by the Holder requesting such exchange or transfer as a condition precedent to the exercise of the privilege of making such exchange or transfer. In addition, the cost, if any, of preparing each new Series 2005 Obligation upon such exchange or transfer and any other expenses of the Authority or the Trustee incurred in connection therewith must be paid by the Holder requesting such exchange or transfer as a condition precedent to the exercise of the privilege of making such exchange or transfer. Neither the Authority nor the Trustee will be required (i) to transfer or exchange Series 2005 Obligations for a period of 15 days next preceding an Interest Payment Date or next preceding any selection of Series 2005 Obligations to be redeemed or thereafter until after the mailing of any notice of redemption; or (ii) to transfer or exchange any Series 2005 Obligations called for redemption.

SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2005 OBLIGATIONS

Sources of Payment

Limited Obligations. The Series 2005 Senior Lien Bonds are special, limited obligations of the Authority payable solely from, and secured solely by a first lien on and pledge of the Trust Estate, consisting of (i) all Revenues, and to the extent set forth in a Supplemental Indenture, any Supplemental Security, (ii) all moneys, including investment earnings, deposited into the Revenue Fund, the Construction Fund (except for any moneys received by the Authority that are restricted to another use, such as right-of-way contributions that may be used only for that purpose), the Senior Lien Debt Service Fund, the Senior Lien Debt Service Reserve Fund, the Renewal and Replacement Fund and the General Fund, described below, (iii) any insurance proceeds and other moneys required to be deposited in the pledged funds listed in (ii) above, and (iv) all payments received by the Authority pursuant to Swap Agreements with respect to Senior Lien Obligations. The Series 2005 Senior Lien Bonds are also insured by _____. See "BOND INSURANCE."

The Series 2005 Subordinate Lien BANS are special, limited obligations of the Authority payable from and secured solely by a lien, subordinate to the security interest in the Trust Estate pledged for the security and payment of the Senior Lien Obligations and the Junior Lien Obligations, on and pledge of the Trust Estate, consisting of (i) all Revenues, and to the extent set forth in a Supplemental Indenture, any Supplemental Security, (ii) all moneys, including investment earnings, deposited into the Revenue Fund, the Construction Fund (except for any moneys received by the Authority that are restricted to another use, such as right-of-way contributions that may be used only for that purpose), the Subordinate Lien Debt Service Fund, the Subordinate Lien Debt Service Reserve Fund, if any, the Renewal and Replacement Fund and the General Fund, described below, but not including any amounts held in the Senior Lien Debt Service Fund or the Senior Lien Debt Service Reserve Fund, (iii) any insurance proceeds and other moneys required to be deposited in the pledged funds listed in (ii) above, and (iv) all payments received by the Authority pursuant to Swap Agreements with respect to Subordinate Lien Obligations. The Series 2005 Subordinate Lien BANS are also payable from the proceeds of any bonds, notes or obligations issued to retire the Series 2005 Subordinate Lien BANS.

There is no Subordinate Lien Debt Service Reserve Requirement with respect to the Series 2005 Subordinate Lien BANS or the 2005 TIFIA Bond. Neither the Series 2005 Subordinate Lien BANS nor the 2005 TIFIA Bond will have any right to any moneys held in the Subordinate Lien Debt Service Reserve Fund in connection with any Additional Subordinate Lien Obligations.

NONE OF THE STATE OF TEXAS OR ANY OTHER AGENCY OR POLITICAL SUBDIVISION OF THE STATE OF TEXAS OTHER THAN THE AUTHORITY IS OBLIGATED TO PAY THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE SERIES 2005 OBLIGATIONS. THE SERIES 2005 OBLIGATIONS ARE PAYABLE SOLELY FROM THE TRUST ESTATE. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OF TEXAS OR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE SERIES 2005 OBLIGATIONS. THE AUTHORITY HAS NO TAXING POWER. THE INDENTURE DOES NOT CREATE A MORTGAGE ON THE SYSTEM.

Other than the pledge of the Trust Estate, the Authority has not mortgaged, assigned or pledged any interest in any real or personal property or improvements, including any interest in the System or any expansions or extensions thereto, as security for payment of the Series 2005 Obligations.

Under the Indenture, the Authority has covenanted that it will cause to be filed all necessary documents, security instruments and financing statements, and the Trustee has covenanted that it will cause to be filed all necessary continuation statements, under the Business and Commerce Code of the State, in such manner and in such places as may be required by law in order to perfect and to protect and maintain in force the lien and pledge of, and the security interests created by, the Indenture. The Authority or the Trustee may rely on a Counsel's Opinion with respect to the necessity of any filing.

Investments. The proceeds of the Series 2005 Obligations will be invested in accordance with the terms of the Indenture, the Authority's Investment Policy adopted by the Board and the terms of the Secured Loan Agreement. See "INVESTMENT AUTHORITY AND INVESTMENT PRACTICES OF THE AUTHORITY" and "RISK FACTORS - Unpredictability of Investment Earnings."

Revenues. "Revenues" consist of all income and revenues derived from the operation of the System, including (i) all rates, rents, fees, charges, fines and other income derived by the Authority from vehicular usage of the System, together with all rights of the Authority to receive the same (collectively, the "Tolls"), received by or on behalf of the Authority, (ii) the proceeds of any insurance covering business interruption loss relating to the System or a portion thereof, (iii) any liquidated damages for delayed completion under a construction contract relating to the System or a portion thereof, (iv) any other sources of revenues or funds of the Authority that the Authority chooses to designate as "Revenues" pursuant to a Supplemental Indenture, and (v) the interest and income earned on any fund or account where said interest or income is required to be credited to the Revenue Fund created under the Indenture. "Revenues" expressly does not include Supplemental Security.

Supplemental Security. Except as otherwise provided or permitted in the Indenture or in a Supplemental Indenture, the Trust Estate securing all (i) Senior Lien Obligations, shall be shared on a parity with other Senior Lien Obligations on an equal and ratable basis, (ii) Junior Lien Obligations, shall be shared on a parity with other Junior Lien Obligations on an equal and ratable basis but subordinate and junior to the lien on, pledge of and security interest in the Trust Estate for the benefit of the Holders of the Senior Lien Obligations, (iii) Subordinate Lien Obligations, shall be shared on a parity with other Subordinate Lien Obligations on an equal and ratable basis but subordinate and junior to the lien on, pledge of and security interest in the Trust Estate for the benefit of the Holders of the Senior Lien Obligations and Junior Lien Obligations, and (iv) Other Obligations, shall be shared on a parity with other Other Obligations on an equal and ratable basis but subordinate and junior to the lien on, pledge of and security interest in the Trust Estate for the benefit of the Holders of the Senior Lien Obligations, Junior Lien Obligations and Subordinate Lien Obligations. The Authority may, however, in its discretion, provide Supplemental Security (a) for specified Obligations, but shall have no obligation to provide such additional security or credit enhancement to other Obligations, or (b) for deposit into one or more specified Funds or Accounts created under the Indenture or any Supplemental Indenture, except that no Supplemental Security will be provided unless there has first been delivered to the Trustee a Counsel's Opinion that the exclusion from gross income of interest on any Obligations for federal income tax purposes will not be adversely affected thereby. The Authority has reserved the right in the Indenture to establish, pursuant to a Supplemental Indenture, one or more Funds or Accounts for the purpose of holding, investing and disbursing Supplemental Security.

Funds and Accounts

The Indenture establishes certain special funds of the Authority. They are designated the "Revenue Fund," the "Construction Fund," the "Operating Fund," the "Senior Lien Debt Service Fund," the "Senior Lien Debt Service Reserve Fund," the "Junior Lien Debt Service Fund," the "Junior Lien Debt Service Reserve Fund," the "Subordinate Lien Debt Service Fund," the "Subordinate Lien Debt Service Reserve Fund," the "Renewal and Replacement Fund," the "Other Obligations Fund," the "General Fund" and the "Rebate Fund," all of which are held by the Trustee in trust for the Owners of the Obligations (except for the Operating Fund, which will be held outside the Indenture). Capitalized terms under this caption will have the respective meanings assigned to such terms in the Indenture. See "APPENDIX B – SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE - Definitions."

Revenue Fund. The Indenture provides that all Revenues will be deposited as received into the Revenue Fund.

Construction Fund. In the First Supplemental Indenture, the Authority has established a 2005 Construction Account within the Construction Fund. Amounts specified by the First Supplemental Indenture, the Second Supplemental Indenture and the Third Supplemental Indenture will be deposited into the 2005 Construction Account. Moneys held in the 2005 Construction Account will be used to pay the Costs of the 2005 Project. See "SOURCES AND USES OF FUNDS DERIVED FROM SERIES 2005 OBLIGATIONS."

The Authority will deposit to the 2005 Construction Account (i) a portion of the proceeds of the Series 2005 Obligations and (ii) certain proceeds from the Second TXDOT Assistance Agreement. Proceeds of the 2005 TIFIA Bond may also be deposited to the 2005 Construction Account for Eligible Project Costs for the 2005 Project. See "PLAN OF FINANCE" and "APPENDIX F – SUMMARY OF CERTAIN PROVISIONS OF THE SECURED LOAN AGREEMENT."

The Trustee will disburse moneys on deposit in the 2005 Construction Account to pay or reimburse payment of the Costs of the 2005 Project within two Business Days after receipt by the Trustee of a written requisition of the Authority. Upon receipt of each requisition, the Trustee will transfer from the 2005 Construction Account the amounts to be paid as set forth in such requisition, and the Authority covenants to apply such funds to the payments described in the requisition. If for any reason the Authority should decide prior to release of payment by the Trustee of any item not to pay such item, the Authority will give notice, confirmed in writing, of such decision to the Trustee and the Trustee is then required not to make such payment.

If at any time the Authority certifies that (i) Substantial Completion (as defined below) of the 2005 Project has occurred, (ii) the Cost of the 2005 Project has been finally determined and (iii) the funds remaining in the account established for the 2005 Project exceed the remaining Costs of the 2005 Project, then, to the extent that such remaining amounts represent proceeds of the Series 2005 Obligations and the 2005 TIFIA Bond, including investment earnings on such proceeds, the Trustee will transfer such amount, on a pro rata basis based upon the respective Outstanding principal amounts of the Senior Lien Obligations and Subordinate Lien Obligations issued to finance the 2005 Project, to the Senior Lien Debt Service Fund and the Subordinate Lien Debt Service Fund to be used to (i) redeem the respective Series 2005 Obligations and the 2005 TIFIA Bond, or (ii) pay current debt service on such respective Series 2005 Obligations and the 2005 TIFIA Bond if the Authority has received a Counsel's Opinion to the effect that such application of the funds will not adversely affect the tax-exempt status of the interest on the Outstanding Obligations under the Code; provided, that such excess funds may be transferred to such other Fund or Account as directed in a certificate of an Authorized Representative of the Authority if such certificate is accompanied by Counsel's Opinion to the effect that such transfer and/or application will not adversely affect the tax-exempt status of the interest on the Outstanding Obligations under the Code and that such transfer and/or application is authorized by law.

"*Substantial Completion*," as certified by an Authorized Representative of the Authority, is the point in time at which the 2005 Project has been partially opened to traffic to the extent that the portions open to traffic were projected to produce eighty percent (80%) of the Revenues of the 2005 Project in the Traffic and Revenue Report issued at the time of the issuance of the Series 2005 Obligations to finance the Cost of the 2005 Project. See "APPENDIX D – TRAFFIC AND REVENUE REPORT – TABLE 6-5."

Operating Fund. The Operating Fund will be held by the Trustee in the name of the Authority outside of the Indenture. All funds in the Operating Fund will be held separate and apart from the Authority's other funds and accounts until applied as provided herein. Amounts on deposit in the Operating Fund will be applied by the Authority, from time to time, to pay Operating Expenses and Maintenance Expenses of the System. In making payments from the

Operating Fund, the Authority will be deemed to be certifying that obligations in such amounts have been incurred by the Authority and that each item was properly incurred in operating the System and has not been previously paid.

Senior Lien Debt Service Fund. Moneys held in the Senior Lien Debt Service Fund will be held by the Trustee in trust for the benefit of the Senior Lien Obligations, including the Series 2005 Senior Lien Bonds and, pending application, will be subject to a lien and charge in favor of the Holders of the Senior Lien Obligations until paid out or transferred as hereinafter provided. The Trustee will pay out of the Senior Lien Debt Service Fund to the respective Paying Agents for Senior Lien Obligations (a) on or before each Interest Payment Date and each date fixed for the redemption of Senior Lien Obligations, the amount required for the payment of the interest becoming due on such date and (b) on or before each date on which Senior Lien Obligations mature or become subject to mandatory sinking fund redemption or optional redemption, the amount required for payment of the principal amount or Maturity Amount, as applicable, of the Senior Lien Obligations maturing and the redemption price of Senior Lien Obligations becoming subject to redemption on such date, except, in each case, to the extent such interest, principal amount or Maturity Amount, as applicable, or redemption price is payable from a fund or account other than the Senior Lien Debt Service Fund, as provided in any Supplemental Indenture.

If at the time the Trustee is required to make a withdrawal from the Senior Lien Debt Service Fund the moneys therein are not sufficient for such purpose, the Trustee will withdraw the amount of such deficiency from the moneys on deposit in the following funds or accounts and transfer the same to the Senior Lien Debt Service Fund in the following order: the Revenue Fund; the General Fund; the Renewal and Replacement Fund; and the Senior Lien Debt Service Reserve Fund.

Senior Lien Debt Service Reserve Fund. Moneys, investments and any Senior Lien DSRF Security (as defined below), if any, held in the Senior Lien Debt Service Reserve Fund will be held and used for the purpose of paying, on any Interest Payment Date, the interest on, maturing principal amount or Maturity Amount of, as applicable, and mandatory sinking fund redemption price of Senior Lien Obligations to the extent that the moneys held for the credit of the Senior Lien Debt Service Fund, after giving effect to all transfers pursuant to the Indenture as described in "SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2005 OBLIGATIONS – Flow of Funds," and after making all required transfers from other Funds, are insufficient for such purpose.

The First Supplemental Indenture establishes the "*Senior Lien Debt Service Reserve Requirement*" as, with respect to the Series 2005 Senior Lien Bonds, an amount equal to the least of (i) the maximum Annual Debt Service of all Outstanding Senior Lien Obligations, (ii) 1.25 times the Average Annual Debt Service of all Outstanding Senior Lien Obligations, or (iii) ten percent (10%) of the aggregate amount of the Outstanding Senior Lien Obligations, as determined on the date each Series of Senior Lien Obligations is issued (but under no circumstances will the 2005 TIFIA Bond or any Obligations issued pursuant to the provisions of the Indenture described in "SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2005 OBLIGATIONS –Additional Obligations—Springing Senior Lien Obligations" be taken into account in making such calculation). The Senior Lien Debt Service Reserve Requirement

will be initially funded with proceeds of the Series 2005 Obligations. See "SOURCES AND USES OF FUNDS DERIVED FROM SERIES 2005 OBLIGATIONS."

If at any time, the moneys, investments and principal amount of any Senior Lien DSRF Security (as hereinafter defined) held in the Senior Lien Debt Service Reserve Fund (based on the last valuation made pursuant to the Indenture) are less than the Senior Lien Debt Service Reserve Fund Requirement, the Trustee will make the monthly deposits required in the Indenture as described in "SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2005 OBLIGATIONS – Flow of Funds," in equal monthly installments, in such amount as will restore the balance of the Senior Lien Debt Service Reserve Fund to the Senior Lien Debt Service Reserve Fund Requirement within 18 months of the occurrence of any such deficiency. If at any time the moneys and the principal amount of any Senior Lien DSRF Security held in the Senior Lien Debt Service Reserve Fund exceeds the Senior Lien Debt Service Reserve Requirement (as defined below), subject to receipt of Counsel's Opinion to the effect that such transfer and use will not adversely affect the tax treatment of any Outstanding Obligations, the Authority will direct whether such excess moneys are to be transferred by the Trustee to the credit of the Senior Lien Debt Service Fund, used to reduce the principal amount or Maturity Amount, as applicable, of any Senior Lien DSRF Security or, to the extent that such excess was derived from Revenues, transferred to the Revenue Fund or the General Fund.

In lieu of the deposit of moneys into the Senior Lien Debt Service Reserve Fund, the Authority may cause to be provided a surety bond, an insurance policy, a letter of credit or similar financial instrument (each, a "*Senior Lien DSRF Security*") payable to the Trustee for the benefit of the Holders of the Senior Lien Obligations in an amount equal to the difference between the Senior Lien Debt Service Reserve Requirement and the amounts then on deposit in the Senior Lien Debt Service Reserve Fund. Each Senior Lien DSRF Security must be satisfactory to the Rating Agency (as evidenced by a letter from the Rating Agency confirming that the Senior Lien DSRF Security will not result in the rating on any outstanding Senior Lien Obligations being downgraded). The Senior Lien DSRF Security will be payable (upon the giving of required notice) on any Interest Payment Date, principal payment date or redemption date on which moneys will be required to be withdrawn from the Senior Lien Debt Service Reserve Fund and applied to the payment of the principal amount, Maturity Amount or redemption price of or interest on any Senior Lien Obligations, unless otherwise provided in a Supplemental Indenture. If a disbursement is made pursuant to a Senior Lien DSRF Security, the Authority will be obligated either (i) to cause the reinstatement to the maximum limits of such Senior Lien DSRF Security or (ii) to deposit into the Senior Lien Debt Service Reserve Fund, funds in the amount of the disbursement made under such Senior Lien DSRF Security, or a combination of such alternatives, as will provide that the amount credited to the Senior Lien Debt Service Reserve Fund equals the Senior Lien Debt Service Reserve Requirement within 18 months.

Junior Lien Debt Service Fund and Junior Lien Debt Service Reserve Fund. The Indenture establishes the Junior Lien Debt Service Fund and the Junior Lien Debt Service Reserve Fund; however, there are no Junior Lien Obligations either Outstanding or being issued concurrently with the issuance of the Series 2005 Obligations. See "APPENDIX B – SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE – Junior Lien

Debt Service Fund” and “– Junior Lien Debt Service Reserve Fund” for a description of such Funds.

Subordinate Lien Debt Service Fund. Moneys held in the Subordinate Lien Debt Service Fund will be held by the Trustee in trust for the benefit of the Subordinate Lien Obligations, to the extent the foregoing are payable from such Fund, and, to said extent and pending application, will be subject to a lien and charge in favor of the Holders of the Subordinate Lien Obligations until paid out or transferred as hereinafter provided. Moneys held in the Subordinate Lien Debt Service Fund are solely for the benefit of the Subordinate Lien Obligations and do not secure payment of the Senior Lien Obligations or the Junior Lien Obligations. The Trustee will pay out of the Subordinate Lien Debt Service Fund to the respective Paying Agents for Subordinate Lien Obligations (i) on or before each Interest Payment Date and each date fixed for the redemption of Subordinate Lien Obligations, the amount required for the payment of the interest becoming due on such date and (ii) on or before each date on which Subordinate Lien Obligations mature or become subject to mandatory sinking fund redemption or optional redemption, the amount required for payment of the principal amount or Maturity Amount, as applicable, of the Subordinate Lien Obligations maturing and the redemption price of Subordinate Lien Obligations becoming subject to redemption on such date, except, in each case, to the extent such interest, principal amount or Maturity Amount, as applicable, or redemption price is payable from a fund or account other than the Subordinate Lien Debt Service Fund, as provided in any Supplemental Indenture.

If at the time the Trustee is required to make a withdrawal from the Subordinate Lien Debt Service Fund the moneys therein are not sufficient for such purpose, subject to the requirements of the Indenture described in “SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2005 OBLIGATIONS – Funds and Accounts – Senior Lien Debt Service Fund,” “– Senior Lien Debt Service Reserve Fund” and “– Junior Lien Debt Service Fund,” the Trustee will withdraw the amount of such deficiency from the moneys on deposit in the following funds or accounts and transfer the same to the Subordinate Lien Debt Service Fund in the following order: the Revenue Fund; the General Fund; the Renewal and Replacement Fund and the Subordinate Lien Debt Service Reserve Fund (except as provided below).

Subordinate Lien Debt Service Reserve Fund. *No Subordinate Lien Debt Service Reserve Requirement is being established with respect to either the Series 2005 Subordinate Lien BANS or the 2005 TIFIA Bond. Neither the Series 2005 Subordinate Lien BANS nor the 2005 TIFIA Bond will have any right to any moneys held in the Subordinate Lien Debt Service Reserve Fund in connection with any Additional Subordinate Lien Obligations. See “APPENDIX B – SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE – Subordinate Lien Debt Service Reserve Fund” for a description of the Subordinate Lien Debt Service Reserve Fund.*

Renewal and Replacement Fund. Except as hereinafter provided, moneys held for the credit of the Renewal and Replacement Fund will be disbursed only for the purpose of paying the cost of:

- (a) unusual or extraordinary maintenance or repairs, maintenance or repairs not recurring annually, and renewals and replacements, including major items of equipment;

(b) repairs or replacements resulting from an emergency caused by some extraordinary occurrence, if the moneys in the Revenue Fund and insurance proceeds, if any, available therefor are insufficient to meet such emergency; and

(c) paying all or any part of the cost of any capital improvement to the System.

In addition, the Trustee will transfer moneys in the Renewal and Replacement Fund to the Senior Lien Debt Service Fund, Junior Lien Debt Service Fund and Subordinate Lien Debt Service Fund at such times as may be required by the Indenture or a Supplemental Indenture.

