

*Grand Parkway Transportation
Corporation*

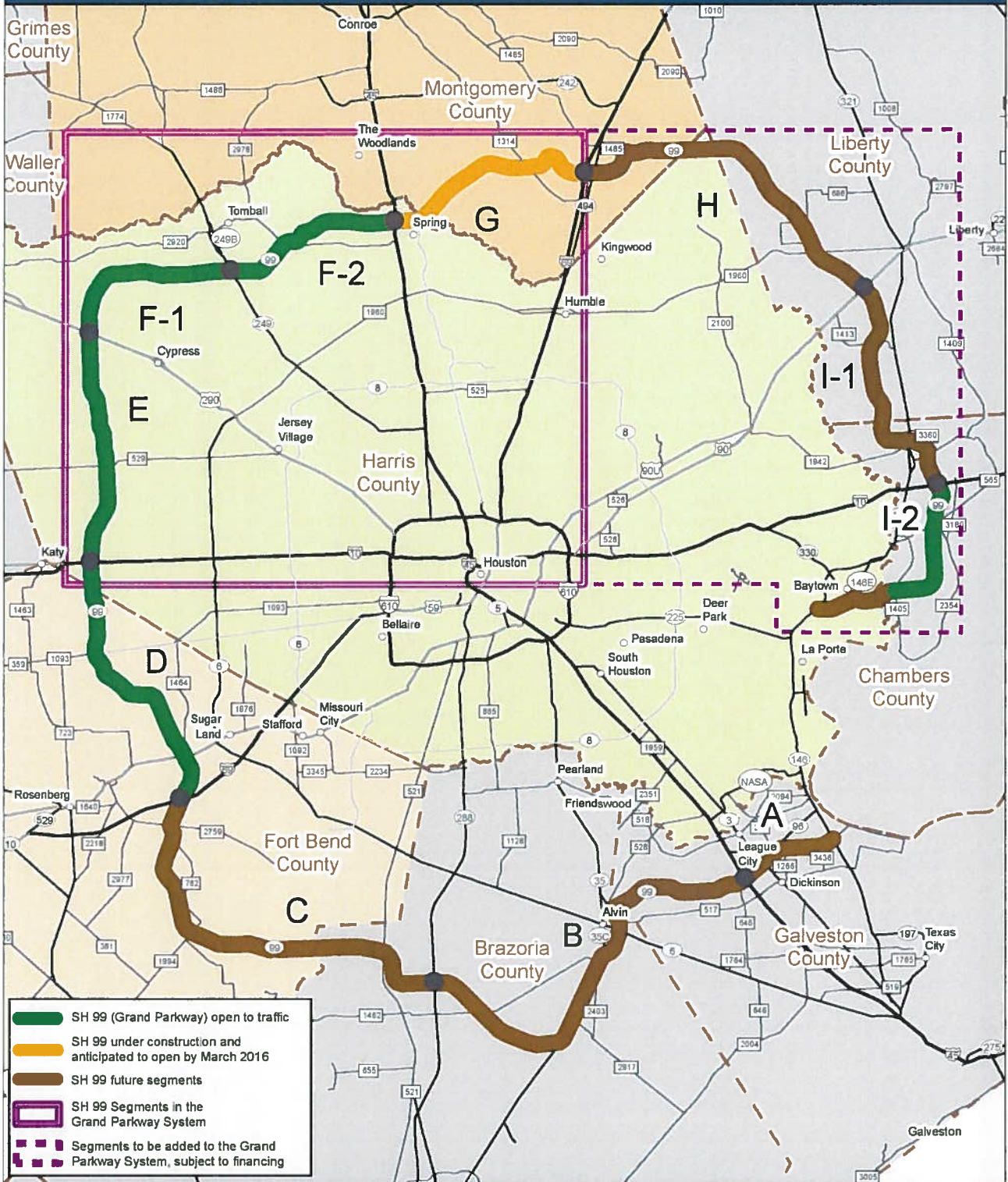


ANNUAL REPORT TO THE TEXAS
TRANSPORTATION COMMISSION

Grand Parkway Transportation Corporation

Submitted February 25, 2016

Map of Proposed State Highway 99 (Grand Parkway) Project



Texas Department of Transportation
 Transportation Planning and Programming Division
 Data Analysis, Mapping and Reporting Branch
 February 18, 2016

Copyright 2016
 Texas Department of Transportation
 This map was produced for internal use
 within the Texas Department of Transportation
 Accuracy is limited to the accuracy of available
 data as of December 31, 2016.