Other Obligations Fund. The Indenture establishes the Other Obligations Fund; however, no Other Obligations are being issued concurrently with the issuance of the Series 2005 Obligations. See "APPENDIX B – SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE – Other Obligations Fund" for a description of the Other Obligations Fund.

General Fund. Moneys held in the General Fund will be used by the Trustee as provided in the Indenture to satisfy deficiencies in the Senior Lien Debt Service Fund, the Junior Lien Debt Service Fund, the Subordinate Lien Debt Service Fund and the Other Obligations Fund as described above, and to restore deficiencies in any funds or accounts created under the Indenture. After satisfying those requirements, such moneys may be expended for any of the following purposes, with no one item having priority over any of the others:

(a) to purchase or redeem Senior Lien Obligations, Junior Lien Obligations or Subordinate Lien Obligations;

(b) to pay Maintenance Expenses and Operating Expenses;

(c) to make payments into the Construction Fund;

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

(e) for any other lawful purpose.

Rebate Fund. The Rebate Fund is a trust fund, although the amounts therein do not constitute part of the Trust Estate. Amounts held in the Rebate Fund may be used solely to make payments to the United States of America under section 148 of the Internal Revenue Code of 1986, as amended (the "Code"), and to pay costs related to the calculation of such amounts. Moneys held in the Rebate Fund do not secure the payment of any Series 2005 Obligations.

Flow of Funds

The Indenture establishes the Revenue Fund for the application and deposit of all Revenues. All Revenues will be deposited as received by the Authority into the Revenue Fund.

Except as provided above, the Trustee will transfer amounts on deposit in the Revenue Fund on each Transfer Date to the following Funds and Accounts in the following order of priority:

- (1) First, to the Rebate Fund such amounts as may be authorized or required by the Master Indenture or any Supplemental Indenture.
- (2) Second, to the Operating Fund, an amount sufficient to make the balance in the Operating Fund equal to one-sixth of the Operating Expenses and Maintenance Expenses for such Fiscal Year, as set forth in the Annual Operating Budget and Annual Maintenance Budget of the Authority; provided, the monthly payment will be increased or decreased, as necessary, to reflect amendments to the Annual Operating Budget and Annual Maintenance Budget.
- (3) Third, to the Senior Lien Debt Service Fund (or to a fund or account created to pay or repay amounts under a Credit Facility entered into in connection with Senior Lien Obligations), an amount equal to the sum of the following:
 - (i) one-sixth (1/6) of the interest becoming due on the next semiannual Interest Payment Date with respect to Senior Lien Obligations that bear interest semiannually; and
 - (ii) the amount of interest next becoming due on Senior Lien Obligations that bear interest payable monthly; and
 - (iii) the amount of interest accruing in such month on Senior Lien Obligations that bear interest payable on other than a monthly basis (other than Capital Appreciation Bonds), together with the amount of interest that will accrue on such Senior Lien Obligations through any Interest Payment Dates that will occur prior to the next Transfer Date; and
 - (iv) one-twelfth (1/12) of the principal amount or Maturity Amount, as applicable, of Senior Lien Obligations that will mature and become due and payable on the next annual maturity date; and
 - (v) one-twelfth (1/12) of the principal amount or Maturity Amount, as applicable, of Senior Lien Obligations subject to mandatory sinking fund redemption on the next annual maturity date; and
 - (vi) the amount, if any, payable by the Authority under a Senior Lien Swap Agreement or Credit Facility secured on a parity with the Senior Lien Obligations (other than payments for fees and expenses) accruing in such month or that will accrue through a payment date that will occur prior to the next Transfer Date; provided, that such amounts will be included in the calculation of the monthly deposit only to the extent such amounts are required to be paid in addition to the amounts described in clauses (i) through (v) above.

In calculating such monthly deposit to the Senior Lien Debt Service Fund, the Trustee will take into account (a) any accrued interest deposited into the Senior Lien Debt Service Fund from the proceeds of a Series of Senior Lien Obligations, (b) any amounts delivered to the Trustee prior to such Transfer Date for credit to the Senior Lien Debt Service Fund (or, to the extent applicable, the Construction Fund) and dedicated to pay capitalized

interest on Senior Lien Obligations and anticipated to be available to pay interest on Senior Lien Obligations on the next Interest Payment Date, (c) any amounts deposited to the Senior Lien Debt Service Fund prior to the Transfer Date, (d) any investment income realized by the Authority from the investment of amounts on deposit in the Senior Lien Debt Service Fund, and (e) any payments received by the Authority from a Counterparty under a Senior Lien Swap Agreement.

Further, such monthly deposits will be adjusted, as appropriate, to reflect the frequency of Interest Payment Dates applicable to each Series of Senior Lien Obligations and the frequency of payments under any Senior Lien Swap Agreements. On or before each Transfer Date, the Authority must make up any deficiencies in deposits on prior Transfer Dates from and to the extent moneys remain on deposit in the Revenue Fund.

- (4) Fourth, to the Senior Lien Debt Service Reserve Fund, all amounts, if any, which, together with amounts on deposit therein and amounts available under a Senior Lien DSRF Security, will be sufficient to make the amount on deposit therein equal to the Senior Lien Debt Service Reserve Fund Requirement in accordance with the provisions of the Indenture described in "SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2005 OBLIGATIONS – Funds and Accounts – Senior Lien Debt Service Reserve Fund" and the provisions of and any applicable Supplemental Indenture.
- (5) Fifth, to the Junior Lien Debt Service Fund (or to a fund or account created to pay or repay amounts under a Credit Facility entered into in connection with Senior Lien Obligations), an amount equal to the sum of the following:
 - (i) one-sixth (1/6) of the interest becoming due on the next semiannual Interest Payment Date with respect to Junior Lien Obligations that bear interest semiannually; and
 - (ii) the amount of interest next becoming due on Junior Lien Obligations that bear interest payable monthly; and
 - (iii) the amount of interest accruing in such month on Junior Lien Obligations that bear interest payable on other than a monthly basis (other than Capital Appreciation Bonds), together with the amount of interest that will accrue on such Junior Lien Obligations through any Interest Payment Dates that will occur prior to the next Transfer Date; and
 - (iv) one-twelfth (1/12) of the principal amount or Maturity Amount, as applicable, of Junior Lien Obligations that will mature and become due and payable on the next annual maturity date; and
 - (v) one-twelfth (1/12) of the principal amount or Maturity Amount, as applicable, of Junior Lien Obligations subject to mandatory sinking fund redemption on the next annual maturity date; and
 - (vi) the amount, if any, payable by the Authority under a Junior Lien Swap Agreement or Credit Facility secured on a parity with the Junior Lien Obligations (other than

payments for fees and expenses) accruing in such month or that will accrue through a payment date that will occur prior to the next Transfer Date; provided, that such amounts will be included in the calculation of the monthly deposit only to the extent such amounts are required to be paid in addition to the amounts described in clauses (i) through (v) above.

In calculating such monthly deposit to the Junior Lien Debt Service Fund, the Trustee will take into account (a) any accrued interest deposited into the Junior Lien Debt Service Fund from the proceeds of a Series of Junior Lien Obligations, (b) any amounts delivered to the Trustee prior to such Transfer Date for credit to the Junior Lien Debt Service Fund (or, to the extent applicable, the Construction Fund) and dedicated to pay capitalized interest on Junior Lien Obligations and anticipated to be available to pay interest on Junior Lien Obligations on the next Interest Payment Date, (c) any amounts deposited to the Junior Lien Debt Service Fund prior to the Transfer Date, (d) any investment income realized by the Authority from the investment of amounts on deposit in the Junior Lien Debt Service Fund, and (e) any payments received by the Authority from a Counterparty under a Junior Lien Swap Agreement.

Further, such monthly deposits will be adjusted, as appropriate, to reflect the frequency of Interest Payment Dates applicable to each Series of Junior Lien Obligations and the frequency of payments under any Junior Lien Swap Agreements. On or before each Transfer Date, the Authority must make up any deficiencies in deposits on prior Transfer Dates from and to the extent moneys remain on deposit in the Revenue Fund.

- (6) Sixth, to the Junior Lien Debt Service Reserve Fund, all amounts, if any, which, together with amounts on deposit therein and amounts available under a Junior Lien DSRF Security, will be sufficient to make the amount on deposit therein equal to the Junior Lien Debt Service Reserve Fund Requirement, if any, in accordance with the provisions of the Indenture described in "APPENDIX B – SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE – Junior Lien Debt Service Reserve Fund" and the provisions of any applicable Supplemental Indenture.
- (7) Seventh, to the Subordinate Lien Debt Service Fund (or to a fund or account created to pay or repay amounts under a Credit Facility entered into in connection with Subordinate Lien Obligations), an amount equal to the sum of the following:
 - (i) one-sixth (1/6) of the interest becoming due on the next semiannual Interest Payment Date with respect to Subordinate Lien Obligations that bear interest semiannually; and
 - (ii) the amount of interest next becoming due on Subordinate Lien Obligations that bear interest payable monthly; and
 - (iii) the amount of interest accruing in such month on Subordinate Lien Obligations that bear interest payable on other than a monthly basis (other than Capital Appreciation Bonds), together with the amount of interest that will accrue on such

Subordinate Lien Obligations through any Interest Payment Dates that will occur prior to the next Transfer Date; and

- (iv) one-twelfth (1/12) of the principal amount or Maturity Amount, as applicable, of Subordinate Lien Obligations that will mature and become due and payable on the next annual maturity date; and
- (v) one-twelfth (1/12) of the principal amount or Maturity Amount, as applicable, of Subordinate Lien Obligations subject to mandatory sinking fund redemption on the next annual maturity date; and
- (vi) the amount, if any, payable by the Authority under a Subordinate Lien Swap Agreement or Credit Facility secured on a parity with the Subordinate Lien Obligations (other than payments for fees and expenses) accruing in such month or that will accrue through a payment date that will occur prior to the next Transfer Date; provided, that such amounts will be included in the calculation of the monthly deposit only to the extent such amounts are required to be paid in addition to the amounts described in clauses (i) through (v) above.

In calculating such monthly deposit to the Subordinate Lien Debt Service Fund, the Trustee will take into account (a) any accrued interest deposited into the Subordinate Lien Debt Service Fund from the proceeds of a Series of Subordinate Lien Obligations, (b) any amounts delivered to the Trustee prior to such Transfer Date for credit to the Subordinate Lien Debt Service Fund (or, to the extent applicable, the Construction Fund) and dedicated to pay capitalized interest on Subordinate Lien Obligations and anticipated to be available to pay interest on Subordinate Lien Obligations on the next Interest Payment Date, (c) any amounts deposited to the Subordinate Lien Fund prior to the Transfer Date, (d) any investment income realized by the Authority from the investment of amounts on deposit in the Subordinate Lien Debt Service Fund, and (e) any payments received by the Authority from a Counterparty under a Subordinate Lien Swap Agreement.

Further, such monthly deposits will be adjusted, as appropriate, to reflect the frequency of Interest Payment Dates applicable to each Series of Subordinate Lien Obligations and the frequency of payments under any Subordinate Lien Swap Agreements. On or before each Transfer Date, the Authority must make up any deficiencies in deposits on prior Transfer Dates from and to the extent moneys remain on deposit in the Revenue Fund.

- (8) Eighth, to the Subordinate Lien Debt Service Reserve Fund, if any, which, together with amounts on deposit therein and amounts available under a Subordinate Lien DSRF Security, will be sufficient to make the amount on deposit therein equal to the Subordinate Lien Debt Service Reserve Requirement, if any, in accordance with the provisions of the Indenture described in "APPENDIX B – SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE – Subordinate Lien Debt Service Reserve Fund" and the provisions of any applicable Supplemental Indenture.

- (9) Ninth, to the Renewal and Replacement Fund, one-twelfth (1/12) of the amount identified in the Annual Capital Budget for deposit into the Renewal and Replacement Fund from the Revenue Fund.
- (10) Tenth, to the Other Obligations Fund (or to a fund or account created to pay or repay amounts under a Credit Facility entered into in connection with Other Obligations), an amount equal to the sum of the following:
- (i) one-sixth (1/6) of the interest becoming due on the next semiannual Interest Payment Date with respect to Other Obligations that bear interest semiannually; and
 - (ii) the amount of interest next becoming due on Other Obligations that bear interest payable monthly; and
 - (iii) the amount of interest accruing in such month on Other Obligations that bear interest payable on other than a monthly basis (other than Capital Appreciation Bonds); together with the amount of interest that will accrue on such Other Obligations through any Interest Payment Dates that will occur prior to the next Transfer Date; and
 - (iv) one-twelfth (1/12) of the principal amount or Maturity Amount, as applicable, of Other Obligations that will mature and become due and payable on the next annual maturity date; and
 - (v) one-twelfth (1/12) of the principal amount or Maturity Amount, as applicable, of Other Obligations subject to mandatory sinking fund redemption on the next annual maturity date; and
 - (vi) the amount, if any, payable by the Authority under a Credit Facility secured on a parity with the Other Obligations (other than payments for fees and expenses) accruing in such month or that will accrue through a payment date that will occur prior to the next Transfer Date; provided, that such amounts will be included in the calculation of the monthly deposit only to the extent such amounts are required to be paid in addition to the amounts described in clauses (i) through (v) above.

In calculating such monthly deposit to the Other Obligations, the Trustee will take into account (a) any accrued interest deposited into the Other Obligations Fund from the proceeds of Other Obligations, (b) any amounts delivered to the Trustee prior to such Transfer Date for credit to the Other Obligations Fund (or, to the extent applicable, the Construction Fund) and dedicated to pay capitalized interest on Other Obligations and anticipated to be available to pay interest on Other Obligations on the next Interest Payment Date, (c) any amounts deposited to the Other Obligations Fund prior to the Transfer Date, and (d) any investment income realized by the Authority from the investment of amounts on deposit in the Other Obligations Fund.

Further, such monthly deposits will be adjusted, as appropriate, to reflect the frequency of Interest Payment Dates applicable to each Series of Other Obligations. On or before each Transfer Date, the Authority must make up any deficiencies in deposits on prior Transfer Dates from and to the extent moneys remain on deposit in the Revenue Fund.

- (11) Eleventh, except as otherwise provided in a Supplemental Indenture, to the General Fund all amounts remaining on deposit in the Revenue Fund.

Rate Covenant

Maintenance of Rates. The Authority has covenanted in the Indenture that it will at all times establish, levy, maintain and collect such Tolls in connection with the System and establish such charges for use of the property constituting part of the System, including without limitation, leasehold payments, concession payments, rents and other charges, as shall be sufficient, collectively, to produce Revenues in each Fiscal Year in an amount at least equal to the greater of (1), (2), (3) or (4) below:

(1) one hundred twenty-five percent (125%) of the Annual Debt Service (as defined below) in such Fiscal Year on all Outstanding Senior Lien Obligations; or

(2) one hundred twenty percent (120%) of the Annual Debt Service in such Fiscal Year on all Outstanding Senior Lien Obligations and all Outstanding Junior Lien Obligations; or

(3) one hundred ten percent (110%) of the Annual Debt Service in such Fiscal Year on all Outstanding Senior Lien Obligations, all Outstanding Junior Lien Obligations, and all Outstanding Subordinate Lien Obligations; or

(4) one hundred percent (100%) of the Annual Debt Service in such Fiscal Year on all Obligations, plus the amounts required to be deposited into the Operating Fund, the Senior Lien Debt Service Reserve Fund, the Junior Lien Debt Service Reserve Fund, the Subordinate Lien Debt Service Reserve Fund, the Replacement and Renewal Fund, and any other fund established by a Supplemental Indenture to be funded by Revenues.

In making the calculations in (1), (2), (3) and (4) above, the Authority may take into consideration as a credit against Annual Debt Service any amounts received, or reasonably expected to be received, in the Fiscal Year from or as a result of any Supplemental Security the Authority has pledged for the benefit of all Series 2005 Obligations; provided, that if the pledge is not for the benefit of all Series-2005 Obligations, the amounts expected to be received may only be taken into account when making the calculation for the affected Series 2005 Obligations.

“*Annual Debt Service*” means, for any Annual Period, with respect to all Outstanding Obligations or to all Senior Lien Obligations, Junior Lien Obligations, Subordinate Lien Obligations or Other Obligations, respectively, (i) the principal amount and interest paid or payable with respect to such Obligations in the Annual Period, plus (ii) Reimbursement Obligations with respect to such Obligations paid or payable by the Authority in such Annual Period (but only to the extent they are not duplicative of such principal and interest), plus (iii) the

amounts, if any, paid or payable by the Authority in such Annual Period with respect to Swap Agreements, minus (iv) the amounts, if any, paid or payable to the Authority in such Annual Period with respect to such Swap Agreements, provided that the difference between the amounts described in clauses (iii) and (iv) will be included only to the extent that such difference would not be recognized as a result of the application of the assumptions set forth in clauses (A) through (F) below, and minus (v) all amounts which are deposited to the credit of a debt service fund or the Construction Fund for the payment of interest on Senior Lien Obligations, Junior Lien Obligations, Subordinate Lien Obligations or Other Obligations, as the case may be, from original proceeds from the sale of such Obligations or from any other lawfully available source (other than the Revenue Fund or any moneys that would constitute Revenues in the subject Annual Period), and that are used or scheduled to be used to pay interest on such Series 2005 Obligations during any Annual Period. The Indenture sets forth the following assumptions to be used to calculate the Annual Debt Service for any Annual Period:

(A) any amounts described in clauses (i), (ii) and (iii) above that are due on the first day of a Fiscal Year will be deemed due in the preceding Fiscal Year;

(B) in determining the principal amount paid or payable with respect to Series 2005 Obligations or Reimbursement Obligations in each Annual Period, payment will be assumed to be made in accordance with any amortization schedule established for such Indebtedness, including amounts paid or payable pursuant to any mandatory redemption schedule for such Indebtedness;

(C) if any of the Indebtedness or proposed Indebtedness constitutes Balloon Indebtedness or Short-Term Indebtedness, then such amounts thereof as constitute Balloon Indebtedness or Short-Term Indebtedness will be treated as if such Indebtedness is to be amortized in substantially equal annual installments of principal and interest over the useful life of the improvements financed with the proceeds of such Balloon Indebtedness or Short-Term Indebtedness as calculated by, and set forth in a certificate of, an Authorized Representative of the Authority; provided, anything to the contrary herein notwithstanding, during the Annual Period preceding the final maturity date of such Balloon Indebtedness and, in the case of Short-Term Indebtedness in each Annual Period, all of the principal thereof will be considered to be due on the maturity or due date of such Balloon Indebtedness or Short-Term Indebtedness unless the Authority provides to the Trustee, prior to the beginning of such Annual Period, a certificate of a Financial Consultant certifying that, in its judgment, the Authority will be able to refund such Balloon Indebtedness or Short-Term Indebtedness through the issuance of Long-Term Indebtedness, in which event the Balloon Indebtedness or Short-Term Indebtedness will be amortized over the term of such proposed refunding Indebtedness and will bear the interest rate specified in the certificate of the Financial Consultant;

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

(E) if any of the Indebtedness or proposed Indebtedness constitutes Variable Rate Indebtedness, then, subject to the following proviso, interest in future periods will be based on the Assumed Variable Rate; provided, however, that if the Authority has entered into a Swap Agreement with respect to a Series of Obligations constituting Variable Rate Indebtedness that provides for the Authority to pay a fixed interest rate during any future period, the fixed interest rate payable by the Authority under the Swap Agreement during such future period will be assumed to be the interest rate on such Obligations if the notional amount under the Swap Agreement is equal to or greater than the Outstanding principal amount of the Obligations and reduces in the amounts and on the dates that the Obligations mature; and

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

Certification by Traffic Consultant. Prior to adopting any change in the schedule of rates or Tolls for the System, the Authority will obtain and file with the Trustee a certificate by the Traffic Consultant stating either (i) in its opinion, if such proposed Toll rate schedule had been in effect during the preceding annual period, and taking into effect the Revenues anticipated to be received in such Annual Period, as evidenced by a certificate of an Authorized Representative, it would not have caused a decrease in the Revenues for said preceding Annual Period; or (ii) in its opinion, the adoption of such proposed Toll rate schedule will not adversely affect the ability of the Authority to comply with the covenants in the Indenture as described above.

Any such certificate by the Traffic Consultant will be based on the opinion of the Traffic Consultant as to Revenues to be derived by the Authority from the ownership and operation of the System (provided that investment and other income not related to Tolls that constitute Revenues of the System shall be estimated by the Authorized Representative), and upon certification by the Authorized Representative as to the amount of Operating Expenses paid or accrued during any pertinent Annual Period, assuming that the proposed Toll rate schedule had been in effect during such pertinent Annual Period.

No Event of Default. On or before December 1 of each Fiscal Year, commencing with the Fiscal Year beginning July 1, 2008, the Authority will review its financial condition and estimate and determine whether Revenues for such Fiscal Year are expected to be sufficient to enable the Authority to comply with the Rate Covenant and file with the Trustee a certification of an Authorized Representative of the Authority making such determination. If such determination filed with the Trustee indicates that the Revenues are or are reasonably expected to be insufficient to comply with the Rate Covenant, the Authority will promptly request the Traffic Consultant to make written recommendations as to appropriate revisions to the schedule of Tolls, rates, fees, rentals and other charges and any changes in methods of operation necessary or appropriate to provide sufficient revenues to enable the Authority to comply with the Rate Covenant. The failure of the System in any Fiscal Year to produce Revenues in the amounts sufficient to enable the Authority to comply with the Rate Covenant, which failure may continue during the succeeding Fiscal Year, will not, in and of itself, constitute an Event of Default under the Indenture if the Authority (i) promptly requests the written recommendations of the Traffic Consultant as described above and (ii) substantially complies in a timely fashion with the recommendations of the Traffic Consultant.

Uniformity of Tolls Covenant

Classifications. The Authority has covenanted in the Indenture that Tolls will be classified in a reasonable way to cover all traffic, so that the Tolls may be uniform in application to all traffic falling within any reasonable class regardless of the status or character of any Person participating in the traffic; provided, that the foregoing will not be interpreted to restrict the Authority's right, in its discretion in 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 will be subject to a 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 Authority will not make a change in classification or any new classification unless the Authority determines that such change is not expected to result in the receipt of Revenues in amounts less than that necessary to comply with Rate Covenant.

Free Passage. The Authority will not grant free passage through a Toll collection facility on the System, except that it will grant free passage to Authorized Emergency Vehicles and such other vehicles as may be required or allowed by applicable law.

Discretion of Authority. The Authority's covenant as to uniformity of Tolls will not be construed as requiring that Tolls for any given class of traffic will be identical in amount throughout the entire System for trips of approximately identical lengths. The Authority may fix and place in effect a Toll rate schedule for any given class of traffic wherein the Tolls charged for travel on a given section of the System are different from the Tolls charged on another section of the System notwithstanding the fact that both of said sections will be of identical or approximately identical length.

Approval by the Traffic Consultant. As used in the Indenture, approval by the Traffic Consultant means that the Traffic Consultant has undertaken an analysis of the impact of the contemplated action of the Authority and has provided a written determination to the Authority that it would not adversely affect the ability of the Authority to meet the requirements of the Indenture described above in "SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2005 OBLIGATIONS – Rate Covenant."

Additional Obligations

Additional Senior Lien Obligations. The Authority is authorized under the Indenture to issue Additional Senior Lien Obligations in accordance with and subject to the provisions of the Indenture and any applicable Supplemental Indenture to fund the Costs of improvements, extensions or enlargements to the System. Such Additional Senior Lien Obligations may be issued as either Short-Term Indebtedness or Long-Term Indebtedness, and may have such other characteristics as may be specified in the applicable Supplemental Indenture.

The Authority has agreed in the Indenture that it will not issue any Additional Senior Lien Obligations constituting Long-Term Indebtedness unless prior to or contemporaneously with the incurrence thereof, the provisions of the Indenture are met and there is delivered to the Trustee either:

(1) a report of the Traffic Consultant to the effect that (A) the Revenues during the preceding Annual Period ending not more than 90 days prior to the date of delivery of the proposed Additional Senior Lien Obligations were sufficient to satisfy the requirements of the Rate Covenant (which report may assume that a revision of the Tolls that was approved and implemented by the Authority subsequent to the beginning of such Annual Period had been in effect for the entire Annual Period), and (B) the Projected Revenues for each Fiscal Year over the term of the proposed Additional Senior Lien Obligations are expected to produce a Projected Debt Service Coverage Ratio of at least (i) 1.40 with respect to Senior Lien Obligations, (ii) 1.20 with respect to Senior Lien Obligations and Junior Lien Obligations, (iii) 1.10 with respect to Senior Lien Obligations, Junior Lien Obligations and Subordinate Lien Obligations, and (iv) 1.00 with respect to all Series 2005 Obligations; or

(2) if the Long-Term Indebtedness is being incurred solely for the purposes of refunding, repurchasing or refinancing (whether in advance or otherwise) any Outstanding Long-Term Indebtedness, an Authority certification that the Average Annual Debt Service on all Series 2005 Obligations prior to the issuance of the proposed Long-Term Indebtedness is greater than the Average Annual Debt Service on all Series 2005 Obligations after the issuance of such proposed Long-Term Indebtedness.

Springing Senior Lien Obligations. Notwithstanding the foregoing and without complying with any of the provisions of the Indenture described in "APPENDIX B – SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE – Limitations on Issuance – Limitations on Issuance of Additional Senior Lien Obligations and Execution of Senior Lien Swap Agreements" and "– Limitations on Issuance of Additional Subordinate Lien Obligations and Execution of Subordinate Lien Swap Agreement," the Authority may, from time to time, issue and deliver to the United States Department of Transportation or a successor agency a Subordinate Lien Obligation that, upon the occurrence of an Event of Default described in clause (d) in "SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2005 OBLIGATIONS – Default and Remedies – Events of Default," will be deemed to be and will automatically become a Senior Lien Obligation in accordance with the provisions of the Supplemental Indenture authorizing such Subordinate Lien Obligation. See "PLAN OF FINANCE – Secured Loan Agreement and 2005 TIFIA Bond" and "RISK FACTORS – Dilution of First-Tier Security Upon Bankruptcy-Related Event."

Additional Junior Lien Obligations. The Authority reserves the right to issue Additional Junior Lien Obligations in accordance with and subject to the provisions of the Indenture and any applicable Supplemental Indenture to finance the Costs of improvements, extensions or enlargements to the System. Such Additional Junior Lien Obligations may be issued as either Short-Term Indebtedness or Long-Term Indebtedness, and may have such other characteristics as may be specified in the applicable Supplemental Indenture. The Authority agrees that it will not issue any Additional Junior Lien Obligations constituting Long-Term Indebtedness unless prior to or contemporaneously with the incurrence thereof, the provisions of the Indenture are

met and there is delivered to the Trustee either (1) a report of the Traffic Consultant to the effect that (A) the Revenues during the preceding Annual Period ending not more than 90 days prior to the date of delivery of the proposed Additional Junior Lien Obligations were sufficient to satisfy the requirements of the Rate Covenant (which report may assume that a revision of the Tolls that was approved and implemented by the Authority subsequent to the beginning of such Annual Period had been in effect for the entire Annual Period), and (B) the Projected Revenues for each Fiscal Year over the term of the proposed Additional Junior Lien Obligations is expected to produce a Projected Debt Service Coverage Ratio of at least (i) 1.20 with respect to Senior Lien Obligations and Junior Lien Obligations, (ii) 1.10 with respect to Senior Lien Obligations, Junior Lien Obligations and Subordinate Lien Obligations, and (iii) 1.00 with respect to all Series 2005 Obligations; or (2) if the Long-Term Indebtedness is being incurred solely for the purposes of refunding, repurchasing or refinancing (whether in advance or otherwise) any outstanding Long-Term Indebtedness, an Authority certification that the Average Annual Debt Service on all Series 2005 Obligations prior to the issuance of the proposed Long-Term Indebtedness is greater than the Average Annual Debt Service on all Series 2005 Obligations after the issuance of such proposed Long-Term Indebtedness.

The payment of any Junior Lien Obligations will at all times be subordinate and junior to the payment of any Senior Lien Obligations, including Additional Senior Lien Obligations, then outstanding and any Additional Senior Lien Obligations thereafter issued. See "APPENDIX B – SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE – Limitations on Issuance – Limitations on Issuance of Additional Junior Lien Obligations and Execution of Junior Lien Swap Agreements."

Additional Subordinate Lien Obligations. As described under "PLAN OF FINANCE," incident to issuance of the Series 2005 Obligations, the Authority will enter into the Secured Loan Agreement, pursuant to which the Authority will issue the 2005 TIFIA Bond, which will entitle the Authority to borrow an aggregate principal amount of up to \$66,000,000. The 2005 TIFIA Bond will constitute a Subordinate Lien Obligation, payable from and secured by the Trust Estate on a basis subordinate and junior to that of any Senior Lien Obligations and Junior Lien Obligations. No amounts are currently owing under the 2005 TIFIA Bond, and no other Subordinate Lien Obligations are currently outstanding. The Authority reserves the right to issue Additional Subordinate Lien Obligations in accordance with and subject to the provisions of the Indenture and any applicable Supplemental Indenture to finance the Costs of improvements, extensions or enlargements to the System. Such Additional Subordinate Lien Obligations may be issued as either Short-Term Indebtedness or Long-Term Indebtedness, and may have such other characteristics as may be specified in the applicable Supplemental Indenture. The Authority agrees that it will not issue any Additional Subordinate Lien Obligations constituting Long-Term Indebtedness unless prior to or contemporaneously with the incurrence thereof, the provisions of the Indenture are met and there is delivered to the Trustee either (1) a report of the Traffic Consultant to the effect that (A) the Revenues during the preceding Annual Period ending not more than ninety (90) days prior to the date of delivery of the proposed Additional Subordinate Lien Obligations were sufficient to satisfy the requirements of the Rate Covenant (which report may assume that a revision of the Tolls that was approved and implemented by the Authority subsequent to the beginning of such Annual Period had been in effect for the entire Annual Period), and (B) the Projected Revenues for each Fiscal Year over the term of the proposed Additional Subordinate Lien Obligations is expected to produce a Projected Debt

Service Coverage Ratio of at least (i) 1.10 with respect to Senior Lien Obligations, Junior Lien Obligations and Subordinate Lien Obligations and (ii) 1.00 with respect to all Series 2005 Obligations; or (2) if the Long-Term Indebtedness is being incurred solely for the purposes of refunding, repurchasing or refinancing (whether in advance or otherwise) any outstanding Long-Term Indebtedness, an Authority certification that the Average Annual Debt Service on all Obligations prior to the issuance of the proposed Long-Term Indebtedness is greater than the Average Annual Debt Service on all Series 2005 Obligations after the issuance of such proposed Long-Term Indebtedness.

The payment of any Subordinate Lien Obligations will at all times be subordinate and junior to the payment of any Senior Lien Obligations and Junior Lien Obligations, including Additional Senior Lien Obligations and Additional Junior Lien Obligations, then Outstanding and any Additional Senior Lien Obligations and Additional Junior Lien Obligations thereafter issued. See "APPENDIX B – SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE – Limitations on Issuance – Limitations on Issuance of Additional Subordinate Lien Obligations and Execution of Subordinate Lien Swap Agreements."

Additional Other Obligations. The Authority reserves the right to issue Additional Other Obligations in accordance with and subject to the provisions of the Indenture and any applicable Supplemental Indenture to (i) finance the Costs of improvements, extensions or enlargements to the System and (ii) finance the Cost of the acquisition, construction, improvement, extension or expansion of turnpike projects (as defined in the Act) that, at the time of issuance of such Additional Other Obligations, has not been designated as part of the System. Such Additional Other Obligations may be issued as either Short-Term Indebtedness or Long-Term Indebtedness, and may have such other characteristics as may be specified in the applicable Supplemental Indenture. The Authority agrees that it will not issue any Additional Other Obligations constituting Long-Term Indebtedness unless prior to or contemporaneously with the incurrence thereof, the provisions of the Indenture are met and there is delivered to the Trustee either (1) a report of the Traffic Consultant to the effect that (A) the Revenues during the preceding Annual Period ending not more than ninety (90) days prior to the date of delivery of the proposed Additional Other Obligations were sufficient to satisfy the requirements of the Rate Covenant (which report may assume that a revision of the Tolls that was approved and implemented by the Authority subsequent to the beginning of such Annual Period had been in effect for the entire Annual Period), and (B) the Projected Revenues for each Fiscal Year over the term of the proposed Additional Other Obligations is expected to produce a Projected Debt Service Coverage Ratio of at least 1.00 with respect to all Obligations; or (2) if the Long-Term Indebtedness is being incurred solely for the purposes of refunding, repurchasing or refinancing (whether in advance or otherwise) any outstanding Long-Term Indebtedness, a certificate of an Authorized Representative of the Authority certifying the Average Annual Debt Service on all Obligations prior to the issuance of the proposed Long-Term Indebtedness is greater than the Average Annual Debt Service on all Obligations after the issuance of such proposed Long-Term Indebtedness. The payment of any Other Obligations will at all times be subordinate and junior to the payment of any Senior Lien Obligations, Junior Lien Obligations and Subordinate Lien Obligations, including Additional Senior Lien Obligations, Additional Junior Lien Obligations and Additional Subordinate Lien Obligations, then Outstanding and any Additional Senior Lien Obligations, Additional Junior Lien Obligations and Additional Subordinate Lien Obligations thereafter issued. See "APPENDIX B – SUMMARY OF CERTAIN PROVISIONS OF THE

MASTER INDENTURE – Limitations on Issuance – Limitations on Issuance of Additional Other Obligations.”

The Authority agrees that it will not issue any Additional Other Obligations to finance the cost of the acquisition, construction, improvement, extension or expansion of a turnpike project that has not been designated as part of the System unless (i) immediately after the issuance of Additional Other Obligations for such purpose, the Outstanding principal amount of all Outstanding Other Obligations issued for such purposes will not exceed ten percent (10%) of the aggregate principal amount of all Outstanding Obligations; and (ii) the requirements of the Indenture described in the immediately preceding paragraph will be satisfied.

Completion Obligations. To finance the Costs of completion of any improvements, extensions or enlargements to the System financed with the proceeds of Obligations, the Authority may, without complying with the provisions described above under “– Additional Senior Lien Obligations,” “– Additional Junior Lien Obligations” or “– Additional Subordinate Lien Obligations,” issue Additional Senior Lien Obligations, Additional Junior Lien Obligations or Additional Subordinate Lien Obligations in a principal amount not in excess of 10% of the principal amount of the original Obligations issued to finance such facilities, if prior to the issuance thereof there is delivered to the Trustee (1) a certificate from the GEC stating the amount estimated to be needed to complete the facilities and (2) a certificate of the Authority stating: (A) that at the time the original Obligations financing the facilities to be completed were issued, the Authority had reason to believe that the proceeds of such Obligations, together with other moneys then expected to be available, would provide sufficient moneys for the completion of such facilities, and (B) that the proceeds of such Additional Senior Lien Obligations, Additional Junior Lien Obligations or Additional Subordinate Lien Obligations to be applied to the completion of the facilities, together with (1) reasonable estimates provided by the Authority of investment income to be earned on such proceeds 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 facilities, as set forth in the GEC’s certificate described above. The principal amount of the Additional Senior Lien Obligations, Additional Junior Lien Obligations or Additional Subordinate Lien Obligations to be used in applying the test set forth in this paragraph has been met will include the amount required to (a) provide completed and equipped facilities of substantially the same type and scope contemplated at the time such prior Obligations were originally issued, (b) provide for capitalized interest during the period of construction, (c) provide the required deposit, if any, to cause the balance in the applicable debt service reserve fund to equal the applicable Debt Service Reserve Requirement, if any, and (d) pay the costs and expenses of issuing such Obligations.

Refinancing of Subordinate Lien BANS. The Authority may, without complying with any other provisions set forth under “APPENDIX B – SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE – Limitations on Issuance,” as applicable, issue Additional Senior Lien Obligations, Additional Junior Lien Obligations or Additional Subordinate Lien Obligations for the purpose of refunding on or before their maturity date the Series 2005 Subordinate Lien BANS; provided, that (i) if Additional Senior Lien Obligations are to be issued for such purpose, there is delivered to the Trustee a report of the Traffic Consultant

to the effect that the Projected Revenues for each Fiscal Year over the term of the proposed Additional Senior Lien Obligations is expected to produce a Projected Debt Service Coverage Ratio of at least 1.40 with respect to Senior Lien Obligations, or (ii) if Additional Junior Lien Obligations or Additional Subordinate Lien Obligations are to be issued for such purpose, the net effective interest rate on the proposed Additional Junior Lien Obligations or Additional Subordinate Lien Obligations, after taking into account any premium or discount, is less than the interest rate on the Authority's 2005 TIFIA Bond. See "PLAN OF FINANCE – Proceeds of the Series 2005 Obligations" and "– Secured Loan Agreement and 2005 TIFIA Bond."

Additional Covenants of the Authority

Payment of Obligations. The Authority has agreed in the Indenture to duly and punctually pay or cause to be paid, but solely from the Trust Estate including the Revenues, the proceeds of the Series 2005 Obligations, other funds pledged therefor by the Indenture, the principal amount or Maturity Amount, as applicable, or redemption price and interest on every Series 2005 Obligation at the dates and places and in the manner mentioned in the Obligations, according to the true intent and meaning thereof.

Annual Budgets. The Authority has agreed in the Indenture that on or before June 30 in each Fiscal Year (or such other date as is consistent with the Authority's policies then in effect) it will adopt an Annual Operating Budget for the System for the ensuing Fiscal Year and that it will prepare each such Annual Operating Budget on the basis of monthly requirements, so that it will be possible to determine the estimated Operating Expenses for each month during the following Fiscal Year. If for any reason the Authority has not adopted the Annual Operating Budget before the first day of any Fiscal Year, the budget for the preceding Fiscal Year will, until the adoption of the new Annual Operating Budget, be deemed to be in force and be treated as the Annual Operating Budget. Subject to the review and comment of the General Engineering Consultant, the Authority may adopt an amended or supplemental Annual Operating Budget at any time for the remainder of the then current Fiscal Year.

The Authority has also agreed in the Indenture that on or before June 30 in each Fiscal Year (or such other date as is consistent with the Authority's policies then in effect) it will adopt an Annual Maintenance Budget for the System for the ensuing Fiscal Year and that it will prepare each such Annual Maintenance Budget on the basis of monthly requirements, so that it will be possible to determine the estimated Maintenance Expenses for each month during the Fiscal Year. If for any reason the Authority has not adopted the Annual Maintenance Budget before the first day of any Fiscal Year, the budget for the preceding Fiscal Year, will, until the adoption of the new Annual Maintenance Budget, be deemed to be in force and be treated as the Annual Maintenance Budget. Subject to the review and comment of the General Engineering Consultant, the Authority may adopt an amended or supplemental Annual Maintenance Budget at any time for the remainder of the then current Fiscal Year.

The Authority has also agreed in the Indenture that on or before June 30 of each Fiscal Year (or such other date as is consistent with the Authority's policies then in effect) it will adopt an Annual Capital Budget for the System for the ensuing Fiscal Year. The Annual Capital Budget will detail the Authority's planned capital expenditures during the ensuing Fiscal Year and the portion of capital expenditures expected to be funded from the Renewal and

Replacement Fund. The Authority may adopt amendments or supplements to the Annual Capital Budget at any time.

Use and Operation of System. The Authority has covenanted in the Indenture that it will (i) maintain and operate the System in an efficient and economical manner, (ii) maintain the System in good repair and will make all necessary repairs, renewals and replacements, to the extent funds are available therefor hereunder, and (iii) comply with laws and all rules, regulations, orders and directions of any legislative, executive, administrative or judicial body applicable to such System, subject to the right of the Authority to contest the same in good faith and by appropriate legal proceedings.

Inspection of the System and Duties of the General Engineering Consultant. The Authority has covenanted in the Indenture to cause the General Engineering Consultant to make an inspection of the System at least once in the Fiscal Year following the Substantial Completion of the 2005 Project and in each Fiscal Year thereafter; provided, however, with the advice and consent of the Authority the obligations of the General Engineering Consultant required by the Indenture may be modified or lessened as permitted by the Indenture. Following each inspection and on or before the 90th day prior to the end of each Fiscal Year, the General Engineering Consultant must submit to the Authority a report setting forth (i) its findings as to whether the System has been maintained in good repair, working order and condition, (ii) its advice and recommendations as to the proper maintenance, repair and operation of the System during the ensuing Fiscal Year, and (iii) an estimate of the amount of money necessary for such purposes, including its recommendations as to the total amounts and classifications of items and amounts that should be provided for in the Annual Operating Budget, the Annual Maintenance Budget and Annual Capital Budget for the next ensuing Fiscal Year.

Employment of General Engineering Consultant and Traffic Consultant. The Authority has agreed in the Indenture to employ an independent engineer or engineering firm or corporation having a national reputation for skill and experience in such work to perform any functions of the General Engineering Consultant. The Authority has further covenanted in the Indenture to employ an independent engineer or engineering firm or corporation having a national reputation for skill and experience in such work to perform any functions of the Traffic Consultant. The General Engineering Consultant and the Traffic Consultant will be independent of one another.

Insurance. The Authority has agreed in the Indenture that it will keep the System and its use and operation thereof insured (including through self-insurance) at all times in such amounts, subject to such exceptions and deductibles and against such risks, as are customary for similar organizations, including business interruption insurance. All insurance policies will be carried with a responsible insurance company or companies authorized to do business in the State or will be provided under a self-insurance program; any self-insurance program must be actuarially sound in the written opinion of an accredited actuary, which opinion will be filed with the Trustee at least annually.

Prior to the Substantial Completion of the 2005 Project and every three years thereafter (except with respect to self-insurance, which must be annually), the Authority will cause a Consultant to certify to the Trustee that (i) it has reviewed the adequacy of the Authority's

insurance, listing the types and amounts of insurance, and (ii) it finds such coverage to be reasonable and customary for similar organizations. If the Consultant concludes that coverage other than that currently carried by the Authority should be carried, the Authority will obtain such insurance coverage unless it determines in good faith that it is unreasonable or uneconomical to obtain such coverage and an Authorized Representative of the Authority certifies the same in writing to the Trustee.

The Authority has covenanted 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. To the extent that the Authority receives insurance payments under a business interruption insurance policy, such amounts will be deposited into the Revenue Fund. To the extent that the Authority receives liquidated damages for delayed completion under a construction contract relating to the acquisition or construction of a Project, such amounts will be deposited into the Revenue Fund.