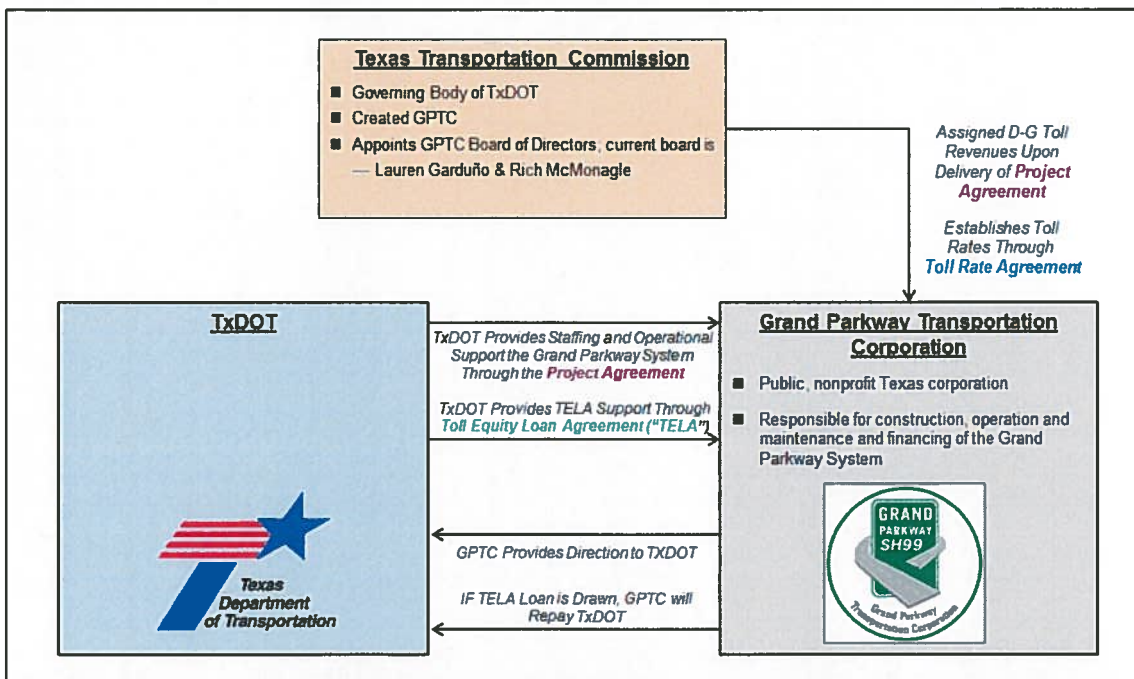
Grand Parkway Transportation Corporation

The **Grand Parkway Transportation Corporation** (“GPTC”) was created in March 2012 by the Commission under Chapter 431 of the Texas Transportation Code in order to develop certain tolled segments of the **Grand Parkway Project**. The Grand Parkway Project is a 184-mile proposed highway traversing 7 counties around the greater Houston area. It is divided into 11 segments (designated A through I-2) that are in various stages of development. Four counties (Harris, Montgomery, Liberty and Chambers) have ceded to the Commission and TxDOT their primacy rights to develop the Grand Parkway segments in their counties. See map on previous page.

GPTC’s responsibilities include all aspects of the **Grand Parkway System** (the “System”), which initially comprises the portion of **Segment D in Harris County and Segments E, F-1, F-2 and G** (“Segments D-G”) of the Grand Parkway Project, currently in operation or close to completion. These responsibilities include design, construction, operations, maintenance and financing. All agreements for construction, operations and maintenance of these segments and the frontage roads, access facilities and interchanges within the System right-of-way are contracts entered into by GPTC or assigned to it by TxDOT. Pursuant to a Commission minute order adopted in June 2015, the GPTC will hold these same responsibilities for Segments H and I, currently expected to be delivered under a pending Design-Build procurement undertaken by TxDOT.

As shown below, the GPTC is a separate governmental entity from **Texas Department of Transportation** (“TxDOT”) that holds public meetings, maintains a separate budget, and is governed by a three-member GPTC board of directors. Currently, the board is composed of Lauren Garduño, Rich McMonagle (Vice President) and a vacancy. GPTC does not have employees of its own and relies on support from TxDOT personnel to assist in carrying out its duties and functions, pursuant to the terms of a project agreement. By resolution, the GPTC Board of Directors has delegated to key employees of TxDOT responsibilities for decision making in the administration of certain construction and operations contracts and for handling certain types of contract disputes.

The creation of the GPTC allows for the utilization of a **Toll Equity Loan Agreement** (“TELA”) financing component. As shown in the chart below, the corporation allows the financing to have a “borrower” counter-party to TxDOT’s role as “lender” under the TELA.