Records; Annual Audit. The Authority has agreed in the Indenture that it will maintain books and accounts reflecting the operations of the System, as a separate enterprise, in accordance with Accounting Principles. In addition, the Authority has covenanted that as soon as practicable, but in no event more than 120 days after the last day of each Fiscal Year, beginning with the Fiscal Year ending June 30, 2005, 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 Authority, 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, showing in each case, in comparative form, the financial figures for the preceding Fiscal Year.

Encumbrance of Revenues; Sale, Lease or Other Disposition of Property. The Authority has covenanted that so long as any Obligations are Outstanding under this Indenture,

(a) (1) it will not create or suffer to be created any lien or charge upon any Revenues, except the lien and charge of the Senior Lien Obligations, the Junior Lien Obligations, the Subordinate Lien Obligations and the Other Obligations secured by the Indenture; and (2) from such Revenues or other funds available hereunder, it will pay or cause to be discharged, or will make adequate provision to pay or discharge, within 90 days after the same shall accrue, all lawful claims and demands for labor, materials or supplies that, if unpaid, might by law become a lien upon any Revenues; provided, however, that the Authority will not be required to pay or discharge, or make provision for such payment or discharge of, any such lien or charge so long as the validity thereof shall be contested in good faith and by appropriate legal proceedings; and

(b) it will not sell or otherwise dispose of any real estate or personal property comprising a portion of the System unless an Authorized Representative of the Authority determines in the case of property with a value of \$1 million or less or the Authority, by resolution or other official action, determines in the case of property with a value in excess of \$1 million that:

(1) such property (A) has become obsolete or worn out or is reasonably expected to become so within one year after the date of such disposition, (B) is no longer

used or useful in the operation of the System or in the generation of Revenues, or (C) is to be or has been replaced by other property; or

(2) such action will not materially adversely affect the Revenues.

The Authority has the discretion to deposit the proceeds of such sale or disposition in a fund or account held under the Indenture or an Authority account held outside the Indenture, as it deems appropriate. In the event the Authority did not meet the Rate Covenant during the preceding Fiscal Year, the Authority will notify the Trustee of the sale or disposition of any property that generated Revenues in excess of 1% of the Authority's Revenues during the prior Fiscal Year, and all proceeds from such sale or disposition will be deposited in the Revenue Fund.

(c) it will not lease any real estate or personal property comprising a portion of the System unless the Authority determines by resolution or other official action that such action will not materially adversely affect the Revenues.

Without intending to limit the foregoing, the Authority also may enter into contracts or other forms of agreement for the use of any real estate comprising a portion of the System that do not materially adversely affect the operation of the System and the payments received in connection with the same will, to the extent permitted by law, constitute Revenues. The Authority has also covenanted to ensure that all necessary real property filings will be made in connection with any such lease or other agreement relating to the use of real estate comprising a portion of the System to protect the interest of the Authority in such property.

Covenant Not to Build Competing System. The Authority has agreed in the Indenture to use its best efforts to refrain from exercising its discretionary authority to initiate, support, provide funding for or approve any project undertaken to construct a transportation facility for motorized vehicular traffic where no such facility existed previously or to construct a portion of a transportation facility where additional or widened traffic lanes are physically added to existing traffic lanes on an already constructed facility, that would have the purpose or reasonably foreseeable effect of materially adversely affecting the ability of the Authority to comply with the covenants in the Indenture.

Default and Remedies

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

(a) (1) failure by the Authority to pay the principal of, premium, if any, or interest on any of the Series 2005 Obligations when the same shall become due and payable, either at maturity or by redemption, other than at the election or direction of the Authority or pursuant to the terms of the Obligation, or (2) any failure of the Authority to purchase or cause to be purchased any Tender Indebtedness, including any applicable Variable Rate Indebtedness, upon any optional or mandatory tender to the Authority or a tender agent of the Authority; or

(b) the occurrence and continuance of an event of default under a Credit Facility, Senior Lien DSRF Security, Junior Lien DSRF Security, Subordinate Lien DSRF Security, Swap Agreement or Reimbursement Agreement; or

(c) judgment for the payment of money rendered against the Authority if such judgment is under any circumstances payable from Revenues and is in an amount that its payment would, in the opinion of the Trustee, have a materially adverse effect upon the financial condition of the System and any such judgment is not discharged within 90 days from the entry thereof or an appeal is not taken therefrom or from the order, decree or process upon which or pursuant to which such judgment will 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

(d) the occurrence of a Bankruptcy Related Event that has not been cured, vacated, discharged or stayed within 60 days after the occurrence thereof; or

(e) failure of the Authority to duly and punctually perform any other of the covenants, conditions, agreements and provisions contained in any Obligations or in this Indenture or in any Supplemental Indenture on the part of the Authority to be performed, and the continuation of such failure for 60 days after written notice specifying such failure and requiring same to be remedied has been given to the Authority by the Trustee, which may give such notice in its discretion and must give such notice at the written request of the Holders of not less than 10% in principal amount of the Obligations then Outstanding.

Remedies. Upon the happening and continuance of any Event of Default, the Trustee may proceed, and upon the written request of the Holders of not less than 20% in principal amount of the Obligations then Outstanding under the Indenture must proceed, subject to certain provisions of the Indenture, to protect and enforce its rights and the rights of the Holders under the Act and under the Indenture by such suits, actions or special proceedings in equity or at law, or by proceedings in the office of any board or officer having jurisdiction, either for mandamus or the specific performance of any covenant or agreement contained in the Indenture or in aid or execution of any power herein granted or for the enforcement of any proper legal or equitable remedy, as the Trustee, being advised by Counsel, deems most effectual to protect and enforce such rights.

In enforcing any remedy under the Indenture, the Trustee is entitled to sue for, enforce payment of and receive any and all amounts then or during any default becoming, and at any time remaining, due from the Authority for principal, interest or otherwise under any of the provisions of the Indenture or of the Outstanding Obligations and unpaid, with interest on overdue payments, to the extent permitted by law, at the rate or rates of interest borne by such Obligations, together with any and all costs and expenses of collection and of all proceedings hereunder and under such Obligations, without prejudice, to any other right or remedy of the Trustee or of the Holders, and to recover and enforce judgment or decree against the Authority, but solely as provided in the Indenture and in such Obligations, for any portion of such amounts remaining unpaid, with interest, costs and expenses, and to collect (but solely from Revenues) in any manner provided by law, the moneys adjudged or decreed to be payable. See "RISK FACTORS – Limitation and Enforceability of Remedies."

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

(a) Unless the principal of all Senior Lien Obligations is due and payable, all such moneys will be applied **first**: to the payment to the persons entitled thereto of all installments of interest then due on the Senior Lien Obligations, in the order of the maturity of the installments of such interest, and, if the amount available is not sufficient to pay in full any particular installment to the persons entitled thereto, then to the payment ratably, according to the amounts due on such installment, without any discrimination or preference except as to any difference in the respective rates of interest specified in the Senior Lien Obligations; and **second**: to the payment of the principal of any Senior Lien Obligations that have matured, and, if the amount available is not sufficient to pay all of such matured Senior Lien Obligations, then to the payment thereof ratably, according to the amount due, or if no Senior Lien Obligations have matured, then to the retirement of Senior Lien Obligations in accordance with the Indenture.

(b) If the principal of all Senior Lien Obligations is then due and payable, all such moneys will be applied to the payment of the principal and interest then due and unpaid upon the Senior Lien Obligations, without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Senior Lien Obligations over any other Senior Lien Obligations, ratably, according to the amounts due respectively for principal and interest to the persons entitled thereto, without any discrimination or preference except as to any difference in the respective rates of interest specified in the Senior Lien Obligations.

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

Junior Lien Obligations have matured, to the retirement of Junior Lien Obligations, in accordance with the Indenture.

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

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

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

(g) If no default exists in the payment of the principal of, premium, if any, or interest on the Senior Lien Obligations, the Junior Lien Obligations or the Subordinate Lien Obligations but the principal of, premium, if any, or interest on Other Obligations has not been paid when due, unless the principal of all the Other Obligations is then due and payable, all such moneys will be applied **first**: to the payment to the persons entitled thereto of all installments of interest then due on the Other Obligations, in the order of the maturity of the installments of such interest, and, if the amount available is not sufficient to pay in full any particular installment, then to the payment ratably, according to the amounts due on such installment, to the persons entitled thereto, without any discrimination or preference except as to any difference in the

respective rates of interest specified in the Other Obligations; and **second**: to the payment of the principal of any Other Obligations that have matured, and, if the amount available is not sufficient to pay all of such matured Other Obligations, then to the payment thereof ratably, according to the amount due; or if no Other Obligations have matured, to the retirement of Other Obligations in accordance with the Indenture.

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

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

Restrictions Upon Action by Individual Holder. No Holder of any of the Outstanding Series 2005 Obligations will have any right to institute any suit, action, mandamus or other proceeding in equity or at law for the execution of any trust under the Indenture or the protection or enforcement of any right under the Indenture or any resolution of the Authority authorizing the issuance of Obligations, or any right under the Act or other laws of the State (except for an action for the recovery of overdue and unpaid principal, interest or redemption premium) unless (i) such Holder gives the Trustee written notice of the Event of Default or breach of trust or duty on account of which such suit or action is to be taken, (ii) the Holders of not less than 20% in principal amount of the Obligations then Outstanding have (A) made written request of the Trustee after the right to exercise such powers or right of action, as the case may be, have accrued, (B) afforded the Trustee a reasonable opportunity either to (1) proceed to exercise the powers granted under the Indenture or the Act or other laws of the State or (2) to institute such action, suit or proceeding in its or their name, and (C) offered the Trustee reasonable security and indemnity satisfactory to it against the costs, expenses and liabilities to be incurred by it, and (iii) the Trustee has refused or neglected to comply with the request described in clause (ii)(A) within a reasonable time.

2005 TIFIA Bond Default Remedy. Upon the occurrence of an Event of Default that is a Bankruptcy-Related Event under the Indenture while the USDOT owns the 2005 TIFIA Bond, the 2005 TIFIA Bond will be deemed to be and will automatically become, as of the date of occurrence of such a Bankruptcy-Related Event, a Senior Lien Obligation for all purposes of the

Indenture (except as provided below) and the USDOT, acting through the Federal Highway Administrator, will be deemed the Secured Owner of such Senior Lien Obligation. In the event that occurrence of such a Bankruptcy-Related Event and any then existing defaults under the Secured Loan Agreement are cured, the 2005 TIFIA Bond will no longer be treated as a Senior Lien Obligation and will revert to the status of a Subordinate Lien Obligation. Notwithstanding the other provisions described in this paragraph, if on the date that such a Bankruptcy-Related Event occurs there are any amounts on deposit in the Senior Lien Debt Service Fund, such amounts will be used to pay amounts due or to become due on the Senior Lien Obligations Outstanding immediately prior to the occurrence of such Bankruptcy-Related Event. Further, in the event the 2005 TIFIA Bond is deemed a Senior Lien Obligation, the Indenture provides that the 2005 TIFIA Bond (i) will not be secured by the Senior Lien Debt Service Reserve Fund and (ii) will not be taken into account in computing the Senior Lien Debt Service Reserve Requirement. See "SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2005 OBLIGATIONS – Funds and Accounts – Senior Lien Debt Service Reserve Fund."

BOND INSURANCE

TO COME

THE AUTHORITY

Legislation

In 2001, the 77th Texas Legislature authorized the creation of regional mobility authorities ("RMAs") through Senate Bill 342 for the purpose of constructing, operating and maintaining turnpike projects in the State.

In 2003, the 78th Legislature enacted House Bill 3588, which made major revisions to State laws governing the funding and development of transportation projects. A major section of that legislation created Chapter 370 of the Texas Transportation Code governing the formation and operation of RMAs, and the Legislature significantly expanded the powers of RMAs to develop and finance a variety of multi-modal transportation projects. The Authority was actively involved in the legislative process and offered testimony and technical input on major aspects of House Bill 3588.

The Texas Legislature convened its 79th Legislative Session on January 11, 2005. The Authority cannot predict whether any legislation affecting regional mobility authorities will be enacted or what effect, if any, such legislation could have on the Authority or the 2005 Project.

Creation of the Central Texas Regional Mobility Authority

Travis County, Texas ("*Travis County*"), and Williamson County, Texas ("*Williamson County*") and, together with Travis County, the "*Counties*"), jointly filed a petition to form the Authority in September 2002, and the Texas Transportation Commission (the "*Commission*") granted its approval on October 31, 2002. The Counties' petition to the Commission identified the 183-A Turnpike Project, as described in the GEC's System Report, in Williamson County as the Authority's first project, and SH 45 Southeast in Travis County as a potential second project.

The Counties also committed to fund the initial operations of the Authority with a contribution of \$250,000 from each of the Counties, which was later supplemented by an additional contribution of \$300,000 from each of the Counties (for a total of \$1.1 million). The Authority is not required to repay any of this funding.

The petition to form the Authority called for a board of directors of seven (7) members, three (3) appointed by each of the Counties and the presiding officer to be appointed by the Governor. The directors were appointed in late 2002 and early 2003, and the Authority held its first meeting in January 2003.

Since its creation the Authority has developed and adopted numerous policies and procedures necessary to conduct its business, and has procured and retained the services of various consultants and professionals experienced in toll project finance, development, construction, and operations. In December 2003, the authority hired an Executive Director, and in November 2004 the Authority hired a Chief Financial Officer.

The Authority is the first RMA to be formed in the state, and has served as a model for others which have followed. Those others include: Alamo RMA (Bexar County), Grayson County RMA, Northeast Texas RMA (Smith and Gregg Counties), and the Cameron County RMA.

Capital Area Metropolitan Planning Organization

In July of 2004, the Capital Area Metropolitan Planning Organization approved amendments to its 2005 Transportation Plan and its Transportation Improvement Program which provide for the addition of new tolled capacity to several existing roadway corridors in the central Texas area. The amendments were made pursuant to a Regional Implementation Program developed by the Authority working in conjunction with the Austin district of TXDOT, and the plan is intended to provide a means of funding new roadway capacity additions through tolling. As initially proposed the plan called for approximately \$2.2 billion in roadway improvements (including the 2005 Project). Subsequent changes and modifications may reduce the scope and timing of the implementation of the proposed improvements. Elements of the plan have generated some local opposition. It has yet to be determined which of the projects will be developed by TXDOT and which will be developed by the Authority, although it is anticipated that the Authority will operate most or all of the projects in the plan.

Board of Directors, Executive Director and Chief Financial Officer

The Authority is governed by a seven (7) member Board of Directors (the "*Board*"), with three (3) members appointed by each of Travis County and Williamson County, and the presiding officer appointed by the Governor. On January 22, 2003, Governor Perry appointed Robert E. (Bob) Tesch as the presiding officer of the Board. The Board has the ultimate decision making authority and responsibility for directing and controlling the affairs of the Authority. The Board is also responsible for the establishment of policies that direct operational management and the overall implementation of the Authority Strategic Plan. The Board represents a spectrum of business and civic leaders in Travis and Williamson Counties.

The operations of the Authority are managed by the Executive Director who is appointed by the Board. The Executive Director serves as the chief executive officer of the Authority. The Board meets regularly to review, discuss and determine policies affecting the operation and maintenance of the Authority. The Executive Director reports directly to the Board. The names of each director and their occupations are described on page iv. Further biographical information concerning the directors of the Board and the Executive Director and the Chief Financial Officer of the Authority is provided below.

Robert E. (Bob) Tesch, Chairman, Member of the Executive Committee. Robert E. (Bob) Tesch was appointed by Governor Rick Perry to chair the Board in January 2003.

Mr. Tesch has owned and operated a real estate investment/development business in Central Texas since 1984. His civic and professional involvement include membership in the Austin Area Research Organization Transportation Committee and the Real Estate Council of Austin Transportation Committee, and past service on the City of Cedar Park's Citizen's Bond Task Force, the City of Cedar Park's Economic Development Corporation's board of directors, the State Regional Mobility Authority Rules Advisory Committee, and the Central Texas Airport Advisory Committee.

The Capital Area Transportation Coalition recently honored Mr. Tesch for his leadership in regional transportation issues.

Mr. Tesch is a veteran of the United States Navy and a 1969 graduate of the University of Texas at Austin, College of Business Administration.

Lowell H. Lebermann, Jr., Vice-Chairman, Member of the Executive Committee. Lowell H. Lebermann, Jr. was appointed to the Board by the Travis County Commissioners Court in December 2002 and was elected Vice-Chairman of the Board in January 2003.

Mr. Lebermann is owner and Chairman of the Board of Centex Beverage and a director of DoggettData and Patton Surgical. He is a former member of the Austin City Council and The Board of Regents of the University of Texas System, and he served as Chairman of the Capital Area Metropolitan Planning Organization and as a former Director of Valero Energy. He is currently a member of the Greater Austin Chamber Economic Development Foundation Board, the Greater Austin-San Antonio Corridor Council Executive Committee and Hill Country Conservancy. Mr. Lebermann also serves as Advisory Board Member of the 360.01 Summit, an annual technological/community conference, Vice-Chairman of the Central Texas Health Care District Steering Committee, on the National Public Radio Foundation Board of Trustees and Board Member of Envision Central Texas, a collaborative five-county comprehensive planning effort.

His civic and professional achievements have earned him many awards, including: induction to the Texas Business Hall of Fame in 2004; Austinite of the Year award by the Greater Austin Chamber of Commerce in 2003; Distinguished Alumnus Award from the University of Texas at Austin in 2000; Knight, American Association of Master Knights of the Sovereign Military Order of Malta in 1980; Brotherhood Award, National Conference of Christians and Jews in 1980. Mr. Lebermann was also Student Body President in 1961 at the

University of Texas at Austin and a Member of the Friar Society at the University of Texas at Austin, and he received the Honored Friar Award in 1992.

Robert L. Bennett, Jr., Treasurer, Member of the Executive Committee. Robert L. Bennett, Jr. was appointed to the Board by the Williamson County Commissioners Court in December 2002 and was elected Treasurer of the Board in January 2003. Mr. Bennett was re-appointed by Williamson County in December 2004 for a four-year term.

Mr. Bennett has 30 years of public service, with the last 23 years as City Manager of Round Rock, Texas. Under his management, Round Rock built many projects using non-traditional financing technologies, including the Dell Diamond and Forest Creek Golf course. Of special financial significance is the Dell Computer Corporation sales tax sharing deal and the addition of a one-half cent sales tax used for highway expansion.

He has served or serves on several boards including the Round Rock YMCA, Round Rock United Way, Round Rock Chamber of Commerce and the Fund Raiser Central Texas Chapter American Cancer Society. Mr. Bennett is involved in numerous civic and professional organizations, including: Sunrise Kiwanis Club - Kiwanian of the Year, 1983; Round Rock Runners Club; American Institute of Certified Planners; American Planning Association; Texas City Management Association; Texas City Planners Association; American Water Work Association and the International City/County Management Association.

Prior to working for Round Rock, Mr. Bennett worked for the City of Houston and the City of San Antonio. He holds a degree in Geography from Southwest Texas State University and a Master of Urban Planning Degree from Texas A & M University.

Henry H. Gilmore, Board Member. Henry H. Gilmore was appointed to the Board by the Travis County Commissioners Court in December 2002.

Henry Gilmore is an attorney in private practice, specializing in land use law. Mr. Gilmore has served as a member of the City of Austin Planning Commission, the City of Austin Smart Growth Task Force, the Greater Austin Chamber of Commerce Board of Directors, the Chamber Blue Ribbon Task Force on Light Rail, the TACB/TWC State Task Force on Environmental Justice and the State of Texas General Services Commission. He also currently serves as a member of the St. Andrew's Episcopal School Board and as a member of the Austin East Side Story Board, a non-profit program providing free access to technology and after school tutorial programs for children living in East and Northeast Austin.

Mr. Gilmore earned a bachelor's degree in History from Loyola College in Maryland in 1981 and a Juris Doctor degree from the Southern Methodist University School of Law in 1984.

James H. Mills, Board Member. James H. Mills was appointed to the Board by the Williamson County Commissioners Court in December 2002 and re-appointed to a two-year term in December 2004.

Mr. Mills currently serves as the president of the Rivercrest Group in Georgetown, Texas, and is an acknowledged expert in the provision of utilities. Mr. Mills has directed the development of several municipal utility districts and water systems, including Williamson

County Municipal Utility District (MUD) #1 and Wells Branch MUD, which together represent over \$45 million in public investments. His civic and professional involvement includes serving on numerous organizations including: Brushy Creek Water Control and Improvement District, President 1982-1985; Member of the Board of Directors of the Brazos River Authority, 1985-1991; Co-Chairman of the Williamson County Water Visionary Committee, 1999-2004; Austin Area Research Organization, 2001 to present; Georgetown Area Community Foundation, 2004 to present; and Member of the Board of Directors of the Georgetown Symphony Society, 2004 to present. Mr. Mills was also: National Director of the National Association of Homebuilders, 1982- 1991, and elected Life Director in 1992; President of the Texas Capital Area Association of Home Builders in 1984 and an officer or member of the Board from 1972 to present; member of the International Bridge, Tunnel, and Turnpike Association; member of the Williamson County Association of Realtors; and a member of the Real Estate Council of Austin. Mr. Mills was named Round Rock's Citizen of the Year in 1986, and Business Person of the Year by the Georgetown Chamber of Commerce in 2002.

Mr. Mills graduated with a Bachelor in Arts from the University of Illinois in 1959.

David Singleton, Board Member. David Singleton was appointed to the Board in February 2004 by the Williamson County Commissioners Court and re-appointed to a six-year term in December 2004.

Mr. Singleton is the President of Southwest Land Services, Inc., a land planning and construction management consulting service. He previously served as Director of Public Works for the City of Leander, where he was responsible for thoroughfare planning, including the coordination of the inter-local connection of major and minor arterials, and overall department management. Mr. Singleton recently served as Board Member for the Cedar Park Chamber of Commerce and as interim Chairman of the Board of the Lakehills Economic Development Corporation. He was also a member of the Williamson County Bond Task Force, which directed the development of the successful \$350 million bond referendum for roadway infrastructure improvements in 2000. Mr. Singleton currently serves as President of the Summit Christian Academy Athletic Booster Club and Vice-President of the San Gabriel Chapter of the Coastal Conservation Association.

Mr. Singleton earned a Bachelor of Science in Architectural Studies from the University of Texas at Austin in 1991.

Johanna Zmud, Ph. D., Board Member. Dr. Johanna Zmud was appointed to the Board by the Travis County Commissioners Court in December 2003.

Dr. Zmud is co-owner and current president of NuStats Partners, LP, a social policy research firm, specializing in research for transportation policy and planning. Over the past 20 years, the firm has interviewed more than two million Americans on travel and mobility behaviors, opinions, and preferences. The firm earned a 2000 Silver Spur award from the Texas Public Relations Association in 2005 for the Austin Area in Motion (AIM) project; was named by *Hispanic Business* magazine as one of nation's Fastest Growing Hispanic Firms in 1996; one of 100 Best Sources of Marketing Information in 1994 by *American Demographics* magazine; and Corporation of the Year in 1988 by the Greater Austin Hispanic Chamber of Commerce.

Dr. Zmud currently chairs the Travel Survey Methods committee for the Transportation Research Board ("TRB") of the National Academy of Sciences. Other TRB-related accomplishments include: Co-Chair, Advisory Panel on Personal Travel Surveys for the Federal Highway Administration and the Bureau of Transportation Statistics ; Chair, National Household Travel Survey Conference (November 2004); and Planning Committee Member for the upcoming National Commodity Flow Survey and North American Travel Monitoring Conferences. Dr. Zmud has authored and published numerous peer-reviewed papers on travel behavior and survey methodology.

Dr. Zmud earned a Doctorate in Communication Research from the Annenberg School for Communications of the University of Southern California in 1992.

Mike Heiligenstein, Executive Director. Mike Heiligenstein is the Executive Director of the Authority. He manages, directs and implements the Authority's policies, programs and operating strategies. He became Executive Director on December 5, 2003.

Mr. Heiligenstein served 23 years as a public official in central Texas in the rapidly growing communities of Round Rock and Williamson County. As both a City Councilman and County Commissioner he initiated and helped supervise over \$500 million in capital improvement projects. In 2000 he spearheaded a \$350 million transportation initiative that changed the dynamics of mobility throughout central Texas. Mr. Heiligenstein was actively involved in all aspects of implementing the program: public presentations; contract management; rating agency presentations; pricing; and personally engaging in needed land acquisition for the Central Texas Turnpike Project, SH45. Mr. Heiligenstein has also been a leader in environmental and other public infrastructure causes throughout his public career. He chairs the Clean Air Force (the regional air quality initiative of Central Texas) where he actively participated in the development of the EPA Early Action Compact for Central Texas. He also chaired the air and water quality subcommittees for the National Association of Counties and became chair of the Conference of Urban Counties before resigning his commissioner's seat and private sector employment to assume the position of Executive Directors of the Authority. Mr. Heiligenstein was a founding board member and two-time vice chair of the Austin-San Antonio Corridor Council, and a board member for the Envision Central Texas project. Prior to accepting the position of Executive Director for the Authority he was Texas state manager for a major retirement planning and assets management company with regional assets totaling over \$250 million.

Mr. Heiligenstein earned a Bachelor and Masters of Government from the University of Texas at Austin and a Master of Business Administration from the University of Texas at Austin in 1980. He has also secured and holds his Series 7, Series 26 and Series 63 securities licenses.

William Chapman, Chief Financial Officer. William Chapman is Chief Financial Officer of the Authority. He became Chief Financial Officer in November 2004.

Mr. Chapman moved to Austin to join the Authority from El Paso, Texas. During his 14 years working for the City of El Paso, he was the City's Internal Auditor, the Director of the Office of Management and Budget, Chief Financial Officer, and a combined Deputy Chief Administrative Officer/Chief Financial Officer. Mr. Chapman is currently the President of

TexStar, a Governmental investment pool with \$3,600,000,000 in assets. He has been a part-time and full-time instructor in financial management and accounting courses at both the undergraduate and the graduate level at various universities and educational institutions.

Mr. Chapman is or has been involved in the following community activities: from 1977 to 1985 he served as a scout leader in Illinois and Colorado and served on local councils; he was elected to the Board of Trustees, Richland Community College in 1979; a member of Leadership Aurora in 1984; the Ysleta Community Development Corporation in 1989; a member of the Government Finance Officers Association; Institute of Internal Auditors, Officer and past President; Director, El Paso Employees Federal Credit Union; EDP Auditors Association; and the Association of Government Accountants.

Mr. Chapman earned a Bachelor of Science in Accountancy from the University of Illinois in Champaign in 1968 and a Masters in Business Administration from Miami University in Oxford Ohio in 1970. Mr. Chapman received his CPA certificate from the University of Illinois in 1969. Mr. Chapman became: a certified Internal Auditor in 1992; a certified Information Systems Auditor in 1993; and a Certified Government Financial Manager in 1996.

Initial Operations and Organization

For the initial operations of the 2005 Project, the Authority has employed the Executive Director, a Finance Director (Chief Financial Officer) and other staff members. The Authority plans to further employ a Chief Administrative Officer, a Director of Operations, a Public Involvement Director and other key staff members as deemed necessary. The staff of the Authority will be organized into the following four functional departments, the managers of which will report to the Executive Director: Administration, Finance, Operations and Public Involvement. Certain functions necessary for the operation of the Authority's facilities, including toll collection, operation, maintenance, law enforcement, auditing and accounting are initially being contracted out by the Authority. These contracted activities, however, will be managed and closely monitored by Authority staff or its consultants. Williamson County and State police will provide law enforcement for the 2005 Project through interagency agreements. A description of the responsibilities of each of the planned functional departments is set forth below:

Administration, under the direction of the Executive Director, will be responsible for personnel, insurance, and loss prevention for the operations and maintenance activities of the Authority. All legal and contract related activities will come under this department.

Finance, under the direction of the Chief Financial Officer, will be responsible for the overall financial activities for the Authority, including purchasing, toll collection, investments and budget development. The Finance Department will process all requests for and will administer the procurement of materials, supplies and equipment for the Authority. This department will manage all financial matters of the Authority, including toll collection control, toll tag sales and administration, investment of funds, budgeting, accounting, auditing and bondholder reporting.

Operations, under the direction of the Director of Operations, will be responsible for all toll operations and maintenance activities of Authority's facilities. Toll operations will consist of management of the toll system operations, including system operations and personnel, administration, toll system maintenance, audit and accounting and toll facilities maintenance. Roadway maintenance involves mowing and vegetation control, property damage repairs (primarily guard rail and signs), litter control, drainage maintenance and repairs, roadway lighting, and minor improvements.

Staff members of the Operations department will also be responsible for safety, traffic control, law enforcement and communications for the 2005 Project. The Director of Operations will serve as a liaison and will administer contracts with the toll collection system operation, toll collection systems maintenance coordinator, roadway maintenance contractor, County police and the contractor for communications system maintenance.

Public Involvement, under the direction of the Director of Public Involvement, will be responsible for the overall public relations activities for the Authority, including the marketing of toll tags and public involvement efforts.

Public involvement policies and procedures will govern the flow of information from the Authority and facility operators to the public. Initial responsibilities of the Public Involvement department will be to notify the public of the opening of the 2005 Project and the operational characteristics of the 2005 Project. Advertising and marketing to encourage the use of the 2005 Project, including the electronic toll payment, will also be responsibility of the Public Involvement department, both initially and during the course of operations of the 2005 Project.

All public involvement and marketing activities will be coordinated through the Executive Director and the Authority. The Authority will utilize the services of a consultant specializing in public relations and marketing to properly develop and coordinate a marketing plan and to disseminate information.

Financial Reports

The audited financial statements of the Authority for the periods ending June 30, 2004 and 2003 are attached as "APPENDIX A – AUDITED FINANCIAL STATEMENTS OF THE AUTHORITY."

Retirement Plan

Pursuant to an interlocal agreement dated as of December 5, 2003, with Williamson County, the Authority contributes to the Williamson County Retirement Plan (the "*Retirement Plan*"), which participates in the Texas County and District Retirement System ("*TCDRS*"). TCDRS is a non-profit public trust providing pension, disability and death benefits for the eligible employees of participating counties and districts. TCDRS was established by legislative act in 1967 under authority of Section 67 of Article XVI of the Texas Constitution. Subtitle F, Title 8, of the Texas Government Code is the basis for TCDRS administration. TCDRS issues a publicly available annual financial report that includes financial statements and required supplementary information for the Retirement Plan. That annual report may be downloaded at <http://www.tcdrs.com>.

Retirement Plan members and the Authority are required to contribute at a rate set by statute. The contribution requirements of Retirement Plan members and the Authority are established and may be amended. During 2004, the contribution rate for Retirement Plan members was 7.0% of gross pay. See "APPENDIX A – AUDITED FINANCIAL STATEMENTS OF THE AUTHORITY."

THE SYSTEM AND THE 2005 PROJECT

Description of the System and the 2005 Project

The System initially will consist of the 2005 Project, which will be financed in part with a portion of the proceeds of the Series 2005 Obligations. Additional sources of funding for the 2005 Project will be provided through State, local and federal sources, and from investment earnings on amounts deposited in the Construction Fund. See "PLAN OF FINANCE." The 2005 Project includes the planning, designing, engineering, and construction of the Interim Phase of the 183-A Turnpike Project (as described in the GEC's System Report attached as APPENDIX C), consisting of six-lane mainline roadways from RM 620/SH 45 in the City of Austin to approximately 1500 feet north of FM 1431 in the City of Cedar Park (approximately 4.1 miles), together with associated access ramps and toll collection facilities; and the construction of the frontage roads from FM 1431 to the San Gabriel River approximately three miles north of the City of Leander (approximately 7.5 miles). See "– Toll Collection Facilities and Technology" below. A map of the 2005 Project is included on page ii hereof. The System will also include any future Project and any other roads, bridges, tunnels or other toll facilities for which the Authority has operational responsibility that, in each case, the Authority designates as part of the System by official action of the Board of Directors of the Authority. The Authority is not obligated to designate future projects as part of the System.

A detailed description of each element of the 2005 Project, including the design status and standards for such elements, is presented in "APPENDIX C – GEC'S SYSTEM REPORT."

Construction of 2005 Project

The 2005 Project will be constructed utilizing a Comprehensive Development Agreement (the "*Comprehensive Development Agreement*"), which is a fixed price, lump sum contract obligating Granite Construction Company and J.D. Abrams, L.P. Joint Venture (dba Hill Country Constructors) (the "*Developer*") to perform all work necessary to complete the "Development Work" (as such term is defined in APPENDIX G) by the deadlines set forth therein, for the Development Price (as hereinafter defined), subject only to certain specified limited exceptions set forth in the Comprehensive Development Agreement. The Authority initially received an unsolicited proposal for the development of the 2005 Project, and in response thereto the Authority solicited competing statements of qualifications. The Authority received six responses, one of which was withdrawn. Of the five remaining, the Authority short-listed to three development teams, each of which then responded to the "Request for Detailed Proposals" issued by the Authority. After a thorough assessment of the responses, the Authority selected the Developer as the team submitting the proposal which provided the best overall value to the Authority. The Authority executed the Comprehensive Development Agreement on November 29, 2004, and issued "NTP1" (as such term is defined in APPENDIX G) on

December 10, 2004. Pursuant to the Comprehensive Development Agreement, the Authority will pay to the Developer a fixed price of \$178,312,913, as such amount may be adjusted from time to time pursuant to the provisions of the Comprehensive Development Agreement (the "Development Price"), as total compensation for all Development Work, including the development, design and construction of the 2005 Project. The Development Price will be paid in monthly progress payments, with certain lump-sum mobilization payments due upon the occurrence of certain events. In order to reduce the risk of cost overruns, the Comprehensive Development Agreement includes restrictions affecting the Developer's ability to make claims for an increase to the Development Price or an extension of the deadlines for completion of the Development Work. See "APPENDIX G – SUMMARY OF CERTAIN PROVISIONS OF THE COMPREHENSIVE DEVELOPMENT AGREEMENT."

Maintenance of 2005 Project

The Comprehensive Development Agreement does not obligate the Developer to perform any maintenance activities for the 2005 Project. The Authority is in the process of soliciting proposals to contract with an outside party to perform all maintenance activities and requirements for the 2005 Project. The Developer has submitted a proposal for a comprehensive program for the operations and maintenance of the completed 2005 Project. Upon receipt of proposals from outside parties for maintenance activities for the 2005 Project, the Authority will evaluate all maintenance proposals, including the Developer's proposal, and will make a determination as to which proposal provides the greatest benefit and value to the Authority.

Pursuant to the Cedar Park Interlocal Agreement (as hereinafter defined) (See "RIGHT-OF-WAY ACQUISITION AND FUNDING – General – Cedar Park Interlocal Agreement") and subject to the limitations set forth therein, the City of Cedar Park, Texas (the "*City of Cedar Park*"), has agreed to be responsible for all maintenance and operation obligations for the eastern and western frontage roads of the 2005 Project that are south of New Hope Road and within the City of Cedar Park's corporate limits.

Estimated Construction Costs of the 2005 Project

The Costs of the 2005 Project are estimated to be approximately \$212,000,000 (see "PLAN OF FINANCE" and "APPENDIX C – GEC'S SYSTEM REPORT"). This amount includes inflation factors and contingencies for construction change orders. See "RISK FACTORS – Costs of 2005 Project" and "APPENDIX C – GEC'S SYSTEM REPORT."

The Comprehensive Development Agreement requires the Developer to construct the 2005 Project for a fixed Development Price, subject only to certain specified, limited exceptions set forth therein. Cost estimates for the 2005 Project were based upon the fixed Development Price and the estimated Costs of other items of work for the 2005 Project, such as construction oversight and management and toll systems. As set forth in the GEC's System Report, "[t]he schedule and cost submitted by the Developer have been reviewed by the General Engineering Consultant (GEC) Team and are considered reasonable and appropriate for the project scope." See "APPENDIX C – GEC'S SYSTEM REPORT – Executive Summary – Project Cost and Schedule" and "RISK FACTORS – Costs of 2005 Project."

Estimated Opening Date of the 2005 Project

Pursuant to the Comprehensive Development Agreement, the Developer is obligated to achieve "Substantial Completion" of the 2005 Project within 730 days after the start date set forth in "NTP2" (as each of such terms are defined in APPENDIX G) , and the Authority is obligated to issue NTP2 on or about the date of the issuance of the Series 2005 Obligations. See "APPENDIX G – SUMMARY OF CERTAIN PROVISIONS OF THE COMPREHENSIVE DEVELOPMENT AGREEMENT – Completion Deadline" and "— Compensation and Payment – NTP2 Work." As set forth in the GEC's System Report, "[t]he schedule and cost submitted by the Developer have been reviewed by the General Engineering Consultant (GEC) Team and are considered reasonable and appropriate for the project scope." See "APPENDIX C – GEC'S SYSTEM REPORT – Executive Summary – Project Cost and Schedule" and "RISK FACTORS – Costs of 2005 Project."

Toll Collection Facilities and Technology

The Authority is in the process of soliciting proposals to contract with a toll systems integrator for the 2005 Project. The toll collection and enforcement system will not be finalized at the time of delivery of the Series 2005 Obligations. Between delivery of the Series 2005 Obligations and opening of the 2005 Project, the Authority and the toll systems integrator will continue to develop and review the toll collection and enforcement system for the 2005 Project.

The 2005 Project will use a computerized toll collection system similar in make-up and functionality to those used on other toll roads in the State, including electronic toll collection ("*ETC*") using automatic vehicle identification ("*AVT*"). The 2005 Project toll collection system will be interoperable with the ETC systems used by the Texas Turnpike Authority's Central Texas Turnpike System so that ETC customers can use the Authority's system, and vice versa, without having to have multiple transponders on their vehicles. It is intended that the 2005 Project toll collection system will also be interoperable with other State ETC Systems used by the other cities such as Houston and Dallas.

The 2005 Project will utilize both a conventional toll collection system and an express ETC system. A conventional collection system includes plazas on the mainlanes and ramps to provide for various combinations of electronic toll collection, automated coin machines and manual toll collection systems and methods. An ETC system automatically recognizes a vehicle, using a valid encoded data tag or pass, and records the vehicle passage through the toll system, thereby collecting the toll from the established account. Vehicles using ETC will decrease the congestion at toll plazas because vehicles do not need to stop and pay tolls. The technology can improve toll violation enforcement, reduce operating costs, and improve auditing abilities. ETC can be completed even at prevailing travel speeds, whereas manual and automatic coin collection requires vehicles to come to a complete stop.

The 2005 Project will include two main toll collection areas. An all ETC system will be installed on the mainline roadways in the vicinity of Lakeline Mall Drive. The all ETC system will consist of only a gantry over the mainlanes and vehicles will be required to have a toll tag to be able to use this part of the facility. A conventional mainline barrier toll plaza will be constructed at Park Street. The mainlane barrier toll plaza at Park Street will be configured to

transition from the typical section to ETC/AVI lanes and cash collection lanes. The ETC/AVI lanes will be located in the center of the plaza and will provide express toll collection at high speeds. Vehicles will be required to have a toll tag to be able to use these lanes. Cash customers will exit from the right lane when approaching the toll plaza to use conventional toll lanes equipped with both electronic and manually operated toll equipment. Ramp toll plazas using a conventional toll collection system will be constructed on the access ramps serving Brushy Creek Road. See "APPENDIX C – GEC'S SYSTEM REPORT – Toll Collection Infrastructure & Systems" and "APPENDIX D – TRAFFIC AND REVENUE REPORT – Toll Collection Structure."

Project Development Agreement with TXDOT

Pursuant to regulations governing the Authority, the Authority and TXDOT will enter into a project development agreement in connection with the 2005 Project. The agreement will address issues including review and approval of design submittals, applicable design standards, timelines for performing reviews, joint use of TXDOT-owned right-of-way, toll system interoperability, and relative maintenance obligations for jointly used property. The project development agreement will be finalized prior to the issuance of NTP2 to the Developer.

THE DEVELOPER

Granite Construction Company and J.D. Abrams, L.P. Joint Venture (dba Hill Country Constructors), the Developer of the 2005 Project, is a Texas joint venture comprised of two equity partners: Granite Construction Company ("*Granite*") and J.D. Abrams, L.P. ("*Abrams*"). Granite owns a 70% equity interest in the joint venture and serves as its managing partner. Abrams owns the remaining 30% equity interest.

Granite was incorporated in California in 1922 and is one of the pioneers in design build transportation projects. Granite is a wholly owned subsidiary of Granite Construction Incorporated, which is a publicly traded company. Granite performs construction nationwide on highways, bridges, power plants, transit systems, dams, railroads, airports, and tunnels. Since 1984 Granite has completed over \$850 million in highway contracts in Texas. Granite established its Austin office in 1999. With joint venture partners, Granite has built over \$4 billion in design build projects in the last 12 years. Granite's clients include federal, state, county, and city governmental agencies; developers; and power, mining, railroad, petroleum, and industrial companies throughout the United States.

Abrams, a privately held Texas limited partnership, is an Austin, Texas, based heavy civil/highway contractor. Abrams has specialized in highway construction since 1966. Its clients include TXDOT, the North Texas Tollway Authority, Harris County Toll Road Authority, Mississippi DOT, Florida DOT, U.S. Army Corps of Engineers, U.S. International Boundary and Water Commission and other local government agencies. Abrams has constructed numerous projects for TXDOT including several in the Austin, Texas area. Abrams is currently constructing the U.S. 183 Freeway Project south of the 2005 Project, and through another Granite/Abrams joint venture, the \$63 million Segment 7 of SH45, also in Austin, Texas.

Other major, non-equity members of the Developer's team include URS Corporation, the lead design firm; Turner Collie & Braden, Inc., roadway design; AGUIRRE Corporation, design of toll facilities; DMJM + Harris, roadway design; Hicks & Company, environmental; Klein Felder Incorporated, geotechnical; Pinnacle Consulting Management Group, Inc., right-of-way management; P.E. Structural Consultants, structural design; Cobb, Fendley & Associates, utility management; Kellogg, Brown & Root, independent design quality assurance and environmental compliance; Rodriquez Engineering Laboratories, independent construction quality assurance; Group Solutions RJW, community outreach; and Roy Jorgensen & Associates, Inc., operations and maintenance.

Oversight for the Developer team will be provided by the Developer's Board of Directors, comprised of members of Granite and Abrams. The 2005 Project will be managed by a developer project manager together with a design project manager and a construction project manager. In addition, the team will include a construction-design coordination manager to serve as a direct liaison to the design and construction organizations.