GPTC SH 99 Segment Status

As of the date of this report, Segment D (Harris County), E, F-1, F-2, and I-2A are open to tolled traffic, and Segment G is expected to open by the end of March 2016. All toll revenues of the initial Grand Parkway System have been assigned by the Commission to GPTC. The System revenues are expected to fully support the operation and maintenance of the System, including debt service on its project debt. Additional information on Segment status may be found in the chart below.

The Grand Parkway Transportation Corporation SH 99 Segments		
Segment	Limits	Status
Segment D (Harris County):	Fort Bend/Harris County line to .30 miles north of Colonial Parkway in Harris County	Opened to traffic in December, 2013 and tolling in February, 2014
Segment E:	I-10W to US 290 in Harris County	Opened to traffic in December, 2013 and tolling in February, 2014
Segments F-1, F-2:	US 290 to SH 249 and SH 249 to I-45N in Harris and Montgomery Counties	Opened to traffic and tolling in February 2016
Segment G:	I-45N to I-69N (US 59N) in Harris and Montgomery Counties	Anticipated to open to traffic and tolling in March 2016
Segments H, I-1, I-2B:	I-69N (US 59N) to US 90, US 90 to I-10E and FM 1405 TO SH 146, in Harris, Montgomery, Liberty and Chambers Counties	Currently undergoing a Design-Build procurement
Segment I-2A:	I-10E to FM 1404, in Chambers County	Opened to traffic in 2008 and tolling in 2011. Will be added to the System upon the completion of Segments H and I.

GPTC Financings

Bonds

In August 2013, GPTC financed the capital costs of delivering Segments D-G of the Grand Parkway Project, using toll revenue bonds with a TELA component. Without the TELA, the 2013 financing would have required an estimated additional \$980 million of upfront public subsidy. Some of the 2013 outstanding bonds were then refinanced in 2014. As of December 31, 2015, a total of approximately \$2.9 billion in bonds were outstanding.

Grand Parkway Transportation Corporation Bonds	
Bond Issuances	Amount Outstanding as of 12/31/2015
Series 2013-A Fixed Rate Bonds	\$200,000,000
Series 2013-B Fixed Rate Bonds & CABs*	\$1,455,046,928
Series 2013-E Fixed Rate Taxable Bonds	\$361,810,000
Series 2014-A Bond Anticipation Notes	\$733,465,000

Series 2014-B Variable Rate Bonds	\$83,550,000
Series 2014-C Variable Rate Bonds	\$107,180,000
Total	\$2,941,051,928

*includes accreted interest

TIFIA

An \$840.6 million GPTC TIFIA loan for Segments D-G closed in February 2014, and disbursement of the loan proceeds is expected in late 2016. Currently, there is no D-G GPTC TIFIA loan balance outstanding. It is anticipated at the time of the D-G TIFIA draw that the Series 2014-A and Series 2014-C will be repaid in full; therefore, the draw on the D-G TIFIA loan is not anticipated to increase the total amount of GPTC debt. In October of 2015, a TIFIA Letter of Interest was submitted to USDOT for Segments H&I.

GPTC Regulation and Policies

Market Valuation Waiver Agreement ("MVWA")

In 2009, TxDOT and the seven counties (Galveston, Brazoria, Fort Bend, Harris, Montgomery, Liberty and Chambers) traversed by the Grand Parkway Project signed a **Market Valuation Waiver Agreement** ("MVWA") to agree on certain policies and principles for the development of the 184-mile toll project. The MVWA describes the minimum scope and ultimate scope of the Grand Parkway Project and phased construction of a number of direct connectors. Frontage roads are limited to specified intermittent distances to prevent adverse effects on toll revenues. In addition, the MVWA sets out principles of governance for all segments of the Grand Parkway Project, including: (1) baseline toll rates and annual toll escalation policy that are based on average per mile toll rates of the Harris County Toll Road Authority in effect in 2009; (2) a prohibition on the use of toll revenues outside the Grand Parkway Project until the ultimate scope has been constructed and placed in service; and (3) limits on competing roads that impact tolled traffic on the corridor Project.

GPTC Policies

GPTC has developed policies to conform to the intent of the MVWA including a frontage road policy and a free passage policy based on existing regional practice as detailed in the **Toll Rate Agreement** ("Toll Rate Agreement") between GPTC and the Commission. Toll rates are set by the Commission by minute order in accordance with the MVWA toll policy, subject to satisfaction of the toll rate covenant contained in the Toll Rate Agreement for the benefit of GPTC's bondholders. Tolls are automatically increased on an annual basis at the greater rate of 2% or the regional CPI (Houston CPI-W).

Hurricane Evacuation

The System has been designated as a hurricane evacuation route and procedures are in place for ensuring that actions required at the time of an emergency can be implemented effectively.