TIFIA FUNDING

Pursuant to the provisions of TIFIA, the USDOT has agreed to lend the Authority up to \$66,000,000 to pay or reimburse a portion of the Costs of the 2005 Project under the Secured Loan Agreement between the Authority and the USDOT. To evidence the Authority's obligations under the Secured Loan Agreement, the Authority is issuing the 2005 TIFIA Bond as a Subordinate Lien Obligation. Upon the occurrence of an Event of Default that is a Bankruptcy-Related Event under the Indenture while the USDOT owns the 2005 TIFIA Bond, the 2005 TIFIA Bond will become a Senior Lien Obligation on a parity with the other Senior Lien Obligations, except that it will not be entitled to be paid from amounts on deposit in the Senior Lien Debt Service Reserve Fund. See "SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2005 OBLIGATIONS – Default and Remedies – 2005 TIFIA Bond Default Remedy."

To the extent the Authority expends proceeds of the 2005 TIFIA Bond to pay Costs of the 2005 Project, including any refinancing of the Series 2005 Subordinate Lien BANS, interest will be payable on the 2005 TIFIA Bond on each January 1 and July 1 of each year, commencing January 1, 2012, at the rate of _____% per annum. Outstanding principal under the 2005 TIFIA Bond will be payable on January 1 of each year, commencing January 1, 2012, and on the maturity date. The final maturity date of the 2005 TIFIA Bond is January 1, 2042. The balance of the 2005 TIFIA Bond is available, as needed as reimbursements of Eligible Project Costs, to finance or refinance Costs of the 2005 Project. See "APPENDIX F – SUMMARY OF CERTAIN PROVISIONS OF THE SECURED LOAN AGREEMENT" regarding additional terms and provisions of the Secured Loan Agreement.

The USDOT uses a two-step documentation process to commit and provide TIFIA assistance. First, a term sheet setting forth the basic terms and conditions of TIFIA assistance is negotiated and executed. The execution of the term sheet triggers USDOT's obligation of contract authority and the USDOT is obligated to make a disbursement of funds at a later date, up to the authorized loan amount set forth in the term sheet. Second, a loan agreement, such as the Secured Loan Agreement, is executed that contains the final terms and conditions under

which the USDOT will make funds available and authorizes the submission of requests for disbursement of funds. A term sheet was executed by the USDOT on _____, 2005. The Secured Loan Agreement is expected to be delivered and become effective on the delivery date of the Series 2005 Obligations. The USDOT has obligated a total of \$66,000,000 for the Secured Loan Agreement. Funds under the Secured Loan Agreement are transferred from the United States Department of the Treasury upon presentation by the Authority of a request for disbursement in accordance with the provisions of the Secured Loan Agreement.

FUNDING AGREEMENTS WITH TXDOT

TXDOT has committed to making separate grants of \$12.7 million and up to \$65 million to the Authority for certain costs associated with the 2005 Project. Such grants are governed by separate Financial Assistance Agreements between the Authority and TXDOT, described below. There is no obligation to repay these funds to TXDOT.

The Authority has entered into a Financial Assistance Agreement with TXDOT dated as of May 30, 2003 (the "*First TXDOT Assistance Agreement*"). Under such Agreement, TXDOT agreed to provide financial assistance in the form of a grant to the Authority in an amount not to exceed \$12.7 million to be used for the study and development of the 2005 Project to the extent necessary to secure financial closing, including costs related to: (1) project management; (2) contract negotiation and preparation; (3) preliminary engineering; (4) securing federal funding; (5) preparing an investment grade traffic and revenue study; (6) the services of legal counsel and rating agencies; and (7) incidental administrative and other expenses. As of January 1, 2005, the Authority has received and operated approximately \$8,000,000 from TXDOT under the First TXDOT Assistance Agreement for authorized purposes. The additional amount of \$4.7 million available to the Authority under the First TXDOT Assistance Agreement will be disbursed by TXDOT within thirty days of receipt of a request and supporting documentation from the Authority. See "ESTIMATED INITIAL SOURCES AND USES OF FUNDS FOR 2005 PROJECT." The First TXDOT Assistance Agreement is effective until December 31, 2007, at which time any funds not expended will no longer be available to the Authority. There is no obligation to repay these funds to TXDOT.

The Authority has also entered into a Financial Assistance Agreement with TXDOT dated as of January ____, 2005 (the "*Second TXDOT Assistance Agreement*"). Under such Agreement, TXDOT has agreed to provide additional financial assistance in the form of a grant to the Authority of up to \$65 million to be used for the acquisition, construction, maintenance, or operation of the 2005 Project. The Second TXDOT Assistance Agreement provides that the amount of funds to be granted thereunder (i) will be at least \$52 million to be disbursed to the Authority upon the issuance and delivery of the Series 2005 Obligations, and (ii) will include potential access to an additional \$13 million on the first day of operation of the 2005 Project; provided, that the Authority's ability to access such additional amounts will terminate on December 31, 2011. Of this additional \$13 million, all or a portion may be subject to refunding to TXDOT based on savings realized by the Authority through lower than projected closing costs, lower than projected project costs (including design, construction, and right-of-way acquisition), and higher than projected revenues. In the event that any refunding to TXDOT is required under the Second TXDOT Assistance Agreement, it must be paid by August 31, 2012; provided, that in no event will the amount required to be refunded to TXDOT exceed the lesser

of \$13 million or that portion of the \$13 million actually disbursed to the Authority. See "PLAN OF FINANCE – Funding Agreements with TXDOT."

RIGHT-OF-WAY ACQUISITION AND FUNDING

General

Pursuant to the Comprehensive Development Agreement and subject to certain exceptions set forth therein, the Authority is responsible for: (i) the purchase price for all parcels of real property located within the area identified by the Authority as set forth in the Comprehensive Development Agreement necessary for the construction of the 2005 Project, (ii) all right-of-way engineering, administration, acquisition and related services for all such parcels, as described in the Comprehensive Development Agreement, including all costs and expenses of negotiation, and (iii) the legal costs of the Authority in connection with any condemnation actions. Pursuant to the Comprehensive Development Agreement, if the Authority does not make all right-of-way necessary for the 2005 Project available to the Developer within 180 days of the issuance of NTP1, the Development Price may not be increased, but the deadlines for completion of the 2005 Project may be extended under certain circumstances specified therein. NTP1 was issued by the Authority to the Developer on December 10, 2004. It is anticipated that all of such right-of-way will be made available to the Developer by the time required under the Comprehensive Development Agreement. See "APPENDIX G – SUMMARY OF CERTAIN PROVISIONS OF THE COMPREHENSIVE DEVELOPMENT AGREEMENT — Right-of-Way Acquisition" for further discussion of the Authority's and the Developer's responsibilities under the Comprehensive Development Agreement with respect to the acquisition of right-of-way necessary for the 2005 Project. See also "RISK FACTORS – Costs of 2005 Project – Acquisition and Local Funding Risks of Right-of-Way."

TXDOT and Williamson County, Texas ("*Williamson County*"), have separately agreed to acquire and transfer to the Authority title or access rights to all of the required right-of-way that the Authority is obligated to obtain for the 2005 Project pursuant to the Comprehensive Development Agreement. Pursuant to the Comprehensive Development Agreement, the Authority is obligated make available to the Developer approximately 527 acres of right-of-way for the construction of the 2005 Project. As of the date of this Official Statement, approximately 94% (or 495 acres out of the total 527 acres) of the title to or access rights to the total right-of-way necessary for the construction of the 2005 Project has been acquired by the Authority. Of this amount, title to approximately _____ acres has been transferred to the Authority by Williamson County, and access rights to approximately 59 acres have been granted to the Authority by TXDOT pursuant to the Project Development Agreement. See "THE SYSTEM AND THE 2005 PROJECT – Project Development Agreement with TXDOT."

The following descriptions of the Williamson County Interlocal Agreement and the Cedar Park Interlocal Agreement (as each of such terms are hereinafter defined) are intended only to serve as a summary thereof and are qualified in all respects by reference to the actual documents. Copies of each of such documents are available for examination at the offices of the Authority.

Williamson County. Pursuant to an Interlocal Agreement dated as of January __, 2005 (the "*Williamson County Interlocal Agreement*"), between the Authority and Williamson County, Williamson County, has agreed to transfer to the Authority title to approximately 468 acres free and clear of obstructions and at no cost to the Authority. As described above, title to approximately ___ acres of such right-of-way has been transferred to the Authority; provided, however, pursuant to the terms of the Williamson County Interlocal Agreement, title to all of such right-of-way will revert back to Williamson County if the Authority does not commence construction of the 2005 Project by ____, 2005. The Williamson County Interlocal Agreement obligates Williamson County to acquire and transfer title to the remaining ___ acres of right-of-way to the Authority no later than ____, 2005.

Of the remaining ___ acres of right-of-way to be acquired by Williamson County and transferred to the Authority, 37 acres have right of entry agreements to allow the Developer to begin construction while negotiations or condemnation proceedings continue. A summary of Williamson County's status of acquiring the remaining ___ acres of right-of-way for the 2005 Project is as follows:

- ___ Acres Acquired
- ___ Acres with right of entry agreements but going to condemnation proceedings
- ___ Acres in negotiations (not anticipated to go to condemnation)
- ___ Acres in or anticipated to go to condemnation proceedings
- ==
- ___ Total Acres

As of the date of this Official Statement, Williamson County has expended, or has committed to expend, approximately \$11,000,000 in the acquisition of this right-of-way out of proceeds of bonds issued by Williamson County. It is anticipated that the remaining acquisition of right-of-way to which Williamson County has committed will not exceed \$7,000,000 and will be completed by the deadline set forth in the Comprehensive Development Agreement (180 days after NTP1). Pursuant to the Williamson County Interlocal Agreement, Williamson County has also granted to the Authority and the Developer full access to and use of all right-of-way which Williamson County has acquired or has obtained right of entry or legal possession but has not yet transferred to the Authority.

Cedar Park Interlocal Agreement. The City of Cedar Park, Texas (the "*City of Cedar Park*") has previously acquired certain right-of-way necessary for the 2005 Project. Pursuant to an Interlocal Agreement dated as of August 2004 (the "*Cedar Park Interlocal Agreement*"), among the City of Cedar Park, Williamson County and the Authority, and subject to the conditions set forth therein, (i) the City of Cedar Park agreed to transfer title to approximately 95 acres of right-of-way to Williamson County, and (ii) Williamson County has agreed to acquire all additional right-of-way within the City of Cedar Park's corporate limits and extraterritorial jurisdiction necessary for the 2005 Project and to transfer all of such right-of-way to the Authority. Title to all such 95 acres of right-of-way has been transferred to Williamson County, and Williamson County has transferred title to all of such 95 acres of right-of-way to the Authority. Accordingly, the 495 acres of right-of-way that Williamson County has transferred to

the Authority, as described above, included the 95 acres that Williamson County received from the City of Cedar Park.

The Cedar Park Interlocal Agreement also requires that the document transferring the right-of-way from the City of Cedar Park to Williamson County must include reversionary language stating that such right-of-way shall revert to the City of Cedar Park if the construction of the main lanes (excluding frontage roads) between FM 1431 south to Avery Ranch Boulevard is not commenced within three years after execution of the Cedar Park Interlocal Agreement. "Commenced" shall mean that the contract has been awarded for the construction of said main lanes (excluding frontage roads) from FM 1431 south to Avery Ranch Boulevard.

The City of Cedar Park and Williamson County have further agreed pursuant to the City Park Interlocal Agreement, and subject to the provisions thereof, that such right-of-way property shall revert to the City of Cedar Park if, on or before the earlier of (a) the opening date for commercial operation of the proposed Multi-Purpose Event Center (MPEC) to be located at the northwest quadrant of the 2005 Project and FM 1431, or, (b) October 1, 2006, but in no event earlier than November 1, 2005, the Authority has not either:

- (i) designed, constructed and achieved "substantial completion," at its sole cost and expense, of the western frontage road of the 2005 Project between FM 1431 and the existing location of New Hope Road as of the effective date of the City of Cedar Park Interlocal Agreement (the "*Existing New Hope Road Location*"), such western frontage road to be designed with three lanes and opened to two-way traffic, or
- (ii) designed, constructed and achieved "substantial completion," at its sole cost and expense, of two lane eastern and western frontage roads of the 2005 Project between FM 1431 and the Existing New Hope Road Location, such frontage roads to be connected with "Texas U-Turns" located near the intersection of the 2005 Project and FM 1431 and the 2005 Project and the future New Hope Road location as generally depicted in the City Park Interlocal Agreement.

For purposes of the Cedar Park Interlocal Agreement, "substantial completion" shall mean that the roadway is open to the public. The Comprehensive Development Agreement obligates the Developer to complete construction of the frontage roads between FM 1431 and New Hope Road in accordance with the provisions thereof by November 1, 2005. See "APPENDIX G – SUMMARY OF CERTAIN PROVISIONS OF THE COMPREHENSIVE DEVELOPMENT AGREEMENT — Completion Deadline – Interim Completion Deadline."

The Cedar Park Interlocal Agreement also contains conditions to the City of Cedar Park's transfer of right-of-way related to the design and construction of certain portions of the 2005 Project. The Developer is obligated to design and construct the 2005 Project in accordance with such conditions pursuant to the Comprehensive Development Agreement.

Utility Adjustments/Relocations

Construction of the 2005 Project will require the relocation, adjustment, or removal of utility facilities. Under the Comprehensive Development Agreement and subject to certain exceptions set forth therein, the Developer has agreed to be fully responsible for ascertaining the existence and exact location and size of all utility facilities affected by the 2005 Project. The Developer has also agreed to be responsible for coordinating with all utility owners and ensuring that impacted facilities are properly dealt with. The Authority has completed a Subsurface Utility Engineering report which identifies and locates all utilities in the corridor of the 2005 Project. This report was provided to the Developer for its use in design and utility coordination. The Authority has obtained Memoranda of Understanding from all but two of the effected utility owners. These Memoranda of Understanding provide the basic framework of the responsibilities and coordination necessary to accomplish the relocations or removals to accommodate the project schedule under the Comprehensive Development Agreement. The Comprehensive Development Agreement provides that the Developer will be entitled to an increase in the Development Price in connection with certain increases in the cost of the Development Work required to be furnished and provided by the Developer due to "Unidentified Utilities" (as such term is defined in APPENDIX G) within certain right-of-way of the 2005 Project. See "APPENDIX G – SUMMARY OF CERTAIN PROVISIONS OF THE COMPREHENSIVE DEVELOPMENT AGREEMENT — Utilities – Unidentified Utilities."

The Cedar Park Interlocal Agreement also obligates the City of Cedar Park to incur utility relocation expenses associated with water and wastewater lines located within the right-of-way transferred to Williamson County pursuant to the terms thereof, in an amount not to exceed \$200,000. Utility relocation expenses in excess of \$200,000 related to the right-of-way transferred to the Authority by the City of Cedar Park will be the responsibility of the Authority. It is anticipated that the actual costs for such utility relocations will not exceed \$200,000.

There is also a transmission line owned by the Lower Colorado River Authority ("LCRA") crossing the right-of-way necessary for the 2005 Project. Construction of the 2005 Project will require the removal and replacement and/or relocation of three of the transmission towers owned by LCRA. Pursuant to a letter from LCRA dated November 30, 2004, LCRA has committed to relocating this tower at its own cost and expenses and within the timeframe required by the Comprehensive Development Agreement.

GEC'S SYSTEM REPORT

The General Engineering Consultant, HNTB Corporation, has provided a "Central Texas Regional Mobility Authority US183-A Project Engineering Report" (the "*GEC's System Report*") that documents and describes the location, preliminary engineering design features, construction cost estimates, operation and maintenance expense estimates, and construction schedule for the 2005 Project. A copy of the GEC's System Report is attached to this Official Statement as "APPENDIX C – GEC'S SYSTEM REPORT."

HNTB Corporation has provided professional consulting services for over half of the nation's toll road mileage and has designed more miles of the Interstate Highway System than any other firm. With offices in over 60 locations across the country and employing more than

2,900 professional and technical staff, HNTB Corporation offers the full range of transportation planning and engineering services.

In the 1940s, HNTB Corporation served as engineering consultant for the planning, design and construction supervision for the Maine Turnpike, the first self-liquidating modern toll highway in the U.S. financed solely with revenue bonds and opened to traffic in 1947. Since that time, HNTB Corporation has served as general engineering consultant for over 50 major toll road systems or major extensions or expansions of these systems. HNTB Corporation is currently serving in this role for 20 toll agencies across the country. HNTB Corporation's General Consultant Engineering services include facility inspections, preparation of annual reports, review of operations and maintenance budgets and programs, and bond finance obligation requirements.

THE TRAFFIC AND REVENUE REPORT

The Traffic Consultant has prepared the Traffic and Revenue Report, which is attached hereto as "APPENDIX D – TRAFFIC AND REVENUE REPORT." Following is a description of the Traffic Consultant.

Vollmer Associates LLP ("*Vollmer*") is a multidisciplinary firm known in the toll facility industry for its traffic and revenue consulting services. Since the 1970's, Vollmer has prepared more than 60 traffic and revenue reports in connection with the financing of some \$18 billion worth of revenue bonds. These studies have allowed a wide range of public and private clients to construct, expand or rebuild toll facility infrastructure. A partial list of ongoing clients includes the New York State Thruway Authority, the New Jersey Turnpike Authority (Garden State Parkway), the Delaware River and Bay Authority, the Maryland Transportation Authority, the Buffalo and Fort Erie Public Bridge Authority, the Kansas Turnpike Authority, the Orlando-Orange County Expressway Authority, and the E-470 Public Highway Authority.

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

1. The 2005 Project will be open to traffic at the times set out in the Traffic and Revenue Report.
2. The 2005 Project will be constructed as set out in the Traffic and Revenue Report with respect to mainline lanes, frontage roads (or lack thereof), interchange locations, and connections to the local/regional highway network.
3. The 2005 Project will function as an integral part of the regional highway network requiring directional and trailblazing signage to facilitate access to the 2005 Project along with its timely inclusion on commonly used State, local and regional highway maps.
4. The toll collection plans and rates for the 2005 Project described in the Traffic and Revenue Report including the CTRMA toll policy, will be implemented as proposed, including a toll discount of ten percent (10%) for transponder users (electronic toll collection), the N minus 1 toll structure for multi-axle vehicles (a rate structure for which a multi-axle

vehicle pays a multiple of the two-axle-vehicle toll rate equal to the number of axles on the multi-axle vehicle minus one) and periodic toll increases through 2045.

5. Transponder market shares for the 2005 Project will occur as forecast in the Traffic and Revenue Report.

6. The traffic mix using the 2005 Project will result in a toll multiplier (for revenue-estimation purposes) for trucks with 3+ axles of 2.5 times the passenger car rate.

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

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

9. Drivers' perceived rate of inflation will continue at 3.0 percent annually (compounded) during the forecast period through 2047.

10. 2005 Project traffic during the early years of operation will ramp up as formulated in the Traffic and Revenue Report.

11. The 2005 Project will be efficiently maintained and operated, but even under the most efficient operation, there will be some toll evasion and revenue "leakage" that have been deducted from the model-produced traffic and revenue forecasts (after ramp-up) discussed in the Traffic and Revenue Report.

12. Motor fuel will remain in adequate supply during the forecast period, and motor fuel prices (i.e., the average price for regular gasoline) in the foreseeable future will not increase above the 1980 peak, which, if adjusted for inflation, in current dollars would not be more than \$3.00 per gallon.

13. Federal and State fuel tax increases will not increase to the extent that, together with fuel price increases, pump prices exceed \$3.00 per gallon.

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

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

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

THE PEER REVIEW REPORT

WHM Transportation Engineering Consultants, Inc. (“WHM”), has been engaged to conduct a peer review in connection with the 2005 Project to provide a final, independent assessment of the work conducted on the 2005 Project by the Traffic Consultant. WHM was specifically charged with providing a review of the information developed, an assessment of the reasonableness of the methodology utilized and the results obtained. WHM prepared the “US 183A Turnpike Project Traffic and Toll Revenue Study Peer Review” (the “*Traffic and Toll Revenue Study Peer Review Report*”) which is attached as APPENDIX E. See the Traffic and Toll Revenue Study Peer Review Report for the conclusions expressed therein to the Authority.

RISK FACTORS

The following is a discussion of certain risk factors that should be considered in evaluating an investment in the Series 2005 Obligations. This discussion does not purport to be either comprehensive or definitive. The order in which risks are presented is not intended to reflect either the likelihood that a particular event will occur or the relative significance of such an event. Moreover, there may well be other risks associated with an investment in the Series 2005 Obligations in addition to those set forth herein.

General

The financial forecasts in this Official Statement are based generally upon certain assumptions relating to the timing and Costs of the 2005 Project and upon projections as to estimated Revenues, Operating Expenses and Maintenance Expenses. See “APPENDIX C – GEC’S SYSTEM REPORT” and “APPENDIX D – TRAFFIC AND REVENUE REPORT.” Inevitably, some underlying assumptions and projections used to develop the forecasts will not be realized, and unanticipated events and circumstances may occur. Therefore, the actual results achieved during the forecast periods will vary from the forecasts, and such differences may be material.

Forward-Looking Statements

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

The forward-looking statements herein are necessarily based on various assumptions and estimates that are inherently subject to numerous risks and uncertainties, including risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in social, economic, business, industry, market, legal and regulatory circumstances and conditions and actions taken or omitted to be taken by third parties, including customers, suppliers, business partners and competitors, and legislative, judicial and other governmental authorities and officials. Assumptions related to the foregoing involve

judgments with respect to, among other things, future economic, competitive and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and, therefore, there can be no assurance that the forward-looking statements included in this Official Statement will prove to be accurate.

Costs of 2005 Project

As described in "THE SYSTEM AND THE 2005 PROJECT" herein, the 2005 Project consists of the planning, designing, engineering and construction of Interim Phase of the 183-A Turnpike Project (as described in the GEC's System Report attached as APPENDIX C). In connection with the 2005 Project, the Authority has entered into a Comprehensive Development Agreement with the Developer. The Comprehensive Development Agreement is a fixed price, lump sum contract obligating the Developer to perform the design, right-of-way acquisition oversight services, utility relocation, construction, construction engineering and inspection of the 2005 Project by the deadlines set forth therein.

Generally, in development projects of this magnitude, there is a possibility of time delays and cost increases resulting from (i) design and construction problems and resulting change orders, (ii) escalation of prices or wages or shortages of labor or materials, (iii) environmental litigation or environmental administrative matters, (iv) the unavailability or cost of right-of-way, (v) archeological, historic and unidentified subsurface conditions, (vi) utility relocation problems, (vii) hazardous materials, or (viii) force majeure events. As a result, there can be no assurance that the Costs of the 2005 Project will not exceed current estimates, or that the completion of the 2005 Project will not be delayed beyond the estimated completion dates. As set forth in the GEC's System Report, "[t]he schedule and cost submitted by the Developer have been reviewed by the General Engineering Consultant (GEC) Team and are considered reasonable and appropriate for the project scope." See "APPENDIX C – GEC'S SYSTEM REPORT – Executive Summary – Project Cost and Schedule" and "RISK FACTORS – Costs of 2005 Project."

Specifically, while the Comprehensive Development Agreement shifts to the Developer a significant amount of the risk and responsibility for time delays and cost increases associated with design, engineering, utility relocation and construction, the Comprehensive Development Agreement ultimately allows for increases in price and extensions of time for performance in certain cases, including, but not limited to, involving Authority directed changes, Authority caused delays, hazardous materials and certain defined force majeure events (subject in all extension cases to a requirement that any delay actually extended the duration of a "Critical Path" so as to delay "Substantial Completion" or "Final Acceptance" beyond the applicable deadline, as each of such terms are defined in Appendix G). The Comprehensive Development Agreement allows for a price increase without any extension of time for differing site conditions and previously unidentified utilities that exceed threshold amounts. Moreover, there are currently no final plans and specifications for the construction of the 2005 Project and the Authority is relying on the Developer to design, engineer, manage and construct the highway in accordance with standards, specifications and an agreed-upon scope of work. There is no assurance that the Developer can design and engineer the 2005 Project in a manner such that it reasonably can be constructed for the fixed price and by the completion date set forth in the Comprehensive Development Agreement. Further, the responsibility of the Developer for all

phases of design and engineering under the Comprehensive Development Agreement may increase the impact that any financial instability, insolvency or bankruptcy of the Developer, or any entity guaranteeing the obligations of the Developer, could have on the Cost of, or completion date for, the 2005 Project.

Funding of TXDOT Obligations. In connection with the 2005 Project, TXDOT has committed to make a contribution of up to \$65 million pursuant to the Second TXDOT Assistance Agreement to pay a portion of the construction costs of the 2005 Project. See “FUNDING AGREEMENTS WITH TXDOT.” Approximately \$13 million of this commitment of TXDOT is a multi-year funding obligation that is payable from lawfully available funds of TXDOT. The ability of TXDOT to satisfy such commitment is dependent upon the availability to TXDOT of adequate funds for such purposes.

Acquisition and Local Funding Risks of Right-of-Way. As described under “RIGHT-OF-WAY ACQUISITION AND FUNDING – General,” the Authority has acquired title to or access rights to approximately 94% of all right-of-way that it is obligated to obtain for the 2005 Project, and Williamson County is obligated to acquire and transfer to the Authority title to all remaining right-of-way that the Authority is obligated to obtain under the Comprehensive Development Agreement. There is no assurance that Williamson County will have funds available to pay the balance of its commitments. A delay in the availability of funds necessary to acquire right-of-way related to the 2005 Project may cause delays in construction and completion of the 2005 Project under the Comprehensive Development Agreement. See “APPENDIX G – SUMMARY OF CERTAIN PROVISIONS OF THE COMPREHENSIVE DEVELOPMENT AGREEMENT – Defined Terms – CTRMA-Caused Delays” and “– Right-of-Way Acquisition.”

Payment and Performance Bonds

A potential purchaser of the Series 2005 Obligations can have no assurance that any contractor or subcontractor, guarantor, surety or property insurer will be willing or capable of meeting its responsibilities in connection with the 2005 Project or that the issuer of any performance or payment bond, any guarantee or any property insurance policy will honor or will be able to honor a claim in a timely manner.

The Development Price under the Comprehensive Development Agreement for the 2005 Project is \$178,312,913; however, the Comprehensive Development Agreement only requires payment and performance bonds in the amount of \$50,000,000 each. See “APPENDIX G – SUMMARY OF CERTAIN PROVISIONS OF THE COMPREHENSIVE DEVELOPMENT AGREEMENT – Performance and Payment Security.” Although the Authority does not expect its payment obligations outstanding at any one time under the Comprehensive Development Agreement to exceed the amount of the payment bonds provided by the Developer, there can be no assurance that the payment bonds provided by the Developer will be sufficient to satisfy the Authority’s payment obligations under the Comprehensive Development Agreement. Not all events are covered under such payment and performance bonds. The issuer of the Developer’s payment and performance bonds is not guaranteeing payment or performance under all circumstances, and the issuer of such bonds may assert any defenses it may have for payment or performance. Moreover, in the event that a default occurs under the Comprehensive Development Agreement, there is a possibility of litigation between the Authority and the

Developer, or between the Authority and the providers of the performance bonds and payment bonds, which could further delay the construction and opening of the 2005 Project. In addition, there can be no assurance that the Authority could recover any amounts under the performance bonds and payment bonds provided by the Developer or any other contractor related to the 2005 Project.

Liquidated Damages

The amount of liquidated damages the Developer could be required to pay in connection with the 2005 Project may be limited by contract and may not be sufficient to cover all of the Authority's losses in the event of a delay or a failure to complete the required work in accordance with the plans and specifications, and other requirements of the contract documents. Liquidated damages, if paid, may not be sufficient to enable the Authority to pay the principal and interest on the Series 2005 Obligations and the other amounts required to be paid under the Indenture. There are numerous events that could cause an extension of the schedule and that could result in increased costs for the 2005 Project.

The amount of liquidated damages included in the Comprehensive Development Agreement for delay is limited to a total of \$20,000,000. See "APPENDIX G – SUMMARY OF CERTAIN PROVISIONS OF THE COMPREHENSIVE DEVELOPMENT AGREEMENT – Default – Limitation on Developer's Liability." Liquidated damages, however, are payable by the Developer only under certain circumstances and even if paid, may not be sufficient to cover debt service payments on the Series 2005 Obligations. In addition, collection of liquidated damage amounts may require extensive litigation and no assurance can be provided that such amounts will in fact be collected. In addition, the Developer has not waived its rights to contest a demand for payment of liquidated damages.

Events of Force Majeure

Construction and operation of the 2005 Project are at risk from events of force majeure, such as earthquakes, tornados, hurricanes or other natural disasters, epidemics, blockades, rebellions, war, riots, acts of sabotage, terrorism or civil commotion, and spills of hazardous materials, among other events. Construction or operations may also be stopped or delayed from non-casualty events such as discovery of additional archaeological artifacts, changes in law, delays in obtaining or renewing Authority-provided permits, revocation of such permits and approvals and litigation, among other things.

Limited Insurance Coverage

Although the Developer is required to provide insurance during construction of the 2005 Project, such required insurance policies do not cover damage and delay from all events that could interrupt construction. Risks that may not be insurable/insured include the following risks that may delay the project without causing property damage: epidemics, blockades, strikes and riots. Other risks that may not be insured/insurable include war, nuclear events, criminal or intentional acts of the insured, pollution, unforeseeable environmental or geological conditions, discovery of archaeological artifacts, changes in law, bankruptcy and acts of terrorism. Insurance policies may not be maintained or obtainable in amounts that would be sufficient or be

paid in sufficient time in all events to pay all of the Authority's expenses under the Indenture and the supplements thereto, including debt service on the Series 2005 Obligations.

The Developer for the 2005 Project will be required to provide limited amounts of insurance coverage during construction including workers compensation insurance in the amount required by law, commercial general liability insurance coverage (including bodily injury, property damage, personal injury and advertising injury) of at least \$2,000,000 per occurrence and \$4,000,000 annual per project aggregate, umbrella excess liability coverage with limits of \$30,000,000 per occurrence and \$30,000,000 per project aggregate, business automobile liability insurance, pollution liability insurance, builders risk insurance with a limit equal to the probable maximum loss to replace the completed 2005 Project or \$200,000,000, whichever is greater, railroad liability insurance and professional liability insurance with limits not less than \$10,000,000 per occurrence and in the aggregate.

Operating Risks

When completed, the 2005 Project will be a new toll facility having no independent operating history. Accordingly, the operations of the 2005 Project to generate Revenues in amounts sufficient to pay debt service on the Series 2005 Obligations when due will be subject to the risks inherent in the establishment of any new toll facilities. The ability to repay the Series 2005 Obligations will be dependent on the volume of traffic that utilizes the 2005 Project and the ability of the Authority and its vendor's computer systems to accurately process data. Revenues to be generated through such use will be influenced by numerous factors, including, among others, the ability to manage toll evasion; the ability to control expenses; the availability of adequately-trained personnel; population, employment and income trends within the region; the congestion on alternative freeways, highways, and streets; time savings experienced by utilizing the 2005 Project; the toll rates; the availability and price of fuel; and the construction of new or improved competitive roadways or other transit facilities.

Although interest on certain of the Series 2005 Obligations and certain other expenses are being capitalized in an amount that assumes that tolling commencement could be delayed for 12 months after the scheduled tolling commencement date, no assurances can be given that the amount of capitalized interest will be sufficient if tolling commencement is significantly delayed or if the Costs of completing the 2005 Project increase substantially and additional debt must be issued to fund such increase.

Traffic and Revenue Report Assumptions

The revenue forecasts in the Traffic and Revenue Report are based upon certain assumptions set forth therein. See "THE TRAFFIC AND REVENUE REPORT" and "APPENDIX D – TRAFFIC AND REVENUE REPORT." Based upon such assumptions, the Traffic Consultant has expressed its opinion that such Revenue forecasts are reasonable and have been prepared in accordance with accepted practice for such studies. As provided in the Traffic and Revenue Report, however, such report is not a guarantee of any future events or trends and the forecasts therein are subject to future economic and social conditions and demographic developments that cannot be predicted with certainty. Further, any of the estimates and assumptions in the Traffic and Revenue Report are inherently subject to significant economic

and competitive uncertainties and contingencies, many of which are beyond the control of the Authority. Failure to achieve or realize any of the assumptions listed in the Traffic and Revenue Report may have a materially adverse effect upon the Revenues actually realized.

Technology Risks

The successful operation of the toll facilities will depend in part upon the successful testing and operation of the electronic toll collection software and equipment and traffic management software and equipment. The Authority is in the process of awarding a contract for a toll integrator, which will not occur until after the issuance of the Series 2005 Obligations, and no assurance can be made that any contract will contain liquidated damages provisions or that any such liquidated damages would be sufficient to compensate for the resulting loss of Tolls or for the higher operating costs should the performance guarantees in such contract not be met on an ongoing basis or at all.

Maintenance Costs

Successful operation of the 2005 Project will require timely and complete maintenance and replacement of components of the 2005 Project. Although the Authority has covenanted in the Indenture to maintain the 2005 Project, no assurance can be given that sufficient funds will be available to adequately maintain the 2005 Project. Any significant deterioration in the 2005 Project may result in increased operating costs and in reduced usage (or even in temporary lane closures) and may adversely affect the amount of funds available to pay debt service on the Series 2005 Obligations. See "THE SYSTEM AND THE 2005 PROJECT – Maintenance of 2005 Project."

Possibility of Tolls on Complementary Facilities

The revenue forecasts (the "*Revenue Forecasts*") set forth in the Traffic and Revenue Report are based on a number of assumptions, including an assumption that certain future highway network improvements identified in the Traffic and Revenue Report will be constructed as currently planned. See "THE TRAFFIC AND REVENUE REPORT." The Traffic and Revenue Report anticipates that certain of these network improvements will compete with the 2005 Project for traffic and that other network improvements (the "*Complementary Improvements*") will feed traffic to the 2005 Project. The Revenue Forecasts are based on an assumption that, with the exception of the toll road facilities that comprise or will comprise (i) the Central Texas Turnpike Project (being State Highway 130, State Highway 45 North and Loop 1 North) and (ii) and State Highway 45 Southeast, the Complementary Improvements will be constructed and maintained as nontolled facilities. To the extent that any such Complementary Improvements are constructed or later reconfigured as tolled facilities, however, traffic volumes on such facilities may be reduced, and therefore such facilities could feed less traffic to the 2005 Project. Such a reduction in traffic volumes could have a negative impact on Revenues generated by the 2005 Project, and in such event actual Revenues could be less than those set forth in the Revenue Forecasts.

Motor Fuel Prices and Taxes

Among other assumptions, the Revenue Forecasts in the Traffic and Revenue Report are based on (i) the assumption that motor fuel will remain in adequate supply and motor fuel prices (in current dollars) will not exceed \$3.00 per gallon and (ii) the assumption that federal and State motor fuel taxes will not increase to the extent that, together with price increases, motor fuel pump prices exceed \$3.00 per gallon. There is no assurance that motor fuel will remain in adequate supply or that motor fuel prices and federal and State motor fuel taxes will not increase to the extent that motor fuel pump prices exceed \$3.00 per gallon during the forecast period covered by the Traffic and Revenue Report. Motor fuel pump prices in excess of \$3.00 per gallon could negatively impact the Revenue Forecasts contained in the Traffic and Revenue Report. See "APPENDIX D – TRAFFIC AND REVENUE REPORT."

Legislation

The Texas Legislature convened its 79th Legislative Session on January 11, 2005. The Authority cannot predict whether any legislation affecting regional mobility authorities will be enacted or what effect, if any, such legislation could have on the Authority or the 2005 Project.

Refinancing of Series 2005 Subordinate Lien BANS

As described under "PLAN OF FINANCE – Proceeds of the Series 2005 Obligations," the Series 2005 Subordinate Lien BANS are intended to provide interim financing for the 2005 Project and are expected to be refinanced from proceeds of Additional Senior Lien Obligations, Additional Junior Lien Obligations, Additional Subordinate Lien Obligations, the 2005 TIFIA Bond or other lawfully available sources. The ability of the Authority to issue Obligations to refinance the Series 2005 Subordinate Lien BANS will be dependent on a number of factors, including (i) the economic and market conditions at the time of the proposed refinancing, (ii) the existence of any legal prohibitions against, or any pending litigation seeking to enjoin or restrain the issuance of Obligations for such purposes, (iii) adverse changes in any of the assumptions or projections otherwise described in this Official Statement and (iv) satisfaction of the tests in the Indenture for the issuance of Obligations for such purpose. Accordingly, there is no assurance that Projected Revenues will be sufficient to enable the Authority to refinance all or a portion of the 2005 Subordinate Lien BANS with the proceeds of Obligations at any particular time.

Dilution of Senior Lien Security Upon Bankruptcy-Related Event

As detailed under "SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2005 OBLIGATIONS – Default and Remedies – 2005 TIFIA Bond Default Remedy," upon the occurrence of an Event of Default that is a Bankruptcy-Related Event under the Indenture while TIFIA owns the 2005 TIFIA Bond, the 2005 TIFIA Bond will be deemed to be a Senior Lien Obligation, and the USDOT will be deemed to be the Secured Owner of such Senior Lien Obligation. In such event, the 2005 TIFIA Bond would be secured by and payable from the Trust Estate (except for the Senior Lien Debt Service Reserve Fund) on a basis equal to that of other Outstanding Senior Lien Obligations.

Unpredictability of Investment Earnings

As described in "PLAN OF FINANCE – Investment Earnings," the Authority expects to fund a portion of the Costs of the 2005 Project from investment earnings on amounts in the Construction Fund. No assurance can be given that any such investments will produce a yield equal to that assumed in the Traffic and Revenue Report and in "ESTIMATED INITIAL SOURCES AND USES OF FUNDS FOR 2005 PROJECT," herein. A reduction in investment yield could negatively impact the aggregate investment earnings realized during the construction period for the 2005 Project. In addition, the expenditure of amounts in the Construction Fund at a more rapid rate than is currently anticipated in the GEC's System Report could reduce both the amount of invested funds available for investment during the construction period for the 2005 Project and the length of time that such invested funds could be invested. Any such reduction in amounts available for investment could negatively impact the aggregate investment earnings realized during the construction period for the 2005 Project. See "APPENDIX C – GEC'S SYSTEM REPORT."

Limited Obligations

The Series 2005 Senior Lien Bonds are special, limited obligations of the Authority payable solely from, and secured solely by a first lien on and pledge of the Trust Estate. The 2005 Subordinate Lien BANS are special, limited obligations of the Authority payable from, and secured solely by a lien, subordinate to the security interest in the Trust Estate pledged for the security and payment of the Senior Lien Obligations, on and pledge of the Trust Estate.

No debt service reserve fund is provided with respect to the Series 2005 Subordinate Lien BANS, and the Series 2005 Subordinate Lien BANS will have no right to any moneys held in the Subordinate Lien Debt Service Reserve Fund in connection with any Additional Subordinate Lien Obligations.

NONE OF THE STATE OF TEXAS OR ANY OTHER AGENCY OR POLITICAL SUBDIVISION OF THE STATE OF TEXAS OTHER THAN THE AUTHORITY IS OBLIGATED TO PAY THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE SERIES 2005 OBLIGATIONS. THE SERIES 2005 OBLIGATIONS ARE PAYABLE SOLELY FROM THE TRUST ESTATE. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OF TEXAS OR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE SERIES 2005 OBLIGATIONS. THE AUTHORITY HAS NO TAXING POWER. THE INDENTURE DOES NOT CREATE A MORTGAGE ON THE SYSTEM.

Other than the pledge of the Trust Estate, the Authority has not mortgaged, assigned or pledged any interest in any real or personal property or improvements, including any interest in the System or any expansions or extensions thereto, as security for payment of the Series 2005 Obligations. See "SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2005 OBLIGATIONS – Sources of Payment – Limited Obligations."

Limitation and Enforceability of Remedies

Limitation of Remedies Under the Indenture. The remedies available to Owners of the Series 2005 Obligations upon an Event of Default under the Indenture are limited to the seeking of specific performance or a writ of mandamus or other suit, action or proceeding compelling and requiring the Authority and its officers to observe and perform any covenant, condition or obligation prescribed in the Indenture. **NO ACCELERATION REMEDY IS AVAILABLE TO OWNERS OF THE SERIES 2005 OBLIGATIONS.** See “SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2005 OBLIGATIONS – Default and Remedies.”

Enforceability of Remedies. The remedies available under the Indenture are in many respects dependent upon regulatory and judicial actions that are often subject to discretion and delay. Under existing law, such remedies may not be readily available. In addition, enforcement of such remedies (i) may be subject to general principles of equity which may permit the exercise of judicial discretion, (ii) are subject to the exercise in the future by the State and its agencies and political subdivisions of the police power inherent in the sovereignty of the State, (iii) are subject, in part, to the provisions of the United States Bankruptcy Act and other applicable bankruptcy, insolvency, reorganization, moratorium or similar laws relating to or affecting the enforcement of creditors’ rights generally, now or hereafter in effect, and (iv) are subject to the exercise by the United States of the powers delegated to it by the federal Constitution. The various legal opinions to be delivered concurrently with the delivery of the Series 2005 Obligations will be qualified to the extent that the enforceability of certain legal rights related to the Series 2005 Obligations is subject to limitations imposed by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally and by equitable remedies and proceedings generally.

Clean Air Act Nonattainment Risk

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

The Travis, Williamson, Bastrop, Hays, and Caldwell Counties area (referred to herein as the “*Austin Area*”) currently is not designated nonattainment for any *NAAQS*; however, the *Austin Area* is near nonattainment with respect to the *NAAQS* for ozone. There are currently two primary ozone *NAAQS*, the 1-hour standard and the newer 8-hour standard adopted by *EPA* in 1997. It is *EPA*’s intention that the 8-hour standard will replace the 1-hour standard by June 2005. In 2004, *EPA*, based on monitoring data provided by the states, designated those areas that exceeded the 8-hour standard as nonattainment. Although the *Austin Area* has been in compliance with the 1-hour ozone standard since 1985, it has monitored exceedances of the 8-hour standard and faces the possibility of being designated nonattainment under the 8-hour standard.

Since the *Austin Area* is currently considered near nonattainment for ozone, the pollution reduction efforts being addressed in the area are voluntary at this time. The Texas Commission

on Environmental Quality ("TCEQ") has encouraged, among other programs, a reduction in the number of vehicles on Austin Area roads, improvements in vehicle emissions, and carpooling. Certain major employers in the Austin Area have agreed to develop and implement transportation demand management measures, such as car-pooling, in response to TCEQ recommendations. The major political subdivisions and industries in the Austin Metropolitan Area have entered into two voluntary agreements with the TCEQ and EPA to reduce air emissions in an effort to maintain compliance with the FCAA. These agreements are the Ozone Flex Agreement, which consists of measures designed to maintain compliance with the 1-hour NAAQS, and the Early Action Compact (EAC), which is designed to enable compliance with the 8-hour NAAQS.

Should the Austin Area continue to experience exceedances of the 8-hour ozone standard and not live up to its EAC commitments, it could be designated nonattainment by EPA as early as late 2006. TCEQ would then be required to submit a state implementation plan ("SIP") for the Austin Area to EPA by 2007. While the exact contents of a potential future SIP for the Austin Area are unknown, it is possible that the SIP could require that the Austin Area implement transportation control measures designed to reduce air quality emissions.

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

- EPA finds that the State failed to submit a required SIP or SIP revision, one or more required elements of a SIP or SIP revision, or materials that satisfy the completeness criteria for SIP submission;
- EPA disapproves a SIP submission based on the submission's failure to meet one or more required elements;
- EPA determines that the State has failed to make a submission required by the FCAA (other than a submission referenced above) or has failed to satisfy the completeness criteria for such submission or the EPA disapproves in whole or in part such other submission; or
- EPA finds that any requirement of an approved SIP is not being implemented.

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

If EPA designates the Austin Area as nonattainment, construction of transportation projects could be delayed until EPA approves a SIP for the Austin Area and FHWA determines that the regional transportation plan and transportation program conform to the SIP. Failure to have an approved SIP or to conform with that SIP is known as a transportation conformity lapse. FHWA has advised the CTRMA that projects in new nonattainment areas will not be impacted for one year after the nonattainment designation. Furthermore, FHWA indicated that projects receiving a Federal Project Authorization Agreement prior to the end of the one-year grace period will be allowed to proceed. FHWA has also advised the CTRMA that projects that receive federal authorization (e.g., a project authorization agreement or approval under FHWA's

advance construction program or approval of a Comprehensive Development Agreement (CDA) under a Design-build program) prior to a transportation conformity lapse can proceed. On July 15, 2002, FHWA advised TXDOT that the US 183-A Turnpike Interchange at State Highway 45 North was approved under the FHWA's advance construction program. On July 19, 2001, FHWA issued a Record of Decision (ROD) documenting their approval of a Final Environmental Impact Statement (FEIS) for the construction of the 183-A Turnpike project. The FHWA also provided correspondence dated November 29, 2004 to TXDOT in which they documented their concurrence with the award of the CDA for construction of the 2005 Project to the Developer. Based on this FHWA approval and concurrence, the 183-A Turnpike project will be "grandfathered" as an approved project and allowed to proceed should the Austin area experience a conformity lapse.

FHWA's interpretation that projects receiving federal approval prior to a conformity lapse may proceed, notwithstanding this interpretation could be subject to challenge on the grounds that it conflicts with court decisions that have invalidated FCAA conformation regulations that established similar "grandfather" protections for ongoing projects.

INVESTMENT AUTHORITY AND INVESTMENT PRACTICES OF THE AUTHORITY

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

Under State law and in accordance with its investment policy, the Authority is authorized to invest funds held by the Trustee in (1) obligations of the United States or its agencies and instrumentalities, including letters of credit; (2) direct obligations of the State or its agencies and instrumentalities rated as to investment quality by a nationally-recognized investment firm of not less than "A"; (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which is guaranteed or insured by or backed by the full faith and credit of, the State or the United States or their respective agencies and instrumentalities; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally-recognized investment rating firm not less than "AA" or its equivalent; (6) certificates of deposit that are issued by a state or national bank domiciled in the State, a savings bank domiciled in the State, or a state or federal credit union domiciled in the State and are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund, or are secured as to principal by obligations described in clauses (1) through (5) or in any other manner and amount provided by law for Authority deposits, (7) fully collateralized repurchase agreements that have a defined termination date, are fully secured by obligations described in clause (1), and are placed through a primary government securities dealer or a financial institution doing business in the State, (8) certain bankers' acceptances with the remaining term of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated at least "A-1" or "P-1" or the equivalent by at least one nationally-recognized credit rating agency, (9) commercial paper with a stated maturity of 270 days or less that is rated at least "A-1" or "P-1" or the equivalent by either (a) two nationally-recognized credit rating

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

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

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

Under State law, the Authority's investments must be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment considering the probable safety of capital and the probable income to be derived." At least

quarterly the Authority's investment officers must submit an investment report to the Authority detailing: (1) the investment position of the Authority, (2) that all investment officers jointly prepared and signed the report, (3) the beginning market value, and any additions and changes to market value and the ending value of each pooled fund group, (4) the book value and market value of each separately listed asset at the beginning and end of the reporting period, (5) the maturity date of each separately invested asset, (6) the account or fund or pooled fund group for which each individual investment was acquired, and (7) the compliance of the investment portfolio as it relates to: (a) adopted investment strategies and (b) State law. No person may invest Authority funds without express written authority from the Authority.

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

LITIGATION

On the date of delivery of the Series 2005 Obligations to the Underwriters, the Authority will execute and deliver to the Underwriters a certificate to the effect that no litigation of any nature has been filed, is pending or, to its knowledge, threatened as of such date seeking to restrain or enjoin the issuance or delivery of the Series 2005 Obligations or that would affect the provisions made for their payment or security, or in any manner questions the validity of the Series 2005 Obligations.

As of the date of this Official Statement, the Authority is not a party to any litigation or other proceeding pending or, to its knowledge, threatened, in any court, agency, or other administrative body (either State or federal) which, if decided adversely to the Authority, could have a material adverse effect on the financial condition of the System.

LEGAL MATTERS

Legal matters incident to the authorization, issuance and sale of the Series 2005 Obligations are subject to approval of legality by the Attorney General of the State and of certain legal matters by Vinson & Elkins L.L.P., Austin, Texas ("*Bond Counsel*"). Attached hereto as

“APPENDIX I – FORMS OF BOND COUNSEL OPINIONS” are the respective forms of opinion that Bond Counsel will render in connection with the issuance of each series of Series 2005 Obligations. In addition, Vinson & Elkins L.L.P., as Disclosure Counsel for the Authority, will render an opinion to the Authority with a reliance letter with respect to the Underwriters. Certain legal matters will be passed upon (i) for the Authority by Locke, Liddell & Sapp L.L.P., general counsel to the Authority, and (ii) for the Underwriters by their counsel, Winstead Sechrest & Minick P.C. The payment of legal fees to Bond Counsel, Disclosure Counsel and counsel to the Underwriter in connection with the issuance of the Series 2005 Obligations is contingent on the sale and delivery of the Series 2005 Obligations.

The various legal opinions to be delivered concurrently with the delivery of the Series 2005 Obligations express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. In rendering a legal opinion, the attorney does not become an insurer or guarantor of the expression of professional judgment, of the transaction opined upon, or of the future performance of the parties to the transaction, nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

TAX MATTERS

Tax Exemption

In the opinion of Vinson & Elkins L.L.P., Bond Counsel, (i) interest on the Series 2005 Obligations is excludable from gross income for federal income tax purposes under existing law and (ii) the Series 2005 Obligations are not “private activity bonds” under the Internal Revenue Code of 1986, as amended (the “Code”), and interest on the Series 2005 Obligations will not be subject to the alternative minimum tax on individuals and corporations, except as described below in the discussion regarding the adjusted current earnings adjustment for corporations.

The Code imposes a number of requirements that must be satisfied for interest on state or local obligations, such as the Series 2005 Obligations, to be excludable from gross income for federal income tax purposes. These requirements include limitations on the use of proceeds and the source of repayment, limitations on the investment of proceeds prior to expenditure, a requirement that excess arbitrage earned on the investment of proceeds be paid periodically to the United States, and requirement that the issuer file an information report with the Internal Revenue Service (the “Service”). The Authority has covenanted in the Indenture that it will comply with these requirements.

Bond Counsel’s opinion will assume continuing compliance with the covenants of the Indenture pertaining to those sections of the Code which affect the exclusion from gross income of interest on the Series 2005 Obligations for federal income tax purposes and, in addition, will rely on representations by the Authority, the Authority’s Co-Financial Advisors, and the Underwriters of the Series 2005 Obligations with respect to matters solely within the knowledge of the Authority, the Authority’s Co-Financial Advisors and the Underwriter of the Series 2005 Obligations, respectively, which Bond Counsel has not independently verified. If the Authority should fail to comply with the covenants in the Indenture, interest on the Series 2005 Obligations could become taxable from the date of delivery of the Series 2005 Obligations, regardless of the date on which the event causing such taxability occurs.

The Code also imposes a 20% alternative minimum tax on the "alternative minimum taxable income" of a corporation, if the amount of such alternative minimum tax is greater than the amount of the corporation's regular income tax. Generally, the alternative minimum taxable income of a corporation (other than any S corporation, regulated investment company, REIT, REMIC or FASIT), includes 75% of the amount by which its "adjusted current earnings" exceeds its other "alternative minimum taxable income." Because interest on tax-exempt obligations, such as the Series 2005 Obligations, is included in a corporation's "adjusted current earnings," ownership of the Series 2005 Obligations could subject a corporation to alternative minimum tax consequences.

Under the Code, taxpayers are required to report on their returns the amount of tax-exempt interest, such as interest on the Series 2005 Obligations, received or accrued during the year.

Except as stated above, Bond Counsel will express no opinion as to any federal, state or local tax consequences resulting from the ownership of, receipt of interest on, or disposition of, the Series 2005 Obligations.

Prospective purchasers of the Series 2005 Obligations should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences to financial institutions, life insurance and property and casualty insurance companies, certain S corporations with Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, taxpayers owning an interest in a FASIT that holds tax-exempt obligations, and individuals otherwise qualifying for the earned income credit. In addition, certain foreign corporations doing business in the U.S. may be subject to the "branch profits tax" on their effectively-connected earnings and profits including tax-exempt interest such as interest on the Series 2005 Obligations. These categories of prospective purchasers should consult their own tax advisors as to the applicability of these consequences.

Bond Counsel's opinions are based on existing law, which is subject to change. Such opinions are further based on Bond Counsel's knowledge of facts as of the date of its opinion. Bond Counsel assumes no duty to update or supplement its opinions to reflect any facts or circumstances that may thereafter come to Bond Counsel's attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, Bond Counsel's opinions are not a guarantee of result and are not binding on the Service; rather, such opinions represent Bond Counsel's legal judgment based upon its review of existing law and in reliance upon representations and covenants referenced above that it deems 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 Series 2005 Obligations. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the Authority as the taxpayer and the Holders may not have a right to participate in such audit.

Tax Accounting Treatment of Original Issue Discount Obligations

The initial public offering price for certain of the Series 2005 Obligations may be less than the principal amount thereof (the "*Original Issue Discount Obligations*"). In such case, Bond Counsel, under existing law and based upon the assumptions hereinafter stated, will render an opinion to the effect that:

(a) The difference between (i) the amount payable at the maturity of each Original Issue Discount Obligation, and (ii) the initial offering price to the public of such Original Issue Discount Obligation constitutes original issue discount with respect to such Original Issue Discount Obligation in the hands of any owner who has purchased such Original Issue Discount Obligation in the initial public offering of the Series 2005 Obligations; and

(b) Such initial owner is entitled to exclude from gross income (as defined in Section 61 of the Code) an amount of income with respect to such Original Issue Discount Obligation equal to that portion of the amount of such original issue discount allocable to the period that such Original Issue Discount Obligation continues to be owned by such owner.

In the event of the redemption, sale or other taxable disposition of such Original Issue Discount Obligation prior to stated maturity, however, the amount realized by such own in excess of the basis of such Original Issue Discount Obligation in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Original Issue Discount Obligation was held by such initial owner) is includable in gross income. (Because original issue discount is treated as interest for federal income purposes, the discussion regarding interest on the Series 2005 Obligations under the caption "Tax Exemption" generally applies, except as otherwise provided below, to original issue discount on an Original Issue Discount Obligation held by an owner who purchased such Series 2005 Obligation at the initial offering price in the initial public offering of the Series 2005 Obligations, and should be considered in connection with the discussion in this portion of the Official Statement.)

In rendering the foregoing opinion, Bond Counsel will assume, in reliance upon certain representations of the initial purchaser, that (a) the initial purchaser has purchased the Series 2005 Obligations for contemporaneous sale to the public and (b) all of the Original Issue Discount Obligations have been initially offered, and a substantial amount of each maturity thereof has been sold, to the general public in arm's-length transactions for a price (and with no other consideration being included) not more than the initial offering prices thereof. Neither the Authority nor Bond Counsel warrants that the Original Issue Discount Obligations will be offered and sold in accordance with such assumptions. Certain of the representations of the initial purchaser, upon which Bond Counsel will rely in rendering the foregoing opinion, will be based on records or facts the initial purchaser had no reason to believe were not correct.

Under existing law, the original discount on each Original Issue Discount Obligation 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 Series 2005 Obligations and ratably within each such six-month period) and the accrued amount is added to an initial owner's basis for such Original Issue Discount Obligation 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 Series 2005 Obligation.

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

CONTINUING DISCLOSURE OF INFORMATION

In a Continuing Disclosure Agreement dated as of February 1, 2005 (the "*Continuing Disclosure Agreement*"), the Authority has made the following agreement for the benefit of the holders and beneficial owners of the Series 2005 Obligations. The Authority is required to observe the agreement for so long as it remains obligated to advance funds to pay the Series 2005 Obligations. Under the Continuing Disclosure Agreement, the Authority will be obligated to provide certain updated financial information and operating data to certain information vendors annually, and timely notice of specified material events, to certain information vendors. This information will be available to securities brokers and others who subscribe to receive the information from the vendors.

Annual Reports

The Authority will provide certain updated financial information and operating data to certain information vendors annually. The information to be updated includes all quantitative financial information and operating data with respect to the Authority and the System of the general type included in this Official Statement, under the headings "THE SYSTEM AND THE 2005 PROJECT," and in "SCHEDULE I – DEBT SERVICE REQUIREMENTS" and "APPENDIX A – AUDITED FINANCIAL STATEMENTS OF THE AUTHORITY" and will include the audited annual financial statements of the System. Included in the annual filing for each Fiscal Year through the completion of the 2005 Project, the Authority will furnish a copy of the General Engineering Consultant's construction progress report for the last quarter of the Fiscal Year and investment earnings on funds in the Construction Fund for such Fiscal Year. In addition, included in the annual filing relating to the first full Fiscal Year of operation of the 2005 Project and for each Fiscal Year thereafter, the Authority will furnish (i) a table, based on the actual results for such Fiscal Year, setting forth for such Fiscal Year, but not including any projection for any future period, the information shown in the table titled "Series 2005 Project Estimated Cash Flow and Debt Service Coverage Table" herein, (ii) a copy of the General Engineering Consultant's annual report relating to its inspection of the System and (iii) a copy of the Toll rate schedule then in effect.

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

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

The Authority’s current Fiscal Year end is June 30. Accordingly, it must provide updated information by December 31 in each year, unless the Authority changes its Fiscal Year. If the Authority changes its Fiscal Year, it will notify each *NRMSIR* and any *SID* of the change.

Material Event Notices

The Authority will also provide timely notices of certain events to each *NRMSIR*, or the Municipal Securities Rulemaking Board (“*MSRB*”), and the *SID*. The Authority will provide notice of any of the following events with respect to the Series 2005 Obligations: (1) principal amount or Maturity Amount, as applicable, and interest payment delinquencies; (2) non-payment related defaults; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions or events affecting the tax-exempt status of the Series 2005 Obligations; (7) modifications to rights of holders of the Series 2005 Obligations; (8) bond calls; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Series 2005 Obligations; and (11) ratings changes. In addition, the Authority will provide timely notice of any failure by the Authority to provide information, data, or financial statements in accordance with its agreement described above under “– Annual Reports.” The Authority will provide each notice described in this paragraph to any *SID* and to either each *NRMSIR* or the *MSRB*.

Availability of Information from *NRMSIRs* and *SID*

The Authority has agreed to provide the foregoing information only to *NRMSIRs* and any *SID*. Any filing may be made solely by transmitting such filing to the Municipal Advisory Council of Texas (the “*MAC*”) as provided at <http://www.disclosureusa.org>, unless the SEC has withdrawn the interpretive advice in its letter to the *MAC* dated September 7, 2004. The information will be available to Owners only if the Owners comply with the procedures and pay the charges established by such information vendors or obtain the information through securities brokers who do so.

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

Limitations and Amendments

The Authority has agreed to update information and to provide notices of material events only as described above. The Authority has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The Authority makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell the Series 2005 Obligations at any future date. The Authority disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although holders of Series 2005 Obligations may seek a writ of mandamus to compel the Authority to comply with its agreement.

The Authority may amend, supplement, or repeal its Continuing Disclosure Agreement to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the Authority, but only if (i) the Continuing Disclosure Agreement, as amended, would have permitted an underwriter to purchase or sell Series 2005 Obligations in the primary offering described herein in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances and (ii) either (a) the holders of a majority in aggregate principal amount or Maturity Amount, as applicable, of the outstanding Series 2005 Obligations consent to the amendment or (b) any person unaffiliated with the Authority (such as nationally-recognized bond counsel) determines that the amendment will not materially impair the interest of the holders and beneficial owners of the Series 2005 Obligations. The Authority may also amend or repeal its Continuing Disclosure Agreement if the SEC amends or repeals the application provisions of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling the Series 2005 Obligations in the primary offering of the Series 2005 Obligations.

Compliance with Prior Undertakings

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

LEGAL INVESTMENTS IN TEXAS

Section 1201.041 of the Public Security Procedures Act (Chapter 1201, Texas Government Code) provides that the Series 2005 Obligations are negotiable instruments governed by Chapter 8, Texas Business and Commerce Code, and are legal and authorized investments for insurance companies, fiduciaries, and trustees, and for the sinking funds of municipalities or other political subdivisions or public agencies of the State. With respect to investment in the Series 2005 Obligations by municipalities or other political subdivisions or

public agencies of the State, the Public Funds Investment Act, Chapter 2256, Texas Government Code, requires that the Series 2005 Obligations be assigned a rating of "A" or its equivalent as to investment quality by a national rating agency. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Series 2005 Obligations are legal investments for state banks, savings banks, trust companies with at capital of \$1,000,000 or more, and savings and loan associations. The Series 2005 Obligations are eligible to secure deposits of any public funds of the State, its agencies, and its political subdivisions, and are legal security for those deposits to the extent of their market value. No review by the Authority has been made of the laws in other states to determine whether the Series 2005 Obligations are legal investments for various institutions in those states.

The Authority makes no representation that the Series 2005 Obligations will be acceptable to banks, savings and loan associations or public entities for investment purposes or to secure deposits of public funds. The Authority has made no investigation of other laws, regulations or investment criteria that might apply to or otherwise limit the availability of the Series 2005 Obligations for investment or collateral purposes. Prospective purchasers are urged to carefully evaluate the investment quality of the Series 2005 Obligations and as to the acceptability of the Series 2005 Obligations for investment or collateral purposes.

RATINGS

The Series 2005 Senior Lien Bonds have received underlying ratings of "_____" from Standard & Poor's Credit Market Services ("*S&P*"), "_____" from Moody's Investors Service, Inc. ("*Moody's*"), and "_____" from Fitch, Inc. ("*Fitch*"). Additionally, the Series 2005 Senior Lien Bonds have received ratings of "_____", "_____" and "_____" from S&P, Moody's and Fitch, respectively, with the understanding that upon delivery of the Series 2005 Senior Lien Bonds, a policy insuring the payment when due of the principal of and interest on the Series 2005 Senior Lien Bonds will be issued by _____.

The Series 2005 Subordinate Lien BANS have received underlying ratings of "_____" from S&P, "_____" from Moody's and "_____" from Fitch.

An explanation of the significance of each such rating may be obtained from the company furnishing the rating. The ratings reflect only the views of such companies at the time such ratings are given, and the Authority makes no representation as to the appropriateness of the ratings. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by such companies, if in the judgment of such companies circumstances so warrant. Any such downward revision or withdrawal of any rating may have an adverse effect on the market price of the Series 2005 Obligations.

See "BOND INSURANCE" for information about the bond insurance policy described above.

CO-FINANCIAL ADVISORS

First Southwest Company and D. Ladd Pattillo & Associates, Inc. are employed as Co-Financial Advisors to the Authority. In their capacity as Co-Financial Advisors, neither First Southwest Company nor D. Ladd Pattillo & Associates have verified or will assume any

responsibility for the information, covenants, and representations contained in any of the legal documents with respect to the federal income tax status of the Series 2005 Obligations, or the possible impact of any present, pending, or future actions taken by any legislative or judicial bodies. The payment of legal fees to the Co-Financial Advisors in connection with the issuance of the Series 2005 Obligations is contingent on the sale and delivery of the Series 2005 Obligations.

UNDERWRITING

The Underwriters of the Series 2005 Senior Lien Bonds have agreed, subject to certain customary conditions to delivery, to purchase the Series 2005 Senior Lien Bonds from the Authority at an underwriting discount of \$[REDACTED] from the initial public offering prices therefor set forth on page [REDACTED] of this Official Statement. The Underwriters of the Series 2005 Subordinate Lien BANS have agreed, subject to certain customary conditions to delivery, to purchase the Series 2005 Subordinate Lien BANS from the Authority at an underwriting discount of \$[REDACTED] from the initial public offering prices therefor set forth on page [REDACTED] of this Official Statement. The Underwriters of each respective series of the Series 2005 Obligations will be obligated to purchase all of the obligations of such series if any obligations of such series are purchased. The Series 2005 Obligations may be offered and sold to certain dealers and others at prices lower than such public offering prices, and such public offering prices may be changed, from time to time, by the Underwriters.

OTHER MATTERS

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

CENTRAL TEXAS REGIONAL MOBILITY AUTHORITY

By: _____
Bob Tesch, Chairman